FULL COMMITTEE HEARING ON THE STATE OF THE SBA'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS AND THEIR ROLE IN PROMOTING AN ECONOMIC RECOVERY

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

HEARING HELD
FEBRUARY 11, 2009

Small Business Committee Document Number 111-005
Available via the GPO Website: http://www.access.gpo.gov/congress/house

U.S. GOVERNMENT PRINTING OFFICE

47–055 PDF WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

HOUSE COMMITTEE ON SMALL BUSINESS

NYDIA M. VELÁZQUEZ, New York, *Chairwoman*
DENNIS MOORE, Kansas
HEATH SHULER, North Carolina
KATHY DAHLKEMPER, Pennsylvania
KURT SCHRADER, Oregon
ANN KIRKPATRICK, Arizona
GLENN NYE, Virginia
MICHAEL MICHAUD, Maine
MELISSA BEAN, Illinois
DAN LIPINSKI, Illinois
JASON ALTMIRE, Pennsylvania
YVETTE CLARKE, New York
BRAD ELLSWORTH, Indiana
JOE SESTAK, Pennsylvania
BOBBY BRIGHT, Alabama
PARKER GRIFFITH, Alabama
DEBORAH HALVORSON, Illinois
SAM GRAVES, Missouri, *Ranking Member*
ROSCOE G. BARTLETT, Maryland
W. TODD AKIN, Missouri
STEVE KING, Iowa
LYNN A. WESTMORELAND, Georgia
LOUIE GOHMERT, Texas
MARY FALLIN, Oklahoma
VERN BUCHANAN, Florida
BLAINE LUETKEMEYER, Missouri
AARON SCHOCK, Illinois
GLENN THOMPSON, Pennsylvania
MIKE COFFMAN, Colorado

MICHAEL DAY, *Majority Staff Director*
ADAM MINEHARDT, *Deputy Staff Director*
TIM SLATTERY, *Chief Counsel*
KAREN HAAS, *Minority Staff Director*

STANDING SUBCOMMITTEES

Subcommittee on Contracting and Technology

GLENN NYE, Virginia, *Chairman*

YVETTE CLARKE, New York
BRAD ELLSWORTH, Indiana
KURT SCHRADER, Oregon
DEBORAH HALVORSON, Illinois
MELISSA BEAN, Illinois
JOE SESTAK, Pennsylvania
PARKER GRIFFITH, Alabama

AARON SCHOCK, Illinois, *Ranking*
ROSCOE BARTLETT, Maryland
TODD AKIN, Missouri
MARY FALLIN, Oklahoma
GLENN THOMPSON, Pennsylvania

Subcommittee on Finance and Tax

KURT SCHRADER, Oregon, *Chairman*

DENNIS MOORE, Kansas
ANN KIRKPATRICK, Arizona
MELISSA BEAN, Illinois
JOE SESTAK, Pennsylvania
DEBORAH HALVORSON, Illinois
GLENN NYE, Virginia
MICHAEL MICHAUD, Maine

VERN BUCHANAN, Florida, *Ranking*
STEVE KING, Iowa
TODD AKIN, Missouri
BLAINE LUETKEMEYER, Missouri
MIKE COFFMAN, Colorado

Subcommittee on Investigations and Oversight

JASON ALTMIRE, Pennsylvania, *Chairman*

HEATH SHULER, North Carolina
BRAD ELLSWORTH, Indiana
PARKER GRIFFITH, Alabama

MARY FALLIN, Oklahoma, *Ranking*
LOUIE GOHMERT, Texas

Subcommittee on Regulations and Healthcare

KATHY DAHLKEMPER, Pennsylvania, *Chairwoman*

DAN LIPINSKI, Illinois
PARKER GRIFFITH, Alabama
MELISSA BEAN, Illinois
JASON ALTMIRE, Pennsylvania
JOE SESTAK, Pennsylvania
BOBBY BRIGHT, Alabama

LYNN WESTMORELAND, Georgia, *Ranking*
STEVE KING, Iowa
VERN BUCHANAN, Florida
GLENN THOMPSON, Pennsylvania
MIKE COFFMAN, Colorado

Subcommittee on Rural Development, Entrepreneurship and Trade

HEATH SHULER, Pennsylvania, *Chairman*

MICHAEL MICHAUD, Maine
BOBBY BRIGHT, Alabama
KATHY DAHLKEMPER, Pennsylvania
ANN KIRKPATRICK, Arizona
YVETTE CLARKE, New York

BLAINE LUETKEMEYER, Missouri, *Ranking*
STEVE KING, Iowa
AARON SCHOCK, Illinois
GLENN THOMPSON, Pennsylvania

CONTENTS

OPENING STATEMENTS

	Page
Velázquez, Hon. Nydia M.	1
Graves, Hon. Sam	2

WITNESSES

Dorfman, Ms. Margot, CEO, U.S. Women's Chamber Of Commerce	3
Wolfe, Mr. Chuck, President, Claggett Wolfe Associates, Auburn, CA	5
Cartwright, Mr. Jerry, State Director, Florida SBDC, University Of West Florida, Pensacola, FL	7
Gregg, Ms. Carol A., President & Owner, Flexible Staffing, Chillicothe, MO	9
Wrigley, Ms. Barbara, Executive Director, Association Of Women's Business Centers, Springfield, VA	11
Blackburn, Mr. Ron , President, Aspira	13

APPENDIX

Prepared Statements:

Dorfman, Ms. Margot, CEO, U.S. Women's Chamber Of Commerce	24
Wolfe, Mr. Chuck, President, Claggett Wolfe Associates, Auburn, CA	29
Cartwright, Mr. Jerry, State Director, Florida SBDC, University Of West Florida, Pensacola, FL	34
Gregg, Ms. Carol A., President & Owner, Flexible Staffing, Chillicothe, MO	41
Wrigley, Ms. Barbara, Executive Director, Association Of Women's Business Centers, Springfield, VA	44
Blackburn, Mr. Ron , President, Aspira	50

FULL COMMITTEE HEARING ON: THE STATE OF SBA'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS AND THEIR ROLE IN PROMOTING AN ECONOMIC RECOVERY

Wednesday, February 11, 2009

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 1:00 p.m., in Room 2360, Rayburn House Office Building, Hon. Nydia Velázquez [chairman of the Committee] presiding.

Present: Representatives Velázquez, Dahlkemper, Schrader, Ellsworth, Sestak, Bright, Halvorson, Graves, Buchanan, Luetkemeyer, and Coffman.

Chairwoman VELÁZQUEZ. I call this hearing of the House Small Business Committee to order.

Even during times of prosperity, starting and running a small business is an enormous undertaking. From drafting their first business plan to learning how to navigate the Tax Code, entrepreneurs are on a perpetual learning curve. Historically, SBA has helped simplify the process through its entrepreneurial development programs, or ED. Today those initiatives have the potential to play an even more critical role by encouraging small business growth and creating new jobs for American workers.

Much of the debate surrounding the new stimulus hinges on the importance of creating jobs. Once enacted, the bill will help entrepreneurs do exactly that. But even after restoring stability, challenges will remain. With a renewed emphasis on SBA's entrepreneurial development programs, small firms will be able to take full advantage of the Recovery Act.

In today's hearing, we will explore the role that these programs play in advancing economic recovery. Entrepreneurial development is critical to small business success. In fact, firms that receive this kind of assistance are twice as likely to succeed as those that don't. From executive mentoring to veterans' business initiatives, they help new and experienced entrepreneurs gain access to the tools they need to flourish. But perhaps, most importantly, this program fosters job creation and economic growth. That is exactly what we need today—job creation—so that we can get this economy growing again.

Following the recession of the mid-1990s, small firms created 3.8 million new jobs. Not surprisingly, that era was marked by an enormous uptake in entrepreneurship. In fact, 25 percent of laid-off managers over the age of 40 went on to start their own small businesses. Fortunately, there is no shortage of that same entrepreneurial spirit today. Each month, 400,000 new companies crop up across the country. That is 400,000 entrepreneurs looking to create new industry here in the United States.

Imagine if each and every one of those businesses had advisors to help them draft viable business plans. That is the kind of guidance that small firms could really use, and that is the kind of support that entrepreneurial development programs provide.

The challenges facing small firms are different today than they were in the past. In order for entrepreneurs to have the same catalyzing effect they had in the 1990s, they will need all the tools available. This is particularly true for businesses in low income communities. Those are the areas that have been hardest hit by the recession and are most in need of economic development.

ED programs provide small firms with the resources they need to expand. Just last year, entrepreneurial development helped generate 73,000 new jobs and drove $7.2 billion into the economy.

Through programs like Mentorship and Distance Learning, SBA has helped countless small firms get off the ground. At the same time, it has counseled thousands of experienced entrepreneurs looking to expand. And at the end of the day, every one dollar spent on these programs puts another $2.87 back into the economy. That is a 287 percent return on investment—doing much better than Wall Street, believe me.

[Laughter]

And just the kind of economic stimulus we need right now.

It is no secret that times are tough. In January alone, 600,000 Americans were laid off. That figure tops off the 3.6 million positions shed since the recession began. The writing is on the wall. We need to stop the losses, and we need to replace the jobs that are already gone.

While there is no silver bullet solution to our economic troubles, small businesses promise the surest path to recovery. Entrepreneurial development programs can help jumpstart that recovery.

So let me take this opportunity to thank all of the witnesses for taking time, especially now when small businesses need you to be out there providing the technical assistance and the kind of business planning guidance that they need, to be with us to offer your insights as to how these programs are doing and what type—given the times that we are in, what type of changes or modifications we need to make to get these programs to be more effective, cost effective, and efficient.

So I look forward to hearing from you today, and now I yield to the Ranking Member, Mr. Graves, for his opening statement.

Mr. GRAVES. Thank you, Madam Chair, and thank you for holding this hearing examining the SBA's entrepreneurial development programs and the challenges that entrepreneurs face in this volatile economic climate. And I, too, would like to thank all the witnesses for being here. I know some of you traveled a long way. We do appreciate your input and appreciate your being here today.

I think everyone can agree that a good business plan is the cornerstone of any successful small business. Creating and executing a business plan requires extensive business knowledge and ingenuity, including the ability to predict potential obstacles to success that may unfold at just about any time.

The entrepreneurial development programs of the Small Business Administration provide new and existing entrepreneurs with solid business knowledge to provide continued guidance to aid their growth. Entrepreneurial development programs have become a critical tool for many small businesses across America. Whether it is helping a small business owner export a product, develop a marketing scheme, or obtain financing, that entrepreneur is almost always more successful after working with a small business development center, SCORE, or a women's business center.

Today's current economic climate provides an even more difficult path to success than it has before. Small businesses are finding it increasingly difficult to meet their bottom line, much less become a thriving business. Creative methods are being employed by entrepreneurs throughout the country as they try to figure out for themselves how to survive in this new economic climate.

As small businesses work to survive, the entrepreneurial development programs of the SBA need to be reassessed in order to ensure that they are providing the most effective assistance to small businesses. As we begin to look at the current state of the SBA's entrepreneurial development programs, I believe it is important to retool programs to meet the demands of today's environment. We also must examine the entrepreneurial programs outside the SBA and look for ways to consolidate efforts in order to provide the best service for all small business owners.

Again, I want to thank the Chairwoman for having this hearing today, and look forward to hearing what our witnesses have to say.

Chairwoman VELÁZQUEZ. Thank you, Mr. Graves.

And now it is my pleasure to welcome back Ms. Margot Dorfman. She is the CEO and founder of U.S. Women's Chamber of Commerce. Ms. Dorfman has championed opportunities to increase women's business growth, career, and leadership advancement. She is here to testify on behalf of the U.S. Women's Chamber of Commerce, which was founded in 2001 to increase economic growth opportunities for women.

Welcome.

STATEMENT OF MARGOT DORFMAN

Ms. DORFMAN. Thank you. Chairwoman Velázquez, Ranking Member Graves, members of the Committee, I thank you once again for this opportunity.

I am here today on behalf of the U.S. Women's Chamber of Commerce, representing over 500,000 members and the millions of small businesses who are in need of assistance as they seek to grow profitable businesses to provide income for themselves, their families, and their communities. America needs entrepreneurial development programs that match our challenging economic times. We cannot afford to simply rubber-stamp existing programs and add increases to an old budget.

We are in a fragile economic crossroad that demands our government focus every taxpayer dollar towards productivity and assisting that entrepreneurs receive quality expedient education and financial assistance. Over the last 50 years, the SBA entrepreneurial development system has grown into a fragmented array of programs, which has resulted in a disorganized overlapping and efficient delivery of service through a system that is ill-prepared to effectively address the challenges of our economy.

Looking to the past, the evidence of failure is profound. During the last decade, the most impressive new spirit of entrepreneurship came from our new minority and women entrepreneurs. But while the number of new minority and women-owned firms grew dramatically, the average revenues generated by these firms actually declined.

Even though the number of women-owned firms grew 42.3 percent between 1997 and 2006, their combined annual sales grew only by 4.4 percent. The average annual sales for a women-owned firm dropped 36 percent.

Minority business owners have seen the same lackluster results. Over the last decade, the number of minority-owned firms increased 35 percent, but their gross receipts only increased 13 percent. The average annual sales for a minority-owned firm dropped 16 percent.

Another disturbing statistic should be noted. While entrepreneurship has long been considered a pathway to increased wealth in America, the marked decline in the fulfillment of this promise has shown in the period of 1984 and 2004. A 2007 SBA report finds that families owning businesses are significantly less likely to be high-income earners in 2004 than in 1989.

The collapse of the U.S. manufacturing base, Katrina, and 9/11 have shown us that our entrepreneurial needs are experiencing regional shifts, and tragedy can strike at an instant, creating the need for urgent responses. For the first time, women now exceed men in the labor force, because many of the manufacturing and higher paying jobs have vanished. Many men may now turn to entrepreneurship to help feed their businesses and small families.

If we are to serve the needs of American entrepreneurs, we must commit to a top to bottom restructuring of the delivery of the entrepreneurial services of the SBA. The myriad of entrepreneurial development programs should be unified into one centrally managed organization that has the flexibility to provide services when and where they are needed.

