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Promoting Entrepreneurship and Job Creation by Decreasing Duplication at the SBA

CONGRESSIONAL TESTIMONY

HOUSE SMALL BUSINESS COMMITTEE

CHAIRMAN SAM GRAVES

RANKING MEMBER NYDIA M. VELAZQUEZ

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TESTIMONY BY

ARNOLD BAKER, CHAIRMAN

Chairman Graves, Minority Leader Velazquez and distinguished members of this committee thank you for inviting the National Black Chamber of Commerce to participate in this most important hearing. The NBCC proudly represents the fastest growing segment of the American economy, Black Owned Businesses. When we were incorporated in May, 1993 the US Census Bureau stated that there were 300,000 Black owned businesses doing \$30 billion in sales annually. Today, the US Census Bureau states that there are 1.9 million Black owned businesses doing over \$137 billion annually. This fantastic growth has swelled our membership and has made us the largest Black business association in the world. We have over 160 local chapters of which 70% are located throughout the United States. Our database of Black owned firms exceeds 60,000 businesses. The NBCC Business Development Committee is rapidly making new inroads and increasing the sales of our members. Several of our chapters are working closely with the SBA and have members benefiting from SBA sponsored or supported programs.

Despite this fantastic growth we have found the federal government to be going counter to this activity. In Fiscal Year 2010, Black firms were awarded 3,994 contracts (all federal agencies except the Dept. of Defense – DLA – Defense Logistics Agency) which were a 16.3% decrease from FY 2009 and a paltry 0.3% of the total contract volume. We suspect DOD numbers to be no better. SBA lending is somewhat better but that is a variable decided by participating banks.

Small business entrepreneurs of this great nation generate 70% of all new jobs in America. If you want more jobs, then support the development and expansion of more small businesses. Cutting support for small business programming at a time when this country needs jobs and needs small business growth seems counter intuitive. A better funded and better staffed field infrastructure for the SBA is critical to continued improvement of this nation's economy. We see no indication that cutting SBA funding is the right solution at this time, as outreach and inclusion to the business community is still rudimentary.

If we just look to the Black business community, the latest census reports show that while the black business community was fast growing, the majority of Black businesses around the country employ one employee and generate less than \$60,000 a year in gross revenues. Other segments of the business community were not significantly more stable. This nation's small business economy is still very, very fragile and they deserve a federal government that assists in their development.

Since the 1990's the manpower of the field offices has greatly declined. At one time the New Orleans district office had over 70 employees. When Katrina hit the area there were less than 20 and it could not possibly service the needs of the local business population. The NBCC had to step up its activity with our National Office making over 75 visits within the first 3 years and having its annual convention in New Orleans for three years in a row. The SBA and the Women's business development center that they funded each partnered with us on several outreach activities. I am proud to say that our newly opened Gulf Coast chapters claim to have

affected over \$3 billion in rebuilding contracts and are now opening a regional office in New Orleans.

I feel a need to specifically address the potential of private entrepreneurial development programs replacing current services provided by the SBA. There is a fear spreading that this may create temporary duplication in some markets. We must not forget that a private company can and will only provide services that they can generate profits from. It is the nature of business. As soon as the service, the market or the target population becomes unprofitable, a private company has a fiduciary responsibility to its share holders to cease such activity, which in this case would be to eliminate the segment of the population that is not producing a profit. It's just a business decision.

It would be disingenuous of me to not state that our members have also expressed great frustration with the SBA and some of their programs. Our members, especially those in the Gulf South bore the greatest impact of their loan programs deficiencies and diminished inclusion efforts. However, cutting funding and cutting programming is exactly the wrong thing to do, unless you want to increase frustration. There are examples across the country of where the SBA has invigorated its regional offices and the impact is tremendous. Mississippi is one of those regions where Black businesses enjoy a renewed SBA and PTAC mindset that has increased Black business procurement in the state by over 40 percent over the past two years.

This committee would do the country and the economy well by fighting for increased funding and bringing the manpower back to mid-1990 levels.

Where is the SBA in all of this? Unfortunately 80% of our US chapters still have little or no involvement with the local offices of the SBA. Mississippi and the metropolitan DC areas are the best cooperative models and it would be a great improvement if the SBA headquarters could study the activity of these two areas and consider them to be a model for Black outreach. Our doors have always been open for the SBA but we need a greater commitment for inclusion and outreach to our constituents.

So the subject of reducing duplication is a tough question. However, cutting support at this time is simply not worth the risk to the small business community

Thank you for allowing us this time. We will be happy to answer any questions you may have.