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FULL COMMITTEE LEGISLATIVE HEARING ON ENERGY, VETERANS ENTREPRENEURSHIP, AND THE SBA'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS

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UNITED STATES HOUSE OF REPRESENTATIVES

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FULL COMMITTEE LEGISLATIVE HEARING ON ENERGY, VETERANS ENTREPRENEURSHIP, AND THE SBA'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS

WEDNESDAY, MAY 16, 2007

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

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velázquez [Chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Jefferson, Shuler, Cuellar, Ellsworth, Johnson, Sestak, Chabot, Heller, and Jordan.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

ChairwomanVELÁZQUEZ. Good morning. I am very pleased to call this morning's hearing on proposals to reauthorize the SBA's entrepreneurial development programs to order.

Over 400,000 new businesses are created each month during an outage year. As Americans pursue self-employment, most find it both a challenge as well as a rewarding adventure. Time and time again, entrepreneurs have found that strong sustainable enterprises result from steady commitment to developing a well-formulated business plan. The plans that are most likely to succeed are those that detail long-term strategies to obtain affordable capital, manage operational processes, and address human resources issues.

As part of its mandate to ensure small business owners can be competitive in the marketplace, the Small Business Administration administers a portfolio of entrepreneurial development programs. These include small business development centers, women business centers, SCORE, Native American, and veterans' business average programs.

All of these initiatives support business development by providing counseling, technical assistance, research, and mentorship to entrepreneurs throughout the country.

This program has a proven record of success. In fact, the businesses that utilize these initiatives are twice as likely to succeed. Over the past few years, as more and more Americans have decided to make their dreams of business ownership a reality, we have seen an increased demand for these services. Yet, despite the increasing need for entrepreneurial development initiatives, this program has not been modernized in the past six years.

Today's hearing will provide us with an opportunity to examine five proposals that aim to enhance these programs. The modifications will establish new initiatives and improved program operations to effectively fulfill the needs of small businesses. Most importantly, the proposals enable SBA programs to assist the next generation of entrepreneurs. By tailoring proposals to the current economic demand facing small businesses and the emerging sector of entrepreneurs, this initiative will promote business development in communities nationwide.

The face of small business is changing today. Over the past two decades, women-owned businesses have increased at twice the rate of all firms. We are also seeing more minority entrepreneurs. In 2002, they owned 18 percent of all small firms. Veterans represent 14 percent of small business owners. And that number only continues to grow as more return from Iraq and Afghanistan.

A key component to ensuring SBA's entrepreneurial development programs are effectively assisting entrepreneurs is not only making sure the needs of these growing sectors are being met but also that changing economic conditions are being accounted for.

Today entrepreneurs are being hit with a whole new set of challenges different from the ones many struggle with, even if they get a goal. To address these challenges, the proposal before us creates a new subprogram within the SBDC program to help entrepreneurs deal with health care, energy, tax, and regulatory costs.

We are also expanding the number of veterans' business centers and restructuring the women's business centers to open additional spaces. Part of the proposal also includes launching a new initiative to help senior citizens who are interested in becoming a small business owner to get those ventures off the ground.

The proposal before us today provides SBA entrepreneurial development programs with a capacity to develop training, technology, and informational resources to ensure small businesses can address their specific challenges.

This process to modernize SBA's entrepreneurial development programs has evolved from lessons learned. They will be revisited as we continue to look for ways to strengthen the entrepreneurial sector.

To support business ownership in the Twenty-First Century, it is critical that we build upon an already strong foundation. Making this change is a first step toward ensuring our small business owners have what they need to keep this economy strong for generations to come.

I now recognize Ranking Member Chabot for his opening statement.

OPENING STATEMENT OF MR. CHABOT

Mr.CHABOT. Thank you, Madam Chair. And I want to thank you for holding this hearing to review the entrepreneurial development programs administered by the Small Business Administration, the SBA.

I also want to thank our witnesses for their testimony that we will be hearing here shortly. I know we look forward to hearing their views on the legislation that the Committee will be considering in next week's markup also.

The SBA's entrepreneurial development programs can play an important role in helping small business owners succeed. These programs range from narrowly targeted programs to very broad programs that take advantage of the resources of America's higher education system and retired business executives.

The programs that we'll be considering today, SCORE, the small business development centers, and women's business centers, haven't been reviewed, it's our understanding, by this Committee since 2003. So it's certainly timely that we do this, and I want to commend you for doing this.

It's important to ensure that these programs are doing what they're intended to do, which is help small business men and business women. We will also be looking at proposals to increase veterans' entrepreneurial opportunities, ways to improve the SBA's Native American outreach, and potential changes to the Small Business Investment Act that would increase investment in renewable energy technology development by small businesses.

As anyone who has bought gas in the last few weeks knows, prices at the pump are over three dollars a gallon. And that's just unacceptable. In my view, the most effective solution to this problem is to increase domestic oil production in the outer continental shelf, for example, and in ANWAR and to improve this nation's ability to refine crude oil into gasoline while we work on developing promising new technologies that will serve us in the future.

Regardless of where one stands on the energy debate, I think we can all agree that it's critical that we become much more energy-independent as quickly as possible.

I want to again thank Chairwoman Velázquez for this opportunity to thoroughly review the SBA's entrepreneurial development programs and look forward to working with her in strengthening them.

And I yield back.

ChairwomanVELÁZQUEZ. Thank you, Mr. Chabot. And I also would like at this point to recognize any member who has been working on this proposal from both sides of the aisle. If you wish to be recognized, I will do so now.

Mr. Shuler?

Mr.SHULER. Madam Chair, Ranking Member Chabot, thank you for holding this hearing today. I am particularly pleased that we are considering Small Energy Efficiency Business Act. Small businesses are the first to be affected by the rising energy prices. And small business will be the first to find the solution.

This bill will give them the tools that they need to lead our nation in energy efficiency and independence. And I want to commend the two of you again for your hard work and your dedication in truly making this Committee what it should be and continue to be a very active part of our small business environment and throughout our whole society commend both of you for your hard work and dedication.

ChairwomanVELÁZQUEZ. any other member who wishes to be recognized at this point? Mr. Sestak?

OPENING STATEMENT OF MR. SESTAK

Mr.SESTAK. Thank you, Madam Chair and Ranking Member Chabot.

I would like to take a few moments and follow up. Let me speak on a piece of legislation that I will be introducing later this week. And it's to enhance two important Small Business Administration programs: the SBDCs and the Service Corps for Retired Executives, SCORE.

I serve as a representative in a district that is economically driven by a very vibrant local small business economy. And so I am very appreciative of the entrepreneurial assistance that SBA provides.

We know that the entrepreneurial development assistance programs do work, as Madam Chair had mentioned. And, as she had said, this entrepreneurial assistance, businesses that gain this type of assistance are twice as likely to succeed. In addition, for every federal dollar that is spent on entrepreneurial development, it generates seven dollars in increased tax revenue.

However,in the past three years, my district has actually lost 607 small businesses. And, in fact, one out of five manufacturing establishments have disappeared.

The trend I am committed to reversing and fostering entrepreneurial development and creating the right conditions to help businesses flourish, stay, and be attracted to the district.

I know that in 1980, Congress actually took the step forward and established the SBDC program to do exactly what is needed, to foster economic development by providing the managerial, technical, and research assistance to both current and prospective small businesses.

As you know, SBDCs do provide services which include, but aren't limited to, assisting small business financial marketing, organization engineering, technical problems, and other types of feasibility studies.

The SBDC program also represents an efficient and effective use of allocated monies from the federal government to both I think particularly important public and private ventures in collaboration. To that end, SBDCs are funded by matching monies by state legislatures, local Chambers of Commerce, and technical schools and other institutions. In fact, it seems to go so well that we find that we are exceeding the minimum 50 percent matching share now.

I am very fortunate that both Widner, University of Penn, Mr. Higgins, as you well know. We have near my district. With all of that in mind, I see that while there are SBDCs, programs that are extremely effective, I do think there are certain operational improvements that could be implemented that help increase the flexibility of SBDCs to better support small businesses and entrepreneurs.

And to that end, the changes that I will be proposing in legislation to help ensure the quality of grants will be those that do the following: ensure the quality of grant recipients to host SBDCs, to help SBDCs maintain their autonomy from undue SBA interference, to protect the confidentiality of SBDC clients, and ensure that taxpayers' dollars are being spent as efficiently as possible by

not using SBDC funds except for the sole purpose of business development.

And by allowing exemptions to deter and cap on non-matching portability grants in the bed of federally designated natural human-caused disasters, I also think it's important to strengthen SBDC core program by establishing specific grant programs that will allow SBDCs to tailor their services to meet the particular needs of their business constituencies; for example, the capital access initiative, which will establish grants to assist entrepreneurs in processing loan applications and attaining private equity.

An innovation and competitiveness initiative, which will establish grants to allow SBDCs become technology centers to help market technologies and advanced products to manufacturers; and a disaster recovery program to establish grants to allow SBDCs to assist and coordinate the federal response for small disaster victims.

There are others, which I won't bother to go into now, such as the older entrepreneur assistance sustainability initiative and the national regulatory assistance initiative.

The second program, which I won't go into except to mention, SCORE, which, as you know, provides entrepreneurs free counseling assistance by former executives, is very important. And I believe it provides a valuable service to small businesses and can be even stronger with the provision to actively recruit volunteer mentors, who will then greater reflect the social and economic diversity of those who utilize SBA services.

So, with that, I very much appreciate it, Madam Chair, to give me the opportunity to talk on this that we will introduce later this week. And I look forward to today's hearings.

ChairwomanVELÁZQUEZ. Thank you. And I want to express my appreciation for members from both sides who have been working on these proposals.

With that, we are going to start our hearing. I just want to express my appreciation to all of the witnesses, especially those who come up from across the country to be here today and share with us your insights on the differing issues that we are going to be dealing with.

Our first witness is Ms. Wilma Goldstein. She is the Small Business Administration's Acting Assistant Administrator for the Office of Entrepreneurial Development.

Ms. Goldstein, you have five minutes to make your presentation. And you can enter your entire testimony into the record without objection.

STATEMENT OF WILMA GOLDSTEIN, ACTING ASSISTANT ADMINISTRATOR FOR THE OFFICE OF ENTREPRENEURIAL DEVELOPMENT, UNITED STATES SMALL BUSINESS ADMINISTRATION

Ms.GOLDSTEIN. Thank you. Thank you, Chairwoman Velázquez, Ranking Member Chabot, distinguished members of the Committee, for your invitation and the opportunity to share with this Committee the work of the Small Business Administration's Office of Entrepreneurial Development and what we are doing to help serve America's entrepreneurs in small business.

I am Wilma Goldstein, as Chairwoman Velázquez said. And on behalf of Administrator Preston, I am pleased to be here to share with you the operations and successes of SBA's programs and to briefly discuss with you some of our plans for the future.

The Office of Entrepreneurial Development manages a strong distribution channel of service centers that provide business and management assistance to people who need guidance on how to start, grow, or better manage their small businesses. We do that through our three resource partners, who have been mentioned while we have been here this morning: small business development centers, women's business centers, and SCORE.

In F.Y. 2006, our resource partners trained and counseled over 1.2 million clients. In addition, 315,154 to be exact clients registered for one of our 23 courses offered online through our small business training network, SBTN. And over 12 million new visitors accessed the SBA Web site.

SBA and, in particular, ED, has long recognized the value in being able to measure and validate the work that we do. One important way we can now measure our programs is through the data collected in the entrepreneurial development management information system known as EDMIS. We collect that data quarterly from each of our resource partners telling us how many they have trained and counseled.

F.Y. 2006 marked the completion of the first full year of EDMIS implementation with all of our programs. If you will allow me a slight digression, I just want to add that I am extremely proud to be associated with the group that got EDMIS up and running.

In the first half of its second year, I can report that it is running smoothly. We still monitor it regularly with conference calls between headquarters and our resource partners about once a month. And we are in the process of looking at upgrades so that we can do more with it than gather information.

A further commitment on our part to assessing our performance is the impact survey. Interviewing is now beginning on the fourth year of this longitudinal study. And we continue to find that businesses that receive management assistance from SBA's resource partners give it high ratings to the usefulness of that assistance.

Let me also touch briefly on our small business training network, which is our online training vehicle. It is having a banner year. And I thin you will be pleased to hear the following. We now have more than 25 free online business courses.

We introduced this year the small business primer, which is an interactive assessment tool to help people determine their readiness for starting a business and guide them to the training they may need to be better prepared.

We have partnered with Capital Access and government contracting to other parts of the SBA to create similar online assessment tools for community express loans and the 8(a) program.

Then much has been said already about modernization. And I want to tell you about one way that we are trying to help our resource partners keep up with changing technologies.

This coming week all three of our resource partners and SBTN are holding a technology summit here in D.C. Knowing that some of our centers with smaller budgets have difficulty keeping up with

advances in technology, we sponsored a competition for new ideas in technology. We would be featuring the winners. And each will be questioned by a panel of experts. We hope this will become an ongoing event and the result would be that we will find ways to help our centers make better and more affordable technology decisions.

We had a good year in ED, in which all the programs produced better that expected counseling and training numbers, which we provide to the Congress each year. So let me just mention a few things that go beyond those numbers.

SBDC is proud of its many changes and improvements. I would like to mention two in particular. In anticipation of the need for all of us to expand our reach to veterans, the New York Veterans Outreach Program was implemented and during the past five years has counseled and trained over 8,000 veterans, many of them Service-disabled.

The New York SBDC also recently developed EntreSkills for Veterans, a comprehensive interactive educational tool developed by veterans for veterans and members of the Reserve and National Guard.

Before I conclude my testimony, I just want to very briefly communicate for the Committee's consideration some of our legislative proposals that we believe will bring greater efficiencies to the operation of our programs as well as enhance and expand our client services and base.

In our F.Y. 2008 legislative package, SBA requests that the Committee provide SBA with authorization to have full access to client information obtained by the SBDCs as part of their SBDC program administration that allows us to continue doing the impact survey. Such access will allow SBDA to more effectively manage the program and to measure the program impact through client surveys, and their privacy will be guarded.

We would also like an expansion of eligible applicants for SBDC lead centers. This provision opens up eligible entities to include public or private nonprofit organizations.

SBA also requests the authority to determine the number of SBDC lead centers that are funded in each state on the individual circumstances in the state. We believe that this authority will provide SBA with the necessary flexibility to ensure that specific small business community needs are best served in various circumstances.

Chairwoman Velázquez, that concludes my testimony. I look forward to answering any questions.

[The prepared statement of Wilma Goldstein may be found in the Appendix on page 38.]

ChairwomanVELÁZQUEZ. Thank you, Ms. Goldstein.

Our next witness is Mr. Tee Rowe. He is the Associate Administrator of Congressional and Legislative Affairs for the Small Business Administration. He also worked in this Committee, the Small Business Committee, under the leadership of Chairman Talent as the senior counsel for the Committee. Tee, you are most welcome.