With one unified system, the SBA can provide a much stronger, coordinated response than the current patchwork system. One example is the Women's Business Center Program. It is clear women business owners are among those emerging market businesses that have not been well served, and it is paramount that these firms work side by side with male business owners for a number of important reasons.

Studies have shown that there are real differences in the backgrounds and resources available to male business owners. Male business owners have a greater history of entrepreneurial experience than women, better business networks, and greater access to

capital. These are attributes to which women should be exposed instead of segregated.

The SBDC network should be used as the foundation for a new unified delivery platform that includes women and minority entrepreneurs, along with broad community accountability for the effectiveness of their outreach and delivery of value. This network should be transformed into a broad-based system of flexible entrepreneurial centers, which include consistent quality education, counseling, incubators, and access to capital, and the implementation of a top-tier e-learning system.

And Congress should define an external process to measure the results of SBA entrepreneurial programs, looking at both micro and macro views. It is vitally important for Congress to act now to unify, streamline, modernize, and right-size the SBA entrepreneurial development programs.

Thank you.

[The prepared statement of Ms. Dorfman is included in the appendix at page 24.]

Chairwoman VELÁZQUEZ. Thank you.

Our next witness is Mr. Chuck Wolfe. Mr. Wolfe is the President of Claggett Wolfe Associates in Auburn, California. Mr. Wolfe founded two technology startups and has worked with numerous small businesses in planning, marketing, and capital acquisition. Claggett Wolfe Associates provides management and economic development consulting to small and medium-sized businesses, academic institutions, and domestic and foreign public officials.

Welcome, and you will have five minutes.

STATEMENT OF CHUCK WOLFE

Mr. WOLFE. Thank you, Madam Chairwoman, and honored members of the Small Business Committee. As you said, my name is Chuck Wolfe, and I am the President of Claggett Wolfe Associates, an economic development consulting firm specializing in working with public, private, and academic clients around the world to basically develop strategies and programs to support small and medium enterprise development. I am also a serial entrepreneur and have started and operated five businesses over the last 25 years.

To put things in context, my perspective comes from having worked with or evaluated 30 SBDCs and SCORE chapters in 14 states over the last 18 years, also serving as a small business counselor and instructor, running a nonprofit business assistance organization, and co- authoring a book on best practices in business incubation.

As to the state of SBA's entrepreneurial development programs, I see that the SBA has a wide range of existing programs and resources to assist small businesses. If someone from the outside were to review each program's mission, objectives, and offerings, they would conclude that this is an ideal setup for helping our entrepreneurs and small business owners.

Unfortunately, only 20 to 25 percent of the programs I have encountered meet this standard. In addition, I have found valuable information and online courses on program-affiliated websites. However, most are inconsistent in their offering, general in their content, and difficult to navigate. In general terms, we have found

that the SBA's entrepreneurial development programs have a top-down, one-size-fits-all approach that is reactive versus proactive.

In addition, most programs are not fully integrated into the broader economic development efforts or customized to meet the needs of specific industry segments. There are many causes for these conditions, ranging from lack of funding, the methods used to allocate funding and track performance, the inefficient use of resources, and the organizational structure of SBA itself.

But what I wanted to talk about was the role, as I see it, for the SBA entrepreneurial development programs in promoting an economic recovery. There are many areas that need improvement, but there are also many tools already in the toolbox. To maximize the impact of SBA's programs, I would recommend the following actions.

First, align the programs more effectively with local, regional, and state economic development efforts in the industries they have targeted for economic stabilization and growth. Second, establish a more proactive program delivery structure involving client filtering, customization of service offerings and defined milestones, and active outreach by program staff who serve more as facilitators and coaches rather than as technical service providers.

Third, build an extensive topic and industry-specific provider network that can be accessed by any SBA program provider to meet a business' needs regardless of their location. Fourth, develop and implement a system to train and/or certify SBA program staff, volunteers, and outside service providers, by skill area, industry specialization, and experience in small business.

Fifth was develop a more comprehensive and integrated web platform that supports all SBA programs. This would utilize technology such as video conferencing, e-mail, blogs, to link network providers to client businesses regardless of location. Another part would be to provide relevant web content aggravated by industry segment, stage of business development, and level of need. Another component would be to provide a more consistent home page format for the SBDC and WBC websites that allows for state and local content and imagery but conveys a consistent brand.

Next would be to design all websites to promote solutions, such as marketing, finance, and human resources, not programs, in a familiar fashion, the way that the Kaufman Foundation has developed with its eVenturing website, and Inc Magazine has developed with its inc.com website.

The sixth point was to develop and implement a centralized customer rating and usage system for all program resources and services similar to the star rating system used by YouTube and eBay. The system should have both public and private reporting areas designed to collect user input and improved program performance while protecting individual counselors, service providers, and program staff.

We are living in the age of Google, Facebook, Wikipedia, and other web-based platforms that have changed the way people interact and do business. And we need to refresh SBA's programs, services, and delivery, in line with those changes.

Our need is now, and it will be important to respond quickly to support the startups and existing small businesses that will play

an important part in our economic recovery. Madam Chairwoman, I commend you and the members of the Small Business Committee on your efforts to support our economic recovery, and I thank you for the opportunity you have given me to present my testimony.

[The prepared statement of Mr. Wolfe is included in the appendix at page 29.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Wolfe.

Our next witness is Mr. Jerry Cartwright. Mr. Cartwright is the State Director for the Florida Small Business Development Center Network in Pensacola, Florida. Mr. Cartwright has been with the SBDC program for 25 years and serves on the Association of SBDC's Board of Directors.

The Florida network is the only statewide economic development technical assistance provider. The program focuses on enhancing trade opportunities for small- scale enterprises.

Welcome, sir.

STATEMENT OF JERRY CARTWRIGHT

Mr. CARTWRIGHT. Thank you, Madam Chair. I currently serve as the Chairman of the Board of the Association of Small Business Development Centers, and I am very honored to be here today to have you hear our views.

Some 900 individual SBDC service centers and approximately 5,000 professionals are in place providing expert counsel in management and technical areas critical to—

Chairwoman VELÁZQUEZ. Excuse me, sir. Do you have the mic on? Is it?

Mr. CARTWRIGHT. Yes, I did. How is that? Small businesses are adjusting to survive in a historic decline in spending, which means potentially greater layoffs and closures. Madam Chair, your efforts to increase funding for the SBDCs has increased assistance to small businesses. However, state revenues have declined sharply, and SBDC budgets are being cut to help balance budgets.

Compared to 2001, SBDC national counseling is down by some 60,000 businesses, directly due to declining capacity. Training programs are down by 109,000, also due to a decline in capacity and a shift in priorities to long-term counseling. During this same period, many states have closed operations and/or eliminated business consultants.

Some have seen host institutions leave the program at a time when small business assistance is critically needed, and SBDCs are being inundated with unemployed, and existing small businesses seeking greater assistance. Management and technical assistance can make the difference for potentially millions of small businesses.

Key management and fundamental principles and practices can assist many businesses to survive what would otherwise be failure in difficult times. The critical issue is the management decisions these small business owners and aspiring entrepreneurs will make in an economic and business environment in which they are unfamiliar. Small business owners know their business. However, they have little training or experience in how to manage a business in times like these.

Many are not prepared to take advantage of the significant opportunities of the stimulus package. Many of the small business

owners who face the most difficult decisions in this economy are women and minority business owners. SBDCs across the country are successfully engaged in outreach to these segments of the community, with counseling exceeding the national percentage of business owners.

More can be done, and with enhanced resources new and more innovative approaches will be developed to address these needs by the SBDC network. SBDCs have a proven track record of responding to crises—9/11, hurricanes in the Gulf Coast and south, floods in the Midwest, and fires in California. We view this economic crisis similarly.

As policymakers, you decide the priority of small business management assistance. SBDCs facilitate the access to capital, securing government contracts, and services to the underserved or minority community, the three major priorities of the national SBDC program. We propose to allocate 75 to 80 percent of all incremental funding to these urgent needs of the small business community.

Madam Chair, you are acutely aware of the impact of the national SBDC program. A return on investment of over $2.26 for every federal dollar invested, over 73,000 jobs created last year, and a local leverage of federal dollars of 2 to 3 to 1 for every federal dollar.

We appreciate the confidence that you gave—showed in the SBDC program by indicating that $140 million in funding was appropriate for FY09. The approved appropriations level of $110 million, if Congress approves, will greatly aid in rebuilding our national capacity. A funding level corresponding to the current authorized level would allow SBDCs to increase the level and scope of assistance that we believe is required to meet the needs of small businesses during this critical economic crisis.

This is an investment in the small businesses of the future. By expanding SBDC's network capacity, essential information, analysis, and decision making tools will be more readily available to small businesses to improve survivability, efficiency, and growth. We are poised, once again, to rapidly respond in the economic crisis.

I want to thank you for the opportunity to share our views, and I would be happy to answer any questions.

[The prepared statement of Mr. Cartwright is included in the appendix at page 34.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Cartwright.

And I now recognize the Ranking Member, Mr. Graves.

Mr. GRAVES. Thank you, Madam Chair. I wanted to introduce our next witness. It is Carol Gregg from Chillicothe, Missouri. Ms. Gregg holds a Bachelor's Degree from Central Missouri State University and is the founder, owner, and president of Flexible Staffing, with locations in Chillicothe, Sedalia, and Warrensburg, Missouri.

As a successful small business, Flexible Staffing has placed more than 800 Missourians in positions throughout the state. And like so many of our small businesses, she is the CEO and president and also sweeps at night.

[Laughter.]

So I want to thank her for being here, and appreciate her coming.

STATEMENT OF CAROL A. GREGG

Ms. GREGG. Madam Chair, and members of the Committee, thank you for inviting me. I am president and owner of Flexible Staffing. I have offices in Chillicothe, Warrensburg, and Sedalia. I also have an onsite office in Kingsville, Missouri. I have been an SBTDC client since January 2000, and I have worked continuously with the Northwest Missouri State University and Chillicothe, Missouri office ever since.

The SBTDC office provided me with the assistance to develop cash flow charts and create a business plan to start my business. I started Flexible Staffing in May 2003 and reached the tipping point of success in 2007. I set the goal of growing to $10 million in sales from my 2007 sales high of about $3 million. In 2008, we had sales of almost $5 million. The focus of our growth objective has reinforced my positive outlook, caused me to be able to identify opportunities, even in difficult times, and highlighted the need for continuous improvement in procedures and personnel.

Having a plan with growth focus has mentally prepared me to adjust to the changing circumstances while maintaining an opportunity-driven approach to running my business. Because we are located in the rural areas of Missouri, this approach plays out in adding experienced, capable professionals to my staff as they become available, and being able to replace the parting expertise with a minimum of disruption.

Finding people with talents where I have weaknesses is the key to my success. This approach plays out in soaking up advice from expanding networks of expertise and experience. These networks come from state and national trade associations, local and state SHRM organizations, and two local entrepreneurial groups.

In Chillicothe, we have 20 to 30 businesses that meet every six weeks to share ideas, discuss issues, and receive updates on what is affecting small businesses in our area. Both groups have bank support and support from the NWMSU SBTDC office. In addition, I have been able to rely on networking relationships within cooperating businesses within my industry.

When I realized that I had reached the point where I could stop worrying about survival of my business, and focus on growth, I scheduled a meeting with Mr. Jim Houseworth, my mentor, banker, and entrepreneurial, and Mr. Steve Holt, the Director of the NWMSU SBTDC Chillicothe office. They helped me to review my 2007 financials, they recommended a new CPA that would better serve my needs, and listened to my growth plans identifying new action steps.

Mr. Holt later ran and delivered market comparison reports and allowed me to better gauge the market opportunity for the new markets that I was considering. He also provided background information on the competition already serving those new markets and generated business-to-business new customer market contact lists.

My plan for growth has changed slightly in the last six months due to the downturn in manufacturing and light industrial industries in Missouri. I have needed to think outside the box. I believe

that going through diversifying my business is my best option, and to do it very quickly. In September 2008, I started a new division in my Sedalia office called Flexible Consulting, which contracts mechanical, electrical, and chemical and industrial engineers.

We now have three recruiters in that office. In my Warrensburg office, I am hopeful to soon begin Flexible Medical Staffing. There is an opportunity that has been knocking on my door for the last two years to do medical staffing within the rural areas of Missouri. Again, due to the economy, my belief is growing through diversification. I am currently moving forward to take advantage of these opportunities at an accelerated pace.

This past week I have moved to a new location, which gives me room to house five medical recruiters, and we will be serving hospitals and clinics throughout Missouri. With this being said, all three of my offices will still do light industrial and clerical staffing. I have used the SBDC for market research, and I have plans to work with them on updating financial analysis and market analysis within the new medical staffing facility.

I view the medical industry as being somewhat recession-proof with a constant skilled labor shortage. I need to hire an experienced medical professional to manage this new venture, and hopefully Flexible Medical Staffing will be up and running soon.

The economic downturn has provided the motivation and the opportunity to address this new business opportunity. Anticipating an extended downturn will require new cash resources, and I have negotiated an expanded line of credit in advance to meet my potential needs. Expecting to emerge from the downturn stronger than the recession started, I am having my staff concentrating on getting our house in order by documenting our policies and procedures and providing extensive training to shorten our learning curve.

I am also positioning myself to eliminate weaknesses in my management staff when opportunities arise. We have not laid off any staff yet, but we are retraining for these new opportunities.

To provide my staff with the highest expertise and training in our industry, I have negotiated with our other businesses to share their talented employees in our company. For instance, I needed a trainer supervisor for the Flexible Consulting side of our business. By sharing in the expenses of that individual, this will enable both companies to have a quality, high-paid employee that can meet the needs at half the cost.

Chairwoman VELÁZQUEZ. Ms. Gregg, time has expired.

Ms. GREGG. Sorry.

Chairwoman VELÁZQUEZ. But during the question and answer period you could expand on—

Ms. GREGG. Okay.

