



**U.S. Small Business Administration
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**Testimony Before the
U.S. House Committee on Small Business**

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Chairman Graves, Ranking Member Velázquez, and distinguished members of the Committee. Thank you for inviting me to testify before you about our Regional Innovation Clusters and our Entrepreneurship Education Programs.

Strong and thriving small businesses are key to a flourishing economy. While we know that small businesses create 2 out of every 3 net new jobs, the bulk of these new jobs are being created through the sustained, incremental expansion of existing small businesses across a wide range of industries. According to outside sources 92% of new jobs come from the expansion of existing businesses; while start-ups accounted for around 7% of net new jobs in the past decade.

SBA believes, that by providing additional technical assistance to more growth-oriented entrepreneurs, our government's limited resources will be maximized and strategically focused on the firms that have the highest potential to create a positive economic impact. SBA's Clusters and Entrepreneurship Education Programs do exactly this. Each program has a proven track record of helping entrepreneurs better lead and grow their businesses.

SBA created the Clusters program to strengthen small business participation in existing regional economic clusters. We do this by fostering a network of businesses, universities, and investors that work to grow a related set of industries.

Leveraging these resources, each cluster acts as a networking hub, connecting small businesses to innovation assets while providing targeted matchmaking, training, and mentoring.

Small businesses participating in our clusters are able to access new markets and commercialize products, thus accelerating their growth. These clusters are powerful at creating an environment where small businesses can successfully participate. According to the data:

- Revenue of small business participants increased by 23%;
- Employment grew on average by more than 18%;
- And, the initiative helped small businesses access more than \$66 million in private funding sources as well as \$14 million from federal SBIR and STTR awards.

The San Diego Advanced Defense Technology Cluster provides expert assistance with product development, as well as networking opportunities to help small businesses secure customers and investors in cyber-security, autonomous systems, and other defense-related sectors. Resource partners like the North San Diego Small Business Development Center provide the businesses with information and management assistance on the key building blocks of business success.

Like the Clusters program, SBA's Entrepreneurship Education Program helps equip entrepreneurs to better lead and grow their businesses. Growth-oriented businesses face an entirely different set of challenges than start-ups, and the Entrepreneurship Education Program provides them with some of the tools they need to sustain their growth trajectory. Through this program we have seen much success with our Emerging Leaders Initiative. This initiative, now in its seventh year, was launched to assist small businesses in underserved communities that are poised for growth. By providing nearly 100 hours of in-person and out of classroom coursework over a 7-month period, business owners learn how to refine their core strategy, gain a stronger foothold in the market, and secure more customers.

A third party evaluator found that 62 % of the 2012 program graduates saw an average revenue increase of 45%; with the median revenue increasing from \$894,000 before participation to \$1.1 million following the first year of completion. Additionally, 40% of participants in 2012 reported securing government contracts with an average value of approximately \$2.1 million.

Leveraging SBA's local presence and convening power, our District Offices administer this initiative while also engaging local resource partners in a variety of ways.

Overall, the objective is for us to continue meeting the needs of small business owners in the dynamic and changing environment that exists for entrepreneurs. Our approach is evolving and to meet those needs our Entrepreneurship Education Program agenda will include more than the Emerging Leaders Initiative. In the coming weeks and months we will be looking at finalizing an initiative that builds off the existing platforms through programs run within the agency.

In closing, both the Regional Innovation Clusters and the Entrepreneurship Education Program help to improve the competitiveness of high-potential, growth-oriented small businesses. We know these programs provide relevant assistance and education that address the unique challenges of growing small businesses.

Thank you for the opportunity to testify before you today. I look forward to answering any questions you may have. Thank you.