Mr.ROWE. Thank you very much, Chairwoman Velázquez. It is a little different being on this side of the microphone.

STATEMENT OF C. E. "TEE" ROWE, ASSOCIATE ADMINISTRATOR OF CONGRESSIONAL LEGISLATIVE AFFAIRS, UNITED SATES SMALL BUSINESS ADMINISTRATION

Mr.ROWE. Chairwoman Velázquez, Ranking Member Chabot, members of the Committee, my name is Tee Rowe. And I am the Associate Administrator of Congressional and Legislative Affairs at SBA.

I want to thank you all very much for inviting me to testify on the provisions of the draft legislation before the Committee. I appreciate your desire to seek the administration's input, and I will do my best to respond to your questions as fully as possible.

Unfortunately, I only received the Committee's invitation yesterday. And I haven't had time to prepare full written remarks, though I would very much appreciate the opportunity to get some remarks to you all prior to the markup.

We also only received some of the final legislative language and summaries yesterday. However, based on a brief review of the drafts, allow me to make some of the following comments.

As Wilma pointed out, SBA would like increased competition and access in the SBDC program. And to that extent, the administration would object to restricting SBDC grants solely to institutions of higher education.

We believe the competition for these grants would foster expansion and innovation in the program. For instance, we support providing SBDC assistance to Native American communities. And the administration has to wonder if an open and competitive process would not have already resulted in that assistance, rather than raising the need for an adjunct program to provide that assistance now.

With regards to the draft legislation concerning outreach to veterans, the administration supports this effort and the support that it offers to our veterans of both current and past conflicts.

As Wilma has already talked about the women's business center program pretty fully, I will leave that to her, but speaking briefly as a former staffer to the Committee, I appreciate the Committee's recognition of the fact that the intent of the women's business program has already been to create self-sustaining women's business centers. The question before the Committee really is how long is that process going to take and how much accounting do we need to make for the different capabilities of the participants in the program?

Lastly, let me just address the provisions of the draft energy bill. In general, the administration supports fostering energy conservation and innovation in energy technology. That has long been a component of the Small Business Act. Support for energy measures through the 7(a) program has been a part of section 3 of the act since 1981.

SBA believes that educating small businesses on energy conservation is an appropriate function of the SBDC program. However, we would like to point out that regarding the provision on having SBA establish an energy education program, that language is a little bit redundant of authority and responsibilities we already have under the Energy Policy Act of 2005. We are carrying that

program out right now in conjunction with our colleagues from the Department of Energy and the EPA.

Finally, just regarding the SBIC provisions of the bill, these raise some interesting possibilities. We haven't had time to fully assess the costs of the proposals or their marketability, but we would appreciate an opportunity to work with the Committee more fully to develop some of these proposals.

Again, thank you very much for inviting me to testify. And I apologize for not being able to offer more complete remarks to you all. However, I hope I can assist the Committee with its questions. Thank you.

ChairwomanVELÁZQUEZ. Thank you.

Our next witness is Mr. Gregory Higgins. Mr. Higgins is the State Director of the Pennsylvania Small Business Development Center, which assists more than 150,000 clients each year. Mr. Higgins has previously served two terms as President of the Association of Small Business Development Centers.

Welcome, sir.

STATEMENT OF GREGORY L. HIGGINS, JR., STATE DIRECTOR, PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTERS, THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

Mr.HIGGINS. Good morning, Chairwoman Velázquez, Ranking Member Chabot, members of the Committee, I surely appreciate this opportunity to provide some comments on the entrepreneurial development program's reauthorization draft.

I would begin by indicating that with these initiatives, I believe the Committee has identified several of the most critical issues that are confronting the small business community today. Since the draft addresses both procedural changes and initiatives, let me spend just a couple of seconds on the procedural changes before I move to the programmatic initiatives.

There's a requirement that SBDCs operate out of accredited institutions of higher education. I think it makes perfect sense. We have an accreditation program with the Congress mandated for SBDCs.

One of our strengths is being able to utilize the resources of institutions of higher education. And a requirement for accreditation of those institutions makes certain that those resources are available to the small business community.

SBA involvement in hiring. We are all grownups operating in pretty complex organizations that have pretty well-defined processes for recruitment and hiring. And we do not think that it's appropriate to have SBA involved in that process.

Privacy of consulting. For us to be affected, we have to be able to ensure that our clients are—all the information they provide is maintained in complete competence. And the language in the draft certainly strengthens that. And we surely support it.

Prohibition of use of SBA funds on the examination. With as limited as SBDC funds are, I don't think it makes any sense to allocate SBDC funds to the examination process. In fact, I wonder since we're all subject to federal law that's under A-133 and we

also all undergo state audits, whether the examination process really adds any value to the SBDC program.

On the elimination of the cap on non-matching portability, this makes great good sense. All you have to know is that in the aftermath of Hurricanes Rita and Katrina, not only did it take six months to process the portability grant applications, but the Louisiana SBDC was required to submit six separate applications, the six separate scopes of work. Now, in a time like that to spend time putting together proposals simply doesn't make an awful lot of sense.

Now I would like to comment on the initiatives. And since time is really limited, I feel like saying they're all good, but let me give you a little more than that. And maybe the best thing I can do in this is to tell you why I think all of these make tremendous sense for this system.

Over the years, the Congress has invested public funds to build an information and services distribution system, the SBDCs, that now reaches every part of the country through more than 1,000 offices. You built the infrastructure.

In addition to the national coverage, there are several other aspects of the SBDC's program that make it especially effective in delivery. First, it's founded in local institutions with close ties to the business and civic communities.

It has a proven record of success. Several folks here have mentioned, including Congressman Sestak, the return on investment. So it's not just a program that reaches a lot of folks. It makes a difference when it does.

The SBDCs have knowledge in networking with all of the other state, local, and federal programs that also have to be engaged in providing business assistance. The SBDCs have access to the resources of a very powerful set of institutions of higher education. And the SBDCs have the flexibility to identify local and regional business issues and to develop programs as envisioned in this legislation to address those issues.

And, finally, the SBDCs have an accreditation process mandated by Congress that ensures that anybody walking into an SBDC anywhere in the United States is assured of high-quality service.

So, in summary, you know, over the past 27 years now, you have appropriated funds to build a system, delivery system, for small business that is second to none. And I think that each of these initiatives takes advantage of the value of that system.

Rather than comment on all of the initiatives, let me just hit a couple of them. One is disaster recovery. In Florida, North Carolina, Louisiana, Mississippi, the SBDCs have demonstrated again and again their capacity to help businesses recover from the devastation of hurricanes.

In many other states, including my own, we have been called in after disasters, which are clearly much less serious than the ones mentioned previously, but for the business owner affected, they are deadly serious. And the SBDCs have been able to assist in that.

In New York and in the adjacent states, all of the SBDCs were effectively engaged in helping businesses recover from the terrorist attacks of 9/11. And this initiative in this legislation recognizes and

takes advantage of the experience that SBDCs have gained in responding to disasters.

Innovation and competitiveness is another initiative. Innovation is the heart of America's competitive advantage. Sixty-seven percent of all innovation and 95 percent of all radical innovation occurs in small businesses. If we are going to help the United States remain competitive, particularly the manufacturers, we have got to have the capacity to help businesses identify and introduce innovation that is going to increase their competitive position and allow them to bring their ideas to market. So I think the competitiveness initiative is a very good one.

Mature entrepreneurs. Throughout the United States and particularly in a lot of rural areas, there is a generation, my own, I expect, that is getting ready to retire and who have been operating successful businesses. The danger is that as these folks retire, absent an exit strategy, a transition plan, not only are you going to lose the entrepreneur. You are quite likely to lose those businesses as well. There is no plan for how these things are going to be maintained.

We think the SBDCs are in a terrific position to identify those types of businesses to hep them develop exit strategies, transition plans, to help identify folks who might be the next generation of entrepreneurs and hep them develop the skills to come into those businesses and to maintain them in those areas.

Finally, the last one I would comment on is energy conservation. We have some experience in Pennsylvania with that. We have found in our energy conservation program that we can reduce energy consumption in small business, easily reduce energy consumption in the small businesses we work with, between 20 and 30 percent.

If you look at what that could mean on a national level, that would mean that we could if this initiative is fully implemented help small businesses reduce carbon dioxide emissions by up to 140 million tons a year while saving businesses an estimated 18.75 billion.

Now, that's complete. But, you know, obviously the more you put into it, the more impact we are going to have. I think it's a terrific idea. And it's one we support, as we do all of the initiatives outlined here.

Thank you, Madam Chair.

[The prepared statement of Gregory Higgins may be found in the Appendix on page 45.]

ChairwomanVELÁZQUEZ. Thank you, Mr. Higgins.

Our next witness is Mr. David John. Mr. John is a member of the New Mexico SBDC Statewide Advisory Council. He is a small business owner and a member of the Navajo nation.

Welcome, sir.

Mr.JOHN. Thank you.

ChairwomanVELÁZQUEZ. You will have five minutes.

Mr.JOHN. Thank you, Honorable Nydia M. Velázquez and Ranking Member Mr. Chabot and staff and ladies and gentlemen in the audience.

STATEMENT OF DAVID L. JOHN, FORMER NAVAJO NATION TRIBAL COUNCIL REPRESENTATIVE, FORMER SBDC CLIENT OF THE SAN JUAN COLLEGE SBDC IN FARMINGTON ON BEHALF OF NEW MEXICO SBDC STATEWIDE ADVISORY COUNCIL

Mr.JOHN. My name is David L. John. Thank you for inviting me to testify before you today. I am very honored.

I am a member of the Navajo nation. And I am also a Navajo businessman for the past 35 years in the Four Corners region. I am here before you today on behalf of New Mexico Small Business Development Center Statewide Advisory Council.

I am self-employed. Professionally I am by profession a hair stylist and a barber and owner of other several businesses in the Four Corners region. I am the President of Northern Navajo Medical Center Health Board. I was a member, past member, of the Navajo Nation Council for three terms. I was a Chairman of the Economic Development Committee while I was on the council the whole time.

As a member of the Navajo Nation Council and being the Chairman of the Economic Development Committee, we have experienced on Indian land how it is to start a business on Indian land. It is very obstacle. And people call it red tape to start a business on the reservation.

We start with a land lease called business site lease. The procedure consists of sometimes 60 steps to go through to start a business on Indian land; whereas, compared to off the reservation, private land, you can start business within the week. And you're in business. And sometimes it takes two to three years to go through this process on this private property you go through within a week.

I think one of the first steps that I would like to share with you is get a consent from the home site lease and business site lease that goes through the permit, grazing permit holder and where the potential site for business is going to go.

That goes through the Navajo Nation called Regional Business Development Office of each agency. The application usually requires a business plan, what kind of financial package, including banking institution and projection for the few years that you are going to be in business.

The lease lasts for about 25 years or sometime more depending what kind of business, the term of the lease agreement based on the profit and loss gross receipts, tax structure, statement on land use approved and appraised by the BIA, which stands for Bureau of Indian Affairs.

It is very hard to get a loan for a business on Indian land because of lack of collateral since the business site is on federal property. All the reservations are usually known as federal property. You can't own land on these properties. You only can lease on tribal land, where off the reservation you can own land where you can get a loan against it.

Because Indian land is federal property, BIA has the final authority. No matter what, they still have to sign off. And so there is a duplication of service right there going through the tribe and then the BIA again.

Economic Development Committee gives approval. And then it goes to the BIA. By this time, you know, sometimes some of these

steps that I'm talking about are not complete or sometimes they expire within all these times. And then you have to go back and start all over again. That's when some of these business people get frustrated, and they just quit.

And so just imagine starting a business on federal property like Bureau of Land Management, for example, what kind of headache you are going to go through. And that's the same scenario in this issue here.

Now I have told you about all the problems of starting a business on Indian land. The passage of this bill will help the Navajo and Native American small business people improve their lives, stimulate economic development on Indian land, and assisting creating new small business owned by the Indian tribal members. It will also help advise the local tribal council and tribal government where small business assistance is in dire need. Also, this will provide greater access to existing business council and technical assistance available though the small business development center program.

I have been a member of a local small business development council for Farmington, New Mexico through San Juan College. I've recently joined New Mexico Statewide Small Business Advisory Council to provide input on Native American business issue providing some assistance to small businesses with initiative access funding amending some of these they are already doing but limited for funding and so forth. This amendment in the act is very important to Indian tribal economic development on Indian land because it ensures more convenient access to tribal services provided.

Lastly, I would like to thank you for allowing me to testify today. And thank you for supporting small business and also Native American small business.

I would also like to special thank Mr. Tom Udall, members of the Congress District 3 from the great State of New Mexico for sponsoring some of this amendment. Thank you very much.

[The prepared statement of David John may be found in the Appendix on page 50.]

ChairwomanVELÁZQUEZ. Thank you.

Our next witness is Ms. Barbara Wrigley. She is the Executive Director of the Women's Business Center of Northern Virginia. She is speaking on behalf of the Association of Women's Business Centers, which represents women business owners through a network of women business centers that serve nearly 150,000 entrepreneurs across the country.

Welcome. And you have five minutes to make your presentation.

Ms.WRIGLEY. Thank you. Madam Chair and Ranking Member Chabot, thank you so much, distinguished members of the Committee. I really appreciate the opportunity to be here.

ChairwomanVELÁZQUEZ. Without objection

STATEMENT OF BARBARA WRIGLEY, EXECUTIVE DIRECTOR, WOMEN'S BUSINESS CENTER OF NORTHERN VIRGINIA ON BEHALF OF THE ASSOCIATION OF WOMEN'S BUSINESS CENTERS

Ms.WRIGLEY. My name is Barbara Wrigley. And I am delighted to serve as chair-elect for the Board of Directors of the Association of Women's Business Centers. In addition, as the Chair mentioned, I am the Executive Director of the Women's Business Center of Northern Virginia and had the privilege of starting that center in 2001.

I am honored today to speak on behalf of the Association of Women's Business Centers in support of the SBA Women's Business Programs Act of 2007. The association has submitted formal testimony. And I ask that those written remarks be entered into the record.

ChairwomanVELÁZQUEZ. Without objection.

Ms.WRIGLEY. Thank you.

Specifically, the AWBC's testimony speaks to three points. Point one, women's business centers are past the point of demonstration and should be evaluated and funded on an ongoing basis on par with other SBA business assistance programs.

Despite a remarkable record of achievement over the past 18 years as the program has come into its own, its growth has recently stalled due to funding decisions. We know that when our program performance is measured against any other enterprise program, we will meet or exceed performance benchmarks.

Point two, funding allocations between new and existing centers should recognize the value of the longitudinal approach that WBCs take to client service and should not vary from year to year.

The SBA Women's Business Programs Act of 2007 will remove the funding uncertainty that WBCs have had to endure by establishing three tiers of funding and setting funding levels and budget allocations for each. We believe that the 40-20-40 allocation is eminently fair and recognizes the economic contributions made by WBCs that have an established track record of service.