Chairwoman VELÁZQUEZ. —because I am really interested in listening to your story, and I just must congratulate you for your expansion and the insight to go and get the support, the technical assistance, that led you to grow your business.

Ms. GREGG. Thank you.

[The prepared statement of Ms. Gregg is included in the appendix at page 41.]

Chairwoman VELÁZQUEZ. Our next witness is Barbara Wrigley. She is the Executive Director to the Association of Women's Busi-

ness Centers in Northern Virginia. Ms. Wrigley has more than 20 years' experience as a manager and advisor to women entrepreneurs. The Women's Business Center of Northern Virginia was founded to provide training and support to women seeking to start or grow their own businesses.

Welcome.

STATEMENT OF BARBARA WRIGLEY

Ms. WRIGLEY. Thank you so much. Good afternoon, Chairwoman, Ranking Member Graves, members of the Committee. Thank you for the opportunity to speak with you today. I do have the privilege of serving as the Executive Director of the Women's Business Center of Northern Virginia, as well as Vice Chairman of the Board of Directors for the Association of Women's Business Centers.

The AWBC is a not-for-profit organization representing women's business centers and those that we serve. It was founded 10 years ago to support entrepreneurial development among women as a means to achieve self-sufficiency and to create wealth through education, training, counseling, mentoring, technical assistance, and financing opportunities.

My remarks today will summarize our more complete written testimony, which I understand will be entered into the official record, and I will focus on three main points. Point one, recognition of the significant improvement in the WBC program in the past 18 months.

We are grateful for the wisdom and support of leaders in the House and the Senate for securing our permanent funding in 2007. Now that WBC directors no longer have to worry about the very existence of their centers, they are concentrating on better serving their clients and growing their programs.

WBCs have had a remarkable record of achievement over the past 20 years. Across the country, we annually provide entrepreneurial training, technical assistance, and counseling to over 150,000 clients, including a significant number that are minority and socially disadvantaged. For example, here in Northern Virginia, fully 25 percent of my client base is low-income women.

How have we done with the SBA's annual $13.5 million investment in the WBC program? Research from the National Women's Business Council found that there has been an extraordinary 14 to 1 return on investment. There has been significant improvement in our relationship with the SBA, in particular with the Office of Women's Business Ownership. We are now working on issues as partners and continue to address in a much more communicative and much less adversarial manner the ongoing management of the program.

Point two, planning for the future and the need to improve current operational challenges. We look forward to establishing relationships with the newly-appointed SBA personnel to deal with some of our current operational challenges and to plan for future improvements. At present, we are having a difficult time fulfilling the growing demand for our services in the face of significant cuts in the per center program budget.

Annual allocations have fallen from an average of $150,000 per center per year to between $80,000 and $100,000. For example, my

center has a total budget of less than $300,000. We are dealing with a 25 percent cut from the SBA this year, yet we have trained and counseled over a thousand clients in the last three months, a 14 percent increase from a year ago.

We are concerned that there has not been consistency in the way funding allocations have been made to WBCs nationwide, nor has there been sufficient transparency. We believe that all awards should be made public, and we recommend that the funding level should consistently average $150,000 per center per year. We, therefore, request a full appropriation of $17,100,000 to fund our centers.

Secondly, the AWBC feels that a comprehensive system to evaluate, improve, and actually certify women's business centers should be developed. This would include training for new and underperforming centers, benchmarking, and sharing best practices. We recommend an additional appropriation of a half a million dollars, so that such a certification model could be developed and tested.

And, third, while there has been significant improvement in the speed with which grant monies are disbursed through automated drawdowns, the overall administrative burden remains high and continues to need further review.

Point three, the current economic crisis and the vital role of WBCs in our nation's economic recovery. Women's business centers are on the frontline of the economic crisis. We are seeing more and more clients coming through our doors who have been downsized, pink-slipped, or who are underemployed and looking for ways to put their economic futures in their own hands.

WBC directors are also reporting greater desperation among our clients. We are ready, willing, able, and are already serving as a source of information and inspiration to these clients. One of my award-winning clients reports to me, "The current economic situation is having a significant negative impact on my business. From 2004 to '06, my company saw 125 percent plus sales growth from year to year. In 2008, however, total sales revenue dropped 40 percent. The significant decline in sales puts a lot of pressure on my company to implement severe cost-cutting measures, delay introduction of new products, and resist the introduction of new technologies."

The director of the women's business center in Indiana wrote to me, "Some folks seem simply desperate, and they just don't know what else to do, so they are looking at creating their own jobs." Several people expect to put a business plan together over the weekend. When I tell them to expect more like six months, they seem to get more depressed.

And the director of the women's business center in San Francisco echoed many when she wrote to me, "We are seeing more and more people who are already in business coming to us to help them find ways to survive."

Many women's business centers have responded with innovative strategies, such as providing incubator offices, day-to-day work spaces, low-cost meeting room and conference room rentals, and increasing access to our computer labs, responding to increased interest in peer support and networking gatherings, providing more skill-specific, just-in-time, and distance learning training, designing

and offering new classes such as how to recession- proof your business, marketing on a shoestring budget, building alliances and partnerships to stay ahead in tough times.

Another innovative example is the women's business center in West Virginia, which has been working with partners to hold events in shopping malls, where up to 30,000 visitors per weekend learn low-cost ways to make money through direct sales businesses.

While we are being innovative and responsive, the key challenge at the present time is to increase the flow of capital to our clients, not just those seeking to start a business but especially to our clients who are already in business. Capital has dried up, and our clients are suffering.

Within my own parent company, the Community Business Partnership, our business finance center has gotten only one SOHO loan approved since October 1st, whereas a year ago 16 loans were approved in the same four- month cycle.

Chairwoman VELÁZQUEZ. Ms. Wrigley, time is up. But, again, during the period of question and answers—

Ms. WRIGLEY. Thank you.

Chairwoman VELÁZQUEZ. —you can expand. Thank you.

[The prepared statement of Ms. Wrigley is included in the appendix at page 44.]

Chairwoman VELÁZQUEZ. Our next witness is Mr. Ronald Blackburn. He is the President and CEO to ASPIRA Association, Inc. Under his leadership, ASPIRA has opened more than 20 community technology centers across the country, providing internet access to thousands of Latinos in low-income areas. Also, he has helped shape federal education legislation, most recently the Higher Education Act.

ASPIRA is a national nonprofit organization devoted solely to the education and leadership development of Latino youth.

Welcome.

STATEMENT OF RON BLACKBURN

Mr. BLACKBURN. Thank you so much, Madam Chair. I am President and CEO of ASPIRA, as you mentioned, the largest national Hispanic organization in the country, and the only one dedicated exclusively to education. And we are also well-known for the use of technology in education, which is what I am going to talk about.

But, first, I have to say how proud I am as a Puerto Rican to have Congresswoman Velázquez not only to be chair of this Committee, but to be the newly-elected chair of a congressional Hispanic caucus. Congratulations.

I want to thank the Committee for the opportunity to present some ideas regarding a topic that has become critical in these very uncertain times. How can we use technology, especially distance learning, to enhance the effectiveness of the SBA in providing training and support to entrepreneurs and small businesses around the country?

We know the enormous potential of technology, and the Internet is a tool to deliver training and technical assistance. And I believe that a robust, well-designed, comprehensive, and nimble online distance learning program at the SBA has the potential to reach thou-

sands of business owners and potential business owners and reduce the burden on the SBA assistance centers.

It is important to note, however, that there is a major issue that potential entrepreneurs and small businesses face, and it is the cost of broadband, especially in low- income communities. Without assessing—because broadband hasn't been employed in their communities or because the cost of broadband is too high, online training programs have little value.

To address this issue, I would like to propose and recommend to the Committee the creation of an eRate type program, specifically for small businesses to access and cover part of the cost of broadband. We already have this subsidy for schools and libraries, and the Telecommunications Industry Association advanced this notion before this Committee in January.

There are two major issues in developing a distance learning program the SBA must address. One is the quality of the courses offered online, including the depth of each course and the teaching methods used to deliver the course. And, second, the number and relevance of the courses that are actually available.

Now, effective online training programs have several key characteristics. One, the content of the courses is interesting, relevant to the learner's needs, is of sufficient depth of the learner to master the subject matter. I will just give you an example. You cannot learn how to develop a business plan or the intricacies of securing a business loan in 35 minutes.

They progress from the basics of the subject matter to more advanced topics in several well thought out steps or modules. They are interactive, where the learner becomes a participant in his own learning using tools that engage the learner in learning activities in practice. This requires a learning management system, which the SBA does not have.

They use a variety of teaching methods, including a combination of video, webcast, webinars, audio, and text. They are asynchronous, which means that the learner can access the program at—the courses at any time from anywhere and complete it at their own pace.

The learner is provided ongoing support through a learning process where the learners can ask questions as they go through the course, with access to a tutor as well as other learners, where learning is assessed, and usually feedback is provided to the learner throughout the learning process. Usually, the learner ends up with a product.

Regarding the variety of courses, the SBA courses should be extensive, and the program should be capable of deploying coursework quickly to meet the emerging challenges to business. The distance learning program should also be able to move quickly with the times, creating and offering courses that direct emerging needs, such as the current economic downturn. Of course, given the demographics and the fact that the SBA serves Puerto Rico as well, the coursework should be available at least in Spanish, if not in other languages.

Distance learning is very cost effective. Developing courses and having them online today is actually quite cheap, especially with

all of the open source, free, and secure network platforms that are available.

The second major issue is deployment. How do you reach potential entrepreneurs especially in lower income communities? A tried and true strategy for reaching local communities is through its community-based organizations. This is especially true in the Latino community. As you mentioned, Madam Chair, ASPIRA has 150 community technology centers across the country, with computer labs connected to high- speed Internet lines.

These centers can serve as entry points for potential entrepreneurs in small business where they can learn to use a computer, the Internet, have access to the courses, have local coaches that can help them and refer them, all in an environment that is familiar, comfortable, and which they trust. Extensive national partnerships between the SBA and community organizations would go a long way in providing the SBA access to communities, and this would be mostly at little or no cost to the SBA.

The SBA is going to be an effective promoter of new business and an effective partner in sustaining and growing existing small businesses. It is essential that it take advantage of the power of technology as a training and assistance tool, that it invest the resources it needs to create a robust, comprehensive, online education program, and that it partner with communities to reach thousands who have the potential to start or grow businesses, and, hence, create jobs.

Thank you very much. I will be glad to answer any questions you have.

[The prepared statement of Mr. Blackburn is included in the appendix at page 50.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Blackburn.

I would like to address my first question to Mr. Cartwright. As we all know, SBA lending has declined significantly in the past year. The credit crunch is posing tremendous challenges to small businesses in this nation. We read the papers, we listen to the news, and all we hear is the credit crunch that small businesses have. The secondary market is frozen.

What role can SBDCs play in assisting businesses as they seek capital in this difficult economy?

Mr. CARTWRIGHT. Madam Chairwoman, that is a very good question. You are absolutely correct that access to capital is at the worst level we have ever seen. I think the national figures are SBA loans are off by 57 percent. I would believe that in the two districts that we have in Florida—Jacksonville and Miami—they are at least at that level.

SBDCs across the country rely on SBA tools, they rely on SBA loan programs, to present those to small businesses. I think the reality is that there are—what we see now is a lot of other non-bank lenders, credit unions, savings and loans, also getting into that market. And SBDCs, as I would guess all of the other SBA entrepreneurial development programs, try to do what is best for the small business owner or entrepreneur who is starting a business. They shop the best deal possible for businesses.

I believe that with the—in terms of the SBDC's case, with the rebuilding of the capacity of SBDCs, you would see a higher level

of marketing of SBA programs, as long as there is an increased funding of those critical SBA loan programs.

Chairwoman VELÁZQUEZ. Let me ask, Mr. Wolfe, how can entrepreneurial development services be designed to ensure that new firms can access capital at a time when credit is so tight?

Mr. WOLFE. Madam Chairwoman, the credit issue right now is not a matter of people always being aware of the money. Many people are aware of SBA funding at this point. The challenge is, internally, they don't know how or what types of funding they need. They don't have properly-structured financials. They don't have insights in terms of, why are they declining in sales? How might they recover those declines? And, as a result, they present to a lender a very high-risk credit.

And if you are looking at adapting, I think the focus is to reach out with the programs, actively go out to the businesses. They are not going to tell you that they are having trouble until you actually develop a level of trust with them. And then, work with them to look at what is happening within their operation, what types of capital or debt they currently have, is it appropriate for what they are using it for, which what we are finding is it is not. They are using lines of credit to make capital purchases, which is a very bad thing to be doing.

And then, look at what other sources there are—community development block grant funds, EDA funds, SBA funds. Private lenders are looking for ways to mitigate risk, but they need someone who can validate the strength of a business, the strength of a business model, the strength of an adjustment to the economy, and then how are they going to move forward, since most of them now no longer have collateral.

Chairwoman VELÁZQUEZ. Mr. Blackburn, the needs of small businesses are constantly changing, and SBA programs must be flexible to adapt to those changes.

Mr. BLACKBURN. Certainly.

Chairwoman VELÁZQUEZ. For example, last year energy costs were crippling small business owners, and today it is the lack of credit. So, in your opinion, does the small business training network have the ability to adapt and meet the new needs of small entrepreneurs?

Mr. BLACKBURN. Well, basically, the platform that you have now is a very static platform. There are some courses that can easily be put up, but they are really not as intense as they should be. As I mentioned before, you can't really develop a business plan in a 35- minute course, a PowerPoint course. I mean, there are 22 courses in there, but they really don't have the depth to assist a small business owner or a potential entrepreneur to either develop a business plan or a marketing plan or how to survive in these times.

I think that some of the investment that would be put into distance learning would be a tremendous savings in terms of not having to provide those same—that same guidance counseling to entrepreneurs in the centers. So, right now, it is not adaptable. It could be much more adaptable if it had a learning management—based on a learning management platform. And I think that the SBA should have the vision to be able to harness the technology.

I mean, distance learning is a $31 billion business in this country. And every university, every college and university in the country, has a sound distance learning program. There is no reason why the SBA cannot have that.

