



Testimony
of
C. E. "Tee" Rowe
President/CEO
America's SBDC

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Chairman Knight, Ranking Member Murphy,

Thank you for inviting America's SBDC to testify today. My name is "Tee" Rowe, I am the President of America's SBDC, the Association that represents the nationwide small business development center (SBDC) system of 63 networks with roughly 1,000 locations and over 4,500 dedicated professional counselors, advisors, specialists and support staff.

For 37 years SBDCs have been providing services to small business owners and aspiring entrepreneurs. Over the years our member networks have developed a wide variety of services for small businesses of all sizes that are adapted to meet the needs of their states and regions.

How and Where SBDCs work

SBDCs operate out of host institutions, primarily colleges and universities, and they operate (with some exceptions) statewide. California and Texas are the exceptions, they have six and four regional networks respectively. The host institution manages the operations of its SBDC network through the lead center. The satellite centers are located at other colleges, community colleges and chambers of commerce. Many SBDCs are based at the business schools of their respective colleges providing the ability to leverage the skills and knowledge of the professors with practical experience of our advisers.

Those host institutions and their partners contribute matching funds that equal or exceed the federal funding. Federal funding for SBDCs is allocated based on population census figures with a minimum funding level for smaller states (VT, NH, SD, etc.)

SBDCs provide services to small businesses at all stages of development. The mix of businesses usually varies depending on the state or region and their unique characteristics. A good rule of thumb is that SBDCs have a roughly 60/40 mix of existing and nascent (start-up) entrepreneurs. Annually, these ratios vary due to economic conditions and external factors such as disasters or market conditions. About 45% of our clients are women, 38% are minorities and roughly 10% of our clients are veterans.

The amount of time SBDCs spend with each client varies. Our extended engagement clients receive a minimum of five hours of counseling with the average running much higher. SBDCs served over 192,00 counseling clients in 2016 and devoted over 1.2 million hours to them, an average of 7 hours. Longer term clients can span multiple years and usually involve ongoing assistance in areas such as intellectual property, new technologies or manufacturing. SBDCs manage their resources to meet the needs of the client, and as we all recognize, each client is unique. They can present challenges that range from specific and manageable to substantial and time-consuming.

Our advisers

Whether you call them advisers, counselors, coaches or consultants SBDC staff have a common goal – small business success. The majority of our advisers have business degrees and past entrepreneurial experience. Many are serial entrepreneurs who are now giving back to small business community. Some may specialize in certain areas of expertise – finance, accounting, management, etc.

SBDC Services

SBDCs services are not monolithic. There is no “cookie cutter” answer to small business growth and success. There are certain basic services that an SBDC will always offer. Help with business planning, working on financial packages (I often say that SBDCs’ biggest job is teaching people to speak “banker”), basic business licensing, marketing and accounting, etc. It is the more intensive or specialized offerings that make SBDCs a little different.

To accomplish their mission SBDCs rely on keeping track of the service needs of their clients and developing curricula or services to meet those needs. That responsiveness is not accidental, it dates back to Congress’ original design of the program and has been consistently restated in every legislatively approved action since then. In addition, the accreditation standards of the SBDC program, authorized by Congress, require SBDC networks to survey and monitor the needs of the small business community and tailor their services accordingly on a continuous basis. In that way, we see SBDCs as 63 laboratories dedicated to small business growth.

Each SBDC develops these offerings based on their assessment and analysis of their state or region, as required by the SBDC accreditation process. In addition to accreditation, SBDCs are also subject to regular annual program reviews and biennial financial reviews. These are conducted by SBA and they monitor program performance, service delivery and adherence to program goals.

I can't give you a full breakdown of everything an SBDC offers, it varies too much from state to state. However, I would like to share a sampling of some of the specialized services SBDCs offer to our clients. There just isn't enough time to tell you about all the counseling and training that SBDCs provide.

Intensive Entrepreneurship

In addition to our one-on-one counseling/advisement and mentorship, SBDCs also offer intensive training courses in combination with one-on-one counseling to our more seasoned clients. A quick survey of SBDCs found that at least half of our 63 networks offered these intensive training courses for businesses. The only thing SBDCs lack is incremental resources to expand those offerings without reducing other highly valued services to targeted constituents. Every one of our nearly 1,000 centers can't provide such services but, we work hard to make those services as widely available as possible, again based upon community need.

These programs offer multiple weeks of training and counseling and are geared to existing businesses that are in that high-growth potential group. We often encourage our local hosts, representing many of the finest higher education institutions in the nation, to augment the value of those programs for the small business owners. Candidly, this seems to make sense for us and our higher education partners.