Point three, program grant disbursements should be made in a timely manner to ensure that client services are not interrupted. We are in solid agreement that awards should be made public and should be paid in a timely manner.

The new SBA Women's Programs Act of 2007 would go a long way to addressing our concerns. And we applaud Congresswoman Velázquez for her leadership in introducing this bill. This bill will help solidify the standing of the women's business center program, both in terms of ongoing funding and with respect to how program funds are allocated among the centers.

Women's business centers have struggled in recent years with a great deal of uncertainty, not only regarding whether or not they will receive funding but how much funding they will be given. It's a huge worry for all of us because our communities rely on us.

Since we are forbidden to raise funds while being paid by the SBA, many of us put in long hours of our own time to build the relationships necessary to ensure federal and ongoing matching funds.

I applaud the Committee for recognizing that the WBC program has proven its impact and deserves to be treated as such. Your support will not only be felt on the national level. It will be strikingly apparent at the center level as well.

Allow me to tell you about the Women's Business Center of Northern Virginia. At the WBC in northern Virginia, we are proud of the fact that since opening our doors on January 3rd, 2001, we have run over 530 classes attended by over 10,000 women, and have provided over 1,600 hours of free one-on-one technical assistance counseling, all with a full-time staff of 2. Fully two-thirds of our clients are women of color and new Americans. And, in fact, within five miles of our center in Springfield, women speak over 150 different languages.

With the SBA's total investment to us in northern Virginia of approximately $900,000 over the past 6 years, we have only spent around 125 federal dollars per woman assisted. We also know that based on a survey of responses from about one-fifth of our clients, that we have had at a minimum a $44 million economic impact on northern Virginia and its surrounding areas. When you consider that the median gross receipts of the businesses we assist were only $25,000, we have helped a lot of small businesses.

Despite flat and reduced funding, the SBA insists that all of our major milestones increase annually by ten percent. In the past two years, while the WBC NOVA has suffered a 32 percent budget cut, the number of individuals we have assisted has grown 60 percent. I am projecting that this year we will help 2,500 women on an annual cash budget of $225,000.

Let me tell you about one particularly interesting client. And then I will conclude. Pauline Lewis was born in Malaysia and came to the United States when she was 18 to attend a small college in New York. Three years ago she showed up at our WBC as a low-income new American with a Bachelor's degree in international relations, a desire to start her own importing business, and a keen commitment to helping women.

Pauline traveled alone to Ho Chi Minh City in Vietnam and discovered a woman-owned factory there where 100 women were making beautiful handbags. The piece parts for those bags had come from 500 women doing hand embroidery work in co-ops outside of Hanoi.

Pauline struck a deal with the factory owner to export her handbags and to support her women employees. She named her company Oovoo, the root of the word from Latin for female egg.

Less than three years later, Oovoo Design Handbags are now sold in 600 retail stores in the United States, Canada, and Europe. The factory in Vietnam has hired 20 more women to keep up with demand. All of the women are being paid 15 percent above market rate as well as being taken annually by the company on a fully paid weekend vacation.

Pauline's business, Oovoo Deign, made almost $500,000 last year and was featured in a Time Magazine article about women helping women through trade. And last month, Pauline was honored to receive Count Me In's prestigious Make Mine a Million award. Her goal is to have a million dollars in revenues by the end of the year.

She is still a home-based business, and we are so proud of her. She says she could not have done it without us.

We thank the members of the House Committee on Small Business for your longstanding support of the women's business center program and for other 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.

In closing, I would like to reiterate on behalf of the AWBC our strong support for the SBA Women's Business Programs Act of 2007. We look forward to continuing to work with you to increase the economic and social contributions of this nation's estimated 10.4 million women-owned enterprises and to the countless others whose ideas are on the drawing board awaiting support and assistance from our nation's women's business centers.

Thank you, Madam Chair.

[The prepared statement of Barbara Wrigley may be found in the Appendix on page 52.]

ChairwomanVELÁZQUEZ. Thank you, Ms. Wrigley, especially for that great story.

Our next witness is Mr. Scott Sklar. Mr. Sklar is the President of The Stella Group, a strategic marketing and policy firm for clean distributed energy users and companies. He also serves as Steering Committee Chair of the Sustainable Energy Coalition, composed of the renewable energy and energy efficiency trade associations and analytical groups. Thank you.

Mr.SKLAR. Thank you, Madam Chairman. I wish to thank the House Committee on Small Business for holding this hearing and focusing on energy as critical to small business and how small business can provide critical answers to our country's energy, environmental, and security challenges.

STATEMENT OF SCOTT SKLAR, CHAIR, STEERING COMMITTEE OF THE SUSTAINABLE ENERGY COALITION AND PRESIDENT, THE STELLA GROUP, LTD.

Mr.SKLAR. I would like to point out that I am a small business. And my testimony I submitted was featured this past month in Fortune Small Business on how my own company has used these technologies. My company focuses on other companies and how to make them more efficient.

Energy prices are going up. And I included in my testimony that I have submitted an April 11th submission in the Washington Post, an article where the local Virginia utility is asking a price increase of 90 percent for natural gas, 143 percent for its crude oil for its peak power plants, 25 percent increase for coal, and 8 percent for nuclear fuel. And that is happening all over the country. We are having rate increases. That is going to continue.

We have also experienced, as you know, longer-term energy outages from everything from a tree branch in Ohio that shut down electric power in 11 states for 3 weeks in many cases to Katrina. And I am consulting with the State of Mississippi and also, through the Clinton Foundation, the City of New Orleans on how they rebuild their energy infrastructure. The impact on business in

both cases an accident and an act of God have been profound. It has pushed many businesses from being in the black into the red.

I want to remind the Committee that most of our retail industry in this country makes its profit in the last few weeks of the year. So if you have an outage due to a mistake, an act of God, or a tree branch or a squirrel, it puts you in the red. It is not acceptable.

The good news is—and I included that in my testimony that I hope will be included in the record—that we have $17 billion coming from institutional investors and the joint venture community into these businesses to create new kinds of technology. And that's the whole portfolio of energy efficiency renewable technology.

That is the good news. And it is going into intellectual property. And these companies have been growing 30 percent a year for the last 7 years. The bad news is this kind of money does not go to the kinds of companies that take this new technology and bring it into the marketplace. So there has been, in fact, a bottleneck that we can manufacture and we can start automating. And we can't get it to the public.

And, unfortunately, I have to disagree with our SBA representative here that DOE and EPA are really not set up to do this kind of job. And the fact of the matter is that the proposals in the draft bill of the Committee are very good.

The sustainability initiative and the way to open up certain programs at SBA are able to bring professionals geared to help small businesses that need the capital to orchestrate that capital and for those who want to use these technologies to figure out ways to access private capital and in some cases public capital to be able to do that so that they can expand and be more cost-effective.

I have been appointed this past month by the administrator of EPA on the NACEPT advisory committee, the over-arching committee for EPA. And I work closely with DOE. DOE is great on technology assistance. And EPA is a great regulatory agency and to give people some ideas. But they are not SBA.

SBA the President has said all agencies through executive order are to work in making this country more energy efficient and to reduce energy imports, all agencies. The Committee's bill I believe, the proposed bill, is to really start getting into the meat of that and creating some tools to do that. So I urge you to raise the bar and create the capacity within SBA.

I am getting called by lots of small businesses. And when I refer them to the SBA, they go, "There is no one there that knows these energy issues." And so they just refer them to the banks. And the banks have no idea what to do. And it rolls off the back. So we need to be a little more focused on how we do this.

There is no question that we have more cities out of Clean Air Act containment than ever before. Obviously you are reading the news articles about emissions causing change in our global climate. We are fighting a few wars in the Middle East now, where we are importing a good portion of our energy. But, frankly, we are importing our energy from other countries around the world that are as shaky or are not democracies.

We have some problems in this country that small business can help tackle. We have the private investment coming in. We need the public tools to help to facilitate that investment.

Thank you very much.

[The prepared statement of Scott Sklar may be found in the Appendix on page 55.]

ChairwomanVELÁZQUEZ. Thank you, Mr. Sklar.

Mr. Rowe, the Energy Policy Act of 2005 required the administrator to take an active role in getting small businesses to be more energy-efficient. And he was supposed to establish a strategy and plan for its implementation. He was supposed to meet with EPA and Department of Energy and coordinate an effort to gather information on energy efficiency, information that is useful to small businesses.

We have looked over your congressional submissions, your GPRA reports, and your Web site. And I don't see any of that. I just would like to know what is it that SBA is doing to carry out the goals established by the Energy Policy Act of 2005?

Mr.ROWE. Yes, ma'am. The Office of Policy and Planning at SBA is working with EPA and the Department of Energy to collect the information and establish links through our Web site to information from EPA and the Department of Energy.

ChairwomanVELÁZQUEZ. How long do you think it will take?

Mr.ROWE. I can't give you an exact time, but it's my understanding from our Director of Policy and Planning that the implementation of the links should be established within the time frame of this summer.

ChairwomanVELÁZQUEZ. Since the SBIC program was implemented, basically it tended to focus more on financing small businesses in the manufacturing industry. In the past year, only four SBIC financings went to small businesses involved in energy and utilities. This represents less than one-quarter of one percent of the total finance in the SBIC program.

Has the SBA done anything to increase the number of small businesses receiving SBIC investment in the area of alternative energy?

Mr.ROWE. Ma'am, I spoke with your staff. And you are correct. We did four financings to utilities. I think we may have done about 30 financings in—

ChairwomanVELÁZQUEZ. Okay. Alternative energy, not petroleum.

Mr.ROWE. Right. And the problem is, as you point out, most of those investments are probably extraction and services-based. We don't have any information as to whether they are efficiency or conservation-based.

ChairwomanVELÁZQUEZ. So does the SBA support efforts to adapt the SBIC program to encourage investment in the area of energy independence if it could be done with zero additional cost to the government?

Mr.ROWE. Yes, ma'am. I was discussing this with some other folks in the administration, ma'am. And I believe we would be very interested in the fact that if it can be done through a zero subsidy debenture, that might actually be more efficacious than some of these subsidized and supported provisions that exist at other agencies. Unfortunately, we just haven't had time to go through all of the other options that are out there, the other agencies.

ChairwomanVELÁZQUEZ. Thank you.

Ms. Goldstein, one of your legislative proposals that you sent to us, you are requesting from Congress to give to the SBA one percent of the SBDC appropriation for administrative costs. If we look at the last seven years' budget submission from SBA, basically it has been flat funded, has been flat. You haven't requested any additional money.

On top of that, you are also proposing to eliminate the microloan technical assistance program and have the SBDCs fill this gap. With an overstretched and flat funding SBDC program, explain to me how can the agency now take already scarce program funds from the SBDC and use it to pay for administrative costs?

Ms.GOLDSTEIN. Well, we have made a great effort with Administrator Preston in finding ways to not get involved in too many platitudes but in doing more with less. And we have had a concerted effort on that.

You always wish you were in the position to be able to meet all the requests and all the goals. We continue to do that and look at ways that we can stretch the dollars as far as we can. And we will have continued to do the same. Some of it is starting to take effect. We're devoting a lot of energy into how we manage and how we use our time and how we use our money.

ChairwomanVELÁZQUEZ. But do you think it is responsible on behalf of small businesses in this country for the administrator to submit a budget without asking for an increase for those programs and then robbing Peter to pay Paul while we know that in the last six years, the budget has been cut by 40 percent?

I will ask Mr. Higgins. What is your position regarding SBA taking one percent of the SBDCs to pay for the administrative costs?

Mr.HIGGINS. Well, if the assumption is that the funds are being appropriated to serve small businesses, I don't think they would be served by moving those funds into the administrative costs of the agency.

ChairwomanVELÁZQUEZ. Let me go to Mr. Chabot because I know that there is going to be a series of votes. But I have more questions. And then on my second round, I will come back to them.

Mr.CHABOT. Thank you, Madam Chair. I would just like to compliment the panel on their testimony this morning. I thought it was very good and very interesting.

Ms. Wrigley, if I could start with you first? Just a comment that your story was very interesting about the Malaysian lady who started the purse thing. And I have to say last weekend was Mother's Day, as we all know. And I was trying to figure out what to get my wife and was very creative and got her I think candy and flowers.

She always compliments me on my creativity. But if I had known that, that sounds like that Oovoo purse would have been a very interesting —

Ms.WRIGLEY. oovoodesign.com.

Mr.CHABOT. You said there are 600 outlets around the country that now carry that sort of thing?

Ms.WRIGLEY. There are 600 retail stores that carry her purses, yes. And you can also find them online at oovoodesign.com.

Mr.CHABOT. Staff should take that down.

[Laughter.]

Ms.WRIGLEY. There you go.

Mr.CHABOT. Next Mother's Day. Thank you. Don't tell my wife, though, beforehand.

Ms.WRIGLEY. Okay.

Mr.CHABOT. Let it be a surprise.

Could you tell me what the rationale for having separate outreach programs is, just in general, you know, for specific groups?

Ms.WRIGLEY. Sure.

Mr.CHABOT. And are the rationales as valid today as they were when Congress created them quite a few years ago?

Ms.WRIGLEY. I think that there is tremendous rationale for having different programs, sir. The women's business center programs really target a very different kind of population than the SBDCs.

And I speak from a great deal of experience because we happen to have both under one roof at our location in Springfield. The women's business center office is literally three feet away from the SBDC office.

We serve very different clientele because we do so in a very different way. Women learn differently from men. And I know that when I had my own business in Virginia a number of years ago, it was very intimidating to me to consider the idea of going to a university to, frankly, sit down next to a bunch of white guys with M.B.A.'s and a lot of daddy's money in their pocket. I felt like, you know, I would be really intimidated to ask my questions.

We create a very different culture at the women's business center. We really have made it a welcoming place where new Americans, where women of color are supported, and they feel comfortable.

We explain all of our terms. We don't presume a level of knowledge that perhaps is presumed by the SBDC. Let me give you a real specific example. At the center where I work, the women's business center takes an entire day to teach how to write a business plan. We explain every term.

As I mentioned, we spend some time with networking. We really don't want to use terms even like cash flow without really going into depth as to what that means.

At the SBDC, you can get the exact same information in a two-hour class versus an eight-hour class. So there is a huge difference in how we do what we do. And it's very important to me that the woman have a place where they feel comfortable, where no question is considered stupid, and where they see other women like themselves who are aspiring to reach their dreams.

Mr.CHABOT. Thank you.

Ms. Goldstein, if I could go to you next? You mentioned that, I believe, online the SBA has 23, I think you said, training programs that one can go on to get assistance at. How does the SBA get the word out there that those are available to make the public and maybe people that are thinking about getting into starting a small business or expanding? How do they find out about it to begin with?

Ms.GOLDSTEIN. Well, we don't have a separate marketing program for it, but we let our resource partners know. And we get

about 12 million people annually looking at our Web site. And they find it there. It's been fairly well-promoted on the Web site. That's how they learn.