Chairwoman VELÁZQUEZ. Thank you. Mr. Graves.

Mr. GRAVES. Thank you, Madam Chair.

My first question is for Ms. Wrigley. You said that you helped businesses recession- proof. How do you recession—I mean, I am just curious. That sounds like a great tool to be able to offer small businesses.

Ms. WRIGLEY. Well, what I was talking about was that a number of women's business centers have developed classes to help their clients be recession-proof. So right now one of the main things that my clients have been asking for is information, for example, on social networking. They have been asking for more immediate, quick, real-time training in Quickbooks Pro and other things like that.

I think, you know, as these clients come in, the most immediate way that we can be of assistance to them is just to know that we are there to talk to them, that we can help them with their cashflow, that we can help them in understanding some of the steps that they need to take to better market their services, to form some alliances for example.

So it is really—you know, taking these existing clients, having them come in and say, "Yes, we are really here for you."

Mr. GRAVES. Ms. Gregg, you are kind of in a unique situation I guess because not only are you a small business, but you also provide staffing to other businesses. And you said you are going to come through this downturn stronger than ever. And I would like to kind of have you explain that, because that is kind of exciting, given a lot of the, you know, horror stories that we have heard.

And you might also expand on some of the businesses you work with providing staffing, how they are going to do as a—you know, do you think they can come through this thing stronger than ever? Or are we going to lose a lot of businesses out there?

Ms. GREGG. Well, Ranking Member Graves, you know, I am a pretty positive person, and I refuse to think negative. I am going forward as quickly as I can. Like I said, I am expanding on opportunities, so that I can survive. Right now, our focus, since we are in rural Missouri, has been light industrial and clerical. Light industrial is hurting tremendously out in the rural areas, as I know they are hurting everywhere.

As far as if they are going to make it, I don't know. Most of my clients right now still are optimistic that they are going to start up. They might have started up hard and heavy after the first of the year. They are looking at March, second quarter, with startups, and we are all hopeful.

I am just trying to expand my business as quickly as I can in order to survive, because I don't believe light industrial is going to feed us well anymore. And that is why we started the Engineering Department, and we are hoping to start Flexible Medical Staffing soon.

So did that answer your question?

Chairwoman VELÁZQUEZ. Would you yield for a second?

Mr. GRAVES. Yes, Madam Chair.

Chairwoman VELÁZQUEZ. When did you make the decision to get into medical services staffing? And did you do—did you do some research that led you to make that determination?

Ms. GREGG. Yes.

Chairwoman VELÁZQUEZ. That that is an area where you can grow your business?

Ms. GREGG. Yes. I have had opportunities that have come to me, because I am the local person who is doing staffing. I have had hospital CEOs come to me. I have been researching for two years. The SBDC has—small business development center has been helping me. They have been doing market analysis for me.

They have also looked at the competitors within my field. In rural areas, there is not a lot of people doing staffing in the medical field, so that is an opportunity.

Chairwoman VELÁZQUEZ. Thank you.

Thank you for yielding. Any other questions?

Mr. Schrader.

Mr. SCHRADER. Thank you, Madam Chair. Ms. Dorfman, you had talked about the somewhat fragmented nature potentially of some of the small business development services, and, you know, a lot of overlapping regulation and opportunities. It makes sense, certainly. You know, everyone wants to be efficient and pool resources where possible.

How do you juxtapose that with a lot of communities, this body, and state legislators, wanting to focus on making sure women and minorities get special access, or at least are aware? Veterans? How do you—how do we juxtapose those two, the efficiency versus making sure different groups really get access?

Ms. DORFMAN. Well, again, I think it is in the best interest of a woman-owned firm to get the highest quality and consistency of the education and the resources that are out there. And to be able to provide that, you really do need to unify. The e- learning that has come up here, that is paramount.

If we can streamline some of the more I would say fundamentals, that can be done from e-learning and then have very specific focuses on those areas where there are—it is a little bit more complex and there needs to be some specialized assistance. For instance, women-owned firms typically find it very difficult to get access to capital.

Well, so that is one area we are going to have to have a specialist in there to walk them through that process to make sure that, first of all, there is funding available, but, second of all, making sure that their financials are prepared the proper way to get in there. And then, have somebody actually at the bank to hold the bank accountable for lending to women as well.

And I really believe, again, that we need as a unified system to really look at the demographics within the community and see what the needs for the community are. Right now, we are hearing that some communities are faring better than others, because there is not that consistency. But if we can come from a macro level, and really provide good, consistent, quality interface for the business owners, I think you are going to really—the investment that we are making is going to just grow exponentially.

Mr. SCHRADER. Along the same lines, both you and Mr. Cartwright, and it was referenced in the Speaker's memorandum about performance measures, you know, a lot of times we measure outputs as opposed to outcomes. And I was fairly involved in that in my home State of Oregon, trying to shift our budgeting to, you know, performance-based rather than just measuring widgets that were produced.

So to that extent, one of the basic questions I would always ask, particularly the SBDCs, was, you know, how do we know you are doing a better job than a business that does not start up with SBDC assistance? And is there a way we can measure this, among many other measures that might be appropriate? Could you comment on where we are in that development, what role this body may have in assisting you in developing appropriate actual outcomes?

Ms. DORFMAN. Sure. One reference that was stated here was we saw a thousand clients in the last three months. We hear that from the SBDCs and our interface, that that is part of how they have to measure, how many bodies got through their doors. Well, we want to know what percentage was the growth of revenues for those companies, and how many new employees have been hired? That is going to really measure their growth.

And, again, when you take a look from a macro level, you can really see the communities across the board, where there is success versus where there is challenges, and where we need to get in and maybe get more assistance to them.

Mr. SCHRADER. Mr. Cartwright, could you comment on that and how, again, we might—is that rule-driven? Are we the culprits? Who is to be responsible perhaps for that interpretation?

Mr. CARTWRIGHT. Actually, I don't know if there is a culprit or not, but I can tell you—you make a very good point, and I will tell you that the SBDCs actually do measure those kinds of things that are critically important. We conduct—each SBDC conducts their own state economic impact analysis, where we do get down to what was the revenue increase by business and number of jobs that they created, or the number of jobs that they retained due to assistance. That is reported by the small business owner.

We also have a national impact study that is done by Dr. James Chrisman at the University of Mississippi that, as an association, we encourage every SBDC state and regional program to participate in. That study compares the Oregon SBDC and its outputs to the average Oregon business. Dr. Chrisman—

Mr. SCHRADER. Is that outcomes or outputs, sir?

Mr. CARTWRIGHT. Both.

Mr. SCHRADER. Okay.

Mr. CARTWRIGHT. Both. And that research is done by Dr. Chrisman, so it is not the SBDC that is taking a look at those figures. It is Dr. Chrisman. So we—that information is readily available.

Mr. SCHRADER. We had trouble getting—just as a comment—I apologize for going slightly over—we had a little trouble getting that information in Oregon, so I would be interested in that data, if that is available.

Mr. CARTWRIGHT. Okay.

Mr. SCHRADER. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Mr. Coffman.

Mr. COFFMAN. Thank you, Madam Chairwoman. There was some discussion about e-learning, putting information out, and as a former small business owner, where time was a premium, and I didn't necessarily have time during the day to attend something, but maybe I could look at information online at nights, such as writing a business plan, which was my downfall, but I survived somehow. I wonder if some of the members could comment on that.

Mr. BLACKBURN. Well, I can certainly comment on the importance of the program to be interesting, to be in depth, to be able to show you step by step how to develop a business plan. And it is something you can't do during the day, it can't be live. You have to be able to access it whenever you have the opportunity to access it.

And it should be able to walk you through the steps of developing a good business plan, so that when they get to the center you already have a product that you can take to the center for review. And just—and mentioning how to be updated, how to change with the times, I can see, for instance, the SBA having webinars and webcasts on the impact of the stimulus package on small business.

And this is something that is being discussed today, and that could be on tonight, for a small business person to know, if they approve X, Y, and Z, will I have more access to credit? Those are the important topics. And others as well. I mean, there are hundreds of potential courses that can be provided for business owners, for people who are thinking of starting a business, for people who are already there but haven't gotten the credit yet to start their own business.

So I think it is a critical tool that almost everybody else is using, and it is very simple to use. Just ask our children. I mean, they are doing very, very well. And to exchange with other business people.

You can mention chatrooms, you can mention groups, you can mention all sorts of means of communicating with other small business people in your same field, or in others. Those are important for learning.

Mr. COFFMAN. Madam Chairwoman, if I could continue.

Chairwoman VELÁZQUEZ. Yes.

Mr. COFFMAN. Ms. Gregg, you had talked about relocating your business from Missouri to Colorado.

(Laughter.)

Out of all of the services that were provided to you, if you had to identify one as being the most significant, what would that be?

Ms. GREGG. I had started businesses in the past. However, I had never done cashflows before, and actually had something to take to the bank when I went to borrow money. And so I would say learning how to do cashflow charts was the top of my line. I have had—I have done lots of conferences on how to grow, but I think learning how to do cashflows would be the thing that I lacked and I needed help with.

Mr. COFFMAN. Madam Chairwoman, one more question.

What are you seeing out there, any of the panelists, in terms of the credit crisis right now? And from the grass roots of our finan-

cial system, are, in your view, small businesses locked out of it that wouldn't otherwise qualify for credit during normal economic times?

Mr. WOLFE. I will touch that. Actually, right now, there are very viable businesses that are being locked out, because the local and regional banks have just basically tightened up. Even with SBA lending, I interviewed five lenders in the last two months, and they indicated that there has been some restrictions, and basically SBA has been looking at the documentation and not always honoring the guarantee.

So the banks are running scared right now as to whether or not they can even utilize the guarantee. So they are tightening up their own credit, they are pulling lines of credit from existing businesses that are very solid, because they don't know what kind of reserves they need to have in place, because they are not sure how their portfolio is going to go, they don't know if their collateral is upside down.

So there is a really—everyone is tightening up. Everyone is pulling back. And what has to happen is we have to rebuild confidence. And that is what I think the opportunity is, to go out and rebuild confidence in sound business, with information, with the whole concept—I mean, education is great, but someone has got to get out there and reach out to the businesses, not wait for them to walk in the door. They are not going to walk in the door.

And when I teach lending, I tell them, the good deals are going to—you are not going to find the good deals unless you get out on the street and knock on doors, because those business people are too busy running their business.

Chairwoman VELÁZQUEZ. Well, Mr. Coffman, just for one second. If SBA is not honoring the guarantee, I want to know, because they cannot do that.

Mr. COFFMAN. Yes. Okay.

Chairwoman VELÁZQUEZ. And time is up, since we have votes on the floor. Ms. Dahlkemper.

Ms. DAHLKEMPER. Thank you, Madam Chair.

I just have a quick question to any of you who would like to answer this. Is there any regional issues that we should be looking at as we look at this entire, you know, picture here? We certainly have different issues in the northeast versus the southwest and some of those areas. Are there any regional issues that we should be looking at as we look at these programs that we are not identifying at this point as we look at economic recovery?

Mr. BLACKBURN. I can think of not regional issues, but community issues.

Ms. DAHLKEMPER. Okay.

Mr. BLACKBURN. In other words, where is the diversity of the country? And where are small businesses suffering the most? And if you look at the country that way, it is sort of different from looking at the geographical regions, the small businesses that are in inner cities versus those that are in rural areas or in suburbs, how can you better support businesses that I am sure are suffering in low income communities, whether they are urban, rural, or suburban?

So I would try to look at it more in terms of the particular community that they are in rather than their region. There may be some regional issues, but I would look at those first.

Ms. DAHLKEMPER. Would anyone else like to comment on that?

Mr. WOLFE. I would like to say also I think, really, there needs to be a focus on industry, specific industry segments, because a lot of the retailers and the service businesses aren't going to survive if the people don't have money. So you have got to look at where people are targeting recovery, and that is a national issue.

So if it is in clean technology, it could be in tourism, it could be in manufacturing, but it has to be tailored to those industries where there is the chance and opportunity for recovery, and that support them and can go across. And that is where all of the programs tie in. And it doesn't matter where they are located; it just matters on having resources for the industry.

Ms. DAHLKEMPER. Thank you.

Chairwoman VELÁZQUEZ. I have another question, and I believe—well, probably we are going to pass the stimulus package by the end of this week, hopefully. And there is going to be a lot of money for IT-related initiatives, and a lot of money for infrastructure. And so small firms are expected to play a big role in all of these projects.

And it is likely that many companies forego—these opportunities due to the complexity of the federal procurement process. And I hear back in my district, and every member here, they hear from small businesses who are having problems accessing the federal procurement marketplace.

So my question to the SBDCs that are represented here: would you think that it would be useful to establish a specialized program so that SBDCs can hire experts in federal procurement and provide that type of assistance?

Mr. CARTWRIGHT. Madam Chair, I totally agree with you. SBDCs are—under their scope of work currently provide procurement assistance, government contracting. That is not the primary focus, however, of our programs. And with that enhanced capacity, I would say, yes, you could see much more contracting take place throughout the country.

Chairwoman VELÁZQUEZ. Yes. And the women's business centers?

Mr. WOLFE. Absolutely.

Chairwoman VELÁZQUEZ. Okay.

Ms. WRIGLEY. I happen to be fortunate to be in a location where we have a small business development center adjacent to our women's business center, as well as a finance center and an incubator, all under one roof. And so we are sending more people—more of our women, once they grow up their businesses to be ready to do federal contracting, particularly here in the Washington area, to our SBDC and to the procurement technical assistance program.

But I think you are exactly right. Women are confused about this, and it is a wonderful marketplace right now. Those that have gotten in are doing work.

Chairwoman VELÁZQUEZ. Last year, we spent $400 billion—

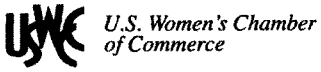
Ms. WRIGLEY. That is right.

Chairwoman VELÁZQUEZ. —yet small firms lost out when they were not able to get the 23 percent contracting goal.

Anyway, I want to thank all of you for your testimony and your presence here today.