However, these courses are often not limited to a certain size of business or ones that have experienced supernormal growth. SBDCs often find that certain nascent businesses can benefit as much or more from intensive and broad training. We base some of this belief on our experience but it's backed up by findings from the Kauffman Foundation. In a July 2010 study, Tim Kane, PhD, a Senior Fellow at the Kauffman Foundation found that start-ups are as likely to be job creators as existing businesses. This matches some of our own analysis which considers the resources required to assist each category and the resultant outcomes achieved by the respective group. Fundamentally, SBDCs understand this observation, an understanding derived from the simple premise that business education should be based on knowledge gaps and not size or industry.

Incubators

SBDCs work with and host incubators all across the country. With SBDC support, an incubator-based client receives not only peer mentoring but also direct engagement with highly trained and dedicated advisors. As higher education has become more broadly recognized as a critical component in today's technical and informational economy, our host institutions have been launching incubators as well as engaging faculty, staff and students in entrepreneurial activities. SBDCs are involved in this effort in almost every corner of our nation. To name just a few of our incubator/accelerator sites – they are in Pennsylvania, Alabama, Colorado, Arizona, Ohio and California.

Export Assistance

Under the Small Business Jobs Act, Congress provided funding to expand the SBDC capacity to assist small businesses that were new to exporting. For SBDCs, this was not an unfunded mandate but an opportunity to add significantly to our arsenal of expertise. SBDCs secured certification for more export counselors than 'required' in the legislation and worked hard to retain every qualified staff member when the Jobs Act funding expired. Currently SBDCs have over 640 certified export counselors nationwide. Many of them are NASBITE (National Association of Small Business International Trade Educators) Certified Global Business Professionals. That certification requires coursework and training in Global Business Management, Global Marketing, Supply Chain Management and Export Finance. In addition to export counseling our networks also offer training. Among the offerings are training sessions in Export Regulation supported by the US Census Bureau, Foreign Corrupt Practices Act compliance, shipping compliance, etc.

Our SBDC members have also encountered the substantial interest nations around the world have to develop their own domestic SBDC network. Many nations are developing their own networks of service centers patterned on the SBDC program. We are working in Central and South America, and the Caribbean to assist these efforts. (There is already a thriving SBDC network in Mexico with over 110 centers) We have also begun developing relationships in the Middle East to help them expand entrepreneurship.

Last year America's SBDC, the University of Texas San Antonio SBDC network, InBIA (the International Business Incubator Association), and CENPROMYPE (the Center for Promotion of Small Business of SICA) began working on a three-year grant from the US Department of State to promote the expansion of the SBDC model through South and Central America.

Veterans

Support for veterans has been a part of the SBDC mission since the program was founded and over the years SBDCs have assisted hundreds of thousands of veterans either with their existing businesses or in starting new businesses. To accomplish that mission SBDCs have developed programs nationwide based on initial training and followed up with intensive one-on-one counseling for veteran business owners. Veterans represent approximately 10% of the SBDC assistance provided annually. Overall, SBDCs counseled and trained over 30,000 veterans in 2015 and in 2016 respectively. Of those veterans over 18,000 were service disabled.

Several states developed their own veterans' programs. In New York, for example, the SBDC has a comprehensive veterans' small business assistance program, providing targeted business training, counseling, and mentoring for veterans and service-disabled veterans. There are dedicated Veterans' Business Advisors in the centers at the Farmingdale, Buffalo, and Albany SBDCs. In addition, all of the 24 Regional Centers in the state-wide network prioritize assistance to veterans.

In Brooklyn they work with the New York City Mayor's Office of Veteran Affairs and the Mid-Hudson SBDC works with the Wounded Warrior Unit at the US Military Academy at West Point on joint programs for returning wounded veterans. The Mohawk Valley, Onondaga and Jamestown SBDC have all established an annual Veterans events supported by numerous regional organizations that provide breakout workshops, dozens of exhibitors, networking sessions, and matchmaking for Government Contracting.

In addition, NY has the EntreSkills™ for Veterans, an online training program available anywhere (including currently deployed troops) that combines online education with an SBDC advisor that electronically counsels each assigned veteran. This web-based interactive educational program teaches veterans how to be successful entrepreneurs and small business owners. The program takes veterans through cumulative stages as it helps them refine and develop a small business concept, address legal and marketing issues, prepare financial statements, and, ultimately, prepare a complete business plan. This program is currently being further enriched and we submitted it to SBA as part of our proposal for expanding Boots to Business.

Just a sample of the impact from NY - At the Watertown SBDC they trained and counseled 884 veterans over the last 4 years resulting in 31 businesses starts, 197 jobs created and economic impact of \$5.97 million.

SBDCs also work with SBA's Office of Veterans' Business Ownership to carry out the Boots-2-Business program. That program has been very successful and SBDCs see it as a good introduction point for one-on-one counseling and continuing assistance. SBDCs believe that our veterans deserve the very best we can offer and will do everything they can to deliver the assistance they need to succeed and fulfill the American dream.