Mr.CHABOT. Thank you.

Ms.GOLDSTEIN. And, of course, we talk about it wherever we go.

Mr.CHABOT. Mr. Sklar, if I could move to you next? Could you talk again briefly—and you went into this in your testimony again—how small businesses, in particular, are affected by the energy prices that have been going up so dramatically in recent years?

Mr.SKLAR. You know, there are easy things that small businesses can do that we all do, even in our homes, you know, from compact fluorescence and energy thermostats and things like that which are common knowledge and you can do. But once you get to a certain level—and a lot of these small businesses are really constrained by the energy costs.

I have a client company that is going to close down one of their plants just because their energy costs are too high, but they're committed not to go overseas and outsource. But, instead, they're just shutting down plants.

And, frankly, that was the company I said, "Well, go to the Small Business Administration."

And they said, "We got no answers."

And then I called SBA and said, "Who do you know on energy?"

"We have nobody on energy." And so they're getting squeezed. And the problem is if you want to keep business in the United States,—and I think we all want to do as much as rationally possible—one of the places we have to deal with is how to confront these rising energy costs.

And, you know, you have in some cases no options if you don't do it. Refrigeration costs are high if you are in food processing. Running motors is high and so on. Obviously natural gas for heating is getting higher. And these businesses are also getting higher costs in basic commodities, a lot of it attributable to growth in China and India driving those commodities up worldwide, understandably.

Well, if your energy prices are going up and your commodity prices are going up, I think you are really starting to get crunched. And that is what I hear all over the country. And I am working with these companies all over the country.

Mr.CHABOT. Thank you.

Mr. Rowe, on behalf of the SBA, how do you respond to that, the comment that the SBA doesn't know energy or we don't have anybody there that knows this area and maybe concentrating on the future as much as in the past, really?

Mr.ROWE. Yes, sir. Well, as I told the Chairwoman, we are working to implement the provisions of the Energy Policy Act, which should be able to provide some assistance to small businesses looking for that kind of information.

I will be frank. I am not certain what information exists in the world, whether it's EPA or the Department of Energy, to help small businesses with these energy efficiency issues

Mr.CHABOT. Thank you.

Do I still have any time, Madam Chair? Mr. Higgins, and then I will go very quickly. Mr. Higgins, you were fairly complimentary of the initiatives and the direction that the Committee is going on the proposed legislation. Are there any things when you reviewed this that seemed to be either missing or that you think we should add to make it even better, anything that comes to mind? And if there's not—

Mr.HIGGINS. Well, with respect to the mature businesses, the legislation focused exclusively on what I mentioned, which is those businesses, those people that are likely to retire, leave the business, and may not succeed.

Another point that was made here earlier is there is a huge slug of folks reaching retirement age or who are going to be looking at either part or full-time business ownership as a way to either stay business or to supplement their retirement.

I think it's important to look to the future three or four years and figure out how we're going to handle that group of folks. Many of them are going to retire with significant assets that may be put at risk if they don't understand the mechanics of appropriately starting and managing businesses. I mean, the sharks will be out there to take their monies to sell them franchises or whatever. So I think that it would be well for us to get ahead of that curve.

Mr.CHABOT. Thank you.

Mr. John, unfortunately, I have run out of time. We are going to maybe go to a second round. So maybe we'll get you next time. We are going to have a vote at 11:30. I think the Chairwoman wants to give the other members who are here a chance.

ChairwomanVELÁZQUEZ. And I will come back to you.

Mr. Sestak?

Mr.SESTAK. Thanks, Madam Chair.

See, I am kind of struck. From the background I come from in the military, I have watched. When people tend to lose funding or things start to decline, there is always this greater effort to fight for control over a smaller piece of pie. And to some degree, I have watched the SBA budget decline 40 percent and saw what you have done zeroing out the microloans and zero subsidies for 7(a) and significant cuts that had been mentioned in the WBCs' percent of program budgets. And there's prime and all that.

So I am intrigued at the same time why there seems to be this movement by SBA when it's got less to do, so to speak, or less funding to give, why there's this movement by you for greater control. It just seems like an organizational thing I've watched in the military. As the Services lost their power and their funding, went to Joint Staff, they seemed to fight more for it.

So with that as background and as I watch as you want to know more about the clients that are coming to the SBDCs and their information, how money is used from the SBA for the SBDCs to do the examination process but, in particular, how you all want to now have a veto authority, so to speak, on the grantees' selection of the SBDC state director. Why is that so important?

Ms.GOLDSTEIN. So that they can participate in the selection of the people that will be running the program. I mean, I don't think I find that a terribly unusual practice.

And you are talking about some prohibitions that we have, but in the meantime, the programs are flourishing. We are training and counseling more people. We want to participate in the interaction in the States and with our programs and have that option to—

Mr.SESTAK. But is it true that the hours that are actually—the number of people is going up. Aren't the hours of client services going down? Mr. Higgins, is that so?

Mr.HIGGINS. Necessarily when SBA was pressing for more touches of people, many states saw the number of hours per consulting case drop to less than two.

Mr.SESTAK. So the number of hours that we're able to do things is dropping. Would it be beneficial to have a position of state director, help to have a chop on it, so to speak, by the SBA?

Mr.HIGGINS. Well, you know, there are two SBDCs here. One is from New Mexico. Both of us have partners that put far more money into the activity than does the SBA. I said there are two SBDCs represented here. And both of us have funding partners that put far more money into the SBDC than does the SBA. I don't know why the SBA is the only partner that insists upon a veto on the selection of the—

Mr.SESTAK. Again, as you mentioned, the number of people has gone up, but, actually, the number of hours are going down. And, yet, this is more assertion for control.

A question I have is health care. I am most intrigued by it. There has been an increase according to the last 6 years of 78 percent in the health premiums across the nation for small businesses. I mean, there is really a challenge for small businesses in addition to the energy. It's got to be health care. I mean, its time has come.

My take on it is, does granting additional resources—because a lot of this is just about sometimes information, knowing where to go to find something. Would that be of help in this health care area if we were able to provide additional resources?

Mr.HIGGINS. Absolutely. And you're right. It's a matter of understanding where the information is and being able to analyze alternatives in many cases, which with everything else the small business owner has to do, that's often very difficult.

Mr.SESTAK. One other thing. I really like that we're reauthorizing this bill and all because, as everyone has mentioned, times are changing. You know, we see more groups, women, et cetera, coming. To some degree, I am also struck by formulas that are older and potentially need to be changed.

This one may come across a bit parochial. I don't mean it that way, but I watched populations, like in Pennsylvania or New York City, where they are actually declining. We have a formula that is based upon population or distribution.

You know, I find places like Pennsylvania or my own district that one out of five manufacturing establishments has disappeared in the last three years. And a real challenge is here.

But is the formula we are using the correct one as we go into the future?

Mr.HIGGINS. I think the formula establishes a base. And I think that's important to establish a base. But then I think that the separately funded initiatives allow individual SBDCs to identify oppor-

tunities or issues within their own area and then additional funds that would be more flexible, not allocated by formula, would allow SBDCs to address what they perceive as the special needs in their area.

Mr.SESTAK. Thank you, Madam Chair.

ChairwomanVELÁZQUEZ. Mr. Shuler?

Mr.SHULER. Madam Chair, thank you.

I continue here. We have heard about the SBA not being a part of the future, it seems like. I mean, we continue to talk about sustainable renewable energies, the ways that we can benefit. I mean, this hasn't happened overnight. It's not something that this Congress, this Committee decided to do yesterday. This has been going on for quite some time.

So give me your plans. I mean, this is very discouraging to me that there has been no plan. It should have already been implemented. I mean, we have other businesses and organizations throughout our communities and our district and our state that have already gone forth and put the effort as working with the different organizations to ensure that we have better energy efficiency. We know it's a problem. We can't ignore it. And our small businesses continue to hurt every single day because of that.

Give me your plan. I mean, we talk about implementing a Web site to be able to direct the information. But what are we doing actually on the ground with the people? What education are you giving to the employees that will actually benefit our small businesses?

Mr.ROWE. Well, as far as an employee-based outreach program, Mr. Shuler, we don't have one in place at this time. I'm certainly willing to bring that back to the administrator. I know that's one of the things he would be happy to take up. He's very interested in getting our district offices more involved in outreach. And obviously this is an area of interest to the Congress but to the nation as a whole.

ChairwomanVELÁZQUEZ. Would the gentleman yield?

Mr.SHULER. Yes.

ChairwomanVELÁZQUEZ. Mr. Rowe, I think that basically our frustration is because this Energy Policy Act of 2005 required for the administrator to establish a strategy and a plan. So I will request, formally request, from this Committee that you send to us information as to when the strategy and plan will be ready.

Mr.ROWE. Yes, ma'am. I will be glad to do that.

Mr.SHULER. Thank you, Madam Chair.

Mr. Higgins, can you tell me some of the things that you are doing, certainly in Pennsylvania, to be able to get the message out. I mean, maybe this is some of the things that we can give SBA that how you have indicated in being able to educate the small business community.

Mr.HIGGINS. Right. Well, we have in Pennsylvania an environmental management assistance program that includes also our energy conservation program. It's not funded with SBA funds. We funded it elsewhere.

What we do is when we begin a consulting engagement with a company, we try to make them aware that it is quite likely that

there are opportunities for energy conservation in those companies. We can follow that up with an on-site assessment where we make specific recommendations as to what you can do. I mean, it may be as simple as lighting, heating, and air conditioning and may be fairly complex depending on the size of the company, business they are in.

But, as I said, we have found that with those on-site visits, those companies can realize savings of between 20 and 30 percent in energy bills. This becomes critical in Pennsylvania because we're one of those states where the caps are coming off, electrical costs, and the bills are likely to rise anywhere from 50 to 70 percent. So these small businesses have got to confront this.

You know, we market that. We have 18 centers in Pennsylvania. That assistance is available through all of them. But you know what? Again, it is one of the many things, like health care, that a small business owner has got to confront. So our job we feel when we get hold of them is to say, "Okay. Have you thought about this? Do you want us to help you do this?"

When we first started, about 30 percent of the businesses took us up on it. Now we are up to 60 percent of them want us to help with the energy conservation. It is huge for them.

Mr.SHULER. Real quickly, Mr. Sklar, I appreciate your testimony today. And I commend you for your work and what you have been able to do and accomplish.

Talk to me briefly what we can do in association with the banking industry, particularly maybe our more community, smaller community banks that we can actually educate them and allow them to get the background necessary for them to make a loan.

For an example, our small businesses may have more up-front costs, but the energy impact, it may be a great investment, a larger investment, up front but over the life of a particular business to be able to benefit from better energy-efficient products.

Mr.SKLAR. I think that is an absolutely important question. We are finding that credit unions and more community-based banks are very concerned about the economic stability of the small business community.

And the issue that you just addressed that yes, the up-front cost is higher, I use the example that solar water heater costs four times what a regular water costs, but if you incorporate in a longer-term financing package, the monthly loan is less than the utility bill that you would be saving. So you would pay for itself the day you financed the system. And that is true in lots of different technologies in energy efficiency and renewables.

Frankly, what I was hoping for SBA, what my aspiration is was really to do just that, is to provide some guidance to lenders that work with small businesses on these kinds of issues and yes, of course, bring in DOE or EPA on technology or regulatory issues and then work with the states.

Pennsylvania has a fabulous program for environmental businesses and clean energy, but they don't have the expertise in the government to deal with this, the lending side of it. And that is, frankly, what we need. We need it to be done on a regional basis because most lenders are sort of regional. And they will learn from each other.

And we are finding, by the way, in some states that have these programs once the lenders have a couple of years' experience, you know, it is sustainable. It goes on its own. So it is a very important issue.

Mr.SHULER. Thank you, Madam Chair.

ChairwomanVELÁZQUEZ. Mr. Jefferson?

Mr.JEFFERSON. Thank you, Madam Chair.

Not to stay on the same subject for the entire hearing, but I suppose the area of energy efficiency is very intriguing for all of us. I think we all agree that the expertise does reside in the SBA now based on all of the discussions to provide real assistance in this area.

My question is, is it important? Is it important for us to work on developing that sort of expertise or we look at this being provided in some other way? Is it realistic to propose this sort of expertise there or should we have partnership arrangements that provide it in some other way? Mr. Sklar, I might ask that.

Mr.SKLAR. You know, that is a good question. And I obviously believe—I am not thinking that the Committee ought to say, "We ought to bring ten people into the SBA and create a new program," but I do believe the administrator ought to anoint someone to say, "You look at energy and environmental lending." And then you start developing teams with the other agencies but really have it more edgy so that you can do something. It's building up knowledge.

Again, the President has said to do this. EPACT has said to do this. The other agencies are willing to cooperate, but there needs to be a vision thing at SBA to do it. And then it needs to dialogue with these other programs that are also providing personalized assistance so they become more educated and implement. That is all I am asking, but you still have to have somebody who is responsible at the top of the agency for this kind of program area.

I do agree with the congressman that it doesn't make sense to build a whole department around it.

Mr.JEFFERSON. That is very helpful. With respect to disaster recovery, the approach that is taken in the bill is I think to provide some way to deal with the caps and to permit these to get up and running in a hurry.

I don't know if even that is fast enough. Might it be that we might just insist on some automatic waivers in case of certain disasters when they are bad enough or extend long enough?

Somehow or the other, there just needs to be a quicker way to get at it. Have you given any thought to how we might even do this more quickly than the bill provides us an opportunity to do it?

Mr.ROWE. Mr. Jefferson, in the SBA's legislative package, one of the items that we addressed specifically regarding this was expanding the utility of the portability grants for that purpose. One of the other things we would support is some legislative changes so that we don't have the restriction, unfortunately, we ran into in Katrina regarding operations of SBDCs beyond, I guess, what you would call their borders so that an SBDC in New York could assist in Texas and vice versa without worrying about any restraints from the agency.

And the portability grants go along with helping the SBDCs defray those costs because obviously if you're sending folks across the country to assist in counseling, you've got to pay their travel and other expenses.

Mr.JEFFERSON. Mr. Higgins?

Mr.HIGGINS. I am all for as much flexibility as you can get in a disaster situation. And I think the less paper and process involved, the better off you are. I think that one of the real advantages of this legislation is that it allows us to build some capability to get it in place.

Now, the reality is that SBDCs or people from SBDCs in other states did go to the Gulf Coast. We sent folks out of Pennsylvania because they had training. But, you know, it was tied up in some complex negotiations, and there were silly limitations on it.

You know, I think if this legislation passes, you know, you could put in place a framework that takes care of all of that bureaucratic nonsense on the front end so that when it is time to go, your people just go.

ChairwomanVELÁZQUEZ. The Committee will stand in recess. And we will resume after these two votes that will take around 20 minutes.

[Brief recess.]