I ask unanimous consent that members will have five days to submit a statement and supporting materials for the record. Without objection, so ordered.

And this hearing is now adjourned. Thank you. [Whereupon, at 2:19 p.m., the Committee was adjourned.]



Testimony
of
Margot Dorfman, CEO
on behalf of the
U.S. Women's Chamber of Commerce

Before the House Small Business Committee

The State of SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery
February 11, 2009

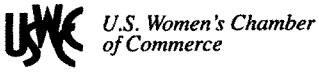
Chairwoman Velázquez, Ranking Member Graves, Members of the Committee. I am here today on behalf of the U.S. Women's Chamber of Commerce representing our 500,000 members and the millions of American small businesses who are in need of assistance as they seek to grow strong businesses to provide income for themselves, their families and communities. Thank you for providing me the opportunity to share our views with you.

America needs entrepreneurial development programs that match our challenging economic times. We cannot afford to simply rubber stamp existing delivery models and add increases on to old budgets. We are at a fragile economic crossroads that demands our government focus every tax payer dollar towards productivity and towards assuring that entrepreneurs (born both from opportunity and necessity) receive quality, expedient education and financial assistance.

Over the last fifty plus years, the SBA entrepreneurial development programs have grown into a fragmented array of programs including Small Business Development Centers, Women's Business Centers, Service Corps of Retired Executives, the Small Business Institute, and more. These fragmented programs have resulted in a disorganized, overlapping and inefficient delivery of service in a system that is ill prepared to effectively address the challenges of our current economy.

Looking to the past, the evidence of failure is profound. During the last decade the most impressive new spirit of entrepreneurship came from our new minority and women entrepreneurs. But, while the number of new minority and women-owned firms grew dramatically the average revenues generated by these firms actually declined.

1200 G Street NW, Suite 800, Washington, D.C. 20005
888-41-USWCC toll free | 206-495-0819 fax



Over the last decade, women started a record breaking number of new businesses. But, their revenue growth has not kept up. Even though the number of (majority-owned) women-owned firms grew 42.3 percent between 1997 and 2006, their combined annual sales grew only 4.4 percent. Consequently, the average annual sales for a women-owned firm dropped 36 percent. And, even though women own 28.2 percent of all non-farm firms in the U.S., our total portion of all sales continues to hover around a remarkably low 4.2 percent.[1]

Minority business owners have seen the same lackluster results. Over the last decade, the number of minority-owned firms increased 35 percent, but their gross receipts only increased 13 percent. Consequently, between 1997 and 2002 the average gross receipts of minority-owned firms decreased by 16 percent.[2]

These numbers tell a tale of lost opportunity as the resources within our entrepreneurial community have failed to convert the great promise of entrepreneurship into economic gains for millions of women and minority-owned firms.

Another disturbing statistic should be noted. While entrepreneurship has long been considered a pathway to increased wealth in America, the period between 1984 and 2004 showed a marked decline in the fulfillment of this promise. A 2007 report from the SBA Office of Advocacy finds, "Families owning businesses are significantly less likely to be high income earners in 2004 than 1989." In 1989, small business-owning households were nearly two times more likely (62.1 percent versus 33.0 percent) to be classified as high income as households not owning a business. In 2004, this percentage dropped significantly to 55.2 percent versus 24.8 percent.[3]

While America had the good fortune of experiencing one of the longest and strongest periods of economic growth in our history, the average revenues of women and minority firms declined, and the percentage of small business owners designated as "high income earners" contracted.

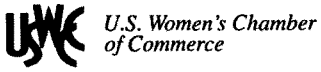
Looking to the future, small businesses are faced with the greatest economic contraction in fifty years. The collapse of the U.S. manufacturing base and the deeper issues in the auto industry shines the light on the reality that our need for entrepreneurial support has deep regional clusters which shift and change over time. Katrina, Ike and 9/11 have shown us that tragedy can strike in an instant – creating an immediate and urgent need to assist small business owners. And recent employment reports tell us, for the first time, women now exceed men in the labor force because many of the manufacturing and higher paying jobs are now gone. This means many men may now turn to entrepreneurship to help pay their mortgages and feed their families.

---

[1] Small Business Administration. "Women in Business: A Demographic Review of Women's Business Ownership." http://www.sba.gov/advo/research/rs280tot.pdf

[2] Small Business Administration. "Minorities in Business: A Demographic Review of Minority Business Ownership." http://www.sba.gov/advo/research/rs298tot.pdf

[3] Small Business Administration. "How Did Small Business-Owning Households Fare During the Longest U.S. Economic Expansion?" http://www.sba.gov/advo/research/rs276.pdf



If we are to serve the needs of American entrepreneurs and help our country overcome the challenges of our current economic recession, we must commit to a top to bottom restructuring of the delivery of entrepreneurial services by the SBA. The myriad of individual entrepreneurial development programs should be unified into one centrally managed organization that has the flexibility to provide services when and where they are needed. Unified entrepreneurial centers should be developed with the full array of SBA support and connections to other regional support providers.

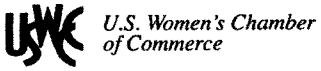
Providing one clear channel for assistance is paramount to the average business owner seeking help. With one unified system, the SBA can provide a much stronger, coordinated response than the current patchwork system. There are many facets of need, and each community has a unique set of issues. This doesn't mean we need an alphabet soup of programs; instead we need a flexible system of response that is coordinated at the national level and held accountable for delivering quality service in regions of need.

One example is the Women's Business Center program. While it is clear women business owners are among those emerging market businesses that have not been well served, it is even more important that these firms work side by side with male business owners for a number of important reasons. SBA studies have shown that there are real differences in the backgrounds and resources available to male business owners. On the whole, male business owners have a greater history of entrepreneurial experience than women, better business networks, and greater access to capital.[4] These are attributes to which women should be exposed instead of segregated.

Additionally, the funds within the SBDC network are much deeper and structured more favorably, the connection to mainstream resources is much broader, and the locations of the SBDC network are greater and more diverse.

We believe the SBDC network should be used as the foundation for a new unified delivery platform of entrepreneurial programs that includes outreach to women and minority entrepreneurs (reflecting the demographics and needs of the community) along with broad community accountability for the effectiveness of their outreach and delivery of value. This network should be transformed into a more broad based system of flexible entrepreneurial centers which include education, counseling, incubators, access to capital and access to community resources.

[4] **Small Business Administration. "Are Male and Female Entrepreneurs Really That Different?" http://www.sba.g v/advo/research/rs309tot.pdf**



Additionally, the Internet and e-learning have revolutionized how we learn just about everywhere except the SBA. It is alarming to see how far behind the SBA is in the development of a coherent set of e-learning tools with integrated virtual counseling and support. E-learning can greatly extend the reach of the SBA, add stability and accountability into the system, and better organize the delivery of assistance helping business owners to learn on schedules convenient to the individual.

The SBA should outsource the creation of a top-tier e-learning educational system to include measurements and a clear standard assuring that the content creates positive results that improve the record of business success. Create certificates of accomplishment to help small business owners focus towards completion of important learning levels and integration of concepts and processes into their businesses. Include online counselors. Become more involved in educational innovation and pull the SBA entrepreneurial programs into the twenty-first century.

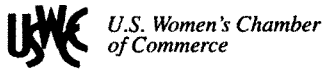
Finally, Congress should define an external process to measure the results of SBA entrepreneurial programs looking at both micro and macro views. We should not only look at the details of progress for individual firms who make use of SBA entrepreneurial programs. We must also look from a broader macro view to understand if we have the right programs in place and the right scale in place to make a real difference for all Americans including minority and women entrepreneurs.

In summary, our recommendations are as follows:

Recommendation One: Replace the myriad of different entrepreneurial education programs with one unified entrepreneurial development entity to save money, improve results, increase reach and provide flexibility. Establish community outreach specialists who work closely with the community to engage with local entrepreneurs (and potential entrepreneurs) pulling them into specific training opportunities. Position many of the SBA entrepreneurial facilities (or outreach centers) in areas with least mobility and/or greatest economic need. And, assure that each facility has staff that can assist with language and cultural needs within their community.

Recommendation Two: Outsource the creation of a top-tier e-learning educational system to include measurements and standards assuring that the content creates positive results that improve the chances for business success. Create certificates of accomplishment to help small business owners focus towards completion of important learning levels and integration of concepts/processes into their businesses. Include online counselors. Become more involved in educational innovation and pull the SBA entrepreneurial programs into the twenty-first century.

Recommendation Three: Provide flexibility within the regional framework for the individuality of the region. Make regional funding more flexible so that funds can be directed quickly to regions in need. By providing a standardized set of educational proficiencies including web-based e-learning, the local centers should be able to focus with more flexibility to the needs and opportunities within their region.



Recommendation Four: Establish a method to review the impact of SBA entrepreneurial programs on our communities – including minority-, women-, handicapped-, and veteran-owned firms. Use an external provider to design and take these measurements, rather than the organizations that have a vested interest in the outcomes. Look at the macro view, rather than solely the view of individuals or firms taking part in the SBA entrepreneurial programs. If women and minority-owned firms are seeing declines in their overall revenues, can we clearly say our entrepreneurial programs are making a difference? Until we can say, "yes" – we simply cannot be certain that our tax dollars are being well invested.

Recommendation Five: Congress should define an external process to measure the results of SBA entrepreneurial programs looking at both micro and macro views to assure we have the right programs in place and the right scale in place to make a real difference for all Americans including minority and women entrepreneurs.

In closing, it is vitally important for Congress to act now to unify, streamline, modernize, and right size the SBA entrepreneurial development programs. The delivery of education and resources to our current and would be entrepreneurs must become more effective, reach more deeply and become more flexible to the changing needs of our country. Congress must measure the effectiveness of these programs against a broad view looking at the macro results. In these troubling economic times, we need your assistance to protect the American tradition of entrepreneurism as a gateway to wealth for all Americans.

1200 G Street NW, Suite 800, Washington, D.C. 20005
888-41-USWCC toll free | 206-495-0819 fax

Testimony of Charles D. Wolfe, Jr.

Hearing on

"The State of SBA's Entrepreneurial Development Programs and Their Role in Promoting Economic Recovery"

Committee on Small Business

United States House of Representatives

February 11, 2009

Charles D. Wolfe Jr.
President
Claggett Wolfe Associates
3108 Sunshine Meadow Lane
Auburn, California 95602
530.878.8250
www.claggettwolfe.com

Madam Chairwoman and honored members of the Small Business Committee, my name is Chuck Wolfe and I am the President of Claggett Wolfe Associates, an economic development consulting firm specializing in working with public, private and academic clients around the world to develop strategies and establish programs to support the formation and growth of small-and-medium sized enterprises. I am also a serial entrepreneur having started and operated five businesses over the past 25 years.

To put things into context, my perspective comes from:

- working with or evaluating the value of over 30 Small Business Development Centers and SCORE chapters in 14 states over the past 18 years,
- serving as a small business counselor and instructor,
- running a non-profit business assistance organization, and
- co-authoring a book on Best Practices in Business Incubation.

The State of SBA's Entrepreneurial Development Programs

The SBA has a wide range of existing programs and resources to assist small businesses. If someone from the outside were to review each program's mission, objectives and offerings they would conclude that this is an ideal set up for helping our entrepreneurs and small business owners. Unfortunately, only 20% to 25% of the programs I've encountered meet this standard.

In addition, I have found valuable information and on-line courses on program affiliated web-sites (e.g., sba.gov, score.org, SBDCNet.org and local SBDC web-sites). However, most were inconsistent in their offering, general in their content, and difficult to navigate.

In general terms, the SBA's Entrepreneurial Development Programs have a top down, one-size fits all approach that is reactive vs. pro-active in nature (i.e., business owners have to come to the program versus the program reaching out to the business). In addition, most programs are not fully integrated into broader economic development efforts or customized to meet the needs of specific industry segments.

There are many causes for these conditions ranging from a lack of funding, the methods used to allocate funding and track performance, the inefficient use of resources and the organizational structure of SBA itself. Regardless of the cause, the current mode of operation has resulted in:

- a significant amount of energy and resources being diverted to administrative and fund raising activities rather than to helping businesses,
- a lack of program awareness or a less than acceptable public image,
- a climate of competition versus collaboration in term of providing the greatest benefits to local businesses (e.g., SBDC's and community colleges competing for students for entrepreneurial courses or workshops),
- a lack of perceived value from many segments of the business community, and
- a client base that is dominated by small retail, restaurant and consumer services businesses rather than manufacturing, technology or more advanced retail and service

businesses that have the capacity to create a larger number of jobs, and have a greater economic impact.

The Role of SBA's Entrepreneurial Development Programs in Promoting an Economic Recovery

There are many areas that need improvement, but there are also many tools already in the tool box. To maximize the impact of SBA's programs, I would recommend the following actions.

- Align the programs more effectively with local, regional and state economic development efforts and the industries they have targeted for economic stabilization and growth.
- Establish a more pro-active program delivery structure involving (see Figure 1):
  - client filtering,
  - customized service offerings with defined milestones, and
  - active outreach by program staff who serve more as facilitators and coaches rather than technical service providers.
- Build an extensive topic and industry specific service provider network that can be accessed by any SBA program provider to meet a business' needs regardless of location (see Figure 1).
- Develop and implement a system to train and/or certify SBA program staff, volunteers and outside service providers by skill area (e.g., marketing and finance), industry specialization and experience with small business (e.g., start-up, product commercialization, accelerated growth and/or turn-around).
- Develop a more comprehensive and integrated web platform that supports all SBA programs (see Figure 2).
  - Utilize technology such as video conferencing, email and blogs to link network providers to client businesses regardless of location.
  - Provide relevant web content aggregated by industry segment, stage of business development (e.g., start-up, early-stage, mature) and level of need (e.g., general information to detailed topic discussion).
  - Provide a more consistent home page format for the SBDC and WBC web-sites that allows for state and local content and imagery, but conveys a consistent brand.
  - Design all web-sites to promote solutions (e.g., marketing, financing and HR) not programs in a similar fashion to the Kaufman Foundation's eVenturing™ and Inc. Magazines' Inc.com web-sites.
- Develop and implement a centralized customer rating and usage system for all program resources and services similar to the "star" rating system used by YouTube™ and eBay®. The system should have both public and private reporting areas designed to collect user input and improve program performance while protecting individual counselors, service providers and program staff.

