

Testimony from Dina H. Powell
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House Committee on Small Business
Subcommittee on Economic Growth, Tax, and Capital Access
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Chairman Rice, Ranking Member Chu, Members of the Subcommittee, thank you for the opportunity to testify before the subcommittee regarding Goldman Sachs *10,000 Small Businesses* and the critical issues of supporting small business growth and job creation in the United States.

As you know, the success of small businesses is critical for a strong national economy. According to the U.S. Small Business Administration and Bureau of Labor Statistics, over the last two decades small businesses have been responsible for creating 2 out of every 3 net new jobs and currently employ roughly 60 million Americans, half of the private sector workforce.¹ But despite general improvement in the nation's overall economic condition, challenges persist for many small businesses.

So, with this in mind, and based on the success of Goldman Sachs *10,000 Women*—our global effort of supporting women entrepreneurs in developing and emerging economies which will serve its 10,000th women this year—we launched *10,000 Small Businesses* in 2009.

10,000 Small Businesses, or 10KSB, is a \$500 million initiative to help small businesses in the United States by providing entrepreneurs through an integrated program a practical business and management education, as well as access to capital and business support services. The program is based on recommendations from leading experts that greater access to this combination of education, capital and support services best addresses barriers to growth. The large network of national and local implementing partners that we work with are what make this program a success.

The program is currently operating in fifteen sites: the metro areas of Chicago, Cleveland, Houston, Long Beach, Los Angeles, New Orleans, Philadelphia, New York and Salt Lake City, and in a number of states with a capital-only offering, including Virginia, Kentucky, Montana, Oregon, Tennessee and Washington. In these capital-only states, the program's partners focus on making capital available in underserved rural areas which may lack the presence of commercial banks.

10KSB is designed for small businesses poised for growth. Applicants must demonstrate a commitment to growing their businesses and creating jobs within their communities. Business owners targeted include, but are not limited to those with: revenues between \$150,000 and \$4 million; in operation for at least two years; at least four full-time employees; and a business model that could scale to create more jobs.

10KSB provides comprehensive support for small businesses owners. Based on a high quality curriculum designed in consultation with industry experts—principally Babson College, the U.S. News and World Report number one ranked undergraduate business school for entrepreneurship

¹ http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

for 17 years running—10KSB enlists community colleges to deliver business training, local mission-driven capital providers to make small business loans, and local non-profit partners to provide technical assistance and business support services. In addition, Goldman Sachs employees and senior management are actively engaged in various aspects of program delivery.

For the educational component, The Goldman Sachs Foundation is contributing \$200 million to fund business owner training at partner community colleges, and faculty training and technical assistance to help build our partners' capacity. Business owners receive a practical education that focuses on skills they can apply immediately. The 360 degree approach—business training, access to capital, one-on-one businesses advising and exclusive networking opportunities—that help each participant develop a tailored business growth plan that they begin to implement even before completing the program. Because of this personalized training, the program is able to serve businesses within a highly diverse set of industries ranging from construction, food service and security to technology, marketing and health care.

For the capital component, \$300 million has been allocated nationally for a combination of lending and philanthropic support to non-profit Community Development Financial Institution (CDFI) Loan Funds and other community-based lenders. The investment will increase the amount of growth capital available to small businesses in underserved communities and expand the capacity of mission-driven lenders to deliver financing and technical assistance to small businesses. Goldman Sachs partners with CDFI loan funds and other nonprofit lenders due to their ability to flexibly underwrite capital to businesses which typically don't qualify for bank financing. The CDFI funds not only provide capital, but also provide extensive technical assistance to help these businesses become "bank-able". The loan funds provide loans in amounts less than what conventional banks like to offer – the average loan size is \$200,000, and can often be made as an unsecured loan for working capital. In addition, to help our capital partners serve the many deserving businesses, Goldman Sachs provides a loan loss reserve. Separately, 10KSB provides grants to fund the capital partner's operational capacity to increase their lending generally.

The program's strength is derived from a network of over 80 partnerships designed to maximize its reach and results. This includes the leadership provided by the program's Advisory Council co-chaired by Goldman Sachs Chairman and CEO Lloyd Blankfein, Berkshire Hathaway Chairman and CEO Warren Buffett, and Dr. Michael Porter of the Initiative for a Competitive Inner City and Harvard Business School. Furthermore, local partners at each site, including both public and non-profit sector participants, are empowered to implement the program in serving the local small business population. This is the linchpin on which the program's effectiveness relies. Our partners help the program from the design to implementation to recruitment of businesses depending upon their particular expertise. The program aims to bring together local organizations with similar goals to work together in new ways and develop cooperative relationships that will last for years to come. In working with our partners across the United States, the program is building capacity and cooperation within local small businesses and entrepreneurship ecosystems. These national and local organizations, together with Mayors and other government leaders in the communities in which we operate, are working together to support this program, small business development in their communities, and are building relationships that will long outlast this program.