ChairwomanVELÁZQUEZ. The Committee is called to order. As you can imagine, we're going to have a series of votes in the next maybe 15 more minutes or 20 minutes. So we're going to try to wrap this up as soon as we can.

I would like to make some questions. Mr. Chabot is right here and having a meeting. And as soon as he finishes, he will join us.

My question is addressed to Mr. Higgins. The proposed legislation, the draft legislation, that we're considering takes the SBDC program in a new direction by creating initiatives tailored to specific entrepreneurial needs. This differs from the baseline program, which provides a funding base on a population-based formula.

Conceptually do you believe that this is the right direction to take the SBDC program in?

Mr.HIGGINS. Let me begin by saying I think it is absolutely critical that the funding for the basic SBDC activities, those things that we do, all do, every day over and over again in working with the small business community be maintained and be protected. And I would not want to see anything happen to reduce the base funding for the SBDC.

But moving to the next step, we all go through in each SBDC a strategic planning process on a regular basis, where we are looking at the needs of the small business community and trying to develop strategies and programs to meet those needs.

And I think that this set of initiatives if funded in addition to the base funding would provide us the wherewithal to really move the SBDCs to the next level, where you not only were providing the basic meat and potatoes of small business development center assistance but were able to tailor your program to meet critical issues and meet some critical needs of small businesses in each of the states of the SBDC.

ChairwomanVELÁZQUEZ. Thank you, Mr. Higgins.

Mr. John, the need for entrepreneurial development assistance in Native American communities is critical given the large number of individuals who are interested in starting their businesses and also given the fact of the high unemployment rate that you have in those communities. How will the Native American Business Development Act of 2007 introduced by Representative Udall support job growth in these communities?

Mr.JOHN. Thank you for that question, Madam Chair.

I think right now, as we speak, we don't have a small business development center on the Navajo reservation right now. We do have it in border towns, like Farmington, Gallup areas, just adjacent to the reservation. And with this bill, we would like to expand onto the reservation to help assist some of these Native American entrepreneurs. And I think that is a need.

And, of course, the tribal government is doing what they can to cut down some of these lengthy processes to make it easier to start a business on the Navajo reservation because some of these laws have already been mandated by Congress under the Code of Federal Regulations that we have to abide by through the Bureau of Indian Affairs.

ChairwomanVELÁZQUEZ. Thank you.

Ms. Goldstein, the SBA's mismanagement of the disaster loan program has created unnecessary difficulties for small business owners in disaster-affected areas. The counselors at SBDC have experience with SBA loans and know what is required to help these business owners to complete their disaster loan applications. Would the SBA support giving these counselors a greater role as first responders to a disaster like this?

Ms.GOLDSTEIN. Well, I think you know, Madam Chair, that we are in the process of producing a handbook for how to handle future disasters. It's due here in Congress June 1st, I believe it is. And we have gone to great attempts, and we have carried the message. And the SBDC has been part of the planning of that process. And they expressed that they certainly are capable of coming on the scene of a disaster sooner than they were previously.

So I think when you see that document, which is being finished as we speak, and it comes up here, you will see a much different approach. You know, we learned a lesson, obviously.

ChairwomanVELÁZQUEZ. Well, we are discussing today legislation regarding the SBDC and the structure of problems that we saw regarding the disaster or lack of response, appropriate response, effective response, to the Katrina victims. And one of the issues that we saw was the fact that you didn't have on the ground the amount of people that were needed based on the magnitude of the disaster.

Since I don't have that package in front of me that disaster plan that the administration has been working on and that was supposed to have even before Katrina hit the Gulf Coast, my question to you is, do you support the counselors from the SBDC to be part of the first responders?

Ms.GOLDSTEIN. I don't know that I can answer the question not having seen the final product.

ChairwomanVELÁZQUEZ. Okay.

Ms.GOLDSTEIN. I was definitely part of letting the deputy who is responsible for writing it—we met with the SBDC, with SCORE, women's business centers and talked about how their role could be enhanced in the future. And that's the best I know today.

ChairwomanVELÁZQUEZ. Who met with them, the SBDC?

Ms.GOLDSTEIN. We did a conference call. Some people came to us.

ChairwomanVELÁZQUEZ. You were a part of that call?

Ms.GOLDSTEIN. Yes, that call, one of many calls and meetings that took place as she was writing the handbook. There is a total team of people.

ChairwomanVELÁZQUEZ. But you don't recall what specific role a person from SBDC will play?

Ms.GOLDSTEIN. It was certainly told to her that they would like an earlier role. She heard that. What the final product looks like I don't know.

ChairwomanVELÁZQUEZ. Okay. I want to note for the record that I will be submitting written questions to SBA. In particular, I will be submitting a question on the SBDC proposal and how SBA will administer it. Given our interest in this issue, I would like an answer by the end of the week.

Ms.GOLDSTEIN. Okay. I will take that back.

ChairwomanVELÁZQUEZ. As part of the legislative package that SBA submitted to Congress, you proposed that Congress give SBA full access to SBDC client information. However, I just want to make it clear that current law already allows SBA to access SBDC client information for the purpose of conducting client surveys.

So how can we be sure this information will be kept confidential? And, for example, what protects a client seeking assistance on tax questions from having the information conveyed to the IRS, Ms. Goldstein?

Ms.GOLDSTEIN. Well, the information I know most about is that which goes for the impact survey. It goes directly to a company. And mostly we use it by numbers and addresses to send mail.

They keep the records. They are not made public. They are just used by the vendor that we choose to conduct the survey. And none of the results are stated by name.

We don't use personal information for that. It's aggregated data. And so I think, you know, we make every move to conduct privacy. I spent 12 years of my life in survey research. And that's part of it, the privacy thing. And we would not. We would not do it. You can ask for their permission if they want to be quoted on it, but we wouldn't do that.

ChairwomanVELÁZQUEZ. Mr. Higgins, what do you see as the benefit of client confidentiality protections? And do you believe they should be weakened or strengthened?

Mr.HIGGINS. Well, I think the basic benefit is if we can't offer confidentiality, absolute confidentiality, to the clients, many are not going to come to us for assistance at all.

And many who do are not going to be willing to share things like financial statements and sensitive business information. And that would make us fairly ineffective as business consultants if we don't have access to all of the information we need. I mean, it won't

work. They won't come. And it won't work if they come and don't share.

I think anything you can do to strengthen the confidentiality provision is something that you certainly should do.

ChairwomanVELÁZQUEZ. Thank you.

Mr.HIGGINS. Thank you.

ChairwomanVELÁZQUEZ. Mr. Chabot?

Mr.CHABOT. Thank you, Madam Chair. I will be very brief because we have, again, votes on the floor.

Mr. John, I hadn't gotten around to you. And I understand the Chair already asked you a question about it, but if I could just very briefly? You had mentioned in your testimony the challenges, the difficulty it is to start a business on Indian land, and the 60 steps that you have to go through and sometimes taken up to 2 to 3 years to go through the process.

I just wanted to make sure that you are satisfied that the legislation that we are considering here will at least help to improve that situation. Is that correct?

Mr.JOHN. Yes, that is correct because a lot of these steps that I mentioned in my testimony are where the businessmen need technical assistance and also putting their business package together and financial and whatever that they need for the banking institution and then also help them.

Counseling is a big issue after they get frustrated for being in the system for so long. Then they just quit. And then I think this legislation will be part of the area that will at least motivate them that the SBDC is also doing something on the Navajo reservation, which we don't right now.

And, however, we do have 21 SBD offices statewide in New Mexico. So a lot of the Native Americans are already coming to SBDC for assistance. And we're helping them as much as we can. And I think that this legislation will be one of the red tape that will be cut a little bit at a time. Hopefully in the future we won't have to go through 60 steps or sometimes more.

Mr.CHABOT. Okay. Well, thank you very much.

Mr.JOHN. At one time it was 121 steps, just for your knowledge.

[Laughter.]

Mr.CHABOT. Thank you. So we are at least heading in the right direction. All right. Well, thank you very much, Mr. John.

ChairwomanVELÁZQUEZ. Okay. Well, with this, it concludes this hearing. I want to thank all of the witnesses. And I ask unanimous consent that the members will be given five legislative days to enter into the record any statement or extraneous material that they might consider important.

This Committee adjourns. The hearing adjourns.

[Whereupon, at 12:19 p.m., the foregoing matter was concluded.]

STATEMENT
of the
Honorable Nydia Velázquez, Chair
Committee on Small Business
Hearing on Legislative Proposals on Energy, Veterans Entrepreneurship, and the SBA's Entrepreneurial Development Programs
Wednesday, May 16, 2007

I am very pleased to call to order this morning's hearing on proposals to reauthorize SBA's Entrepreneurial Development Programs.

Over 400,000 new businesses are created each month during an average year. As Americans pursue self employment, most find it both a challenge, as well as a rewarding adventure. Time and time again, entrepreneurs have found that strong, sustainable enterprises result from steady commitment to developing a well-formulated business plan. The plans that are most likely to succeed are those that detail long-term strategies to obtain affordable capital, manage operational processes, and address human resource issues.

As part of its mandate to ensure small business owners can be competitive in the marketplace, the SBA administers a portfolio of entrepreneurial development programs. These include Small Business Development Centers, Women's Business Centers, SCORE, Native American and Veterans Business Outreach programs. All of these initiatives support business development by providing counseling, technical assistance, research, and mentorship to entrepreneurs throughout the country.

These programs have a proven track record of success. In fact, the businesses that utilize these initiatives are twice as likely to succeed.

Over the past few years, as more and more Americans have decided to make their dreams of business ownership a reality, we have seen an increased demand for these services. Yet, despite the increasing need for entrepreneurial development initiatives, these programs have not been modernized in the past 6 years.

Today's hearing will provide us with an opportunity to examine 5 proposals that aim to enhance these programs. The modifications would establish new initiatives and improve program operations to effectively fulfill the needs of small businesses. Most importantly, the proposals enable SBA programs to assist the next generation of entrepreneurs. By tailoring proposals to the current economic demands facing small businesses – and the emerging sectors of entrepreneurs – these initiatives will promote business development in communities nationwide.

The face of small business is changing today. Over the past two decades, women owned businesses have increased at twice the rate of all firms. We are also seeing more minority entrepreneurs – in 2002, they owned 18 percent of all small firms.

Veterans represent 14 percent of small business owners, and that number only continues to grow as more return from Iraq and Afghanistan.

A key component to ensuring SBA's entrepreneurial development programs are effectively assisting entrepreneurs is not only making sure the needs of these growing sectors are being met – but also that changing economic conditions are being accounted for.

Today, entrepreneurs are being hit with a whole new set of challenges – different from the ones many struggled with even a decade ago. To address these challenges, the proposals before us today create new sub programs within the SBDC program to help entrepreneurs deal with healthcare, energy, tax and regulatory costs.

We are also expanding the number of veterans business centers, and restructuring the Women's Business Centers to open additional spaces. Part of the proposal also includes launching a new initiative to help senior citizens who are interested in becoming a small business owner to get those ventures off the ground.

The proposals before us today provide SBA's entrepreneurial development programs with the capacity to develop training, technology, and informational resources to ensure small businesses can address their specific challenges.

This process to modernize SBA's entrepreneurial development programs has evolved from lessons learned. They will be revisited as we continue to look for ways to strengthen the entrepreneurial sector.

To support business ownership in the 21st century, it is critical that we build upon an already strong foundation. Making these changes is a first step toward ensuring our small business owners have what they need to keep this economy strong for generations to come.

I now recognize Ranking Member Chabot for his opening statement.

Opening Statement

Hearing Name	Energy, Veterans Entrepreneurship, and the SBA's Entrepreneurial Development Programs
Committee	Full Committee
Date	5/16/2007

Opening Statement of Ranking Member Chabot

I would like thank Chairwoman Velazquez for holding this hearing on bills to improve the operation and efficiency of the Small Business Administration's (SBA) Entrepreneurial Development or ED programs. In addition, and given the recent increases in gasoline prices and the impact that it has on hundreds of thousands of small businesses, to consider how existing SBA programs may be modified to help the United States achieve energy security and independence. I would like to thank all of the witnesses for their participation and hope that they can provide significant insight into the bills that the Committee will be considering at a markup next week. I am especially eager to hear from SBA officials on improving coordination among ED programs. In addition, I also am interested in hearing their views on the economics of modifying the Small Business Investment Company or SBIC program to create incentives for investment in renewable fuel and energy efficiency technology.

Entrepreneurial Development (ED) programs administered by the SBA can play a crucial role in assisting both fledgling and experienced business owners in navigating the many facets of entrepreneurship. These programs operate as public-private partnerships in which the SBA provides funding which is matched by the private participants. The SBA then can utilize the expertise of former business owners, professors, national laboratories, and other experts to assist small businesses with marketing, business strategy, finance, and many other areas in which budding entrepreneurs and long-time business owners may not have sufficient knowledge or expertise. However, while these programs provide invaluable services to many small businesses, the operational procedure of some are in need of a reevaulation. In other words, are American small business owners getting the maximum assistance under these programs or are changes, modest or otherwise, needed to provide the best technical advice to American small business owners?

For instance, the SCORE program which facilitates the sharing of knowledge and expertise between current small business owners and weathered executives might be bettered served by having a more diverse volunteer corps, including executives experienced in working in the urban inner core and the rural edges of America.

The Small Business Development Center or SBDC program provides outstanding assistance to entrepreneurs on fairly limited funds. Could the programs be enhanced through updating and modernizing its rather abstruse statutory structure? Does the SBDC program perform certain functions better than other SBA partners and if so, what changes are needed to enhance the operation of all SBA ED programs?

Women's business centers focus on providing many of the same services described above with their distinction being that they are in operation to aid women entrepreneurs. The program was originally designed for the centers to be self-sustaining. That has not been the

case and the Committee should examine changes needed to return the program to its original intent – federal funding not a perpetual right but as an initial booster to independence. The addition of more women's business centers in rural areas may provide greater assistance than a focus solely on inner city or urban core areas.

Veterans Business Outreach Centers (VBOCs) target veterans, an important component of the American small business economy. Effectiveness of the program may increase significantly if more VBOCs were created and more were located at universities to utilize the knowledge of the professors and the drive of students to help small business owners.

Native American entrepreneurs also should have access to the benefits currently afforded other entrepreneurs via ED programs administered by the SBA. Unfortunately, such benefits have eluded many Native Americans due to their lack of availability in rural areas. This is an issue that deserves more attention and a solution.

Right now, energy independence is an issue critical to America's future. As the cost of gasoline, home heating cost, and everything else associated with the use of fossil fuels skyrockets, it becomes evident that America needs to find additional sources of fuels within its own borders and off its coast such as the resources found in the outer continental shelf. Certainly, increasing domestic supply is only one aspect of increasing our national security and energy independence. Some greater attention must be paid to increased energy efficiency and production of renewable fuels and renewable energy.