We are living in an age of Google™, Facebook™, Wikipedia®, and other web-based platforms that have changed the way people interact and do business, and we need to refresh SBA's program services and delivery in line with these changes.

Our need is now and it will be important to respond quickly to support the start-ups and existing small businesses that will play an important part in our economic recovery.

Madam Chairwoman, I commend you and the members of the Small Business Committee on your efforts to support our economic recovery, and I thank you for the opportunity you have given me to present my testimony.

Figure 1: Program Delivery Process

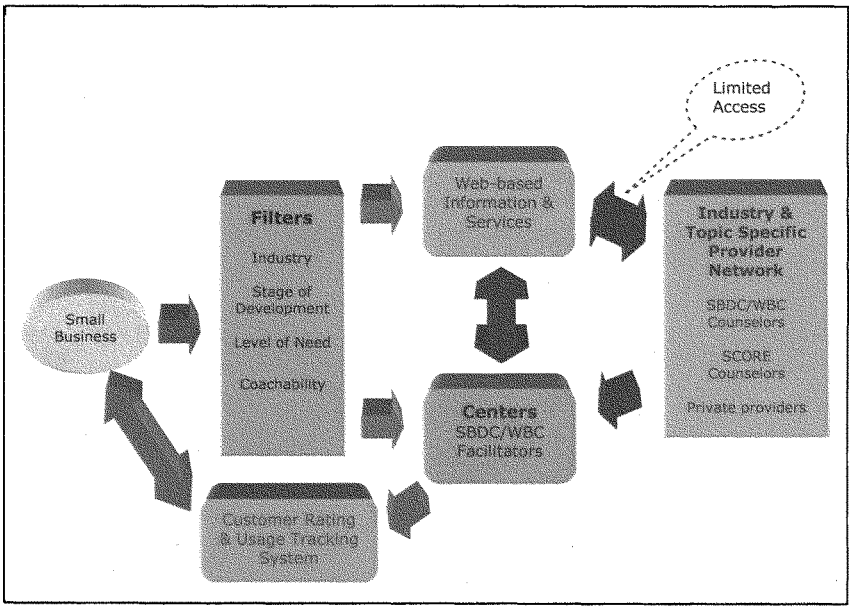
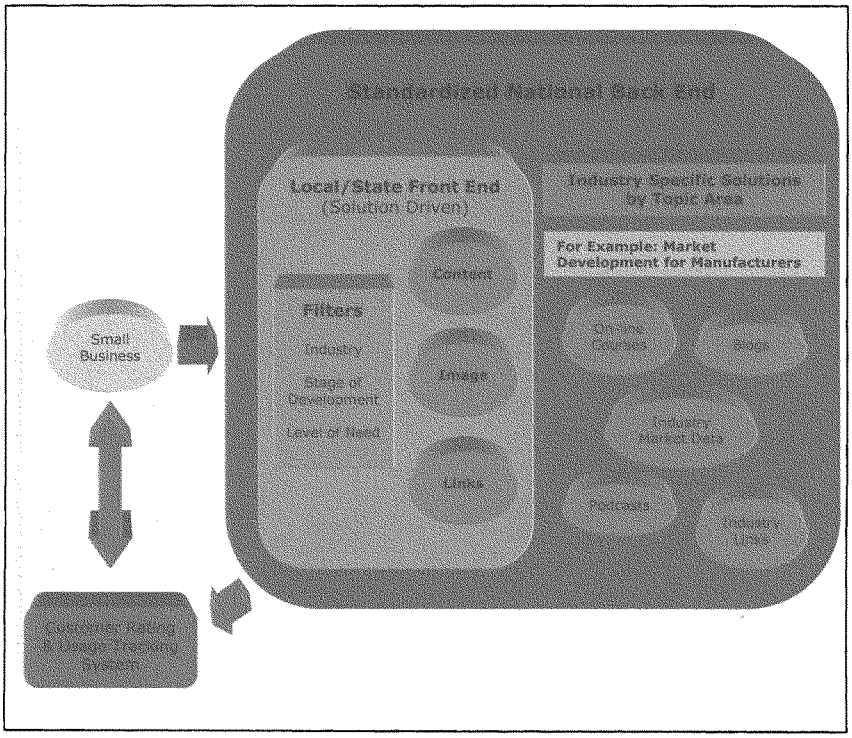


Figure 2: SBA Program Web-site Structure



Statement by Jerry Cartwright
Chairman of the Board
Association of Small Business Development Centers

For a Hearing On
"The State of SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery."

In the Committee on Small Business
U.S. House of Representatives

February 11, 2009

Chairwoman Velazquez, Ranking Member Graves, and members of the Committee, my name is Jerry Cartwright. I am the Chairman of the Board of the Association of Small Business Development Centers (ASBDC) and State Director of the Florida Small Business Development Center network. We appreciate the Committee giving ASBDC the opportunity to offer views at this important hearing on the SBA's entrepreneurial development programs.

The ASBDC members are the 63 State, Regional and Territorial SBDC programs that serve all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and American Samoa. The nationwide SBDC network is a partnership that includes Congress, the U.S. SBA, the private sector, and the universities, colleges, community colleges city, county and state governments and chambers of commerce that help fund, host and support the roughly 900 SBDC program's service centers across the nation.

The SBDC national network provides management and technical assistance to an estimated 1.2 million small business owners and aspiring entrepreneurs each year. This includes counseling, training and informational exchanges. Any small business owner or aspiring entrepreneur can go to his or her local SBDC for free, face-to-face business advisement and low cost training on business plans, accessing capital, marketing, procurement assistance, human resource management, regulatory compliance, international trade, business valuation, succession planning, cash flow management, inventory control, overall financial management and more. On line consulting and training are also available within the national network plus a wide range of tools available through our Internet locations.

Madame Chair, small business owners are experiencing the most serious economic conditions most current entrepreneurs have ever known. Certainly economic conditions overall are the worst since the inception of the SBDC program roughly thirty years ago.

Business success is closely tied to sound management, good information and consumer spending; with consumer spending sharply declining by historic norms. Consumer spending is like a three legged stool. It is propped up by income growth, credit availability and personal wealth.

The Commerce Department reported last week that consumer spending fell 1 percent, or $102.4 billion, in December from November levels. Commerce data confirms that consumer spending in December decreased for the sixth consecutive month. Economists believe this decline is going to continue. That is alarming because consumer spending in the U.S. has not fallen for three consecutive quarters since record-keeping began in 1947. During 2008, inflation-adjusted personal income, excluding government payments, fell 0.9%. This compares to an increase of 2.1% in 2007.

The Federal Reserve's most recent Survey of Senior Loan Officers confirms the continuing tightening of lending standards in the first quarter. According to the Fed's survey, "About 65 percent of domestic banks reported having tightened lending standards on commercial and industrial loans to large and middle-market firms." These changes have had a dramatic impact upon small business.

With the downturn in the housing market and the decline in the stock market, household wealth also has shrunk by as much as $10 trillion last year.

All three legs of the consumer spending stool declined, it is not surprising the outlook facing millions of small businesses is a serious concern and we applaud your efforts to stimulate the economy through the Stimulus package. The most recent NFIB Small Business Optimism Index reflected the second lowest reading in its 35-year history. Now more than ever before we need to rely upon small business to grow, create jobs and help keep America strong.

Faced with a decline in consumer spending and the credit crunch, small businesses are adjusting operations and may be forced to lay off employees in order to survive.

Small businesses employ roughly 50% of the private sector workforce. Recent job losses are expected to further cut consumer spending, which makes up 70 percent of the nation's economy. With the nation's unemployment rate is 7.6%, the highest since 1992, we need small business strong to rebuild the economy.

Even with all the bleak news in the press, small businesses remain cautiously positive about the opportunities and are positioning themselves to be more efficient and competitive as the economy moves toward recovery. We do not share the gloom and doom that seems to reflect every headline in the press, primarily because we work every day with the small business owners that continue to produce goods and services that America needs.

The economic data cited has the potential to overwhelm millions of small businesses who are working to stay afloat and need the assistance your Committee oversees. Very few small businesses have ever experienced the economic conditions they are experiencing now. Many are not experienced or prepared to take advantage of the significant opportunities you are planning through the Stimulus Package. While credit tightens, millions of small businesses may not be able to fully participate in the stimulus and small business will localize the benefits for our communities.

Many of the tax prescriptions for assisting the small business sector may only be useful to some small businesses. Tax cuts are of value if you are making a profit. Raising expensing levels have value if small businesses have cash or access to credit to spend on plant and equipment. These steps should be a part of the comprehensive proposal to assist small business, but not the whole solution.

Access to credit is critical. Small businesses understand that going deeper into debt is not the solution, but lower loan fees and interest rates will allow small business to make loan payments, access credit and improve their survivability.

SBA lending has declined during the past year. Loans approved under the 7(a) program declined with loan dollars falling. In the 504 program, loan approvals fell by 17 percent and loan dollars declined by 16 percent. In the first quarter of 2009, the SBA's 7(a) program dropped 57% from the first quarter of FY 2008. The total dollar value of loans processed by the SBA was down 40% from last year. Part of these declines is due to falling demand, part is due to tightening credit and part is due to the drying up of the secondary loan market.

In addition to seeing declines in loan volume, the SBA is experiencing mounting losses from loans made through its lending programs. Borrowers in SBA loan programs are struggling to make loan payments similar to the mortgage market. SBA loan losses doubled last year. Commercial banks report that their small business loan portfolios are deteriorating. Bank of America took losses on about 2.9 percent of its outstanding small business loans during the last quarter of 2008. A year ago, the permanent loss rate was about half the current rate, according to the *Wall Street Journal*.

Small business management and technical assistance can make the difference for potentially millions of small businesses. Key management fundamental principles and practices, regarding cash flow management, cost management, inventory control, human resource management, cost effective regulatory compliance, creative marketing, etc. can assist many businesses to survive what would otherwise be failures in difficult times. SBDCs are trying to provide the service capacity they had at the start of this decade, but that capacity has been regularly eroded.

In 2001, the federal appropriation for the SBDC program was $87,877,000 which would have needed to be $102,883,080 in 2007 just to have kept pace with inflation **(Department of Labor's Inflation** Calculator). The appropriation level for FY 2007 was $87,863,292, which was less than the 2001 appropriation in absolute terms. Even at this level, the SBDC program did better than our partnering federal agency, the SBA. The SBDC national appropriation for FY 2008, due in large part to your advocacy Madam Chair, was $97.12 million. These additional funds will be distributed in the middle of this fiscal year and start to increase the assistance to the small business sector. However, at this time, state revenues have declined sharply and some State SBDC budgets are being cut by states to help balance budgets.

In my state of Florida for example, current revenues are $2.5 billion under initial projections. This revenue deficit is expected to increase to almost $5 billion for FY 2010. Unemployment in parts of **Florida is 8.1 percent and our 33 SBDC's are continuing to be overwhelmed with requests from businesses and those unemployed seeking to now start their own business. Many of our SBDC's** have reduced their capacity in response to passed-on budget reductions and I have lost the equivalent of 3 full-time professional positions. We are right now undertaking another 7 percent reduction exercise in preparation for continuing bad revenue news which will further reduce our capabilities.

In 2001, SBDCs nationwide provided one-on-one consulting services to 254,490 clients. Last year, consulting services were provided to only 194,716 clients because of past stagnant support for services. **That's 60,000 small business owners and entrepreneurs that weren't assisted.** We submit to this Committee that this is not due to declining demand but declining capacity. In FY 2006, SBDC were able to provide training to 667,276 small business owners and aspiring entrepreneurs. In FY 2008 the program**'s training numbers de**clined to 558,487. Part of the decline in training is due to a focus on in-depth consulting for businesses facing challenges and part of it is due to reduced service centers and losses of consultants and trainers.

For example, the SBDC State Director in Georgia who serves with me on the ASBDC Board of Directors advised me that between 2001 and 2007 the Georgia SBDC was forced to close three locations (one urban, two rural), dropped 4 business consultant positions, 4 economic development/business consultant positions (which focused on entrepreneurial activity primarily in rural areas), and eliminated his Associate State Director, Director of Continuing Education, and head of **women's outreach**".

At this time, we are preparing for more unemployed Americans considering self-employment to sustain their families and more existing business owners are searching for solutions to problems and to identify new opportunities and markets to sustain and grow their businesses.

The critical issue is the management decisions these small business owners and aspiring entrepreneurs will make in an economic and business environment with which they are unfamiliar? Dun and Bradstreet data suggests that the major reason small businesses fail is bad management decisions. Millions of small business owners have had little business management education and need to correctly analyze conditions they have never experienced. Small business owners know how to repair an automobile, build quality cabinetry, repair a computer, and build a control device or dry clean clothes. But they have little training or experience in how to manage a business in times like these.

An increasing number of small business owners and unemployed Americans are seeking advice and assistance from the management and technical assistance programs that are struggling to retain service capacity due to years of flat or declining funding that has not kept up with inflation let alone re-tool for the global economy. Our national network is sharing resources that improve our services and

deliver the best quality assistance to our small business clients given the resources we are working with.

Just the other day, many of us were talking about the current response to this economic downturn being very similar to our efforts in response to man-made and natural disasters. Whether it was the response to 9-11 in New York, the hurricanes of Florida, Louisiana, the Carolinas and Mississippi or the fires in California, SBDCs have worked to become the small business 'first responder'. We commit to you that we will do our best with whatever resources we have to provide the needed services for small businesses to survive and grow.

Many of the small business owners who may face the most difficult decisions in this economy are women business owners and minority business owners. SBDCs have been actively engaged in successful outreach to these segments of the small business economy for years and have earned the trust and confidence of women and minority entrepreneurs over the past thirty years. **Forty-six percent of SBDC consulting clients in FY 2008 were women.** This compares favorably to the roughly one-third of small business owners who are women. **Nearly thirty-five percent of SBDC consulting clients in FY 2008 were minorities,** once again exceeding the percentage of small business owners who are minorities.