Across the United States, 10KSB works. To date, over 1,600 small business owners have participated in the program. The education component maintains a 99% graduation rate, and just

six months after graduation, 63% have reported increasing their revenues and 47% have reported creating net new jobs. The program is creating a strong network of small businesses as 76% of graduates end up doing some form of business together, keeping more money within the local economy. In addition, approximately \$56 million has been funded to over 265 businesses for growth capital, of which 75% are located in low and moderate income levels, and 50% are Women/ Minority Business Enterprises.

The following examples illustrate participating businesses' success across the country:

Rhys Powell is the founder and President of Red Rabbit, a company that provides alternative and healthy meals for school children. He founded the company in 2005 and operates the business from Harlem, New York. Rhys joined 10KSB at LaGuardia Community College in 2011 to enhance his proficiency in managing the business operations, hone his negotiations skills and gain a framework to plan strategically for growth. Since joining the program, he has reported an increase in revenues by 300%, winning six new contracts totaling almost \$1 million from different schools across New York City, and hiring 90 new employees since starting the program.

Payal Kamdar is the founder of VSolvit, which provides geospatial and information technology consulting services and solutions to government and private sector clients. Founded in 2006, VSolvit LLC is an award winning 8(a), HUBZone, Woman Owned company. Payal joined 10KSB at Long Beach City College in 2011 and credits the program with enabling her to think simultaneously across multiple dimensions to drive VSolvit's growth. Since graduating from the program, VSolvit has reported increasing revenues over 500% and growing from 17 to 120 employees. VSolvit was recently awarded a 5 year, \$53 million software development contract with the U.S. Navy. VSolvit was also selected as the US Department of Agriculture (USDA) Woman Owned Business of the Year in 2011 and Payal was selected as the 2012 Small Business Administration (SBA) Region IX Minority Small Business Person of the Year and 2013 Los Angeles Minority Business Person of the Year. VSolvit has also begun work on a breast cancer initiative by mapping diagnosis rates, then identifying areas where lag time of diagnosis is above the national average, which then allows teams to send mobile health units into those areas to bring diagnosis timing in line with averages.

Ryan Walsh is the Vice President of Walsh Electric, a family-owned and operated electrical contracting company based in Staten Island, New York. The company provides electrical contracting services to the residential, commercial, and industrial markets both in the public and private sectors. Ryan joined 10KSB at LaGuardia Community College in 2012. Since joining the program, Walsh Electric has reported growing from a 44 person organization with \$4 million in sales to an organization that employs 127 people and is on track to \$25 million in sales. In addition, Ryan has reported that Walsh business has secured a significant credit line used to replace aging tools, equipment, and vehicles. Lastly, Walsh is in the final stage of moving from their original office to a new facility that is 450% larger—and which they will own.

Angelica Rivera is the co-owner of Colmex Construction, a family-owned contractor for residential and commercial construction and renovation. Colmex specializes in working with nonprofit organizations. She formed Colmex Construction with her husband in 2008. In 2011 she joined 10KSB at Delgado Community College in New Orleans to improve her company's cash flow and learn more ways to pursue capital effectively. Since then, Angelica reports that Colmex has added 16 new jobs and increased revenues over 400%.

These four businesses are not alone in their success and we are pleased today to announce that small businesses owners from every state will now have the opportunity apply to be part of the *10,000 Small Businesses* program.

In the coming months 10KSB will launch our first ever national cohort of the 10KSB education program, designed to serve business owners from across the country who do not live in the metropolitan areas of one of our nine education sites. The program will be held at Babson College just outside Boston, Massachusetts and be a combination of an accelerated classroom experience coupled with online learning. Participants will travel to Babson for two intensive 4-day sessions separated by a few weeks of online coursework. The program will be at no cost to small business owners so that all of the most deserving small businesses can participate. 10KSB is accepting applications now at www.10ksbapply.com for the class that will begin in January. The application deadline is October 18th and we hope that members of the committee and their colleagues in Congress will help us get the word out to their constituents and maximize the number of entrepreneurs that can take advantage of this opportunity.

Thank you once again for the opportunity to testify.