There are some changes that have been suggested to modify the SBIC program to create greater investment incentives for investment in small businesses that have the technology to produce energy efficient technology or renewable fuels. I remain concerned about the impact of these proposals on the overall monetary risk the federal government faces and the more immediate impact these changes might have on the successful participating debenture SBIC program – a program that has helped businesses as diverse as Nike, Federal Express, Outback Steakhouse, Dell Computer, and Callaway Golf. If the SBIC programs can be modified with little or no risk to the taxpayer and the benefit is the creation of an energy version of Federal Express, I certainly can support that. However, I am not yet convinced that the proposals I have seen achieve that objective.

I will continue to work with the Chairwoman on finding an appropriate solution to create incentives for investment in energy technology. It is important to note that this work may entail a broader examination of the SBIC program which the Committee will be considering in the coming weeks.

Once again, I thank the all of the witnesses for participating today and look forward to hearing your testimonies.

The Honorable Joseph Sestak (PA-7)
Small Business Committee
on Small Business Administration Entrepreneurial Development Programs
Reauthorization Act of 2007
May 16, 2007

Thank you, Chairwoman Velazquez, for giving me the opportunity to speak about The Small Business Entrepreneurial Development Programs Reauthorization Act (HR 2359) which enhances two critical Small Business Administration (SBA) Entrepreneurial Development programs--Small Business Development Centers (SBDCs) and the Service Corps for Retired Executives (SCORE).

Serving as the Representative in a District that has been historically driven economically by vibrant local, small businesses, I greatly appreciate and support the entrepreneurial development assistance that the SBA provides.

We know that entrepreneurial development assistance programs work. Businesses who receive SBA entrepreneurial assistance are twice as likely to succeed. In addition, every federal dollar spent on entrepreneurial development generates seven dollars in increased tax revenue.

In the past three years, due to changes in our ever-changing globalizing economy, my District has lost 607 small businesses, and one out of five manufacturing establishments. This is a trend that I am committed to reversing through fostering entrepreneurial development and creating the right set of conditions to help businesses flourish, stay and be attracted to in my District, and I believe that supporting effective small business entrepreneurial development programs is a key part of that strategy.

In 1980, Congress established the SBDC program to foster economic development by providing management, technical and research assistance to current and prospective small businesses. As you know, SBDCs provide services which include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies.

SBDCs serve Americans with the desire to start their own venture, but lack the technical expertise associated with starting and running a successful business, and in the past few decades, have provided assistance to millions of entrepreneurs across the United States.

The SBDC program also represents the effective and efficient use of allocated federal monies through public/private collaboration to provide necessary technical and mentoring assistance. To that end, SBDCs are funded by matching monies by state legislatures, foundations, state and local chambers of commerce, public and private universities, vocational and technical schools, and community colleges. In fact, sponsors' contributions have been increasingly exceeding the minimum *50 percent* matching share, signifying greater participation among such groups and institutions.

This is why I feel especially fortunate to have several Small Business Development Sub-Centers located at local universities, such as Widener University, Kutztown University, and the University of Pennsylvania (Wharton), which provides critical business resources and technical assistance to small businesses in and around my District.

I would like to stress that the core SBDC program has been extremely effective, but there are certain operational improvements that can be implemented to increase flexibility of Small Business Development Centers to better support and serve our local small businesses and our aspiring entrepreneurs.

To that end, changes proposed in this legislation will ensure the quality of grant recipients to host SBDCs; help SBDCs maintain their autonomy from undue SBA interference; protect the confidentiality of SBDC clients; ensure that taxpayer dollars are being spent as efficiently as possible by not using SBDC funds except for the sole purpose of business development; and allowing exemptions to the current cap on non-matching portability grants in the event of federally-designated natural or human-caused disasters.

In addition to these operation changes, it is important to strengthen the SBDC core program, which successfully navigates entrepreneurs in managing their business, by establishing specific grant programs that will allow SBDCs to tailor their services to meet the needs of particular business constituencies.

For instance, the *Capital Access Initiative* would establish grants to assist entrepreneurs in processing loan applications and obtaining private equity. An *Innovation and Competitiveness* Initiative would establish grants to allow SBDCs to become "Technology Centers," to help market technologies and advanced projects to manufacturers. A *Disaster Recovery Program* would establish grants to allow SBDCs to assist and coordinate the federal response for small business disaster victims.

The *Older Entrepreneurial Assistance* program will target older Americans interested in transitioning to become business owners, while the *Small Business Sustainability Initiative* will promote the development and implementation of energy efficient and clean energy improvements and technology. A *National Regulatory Assistance Initiative* will provide assistance to small businesses to comply with Federal regulatory requirements, and an *Affordable Health Care Initiative*, will help small business owners provide affordable health care insurance options to their employees.

As I also mentioned, a second program, which this legislation will address is SCORE---which provides entrepreneurs with free counseling assistance by former executives. SCORE provides a valuable service to small businesses, and I believe it will be even stronger with a provision to actively recruit volunteer mentors who will greater reflect the social and economic diversity of those who utilize SBA services, such as women and underrepresented minorities.

Again, thank you for allowing me to speak this morning about this important bill, which will greatly enhance the business development resources available to America's small business owners and aspiring entrepreneurs.

Statement of Rep. Jason Altmire
Committee on Small Business
"Legislative Hearing on Energy Entrepreneurial Development"
May 16, 2007

Thank you, Madam Chairwoman, for holding this hearing today. I look forward to discussing and examining SBA entrepreneurial development programs and small business energy initiatives. The Small Business Development Centers, Women's Business Centers, SCORE program, and Veterans Outreach program are integral to the creation and success of small businesses in America. The counseling, training, and support these programs provide are invaluable to entrepreneurs. These programs contribute to the vitality and vibrancy of our small business economy.

That said, they are due for some updates. I believe that this Committee can improve the effectiveness of the SBA's entrepreneurial development programs. As the makeup of entrepreneurs changes, so too should the programs that serve them. This is particularly true with veterans, thousands of whom will be returning home from combat operations in the months and years ahead. We must ensure that we are providing adequate entrepreneurial assistance that meets returning veterans' specific needs and abilities.

I am also eager to look at efforts to prioritize energy efficiency in SBA programs. Small businesses are the hardest hit by rising energy costs, and I am encouraged to see a strong focus on helping businesses address these debilitating costs.

I look forward to hearing from our witnesses. Again, thank you, Chairwoman Velazquez, for holding this hearing today. I yield back the balance of my time.

# # #

HOUSE SMALL BUSINESS COMMITTEE
HEARING REGARDING
ENTREPRENURIAL DEVELOPMENT LEGISLATION
May 16, 2007

Testimony of
Acting Associate Administrator Wilma Goldstein

Chairwoman Velazquez and Ranking Member Chabot, distinguished Members of the Committee, thank you for your invitation and the opportunity to share with this committee the work the Small Business Administration's Office of Entrepreneurial Development is doing to help serve America's entrepreneurs and small businesses.

I am Wilma Goldstein, the acting Assistant Administrator (AA) for the Office of Entrepreneurial Development. I have been associated with the issues and concerns of women, minorities, the disadvantaged and aspiring entrepreneurs for more than two decades. On behalf of Administrator Preston, I am proud to share with you the operations and successes of SBA's Entrepreneurial Development programs and to briefly discuss some of our planned activities for the future.

Our mission in the Office of Entrepreneurial Development (OED) at SBA is to provide business and management assistance to persons interested in starting a business or small businesses in need of guidance on how to grow their business. We manage a strong distribution channel of service centers for small businesses across the country. The services offered include assistance in preparing: business plans, loan applications, procurement requests, strategic plans, marketing plans, export advice, pricing plans and competitive assessments.

OED serves these clients through our three resource partners: Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE In FY 2006, our resource partners trained and counseled over 1.2 million clients. In addition, 315,154 clients registered for one of our 23 courses online through our Small Business Training Network and approximately 12 million new visitors accessed the SBA website.

Standardizing and Collecting Program Information

SBA, and in particular OED, has long recognized that one of the keys to successful business ownership and job creation is the need for "long term" counseling of our clients through SBA's resource partners on the various aspects of starting-up, owning and managing a small business. One important way in which we evaluate the success of our resource partners is to analyze the data collected in the Entrepreneurial Development Management Information System (EDMIS).

FY 2006 marked the completion of the first year of full EDMIS implementation by all OED programs. EDMIS standardizes the method by which performance data is collected from each resource partner and provides the platform on which we can consistently measure and evaluate how well they are achieving their goals. Moving forward into FY 2007 and FY 2008, OED will continue to evaluate and improve the EDMIS system with the goal of making it a more dynamic and comprehensive reporting tool so that we can better serve our clients to ensure their success.

Improved Internal Collaboration

In addition, in FY 2007 and 2008, OED will continue its customer-focused approach to improving the effectiveness and efficiency of its management and technical assistance at all stages of the small business lifecycle. OED will also partner with the Office of Capital Access to better leverage the management and technical assistance being provided by OED resource partners. In both the expansion of the Community Express pilot and the Microloan Program, OED resource partners are able to provide the required management and technical assistance component.

Measuring Program Impact

A further demonstration of our commitment to improving performance is our implementation of recommendations resulting from a recent assessment of the program with the Program Assessment Rating Tool (PART). In 2005, OED developed a three-year, external, independent evaluation of its clients. The longitudinal study indicates that businesses which received management assistance from SBA's resource partners (SBDCs, SCORE, and WBCs) gave high ratings to the usefulness of that assistance.

Small Business Development Center Program

As the SBA's largest management assistance program, SBDCs meet the counseling and training needs of roughly 650,000 business clients annually. They do this by helping small businesses develop business plans, acquire manufacturing information and assistance, and obtain financial, procurement and international trade assistance. Special emphasis areas include: e-commerce; technology transfer; IRS, OSHA regulatory compliance; research and development; defense economic transition assistance; disaster recovery assistance; and market research.

SBDC lead centers are located in every state (though Texas has four and California has six), the District of Columbia, Guam, Puerto Rico, Samoa and the U.S. Virgin Islands. SBDCs are hosted by universities, community colleges and state governments, and are supported by approximately 950 service centers primarily located on university and community college campuses and at other –non-profit organizations. Service centers are located so that they are easily accessed and central to the various communities across the country. Many of these centers specialize in technology assistance to address the unique needs of science and technology-based small businesses. At these centers, counselors provide extensive one-on-one counseling to prospective and existing small businesses.

The counselors are often former business men or women, bankers, MBA professionals, with many having expertise in the technology, manufacturing and science arenas. SBDCs exist from a unique collaboration of SBA funding matched by institutions of higher education, state and private sector resources.

By providing grant funding across the country for the SBDC program, SBA contributes to the Nation's economic growth through job creation and retention, and growing business revenues. In FY 2006, the SBDC program counseled and trained 667,660 clients, resulting in 181,868 jobs created and retained and $3.1 billion in capital infusion which includes SBA loans, non-SBA loans and equity capital. Of all the clients served in FY 2006, approximately 26% of the clients assisted were minorities (12% African-American, 9% Hispanic, 3% Asians and 2% Native Americans) and 45% were women.

The Office of Small Business Development Centers (OSBDC) in OED has made major improvements to its administration of the SBDC program. Most recently, in recognition of budget and performance integration being a key objective of the President's Management Agenda, OSBDC refined and clarified SBDC performance measurements to include:

- Number of Extended Engagement Clients (Long-Term Counseling Clients of 5 hours or more)
- Number of Businesses Created
- Dollar Amount of Capital Infusion

OED and, in particular, OSBDC, has been working with other areas of the SBA, particularly the 8(a) program and Capital Access to improve coordination of counseling and training services for clients of those programs. Work is still ongoing in this regard but, for example, this year's SBDC Program Announcement stipulates that SBA finds technical assistance for Community Express applicants and 8(a) clients important as "national priorities" and requires activities in these areas to be incorporated into SBDC semi-annual and annual reports.

In order to concentrate oversight resources on those in most need of attention, OSBDC developed an initiative to assess financial risk among the 63 networks. This initiative resulted in establishment of desk reviews and on-site streamlined examinations for those centers determined to be of "low risk." This has enabled OSBDC to give proper attention to newer centers, centers experiencing transitions in personnel and those with challenges relative to financial administrative capability.

The SBDC network in New York State is the largest and is also one of the best performers in the SBDC system. As a result of counseling and training in FY 2004-2005, the New York SBDC (NYSBDC) created and retained 6,261 jobs with capital infusion of $312.8M for their clients. The NYSBDC has placed special emphasis on helping New York veterans and members of National Guard and Reserve units start businesses, or improve the performance of existing businesses.

The NY Veteran Business Outreach Program was implemented to address the special needs of so many veterans deployed to Afghanistan and Iraq. Through this program in the past five years, Veteran Business Advisors have counseled 8,310 veteran clients—908 of them service-disabled individuals. In the same period, these Advisors have trained 7,660 vets, 896 of them service-disabled.

NYSBDC recently developed "EntreSkills for Veterans," a comprehensive, interactive Web- and CD-ROM-based educational tool developed by veterans, for veterans and members of the active Reserve and National Guard. It is a self-paced, easy-to-use guide that builds on the talents and skills cultivated during their military careers and applies them to business ownership. "EntreSkills for Veterans" will be especially valuable to severely disabled veterans and those with limited travel capabilities. Both the CD- and Web-based versions of the educational program are available to veterans at the place and time that is most convenient to them. The self-paced instruction contained in EntreSkills for Veterans is designed to be combined with one-on-one business counseling with an experienced SBDC Veteran Business Advisor in order to help guarantee successful results.

Women's Business Centers (WBCs)

Women's Business Centers, located throughout the United States and its territories, provide long-term, in-depth training and counseling to their clients, as well as target socially and economically disadvantaged women. The centers are usually located in the heart of the communities that they serve, often on public transportation routes. They offer classes at convenient hours, such as weekends and evenings, because their clients often have to balance other responsibilities both at work and at home. Some centers also provide childcare services.

WBCs and Sustainability

The WBC Program is designed for the Centers to be self-sustaining after an initial SBA assistance period. The Administration recognizes the contributions of WBCs, particularly those targeting underserved groups, but we remain opposed to open-ended funding. The Administration looks forward to working with this committee to evaluate how we can better promote the long-term sustainability of these important resource partners.

The original purpose of the WBC program was to develop and expand the WBC network by supporting WBCs for up to 5 years while they gradually increased their matching funds requirement and created a fundraising network to achieve self-sufficiency. The Agency believes the program will be most effective if it continues to serve as a program that provides seed capital to non-profit organizations – increasing their ability to serve the small business community – and expanding our reach into new, underserved communities.

Once self-sufficiency is sustained, the WBC will no longer require federal assistance, enabling SBA to bring a new group of participants into the program. This process allows the program to continually grow and reach new sectors of the country, while creating a network of self-sufficient resource partners across the nation.

Currently, SBA has a very positive dialogue with the Association of Women's Business Centers and participants in the program on this issue and on the issue of how the SBA can help them be sustaining entities. We are also encouraging fundraising training for WBCs with experienced fundraisers who will be able to provide great insight into the techniques that will enhance their capability to achieve self sustainability.