As policy makers, you decide the public policy priority of small business management assistance. Our program is the leader of SBA's three management and technical assistance programs, SBDCs, SCORE or Women's Business Centers. We appreciate this Committee's support and look forward to your leadership in restoring the Agency's (SBA) stature as the leader in small business services as well as financing tools, that leadership is needed now more than ever.

The SBDC program and services facilitate access to capital (often relying upon SBA tools), small business procurement and services to the under-served or minority business community. These three areas represent our priorities for the next year while continuing to build the capacity to help our small business sector with their future needs as we emerge from this economic downturn and help lead the nation's economy to the forefront of the global economic resurgence.

The most recent study of the economic impact of SBDC services provides numbers that help justify an increased investment in SBDC management and technical assistance.

In 2007, the nationwide SBDC network helped in-depth small business clients (that is, clients who received five our more hours of SBDC consulting during the year) to:

- **create 73,377 new full time jobs; save an additional 76,820 jobs;**
- **generate nearly $7.2 billion in new sales;**
- **preserve approximately $8.8 billion in sales;**
- **obtain nearly $3.627 billion in financing; and,**
- **generate approximately $219.8 million in new Federal revenues and $ 340.5 million in new state revenues as a result of direct economic growth generated by SBDC clients.**

These are survey responses provided by SBDC clients themselves in a confidential survey of all in depth SBDC clients conducted by Dr. James Chrisman of Mississippi State University. The surv y data are generated from figures clients themselves directly attribute to the assistance received from their local SBDC.

These are a result of a modest federal investment of approximately $97.12 million in management and technical assistance, where SBDC in-depth clients generated nearly $220 million in additional Federal revenues due to increased economic activity that the small business owner attributed to SBDC assistance. That is $2.26 in revenue for every federal dollar expended, nationally.

If we assume an average unemployment check of $300 per week for each of those workers whose job was saved and an average of 13 weeks of unemployment benefits (the average weeks of unemployment during the last recession) savings in unemployment benefits for federal government and state governments equate to $300 million dollars.

SBDC in-depth clients attributed an estimated 73,000+ new jobs to the SBDC assistance they received. That works out to a cost of $1,323 per job created. By comparison, Nobel Prize winning Princeton economist Paul Krugman, who is an advocate of the President's stimulus package, estimates that, "The true cost per job ... will probably be closer to $100,000 ... and the net cost will be as little as $60,000 once you take into account the fact that a stronger economy means higher tax receipts." This helps underscore the efficiency of job creation through the small business sector and advisement assistance.

Madam Chair your Budget Views and Estimates letter last year indicated that $140 million in funding would be an "appropriate" level for the SBDC national program for FY 2009. ASBDC is extremely appreciative of the confidence in the SBDC program that letter reflected. Your active support of increased SBDC funding no doubt played a critical role in the decision of the Financial Services Appropriations subcommittee under the leadership of Chairman Serrano to recommend $110 million for the ASBDC program for FY 2009. If Congress approves this level, it will aid greatly in restoring capacity lost during most of this decade. In light of the current economic crisis facing America's small business sector, a funding level corresponding to the current authorized level would allow SBDC's to increase the level and scope of assistance that we believe is required to meet the needs of the small business sector during the current economic crisis.

We believe more can be done for small business constituencies and with enhanced resources, new and more innovative approaches for addressing small business needs will be developed by the SBDC network. We are eager to work with Congress and the Administration to expand and the traditional fundamental programs which have proven so successful and deliver on the future opportunities which will be important in globalization.

The crisis facing the nation and small business is judged to be the greatest challenge of the past half century requiring the rapid deployment of needed services to the small business sector to assist America's engine of economic and job growth. By expanding the SBDC service network capacity, essential information, analysis and business decision-making tools will be more readily available to the small business sector to improve survivability, efficiency and growth.

The SBDC program, in response to the national priorities to stimulate the economy and ease the financial crisis, is proposing to allocate 75-80% of all incremental funding support to the urgent needs of the small business sector. The recent financial crisis combined with the economic recession and stimulus package(s) have necessarily caused the program to adjust priorities in meeting the needs of the small business sector. Three (3) areas of priority have been identified as immediate and needed actions for information, business advisement and training to respond to the current challenges confronting the domestic small business economy.

Capital Access: Access to capital is regularly one of the most dynamic and challenging aspects of growing or establishing a successful small business. In normal times, capital markets can be confusing and discouraging. The capital environment has been dramatically exaggerated by the

current fiscal crisis, resulting in small business owners and entrepreneurs having little or no access to options, often accepting the publically held belief that capital is not available. National priority would be placed upon informational seminars, working with potential borrowers to improve financial presentations and facilitating non-traditional as well as historical lending sources.

Procurement Assistance: The Stimulus Package(s) are designed to boost spending, often through public works, shovel-ready projects in the nation. Government contracting/procurements have a rapid and extensive impact upon the economy designed to be a quick stimulus. In order to maximize small business involvement with the package, SBDCs propose to prioritize assistance by preparing small businesses to be project ready as subcontractors and smaller primes through training and business advisement, especially in the construction trades. Small businesses are often limited in procurement opportunities due to a lack of bonding and secured financing, making otherwise eligible small businesses non-responsive or unprepared to bid upon projects. By increasing small business participation, projects within the Stimulus Package will have greater localized impact upon communities, capturing more expenditure locally and 'churning' more dollars within the areas.

Und r-served/Minority Small Businesses: The recent expansion of entrepreneurship within the under-served community creates a significant number of comparatively newer businesses within the minority community (African American, Hispanic, Women, etc.). Analysis indicates that these businesses may be at greater risk in the downturn, so the SBDC program intends to target outreach and informational to the under-served community. These efforts will be designed to improve the survivability and continued growth of these firms. Many of these business owners have not experienced an economic contraction and seek business assistance in analyzing the impact of the contraction on their businesses and plans. In order for these firms to survive and help lead the recovery, SBDCs would prioritize increase public awareness of the challenges as well as the opportunities that exist within the economy.

Again, we are eager to deliver quality service offerings at the quantity levels needed and look forward to working with this Committee and SBA to strengthen and improve a program that has well served the small business community, the economy and the taxpaying public for nearly thirty years.

ASBDC thanks the Committee for allowing us to present to the Committee today. I would be pleased to try and respond to any questions the Committee may have.

Testimony before the U.S. House of Representatives Committee on Small Business, entitled *"The State of SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery."*
02/11/09

Madam Chair, members of the committee, my name is Carol Gregg and I am the President and Owner of Flexible Staffing located in Chillicothe, Sedalia and Warrensburg Missouri. We also have an on-site office located in Kingsville, Missouri.

I have been an SBTDC client since January 2000 and have worked continuously with the Northwest Missouri State University Chillicothe, Missouri office ever since. The SBTDC office provided me with the assistance to develop cash-flow charts, and a business plan to start my business.

I started Flexible Staffing in May of 2003 and reached the tipping point of success in 2007. I set the goal of growing to $10 million in sales from my 2007 sales high of about $3 million. In 2008 we had sales of almost $5 million. The focus on our growth objective has reinforced my positive outlook, caused me to be able to identify opportunities even in difficult times and highlighted the need for continuous improvement in procedures and personnel.

Having a plan with a growth focus has mentally prepared me to adjust to changing circumstances while maintaining an "opportunity" driven approach to running my business.

Because we are located in the rural areas of Missouri, this approach plays out in adding experienced capable professionals to my staff as they become available and being able to replace departing expertise with a minimum of disruption. Finding people with talents where I have weaknesses has been a key to my success.

This approach plays out in soaking up advice from expanding networks of expertise and experience. These networks come from state and national trade associations, local and state SHRM organizations, and two local entrepreneur groups. In Chillicothe, we have 20 to 30 small businesses that meet every 6 weeks to share ideas, discuss issues and receive updates on what is affecting small businesses in our area. Both groups have bank support and support from the NWMSU SBTDC office. In addition, I have been able to rely on networking relationships with cooperating businesses in my industry.

When I realized that I had reached the point where I could stop worrying about the survival of my business and shift my focus to growth, I scheduled a meeting with Mr. Jim Houseworth, my mentor, banker and entrepreneur and Mr. Steve Holt, Director of the NWMSU SBTDC Chillicothe office. They helped me review my 2007 financials; recommend a CPA firm that could better serve my needs, listened to my growth plans and identified next step actions.

Mr. Holt later ran and delivered market comparison reports that allowed me to better gauge the market opportunity for the new markets that I was considering. He also provided background information on the competition already serving those new markets and generated business to business new customer marketing contact lists.

My plan for growth has changed slightly in the last six months due to the downturn in manufacturing and the light industrial industries in Missouri. I have needed to think "outside the box." I believe that growing through diversifying my business is my best option, and doing it quickly. In September, 2008 I started a new division in my Sedalia office called Flexible Consulting which contracts mechanical, electrical, and chemical and industrial engineers. We now have three recruiters in that location.

In my Warrensburg office, I am hopeful to soon begin Flexible Medical Staffing. There is opportunity that has been knocking on my door for the last two years to do medical staffing in the rural areas. Again due to the economy, and my belief in growth through diversification, I am currently moving forward to take advantage of these opportunities at an accelerated pace. This past week I moved to a new location in Warrensburg which gives me room to expand and house five medical recruiters in that office which will service hospitals and clinics throughout Missouri. With this being said, all three of my locations will still do light industrial and clerical staffing.

I have used SBTDC for market research and I have plans to work with them on an updated financial analysis and marketing analysis of this new medical staffing business.

I view the medical industry as being somewhat recession proof with a constant skilled labor shortage. I need to hire an experienced medical professional to manage this new venture and hopefully Flexible Medical Staffing will be up and running soon.

The economic downturn has provided the motivation and opportunity to address this new business opportunity. Anticipating an extended downturn will require new cash resources. I have negotiated an expanded line of credit in advance to meet my potential needs.

Expecting to emerge from the downturn stronger than when the recession started, I am having my staff concentrate on getting our house in order by documenting our policies and procedures and providing extensive training to shorten our learning curve. I am also positioning myself to eliminate weaknesses in my management staff when opportunities arise, however, we have not had to lay off staff, but re-train them for new opportunities.

To provide my staff with high expertise and training in our industry, I have negotiated with other businesses to share their talented employees with our company. For instance, I needed a trainer/supervisor for the Flexible Consulting side of our business. By sharing in the expenses of this individual, this will enable both companies to have a quality, high-paid employee that can meet our needs at half the cost. This becomes a win-win scenario for both companies. It works great!

I have been fortunate in having an SBTDC office available in each of the communities where I have office locations. SBTDC has always been ready to provided assistance whenever I needed it. I have personally benefited from of the training and counseling provided by these centers. I often urge other small businesses to utilize their services. I have also utilized the services of the Missouri Procurement Technical Assistance Center and have attended the Ike Skelton Procurement Conference hosted annually by the University of Central Missouri SBTDC.

The SBTDC has provided all of the services that I have requested when I needed them and stands ready to work with me as I grow my business.

The greatest benefit to my business would be an improving economy where consumers were consuming again and through that consumption driving the demand for more goods and services and thereby driving the demand for more employees.

Consumer confidence and the availability of credit to finance expansion should be major governmental goals. Providing technical assistance to help individual businesses determine how much credit they need, how best to utilize that credit, and how best to manage and market their business should be the focus of the SBTDC. These are precisely the kinds of personal involvements, tools, counseling and assistance which have benefited me and my business, and by all accounts, many other such entities in our region. SBTDC is a viable service to small business. I am thankful to have them ready and available to meet the needs of not only my business, but to all small business' throughout the US.

Thank you.

Carol A. Gregg
402 S. Washington
Chillicothe, MO 64601

STATEMENT RELATED TO
SBA ENTREPRENEURIAL DEVELOPMENT PROGRAMS AND
THE ROLE OF WOMEN'S BUSINESS CENTERS
IN AN ECONOMIC RECOVERY

SUBMITTED TO THE
U.S.HOUSE COMMITEE ON SMALL BUSINESS
ON FEBRUARY 11, 2009

To the Honorable Nydia M. Velázquez, Chair, the Honorable Sam Graves, Ranking Member and the members of the House Committee on Small Business:

The Association of Women's Business Centers is pleased to participate in the Committee's hearing on "The State of SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery."

As the Committee members are well aware, the Women's Business Center program has been an important part of the SBA's entrepreneurial development assistance efforts since its establishment in 1989, after the passage of H.R. 5050, The Women's Business Ownership Act of 1988. The program has grown from 4 "demonstration sites" in its first year to 113 SBA-funded Women's Business Centers (WBCs) in FY2009.

The Association of Women's Business Centers (AWBC) is a national not-for-profit organization representing women's business centers and the women and men they serve. The AWBC was founded in 1998 to support entrepreneurial development among women as a way to achieve self-sufficiency, to create wealth and to expand participation in community economic development through education, training, counseling, technical assistance, mentoring, development and financing opportunities. Our ***vision*** is a world where economic justice, wealth and well-being are realized through the collective leadership and power of successful entrepreneurial women. Our ***mission*** is to develop and strengthen the network of women's business centers (WBCs) to advance the growth and success of women business owners. We do so by building the capacity of women's business centers, developing public and private resources to support member centers, and by advocating and promoting women's business development nationally and internationally.

Our testimony today will center on these three main points:

1. **Recognition of the significant improvements in the underpinnings of the WBC program:** our "graduation" from a "demonstration" program to an integral part of SBA's entrepreneurial development assistance to the nation's 26.8 million small businesses[1] and to the untold millions who wish to start their own enterprises, and our improved working relationship with the SBA;

2. **The need to both plan for the future and to focus on improving current challenges to operational efficiency:** the need for a more strategic approach to funding, to developing quality marks for service delivery and innovation, and to continuing to improve compliance and paperwork issues; and

3. **The current economic crisis and the role of WBCs in an economic recovery:** how WBCs have led in innovation, client trends we are seeing, and our recommendations for action.