Disaster Assistance

A little noticed service SBDCs provide is disaster recovery and disaster preparedness assistance. SBDCs are an integral part of the SBA's disaster assistance effort, helping to identify locations for Business Recovery Centers, getting BRCs set up and then staffing them in support of the SBA's Office of Disaster Assistance. Our role is particularly important because in the aftermath of a disaster small business owners are rarely ready to face the difficulties of restoring their businesses. Responding to the information needed for an SBA disaster loans can be stressful and SBDCs have long experience helping ease that burden and support the disaster recovery effort. That's often where our preparedness assistance is most important. Without a good resiliency plan a small business can be ruined to the point of no return but, with SBDC help, much of the pain from a disaster can be eased.

Of course, all states have disasters but Florida seems to get a healthy share. The Florida SBDC has developed Bizaster, available in both English and Spanish, a mobile disaster assistance app for Android and iOS. The application features risk assessments, customizable checklists, and other resources in a user-friendly and accessible format and is available at no cost. This is a new tool to help businesses prepare, respond, and recover from natural and man-made disasters. Bizaster can be downloaded from the [App Store](#) or via [Google Play](#). That's just another example of how SBDCs adapt their services to the needs of their communities.

Procurement Assistance

Many SBDCs, particularly those in areas with large federal purchasing centers (MD, VA, TX, CA, FL) offer counseling and training in the intricacies of federal procurement. They offer help with certification, searching for contracting opportunities and bid proposal compliance. SBDCs also have a longstanding relationship with the Procurement Technical Assistance Center program at the Defense Logistics Agency. Many PTACs operate out of or are co-located with SBDCs. That enables them to leverage their capacity.

In addition, many SBDCs assist small businesses with state and local contracting opportunities, a gateway to larger federal contracting opportunities.

Cybersecurity

Recently, I testified before the full committee on the ongoing effort between SBA, DHS and America's SBDCs to develop a national cybersecurity strategy to assist small business in protecting themselves and their clients from cybercrime. In our centers in New York, Delaware, Florida, Texas and others we are developing programs to not only advise and inform our clients but spread the information and training capacity throughout our networks. They are providing materials and sharing best practices with their colleagues to spread the skills nationwide. In Florida, our network is collaborating with Ridge Global, the firm founded by former DHS Secretary Tom Ridge, to develop a series of training videos on cybersecurity. The New York SBDC has developed a cybersecurity planning guide which we are working to disseminate to other states to help them build their capacity. In Michigan, besides training, our network is launching a media campaign day to spread awareness.

SBDCs began developing these cybersecurity resources on their own over the last few years. SBDCs got into this area because we realized it wasn't enough to teach small business about the opportunities the internet provides. It is also necessary to warn them about the dangers it can present.

SBIR/STTR

The SBIR/STTR programs are a vital path for small business to access federal research and development funds and use them to commercialize innovative new technologies and products. However, the application and review process can be daunting. Many of our SBDCs have built specialized programs to help their clients understand the process and access these funds. The SBDCs in Delaware, Arkansas and Missouri have built impressive programs to help small businesses understand the program announcements, write better applications and turn their concepts into realities.

Results

What does the SBDC program accomplish?

In 2015 (our most recent impact survey) SBDCs helped their clients access 4.7 billion dollars in capital. Their long-term clients alone created over 100,000 jobs, and the average cost of generating each job was \$2,459. Those clients achieved 6.88 billion dollars in new sales and that generated roughly \$607 million dollars in revenue, \$342 million to the states and \$265 million to the federal government. That's about \$2.47 for every dollar spent on the program, and that's just from the long-term clients – about one-third of the total SBDC clients.

The role of ED partners

I have spoken about SBDCs on their own but, the program does not exist in a vacuum. SBDCs work with SCORE, Women's Business Centers and VBOCs every day. We share space, refer clients and fill gaps in each other's services. It is our belief that SBA has the best "toolbox" of entrepreneurial assistance around, and when coupled with the lending partners (7a, 504, SBICs) an unbeatable combination.

This hearing couldn't be better timed. The new Administrator has an opportunity to assess and analyze the programs at her disposal and work with us to maximize their effectiveness. We need to identify the gaps in coverage – geographic and content. Who is doing what right? Who is doing what wrong? Are the goals, metrics and data systems up to the job?

The recovery from the 2008 recession left a lot of holes in our economy. Many counties and communities have not recovered. How will we focus our efforts, reach them and build their small business infrastructure?

SBA and its resource partners have an excellent arsenal of talent to bring to bear on these problems. The biggest obstacle we have is failing to listen to one another and recognize our respective strengths and weaknesses.

Thank you again for asking me to testify, I look forward to your questions.