To help existing centers make the transition to non-SBA funding, SBA will place a greater emphasis on capacity-building, which will enhance the ability of these existing centers to provide training and assistance. We intend to work with the Association of Women's Business Centers in this endeavor through our combined resources and networks in order to achieve this goal.

The Women's Business Centers can best meet the goal of self-sufficiency by making sure they are strategically located and equipped to train and counsel potential clients in each of the fifty states and all of the U.S. territories. Self-sufficiency will lead to more new centers which will offer the greatest number of opportunities to the greatest number of potential clients. The SBA is client focused -- and we must be able to respond to market needs ensuring access to all citizens.

Women's Business Centers – Statistics

Thirteen (13) regular WBCs graduated from the first 5-year term in 2006. Each center reapplied and received a new sustainability grant. One regular WBC is scheduled to graduate from the first 5-year term in 2007. In FY 2007, with $12 million, the SBA plans to fund 96 WBCs, including 42 continuing sustainability centers, 1 new sustainability center (the 1 scheduled to graduate from the regular program in September 2006) and 53 continuing regular WBCs.

Veterans

Each year, SBA provides reportable assistance to more than 100,000 veterans and reservists who participate in every SBA program. While improved services are being delivered to veterans, reservists and discharging service members in most of SBA's core programs, I have received new direction and support from both Administrator Preston and Deputy Administrator Carranza. Each program office at SBA has been tasked with reviewing their programs and how they support veterans' small business success. We are identifying additional or more specific steps that every program can take or deliver to veterans, to reservists, to discharging service members, and to family members.

The SBA's Office of Veteran Business Development (OVBD) plays an important role in assisting and supporting veteran entrepreneurs. However, it is important to note that SBA's support efforts go beyond the activities of this particular office. To keep SBA's commitment to our service members, we have tasked our business counseling and training programs with expanding and improving services for veterans, and specifically service-disabled veterans. SBA is strengthening its full range of programs including SBDCs, SCORE, WBCs, Veterans Outreach Centers (VBOCs), District Office Outreach, 7(a), Surety Bond Guaranty, Business Matchmaking and Procurement Center Representative (PCR) activity in an effort to improve our availability and applicability of SBA services to enhance veteran business ownership. It is SBA's goal to help these small businesses grow and become robust through our Entrepreneurial Development programs.

Some of Our Proposals

Before I conclude my testimony I just want to very briefly communicate for the Committee's consideration some of our legislative proposals that we believe will bring greater efficiencies to the operation of our programs as well as enhance and expand our client services and base. We will be pleased to talk to you in greater detail about these proposals.

Sharing of Information
In our FY 2008 Legislative Package, SBA requests that the Committee provide SBA with authorization to have full access to client information obtained by the SBDCs as part of their SBA-SBDC program administration. Such access will allow SBA to more effectively manage the program and to measure the program impact through client surveys. Such information will be fully protected by the privacy standards that govern all SBA client information.

Expansion of Eligible Applicants for SBDC Lead Centers
We would also like an expansion of eligible applicants for SBDC Lead Centers. Currently, the only eligible applicants for a new SBDC are institutions of higher education and Women's Business Centers. This provision opens up eligible entities to include public or private non-profit organizations.

Multiple Awards in a State
SBA requests authority to determine the number of SBDC lead centers that are funded in each state based on the individual circumstances in the state. We believe that this authority will provide SBA with the necessary flexibility to ensure that specific small business community needs are best served in various circumstances.

SBDC National Advisory Board Membership
SBA also requests a change in statute to allow for the SBDC National Advisory Board to consist of ten members, as opposed to nine. The proposed change would allow for each director to be assigned to one of the SBA's ten regions. SBA also recommends that the SBDC Advisory Board address the issue of how tied votes will be handled.

Performance-Based Incentives for Individual SBDCs
We ask that the Committee authorize the Agency to set aside a portion of its line-item funding to use as performance-based incentives for the program's participants. Incentives would be available to participants that demonstrate outstanding performance or exceptional need.

Chairwoman Velazquez, that concludes my testimony. I look forward to answering any questions you may have.

TESTIMONY

of

GREGORY L. HIGGINS, JR.

State Director
Pennsylvania Small Business Development Centers
The Wharton School of the University of Pennsylvania

on

Small Business Administration Entrepreneurial Development Programs
Reauthorization Act of 2007

at a hearing before the

Committee on Small Business

United States House of Representatives

May 16, 2007

Good Morning Chairwoman Velázquez, Ranking Member Chabot and members of the committee. I surely appreciate this opportunity to provide some comments on the Discussion Draft of the "Small Business Administration Entrepreneurial Development Programs Reauthorization Act of 2007."

I would begin by indicating that in terms of these initiatives, the Committee has identified several of the most critical issues facing the small business community.

Since the draft addresses both procedural or process changes as well as new initiatives, I will focus first on procedural matters and then turn to the initiatives.

First, on the procedural or process changes proposed.

Accreditation Requirements – It is my view that one of the real strengths of the SBDC program is its location in and access to the resources of institutions of higher education to deliver assistance. I believe the Congress was correct in insisting upon an accreditation program for SBDCs and, to me, it only makes sense that we operate from organizations that have been found to meet a set of standards established by the industry; and I do consider education to be an industry. This provision, requiring accreditation, will ensure host institutions have the necessary resources to enable SBDCs to provide effective assistance which results in positive impact for small firms. I support this proposal.

SBA Involvement in Hiring – Our cooperative agreements make very clear the responsibility of the lead institution to manage the funds responsibly and to deliver appropriate services. All of our institutions have well documented processes for recruitment and hiring of personnel. I support the change to prohibit SBA from participating in the hiring process at SBDCs.

Counseling Session Privacy - The impact of the SBDC program is built on trust. To be effective, we must maintain the confidence of the client. We must be able to assure the client that information shared with us in the context of the consulting engagement is fully protected. The proposed language strengthens our ability to protect the client information and I strongly support it.

Prohibition on Use of SBDC Funds to Support SBA's Examination Process – As limited as SBDC program funds have been, it makes no sense, to me, to divert funds from service delivery to examination. I would think the SBDC Program Office and the SBA should budget for that activity from their own resources. I also wonder, since we are subject to federal audits under A-133 and state audits, if this examination process really provides added value or protection of public funds. I support this proposal.

No Cap on Non-Matching Portability Grants – This makes great good sense. All you have to know is that in the aftermath of Hurricanes Katrina and Rita, not only did the SBA take six months to approve the Louisiana SBDC's grants; but because of the cap, the SBA required the SBDC to submit six separate proposals (all with different scopes of

work) in order to obtain the funds. In a situation like the devastated Gulf Coast, there are far better uses for time than proposal preparation.

Now I will provide very brief comments on Section 202 through 208, the service initiatives in this draft.

Since, in my view, all of these initiatives proposals have substantial merit, I want to begin my comments by describing why the SBDCs are the organization best positioned to deliver the assistance contemplated in these initiatives.

Over the years, the Congress has invested public funds to build an information and services distribution system to support small business development. That system – the national Small Business Development Centers network - now reaches every part of this country through over 1,000 offices.

In addition to national coverage, among the strengths of the SBDC system are:

- Its foundation in local institutions with close ties to the business and civic communities it services.
- Its proven record of success in delivery assistance and in demonstrating the economic impact of that assistance. The SBDC program provides a positive return on investment of better than 2 to 1.
- Its knowledge of and networking with those local, state and federal programs that can also be used to support economic and business development.
- Its access to the resources of a very powerful set of institutions of higher education.
- Its flexibility to identify local or regional small business concerns or trends, and to assemble appropriate resources, in a very short time, to address those issues or trends.
- Its accreditation process that ensures all SBDCs are continuously involved in needs assessment and development of strategic plans to meet identified needs of firms in the areas they serve.

In summary, the funds you have appropriated, in combination with matching funds, have built a very high quality national system that can be utilized to meet the educational and informational needs of the business community and, at the same time, provide a return on the public dollars invested of better than 2 to 1.

Time is not sufficient for me to comment with more than a couple of thoughts on each of the initiatives proposed.

Capital Access - First, this is a business in which we have long been involved and with great success. That success depends upon our capacity to understand not only the federal sources of capital but also the many state, local and private sources that can be available if we have the capacity to put those packages together. In addition, SBDCs can and have

been involved in development of additional sources of capital such as angel investor networks in many areas.

Disaster Recovery - In Florida, in North Carolina, in Louisiana and in Mississippi, the SBDCs have demonstrated their ability to serve the business community in the aftermath of hurricanes. In many other states, including my own, we have been called in after disasters which were much less serious in the aggregate but deadly serious to those businesses affected. In New York and adjacent states, all SBDCs performed well in helping firms respond to the terrorist attacks of 9/11. The SBDCs have demonstrated capacity and feasibility to respond. This initiative recognizes and leverages that experience.

Innovation and Competitiveness - Innovation is the heart of America's competitive advantage and innovation largely relies upon small business. Small firms are responsible for 67 percent of innovation and 95 percent of radical innovation in business. The SBDCs must have the capacity to help firms assess their ideas and to bring them to market. In addition, those of us in universities sit next to major sources of research and innovation. This initiative recognizes the competitive pressures experienced by manufacturers and provides resources for SBDCs to help increase their competitiveness.

Mature Entrepreneurs - In many states and particularly the rural areas of some states, we have successful businesses whose continuation beyond the involvement of the current owner is in doubt. As owners of these firms approach retirement age they will frequently need assistance in developing exit strategies and transition plans, not only for their own well being but also to ensure that jobs and community assets represented by the business do not disappear when the owner decides to retire or sell. The SBDCs are ideally positioned first to identify those firms, second to identify those who might potentially acquire the firms, and third to also provide help in developing the financing required to make the transition possible

Small Business Sustainability – This initiative is one that not only benefits small firms but also can contribute significantly to reducing climate change emissions and energy conservation.

In Pennsylvania, we know that small firms consume 50 percent of the total output from coal fired plants. With our energy conservation program for Pennsylvania firms, we have easily accomplished reductions in energy consumption between 20 and 30 percent. On a national level that would mean small businesses could help reduce carbon dioxide emissions by up to 140 million tons per year while saving businesses an estimated $18.75 billion in annual energy costs.

These services work and SBDCs are the organization to deliver. We began this program just a couple years ago; and last year, of the eight EPA Energy Star Awards given nationally, six were made to clients of the Pennsylvania SBDC program.

The other side of this coin, clean technology development and the process of moving technology from development to commercialization, would take advantage of another strength of the SBDCs.

Small Business Regulatory Assistance – In any number of surveys of small businesses, the regulatory burden has been identified as a major impediment to business growth. While we acknowledge the value of government regulation, we also feel with that regulation comes the obligation to help firms understand what is required of them and how to comply.

The other thing we know is that firms will not go to the regulatory agency for advice. They will come to us and we can help. Prior to our initiating our regulatory assistance program, the state's Department of Environmental Protection conducted about ten site visits a year. Last year, we served 428 clients and provided 127 site visits. That, I believe, clearly demonstrates the value of assistance by a non-regulatory agency. With this initiative, regulatory assistance can benefit small business throughout the United States.

With that, let me end my comments and again thank the committee for this opportunity and for your attention.

House Committee on Small Business
Legislative Hearing on
Energy and Entrepreneurial Development Programs
10:00 a.m. Wednesday, May 16, 2007

TESTIMONY OF MR. DAVID L. JOHN
On behalf of New Mexico SBDC Statewide Advisory Council
Former Navajo Nation Tribal Council Representative
Former SBDC Client of the San Juan College SBDC in Farmington

Honorable Nydia M. Velazquez
Members of the House Committee on Small Business.

My name is David L. John. Thank you for inviting me to testify before you today and am very honored...I am a member of the Navajo Nation and a Navajo businessman for 35 years from the four corners region. I am here before you today on behalf of New Mexico Small Business Development Center Statewide Advisory Council. I am self-employed. By profession, I am a barber-stylist, and owner of other business entities. I am the President of the Northern Navajo Medical Center health board. I was a member of the Navajo Nation Council for 3 terms, where I was the chairman of the Economic Development Committee.

As a member of the Navajo Nation Council and being Chairman of the Economic Development Committee, We had experienced on Indian land how it is to start a business on Indian land. Starting with the land lease, called a Business Site Lease. The procedure consists of 60 or more steps to go through, and these steps take a long time. Compare to starting up a business in private land of the Indian land. Sometimes it takes 2 - 3 years going through this process. On private property of Indian land you start a business in a week.

The first step is a resolution approved by the grazing permit holders on potential sites for the business. That goes to the Regional Economic Development Office at each agency for application that requires a business plan, what kind of business, financial package, including bank financial institution, projection for first few years, length of lease (usual 25 years), term of lease agreement (base of profit and loss), gross receipts tax structures, statement approval of land usually by BIA. It is very hard to get a loan for business on Indian land because of lack of collateral, since the business site is on federal property. You cannot own land, can only lease land on tribal land. Off reservation, you can own land where you can get a loan against it. Because Indian land is federal property, BIA has a trust responsibility role for all Indian lands. BIA has the final approval to open you business after the trial's Economic Development Committee gives its approval. If one of the procedures is not completed you will have to start all over again. That usually takes 5 years or more. By this time, people would get frustrated and quit. Just imagine starting a business enterprise on federal property such as Bureau of Land Management what a nightmare you will go through.

I have told you about problems of starting a business in Indian Lands. The passage of this bill will help the Native American small business people improve their lives, stimulate economic development on Indian lands and assist in creation of new small businesses owned by Indian tribal members. It will help provide broader management, technical and research assistance incorporate the advice of the local Tribal council and Tribal government where small business assistance is in dire need. Also this will provide greater access to existing business counseling and technical assistance available through the Small Business Development Center program. I have been a client of the local SBDC in Farmington, New Mexico. I recently joined the New Mexico Statewide Small Business Advisory Council to provide input on Native American Business issues and to advocate for Navajo Nation needs in-particular. The NMSBDC already provides some of this assistance to small businesses with limited access and funding. This amendment to the Small business Act is very important to Indian Tribal economic development on Indian lands because it will ensure more convenient access and tribal input into the services provided.

TESTIMONY OF BARBARA L. WRIGLEY ON BEHALF OF THE ASSOCIATION OF WOMEN'S BUSINESS CENTERS

STATEMENT RELATED TO U.S. WOMEN'S BUSINESS CENTERS

SUBMITTED TO THE U.S. HOUSE COMMITTEE ON SMALL BUSINESS ON MAY 16, 2007

To the Honorable Nydia M. Velázquez, Chairwoman, Honorable Steve Chabot, Ranking Member and other members of the House Committee on Small Business:

The Association of Women's Business Centers is pleased to participate in the Committee hearing related to SBA programs that support women business owners, and to voice our support for the SBA Women's Business Programs Act of 2007, H.R. (bill # TBD)

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 99 SBA-funded Women's Business Centers (WBCs) in FY2007, with an additional 11 Centers currently operating outside the formal program.