Here is a more detailed discussion and our recommendations for action in each of these three important issue areas:

1. Recognition of the significant improvements in the underpinnings of the WBC program

We are grateful for the wisdom and support of leaders in the House and the Senate for the passage of our permanent funding amendment in 2007. WBCs have a remarkable record of achievement over the past 20 years, including impressive results in recent years as the program has come into its own. WBCs across the country currently provide entrepreneurial training, technical assistance and counseling to over 150,000 clients annually, including a significant number that are socially and economically disadvantaged or who live in economically distressed communities. In addition, research from the National Women's Business Council found, looking at business revenue growth alone, that there has been an extraordinary 14 to 1 return on the annual $13.5 million investment in the WBC program.[2]

Now that WBC leaders no longer have to worry about the very existence of their centers on an annual basis, they can concentrate on better serving their clients and growing their programs. In the words of our members, the new three-year renewable funding arrangement has given WBC leaders the ability to:

- *Concentrate on clients and not worry about money*
- *Plan for and seek out more external collaborators*
- *Seek longer term funding from other sources*
- *Offer enhanced client services*
- *Give needed focus and attention to strategic long-term planning*
- *Have some hope for the future of organization: "Our whole strategic plan is now different"*

---

[1] As of 2006, according to the US Small Business Administration's Office of Advocacy: http://www.sba.gov/advo/research/data.html

[2] See NWBC, *Analyzing the Impact of the Women's Business Center Program*, published September 2004. http://www.nwbc.gov/ResearchPublications/listReports.html

In tandem with this advancement in program operations has been a significant improvement in our relationship with the SBA, in particular with the Office of Women's Business Ownership. We are now working on issues as partners, and continue to address – in a much more communicative, and much less adversarial, manner – the ongoing management of the program. We fully expect that relationship to continue in that manner, and perhaps improve even more, after new political appointees are put in place in the SBA.

2. Planning for the future and focusing on improving current operational challenges

We look forward to establishing these new relationships soon, because we not only wish to start planning for future program improvements, but deal with some of the current challenges that remain.

For example, the demand for our services continues to outpace our supply. WBC leaders and staff continue to have a difficult time fulfilling the growing demands of their clients in the face of significant cuts in the per-center program budget. Annual allocations have fallen from an average of $150,000 per year per center to between $80,000 and $100,000 per center. There has not been consistency in the way funding allocations have been made to WBCs, nor has there been sufficient transparency. We believe the **awards should be made public**, and we recommend that **the per center funding level should average $150,000, which would total $17,100,000 for 114 WBC's.**

Secondly, while there has been some significant improvement in the speed with which grant monies are disbursed, the paperwork burden remains exceedingly high – especially when compared with other Federal, state and local procurement procedures that WBCs follow – and the program grant disbursements are not always made in a timely manner. In recent years many WBCs have waited months before they receive the funds for the services that they were delivering throughout the course of the year. While significant process improvement has been implemented with an automated system of draw downs, continuous evaluation of the new process needs to be in place.

The call for improvements in the paperwork and payments process rings loudly across metropolitan, urban and rural areas. Our WBC leaders are crying out for:

- *Quicker responses, and not receiving repeat requests for information that has already been sent*
- *Better communication about all matters*
- *Hold a one day regional conference for reimbursement personnel*
- *Receiving notices of program changes in advance*
- *Monthly payments vs. quarterly for cash flow purposes*
- *Have the DOTR handle the match certifications so that WBCs do not have to submit a large volume of paperwork*
- *Overall, things have improved with respect to a quicker turn around time, but there is still room for improvement*

With respect to planning for the future, that has been stymied in the past, not only because our continued existence hung in the balance from year to year, but because of the lack of clear and consistent performance goals and a way to assess and evaluate outcomes.
We are thankful that our legislation now includes a means by which program performance can be evaluated, and that WBCs are now eligible for continued funding subject to performance review. We know that when our program performance is measured against any other enterprise assistance program, we will meet or exceed any performance measures. Indeed, the SBA's own client-based performance reviews have shown our clients to be just as satisfied or in some cases more satisfied with the services they have received compared to the SBA's other entrepreneurial development efforts.[3]

Our members agree that evaluation of performance is the cornerstone for continued improvement of client services as well as for future growth in additional areas. Therefore, WBC leaders are requesting clearer information and transparency in the performance evaluations:

- *We need transparency of how milestones & benchmarks are set*
- *Benchmarks must be set according to demographics for your center – not comparing us to other centers' demographics*
- *Explain funding levels and criteria for next level*
- *Clarify definitions of performance goals*
- *The performance criteria needs to be TRANSPARENT at all levels for all WBCs*
- *OWBO needs to establish an appeals process for grievances; as well as there is a need for greater advocacy by the AWBC for these types of matters.*

The AWBC feels that a system to evaluate, improve and certify women's business centers should be developed. Such a system should also include training for new and for underperforming WBCs, benchmarking and sharing of best practices and modeling for the WBC program. Continued funding for WBCs would then be based on merit and performance, with clear and consistent means of evaluation in place. **We recommend the development of a certification model, which would be piloted at two or three WBCs before being launched nationwide. We estimate that such a program would require an additional appropriation of $500,000.**

3. The current economic crisis and the role of WBCs in an economic recovery

There is no question that, aside and apart from streamlining program efficiency and improving the future operations of the WBC program, it is critically important that we all address the economic crisis that confronts us today.

Historically, small business creation runs in a counter-cyclical fashion to overall national economic health: when the economy is running well at "full employment" fewer people are thinking of starting their own business, but when economic conditions deteriorate and layoffs increase, people start their own businesses in increasing numbers.

Women's business centers are in the front lines of this situation; our members are seeing more and more women and men coming through our doors who have been "downsized", "pink-slipped" or who are under-employed and looking for a way to put their economic futures in their

[3] See the evaluation studies performed and submitted to the SBA by Concentrance Consulting Group.

own hands. WBC leaders are also reporting a greater degree of desperation among their new clients. We are ready, willing, able and are ALREADY serving as a source of information, inspiration and comfort to these clients.

Here are just a few of the strategies we are employing to meet the changing needs of our clients:

- Providing more office space and support:
  - incubator offices and day-to-day workspaces
  - clerical/telephone support
  - meeting room and conference room space
- Providing more skills-specific education in response to increased demand:
  - software packages
  - financial and business plan preparation
- Responding to increased interest in peer support group gatherings
- Offering such new classes as:
  - how to recession-proof your business
  - marketing on a shoe-string
  - approaches to alliance-building
- Providing more online and mall-based marketplace and B2B opportunities for clients, to help them sell their products and services

Where we see the **key challenge at the present time is increasing the flow of capital to our clients** – not just those seeking to start a business but especially to our existing clients who are already in business. Capital has dried up for these clients, and they are suffering.

As the members of the Committee are well aware, over the past eight years the SBA has attempted to change the intent of its financial assistance programs by eliminating the subsidy of the program, which has led to increased interest rates and decreased participation rates by banks. In many cases, SBA guaranteed lending is no longer available to the types of businesses that need it the most. The current economic environment has exacerbated this problem: the SBA itself has reported a 27% decline in the number of loans they made between FY2007 and FY2008, including a 26% decline in the amount of lending to women-owned firms. In terms of dollar value, just 15% of dollars lent or guaranteed by the SBA went to women-owned firms – despite the fact that nearly one-third of all businesses are majority-owned by women.[4]

Our WBCs report a much harder time with our direct lending portfolios and with the ability to successfully refer our clients to lenders, especially SBA lenders. We feel that it is in times like these, rather than when times are good and everyone is lending, when we should be seeing growth in SBA-backed lending.

Our recommendation: ensure that SBA lending and loan guarantee programs do what they are intended to do: to step in and step up when the hesitancy of banks increase, as it is now. Areas of particular need are in the small office/home office (SOHO) market, in microlending, and in the angel capital markets.

---

[4] See the NWBC Issue in Brief, *Trends in SBA-Backed Financing to Women-Owned Businesses, FY2004 to FY2008.* http://www.nwbc.gov/ResearchPublications/documents/Issue%20brief%20-%20SBA%20Loans.1108new.pdf

We thank the members of the House Committee on Small Business for your long-standing support of the Women's Business Center program, and for your efforts to support women's enterprise development in general, such as your support for the National Women's Business Council and for increasing access to Federal procurement opportunities to women-owned firms.

We look forward to continuing to work with you and all of the members of the Committee to increase the economic and social contributions of this nation's estimated 10.1 million women-owned enterprises,[5] and to the countless others that are on the drawing board, awaiting support and assistance from Women's Business Centers to move launch and grow their businesses.

Respectfully submitted for the record
Ann Marie Almeida
President and CEO
Association of Women's Business Centers
PO Box 1255
Camden, Maine 04843
207.236.9753 – phone
ama@awbc.biz

Oral testimony presented by
Barbara Wrigley
Executive Director
Women's Business Center of Northern VA
a program of the Community Business Partnership
7001 Loisdale Road, Suite C
Springfield, Virginia 22150
703.778.9922 – phone
bwrigley@wbcnova.org

[5] 2008 estimate from the Center for Women's Business Research.
http://www.womensbusinessresearch.org/facts/index.php

TESTIMONY BY
Ronald Blackburn Moreno
President and CEO
ASPIRA Association

Before the

COMMITTEE ON SMALL BUSINESS
U.S. House of Representatives

February 11, 2009

Madam Chair. My name is Ronald Blackburn Moreno. I am President and CEO of the ASPIRA Association, the largest national Latino organization in the United States and the only one dedicated exclusively to education.

I want to thank the committee and it's Chair for the opportunity to be here today to present some ideas regarding a topic that has become critical in these very uncertain economic times: how can we use technology –especially technology-based distance learning- to promote entrepreneurship to stimulate economic growth and job creation; how we can help existing small businesses that are suffering disproportionally in this economic downturn; and how to enhance the effectiveness of the Small Business Administration in providing the training and support that entrepreneurs and small businesses need.

We all know the importance of the SBA in providing education, training and technical assistance to potential entrepreneurs to help them start new businesses, as well as to existing businesses so that they can survive and prosper. We also know of the enormous potential of technology and the Internet as a tool to deliver training and technical assistance. I believe that a robust, well-designed, comprehensive and nimble on-line distance learning training program at the SBA has the potential to reach and help thousands of potential business owners and businesses, as well as reduce the burden of on the SBA Assistance Centers like the Small Business Development Centers and Women's Business Centers the across the country and serve as a complement to their counseling services.

Before I comment on what on-line training resources should look like and alternatives for deploying it, it is important to note that a major issue many potential entrepreneurs and small businesses face is access to, and the cost of broadband, especially in low- income communities. Without access, either because broadband has not been deployed in their communities or because the cost of broadband is too high, on-line training programs are of little value. To address this issue, I would like to like to recommend the creation of an e-rate-like program to provide either a tax incentive or a direct subsidy specifically to small businesses to access and cover part of the cost of broadband, similar to what schools and libraries already have. The Telecommunications Industry Association advanced the notion of a subsidy before this committee just last month.

There are two major issues that the SBA must address if it is to have an effective distance learning program: a) the quality of the courses offered on-line, including the depth in content of each course and the teaching methods used in delivering the courses, and b) the number and relevance of the courses actually available.

Distance learning and on-line training have advanced tremendously in the past few years. Effective on-line training programs have several key characteristics:

1. the content of the courses is interesting, relevant to the learners needs, and is of sufficient depth for the learner to master a subject matter – for instance, you simply cannot learn how to develop a business plan or the intricacies of securing a business loan in 35 minutes;
2. they progress from the basics of the subject matter to more advanced topics in several, well thought out, steps;
3. they are interactive, where the learner becomes a participant in his/her own learning, using tools to engage in learning activities and practice;
4. they use a variety of teaching methods, including a combination of video (webinars, web-casts), audio and text;
5. they are mostly asynchronous –where the learner (especially a potential entrepreneur or small business owner) can access the courses at any time anywhere, and can complete their coursework at their own pace;
6. the learners are provided on-going support through the learning process, where the learner can ask questions as they learn through access to a tutor/teacher (real or virtual) as well as other learners; and
7. learning is assessed –through tests or other means- and feedback is provided to the learner throughout the learning process.

Regarding the variety of courses, the SBA courses should be extensive and the program should be capable of deploying coursework quickly to meet emerging challenges to business. The courses should cover among others, in depth, a whole host of topics on how to start a business, maintain and grow a small business. I can think of at least 20 courses that could be offered, from developing a business plan to credit, procurement, management, finance, and integrating technology into your business. But it should also be able to move quickly with the times such as this one such as courses on how to survive in an economic downturn.

Of course, given the demographics and the fact that the SBA serves Puerto Rico, the coursework should be available at least in Spanish if not in other languages as well.

Most importantly, distance learning is very cost effective. Developing courses and having them on-line today is actually quite cheap, especially with all the open-source, free and secure Internet platforms that are available.

A second major issue is how to reach potential entrepreneurs and small businesses, especially in lower income communities. A tried and true method of reaching communities is through its community based non-profit organizations. This is especially true in the Latino

community. For example, ASPIRA has 150 Community Technology Centers across the country, with computer labs connected to high speed Internet lines. These centers, as well as others, can serve as entry points for potential entrepreneurs and small businesses, where they can learn how to use the internet, have access to the courses, have local coaches to help and refer them to the SBA Assistance Centers, all in an environment that is familiar, comfortable, and which they trust. ASPIRA offers a variety of courses on-line, including an entrepreneurship course for students at its centers already. Extensive national partnerships between the SBA and community organizations would go a long way in providing the SBA access to these communities, and this would mostly be at little or no cost to the SBA.

If the SBA is going to be an effective promoter of new business and an effective partner in sustaining and growing existing small businesses, it is essential that it take full advantage of the power of technology as a training and assistance tool, that it invest the resources needed to create a robust, comprehensive on-line education program and that it partner with communities to reach thousands who would have the potential to start or grow a business and hence create jobs.

Thank you. I will be glad to answer any questions.

○