Despite a remarkable record of achievement over the past 18 years, including impressive results in recent years as the program has come into its own,[1] its growth has stalled and Centers are having an increasingly difficult time fulfilling the growing demands of their clients in the face of:

- significant cuts in the per-center program budget,
- inconsistent communication and oversight from the SBA, and
- overly burdensome paperwork requirements.

The new SBA Women's Programs Act of 2007 would go a long way to addressing these concerns, and we applaud Congresswoman Velázquez for her leadership in introducing this bill. This bill will help solidify the standing of the Women's Business Center (WBC) program, both in terms of ongoing funding and with respect to how program funds are allocated among centers.

Here are the issues of greatest interest to the Association of Women's Business Centers, and how we feel that SBA Women's Business Programs Act of 2007, H.R. (bill # TBD) will address them:

[1] See the statistics offered on page two.

1. Women's Business Centers are past the point of "demonstration" and should be evaluated and funded on an ongoing basis on a par with other SBA business assistance programs.

We applaud the Committee for recognizing that the WBC program has proven its impact and deserves to be treated as such. We are proud of the fact that:

- **The demand for WBC services continues to grow.** Between 2001 and 2003 alone, the number of women entrepreneurs served *nearly* doubled (a 91% increase) and the number of new firms created by WBCs increased by 376%. Program-wide, the number of clients served has increased from 106,000 in 2003 to 144,000 in 2006: a 36% increase. This has happened as funding has remained flat during that period.

- **The program is having a significant impact.** In 2003 alone, the WBCs generated $407 million in gross receipts, helped launch 3,578 new businesses and fueled the creation of 6,493 new jobs. Consistently, we are seeing a significant return on investment in the number of businesses started and strengthened, in jobs created, and revenues increased by the growing number of clients served by the WBC program. Studies of micro-enterprise programs in general, including WBCs, have shown that two dollars in value to society is returned for every dollar invested over a 1 to 5 year period. Funding for the Women's Business Centers is thus an investment in the country's small business economy.

We are therefore heartened that Title II, Section 201, Subsection 4 includes a measurable means by which program performance shall be evaluated, and that third-tier WBCs are 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.

2. Funding allocations between new and existing centers should recognize the value of the longitudinal approach WBCs take to client service, and should not vary from year to year.

Women's Business Centers have struggled in recent years with a great deal of uncertainty – not only regarding whether or not they will receive funding, but how much funding they will receive. Title II, Section 201, Subsections 2 and 3 of the SBA Women's Programs Act of 2007 will remove that uncertainty – establishing three "tiers" or cohorts of WBCs (new, adolescent, and established) and setting funding levels and budget allocations for each tier. We believe that the 40-20-40 allocation is eminently fair, and recognizes the economic contributions made by WBCs that have an established track record of service. It also acts to curtail the "black box" approach that has been taken lately by the SBA with respect to per-center funding level decision-making.

We also support the continuation of the tiered approach to the required ratio of Federal and non-Federal dollars, including the addendum that the 2:1 Federal/non-Federal ratio be kept in place for established centers that are located in low-income communities.

3. Program grant disbursements should be made in a timely manner to ensure that client services are not interrupted.

We are in solid agreement that, as stated in Section 204, the awards should be made public. As we stated earlier, in the past the SBA has not fully disclosed such information. We suggest further, though, that there be a deadline established during which time the SBA should disburse the program awards. In recent years many WBCs have waited months – often until the very end of the fiscal year – before they receive the funds for the services that they were delivering throughout the course of the year. This puts our members – all of whom are relatively small non-profit organizations – in a severe cash-flow crunch. This does not set a good money-management example for the Centers' clients, and it violates the Federal government's Prompt Payment Act. We would urge the Committee to communicate separately with the SBA on this matter.

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 other 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 continue to work with you to increase the economic and social contributions of this Nation's estimated 10.4 million women-owned enterprises, and to the countless others that are on the drawing board, awaiting support and assistance from Women's Business Centers to move forward.

Respectfully submitted for the record
On May 16, 2007
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TESTIMONY

by

SCOTT SKLAR
PRESIDENT
THE STELLA GROUP, LTD.

before

HOUSE COMMITTEE on SMALL BUSINESS
TOOLS to FURTHER SMALL BUSINESS in ENERGY
ENHANCING THE US ECONOMY

WEDNESDAY, MAY 16, 2007
WASHINGTON, DC

The Stella Group, Ltd.. is a strategic marketing and policy firm for clean distributed energy users and companies which include advanced batteries and controls, energy efficiency, fuel cells, geo-exchange, heat engines, minigeneration (natural gas/propane), microhydropower, modular biomass, photovoltaic, small wind, and solar thermal (including daylighting, water heating, industrial preheat, building air-conditioning, and electric power generation). The Stella Group, Ltd. blends distributed energy technologies, aggregates financing (including leasing), with a focus on system standardization. Scott Sklar, the Group's founder and president, lives in a solar home in Arlington, Virginia and his coauthored books:The Forbidden Fuel: A History of Power Alcohol, and A Consumer Guide to Solar Energy, was re-released for its third printing.

Scott Sklar serves as Steering Committee Chair of the Sustainable Energy Coalition, composed of the renewable energy and energy efficiency trade associations and analytical groups, and sits on the national Boards of Directors of the non-profit Business Council for Sustainable Energy, Renewable Energy Policy Project, and the Sustainable Buildings Industry Council.

Introduction

I wish to laud the House Committee on Small Business for holding this hearing and focusing on how energy is critical to small business, and how small businesses may provide critical answers to our country's energy, environmental and security challenges.

Energy prices are going up, and energy supplies can be disrupted politically or by intense weather patterns; and it's utilization contributes to harmful emissions and in many cases gives resources to those who wish to harm our country.

For example, in the April 11th Metro Section of The Washington Post (B6), Dominion Power in Virginia has petitioned for an increase in electric rates due to energy resource increases since January 2004: increase by 90% - natural gas, increase by 143% - crude oil, increase by 25% - coal, and an increase of 8% - nuclear fuel (uranium). Similar energy increases are occurring all over the United States.

Long term energy outages due to tornadoes and hurricanes, such as Katrina, and human error, such as a tree branch falling in Ohio shutting down eleven States, are not uncommon. Surges, sags and transients along the nation's electric utility grids require surge protection and result in loss of digital controls, appliances and equipment.

And reports of terrorists focusing on the electric grid, are becoming of great concern to our military and homeland security experts.

Small and large businesses have many answers to address these aforementioned challenges. For instance, The Cleantech Venture Network forecasts that clean technology venture capital investment opportunities for major institutional investors globally through 2009 are estimated at $17 billion, with $10 billion in North America, $5 billion in Europe and $2 billion for the rest of the world. Cleantech Venture Network research has also shown that for every $100 million invested into venture-backed companies, 2,700 new jobs are created and the overall economy receives a 5x positive impact in related economic growth.

In a recent April 19, 2007 article by Joyce M. Rosenberg of the Associated Press recounts that "The expression "going green" might have a gimmicky sound, but for small businesses, selling environmentally friendly products and services can be very profitable. And even companies whose line of work is more traditional can benefit from using green products and practices. Many company owners use environmentally friendly cars, recycle materials and buy biodegradable office supplies because they care about what happens to the environment. It also makes good business sense, making their companies more competitive and lifting employees' morale. W&M Properties, a New York-based real estate company that also has a construction affiliate, has switched its fleet of more than 25 pickup trucks to hybrid Ford Escape cars. President Tony Malkin said of the hybrids, "they pay for themselves in the fuel savings." He noted that most of the company's driving is done on local streets, and called the pickups' mileage "appalling.""".

Issues

As with medicine, there are different tools utilized to solve problems.. This is true with small businesses where a portfolio of specialized tools are required that relate to technology development,

market conditioning, government incentives, easing regulatory barriers, and offering uniquely-focused financial tools depending on state of enterprise, technology and market.

A study by the National Community Reinvestment Coalition conducted a study for the Appalachian Regional Commission released on May 10, 2007, concluded that "Small businesses in rural counties are less likely to receive loans than businesses in metropolitan areas. Likewise, businesses in low- and moderate-income census tracts are less likely to receive loans (41% of all small businesses in Appalachia received loans as opposed to 35% of small businesses in low- and moderate-income tracts). The smallest businesses with revenues under $1 million are least likely to receive loans – just 28% of these businesses received loans in 2003."

Most innovation in energy technologies and services are led by small businesses, but as you know, they have neither the credit history or cash reserves required for accelerating or ramping-up technologies and services to meet the challenges of our economic, environmental and national security.

And our federal government institutions addressing small business, such as the Small Business Administration (SBA), do not have internal staffing or expertise to address these issues.

The time is "now" to unleash the strength of the small business sector, so that the innovation, entrepreneurship, and agility can be drawn upon to meet our national energy challenges in ways that address the concerns of energy disruptions and volatile pricing and rate increases as well as the national security, environmental and economic security challenges we face. This is not a luxury, but rather a necessity, if we are to orient this country onto a more self sustaining trajectory.

Proposals

I wish to address some of the recent legislative proposals outlined in S3437. establishing an easier path for maximum loan financing, larger loan limits, and higher loan guarantees, To develop and scale-up production of energy efficiency and renewable energy and distributed energy technologies is an essential policy objective. A parallel objective for small businesses wishing to procure such technologies for their own use to lower their energy costs or provide energy reliability and electric power quality, is of paramount importance. These policy tools help do the job.

A sustainability initiative as well as programs to attract SBIC and leverage private investment capital, so as to equalize opportunity for patient capital, as well as allow small businesses to ride out "the valley of death" - the key point when technologies are validated but before larger-scale market acceptance is achieved -- is important to the US economic, environmental and national security. Smarter leveraging of capital for the public interest, and the US national interest, is a mandatory requirement.

The United States is at a time in the development of energy efficiency and renewable energy, comparable to our Industrial Revolution. With two wars in the Middle East region, global increases in energy prices due to demand exceeding supply, concerns about global climate and our environment -- now is the time to be prudent - prepare for the future - strengthen our mutual security.

Conclusion

There is an effective network of local Small Business Development Centers working with local Chambers of Commerce across the US that is funded in part by the US Small Business Administration. These centers provide free business counseling to entrepreneurs for both start-up and existing businesses, Specialized non-government groups such as the The Center for Small Business and the Environment have developed networks of energy entrepreneurs and small businesses that are at the cutting edge of this field. They need to be supported.

Aggressive outreach programs, staffed by experts at the Small Business Administration to mirror very successful outreach and technical assistance programs by US export agencies such as ExIm Bank, Overseas private Investment Corporation (OPIC), and the Trade Development Administration (TDA), need to be established. The SBA needs to not only assist and promote Energy Star energy efficiency products, but renewable energy and clean distributed generation technologies and services in which the United States still has a global technological lead.

Not only will such efforts increase and enhance US small clean energy businesses, but greatly increase US exports of these technologies and services -- and even more importantly -- significantly enhance energy efficiency and renewable technologies and services to US businesses and consumers who need them most. Companies cannot access programs they do not know about. Consumers cannot access technologies and services of which they do not know about.

Now is just the time for the Congress to enable SBA and other small business oriented programs - to become more innovative and expansive in the energy efficiency, distributed generation, and renewable energy sectors. I have attached a recent April 2007 article in fortune Small Business on my small business, on how these technologies are integrated at my office building in Arlington, Virginia. I invite you to tour the building as well as the SkyBuilt Mobile Power Station (http://www.csmonitor.com/2005/1018/p02s01-sten.html) both, a few minutes from Capitol Hill. Thank you for the opportunity to testify.

References

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Article attached -
http://money.cnn.com/galleries/2007/fsb/0704/gallery.green_office.fsb/index.html

CNNMoney.com Fortune Small Business April 2007

A clean green office

I outfitted my specialty firm with the latest tools to conserve energy and generate clean power.

By Scott Sklar

Running an energy-efficient office isn't just great for the environment. It's helping my sales grow 30 percent a year. As president of the Stella Group (thestellagroupltd.com), a five-person clean-energy consulting firm, I guide big companies and government clients such as the Department of Defense and the state of Mississippi through the maze of available green energy technologies and arrange financing when they make purchases. I designed my 880-square-foot, two-story office building in Arlington, Va., to illustrate how the latest green products work. If you want clients to use new technologies, it's smart to use them yourself.

I'm proud of how much energy we conserve. The building's double-paned Marvin windows (custom order at marvin.com) face southwest for maximum sun exposure, and the space between the panes is filled with argon, an inert gas that acts as insulation. In summer the temperature-sensitive glass screens light rays that give off heat.

QuickTime™ and a
TIFF (Uncompressed) decompressor
are needed to see this picture.

Double-paned windows
Marvin *marvin.com* Prices vary

QuickTime™ and a
TIFF (Uncompressed) decompressor
are needed to see this picture.

To keep the thermostat steady, the walls and ceilings contain four to six inches of insulation, including a rigid plastic foam called polyisocyanurate (for sources, go to pima.org). That is more than the thickness of the average home's insulation. I also use a ductless heat pump from Sanyo. This system runs on recycled refrigerant fluid that can be heated or cooled. All the light fixtures in the office take compact fluorescent bulbs, which use only a fraction of the wattage of incandescents, and high-efficiency LED bulbs.

Solar Spotlight
Suntyme *suntyme.com* About $100

We use green technologies to generate most of the 1.5 kilowatts of electricity we burn each day. Much of it comes from solar roofing shingles from UNI-SOLAR. To generate additional energy, we added a small wind turbine from Southwest Windpower, which towers above the roof.

QuickTime™ and a
TIFF (Uncompressed) decompressor
are needed to see this picture.

Solar electric roof shingles
UNI-SOLAR *uni-solar.com*
$8,000 installed

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TIFF (Uncompressed) decompressor
are needed to see this picture.

The electricity is stored in a battery bank from GridPoint that powers everything in the building. Our backup is a Plug Power (plugpower.com) hydrogen fuel cell. I lease it for $375 a month through Government Leasing (government-leasing.com). Our energy bill is only about $70 a month because of our efforts. In all, I've invested about $5,000 to make the office more energy efficient and about $15,000 on renewable energy. I hope to earn back my investment in seven years.

Battery bank
GridPoint *gridpoint.com*
About $11,000

Clients often have a lot of apprehension about spending money on new clean-energy technologies. They ask me, Will the roof turbine blow off in high winds? Can the solar panels withstand hail? Will the solar water-heating panels get too hot to work properly? We have had winds of more than 80 miles an hour, bad hail storms and many days with temperatures of more than 100 degrees. All our systems were unharmed and worked fine. There's nothing like being able to tell customers that I have already solved the energy problems they are facing. They think, "If he can do it, I can do it too."

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IFF (Uncompressed) decompressor
are needed to see this picture.

Rainwater collector

Aaron's Rain Barrels *ne-design.net*

About $150