

UOH 220

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Hawai'i Small Business Development Center

Testimony for Informational Briefing, January 28, 2011 Senate Committee on Economic Development and Technology

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Request: Continued state funding for FY 2011-2012 at the reduced level of \$978,941

Federal-State Partnership Program The Hawai'i Small Business Development Center Network (SBDC) is a partnership program between the U.S. Small Business Administration (SBA) and the University of Hawai'i at Hilo. The program is in its 22nd year in Hawai'i and is part of a national program that exists in all 50 states, Guam, American Sāmoa, Puerto Rico and the U.S. Virgin Islands. The Hawai'i SBDC Network is partially funded by the U.S. Congress through the SBA and operates on a statewide basis, with service delivery locations on Hawai'i (2), O'ahu (2), Maui (1) and Kaua'i (1) – six service centers in all. The State Office is located in Hilo as part of UH Hilo.

Program Focus and Objectives The Hawai'i SBDC Network, established in 1990, provides professional business consulting, research and training to business owners and new entrepreneurs in order to promote growth, innovation, productivity, and management improvement. To accomplish these objectives, we link federal, state and local resources, the educational community and the private sector to meet the needs of Hawaii's businesses. Key outcomes are increased viability of client businesses, jobs created or retained, capitalization obtained, sales increases and successful business starts. In difficult economic times, viability of the small business is often at stake, and success is realized simply by surviving. Each business that does not close represents not only continued tax revenue, but also a potentially reduced load on state personal assistance programs.

Part of the Higher Education Effectiveness Team The Hawai'i SBDC Network is strongly positioned to provide a natural bridge between classroom and application, between capability and execution. As a university-hosted program, we are naturally allied with the resources of higher education, and are a conduit for the forces of innovation and creation through encouragement and mentoring in support of those with the entrepreneurial spirit. Our open and active door into the small business community of Hawai'i provides a pathway for the active entrepreneur to connect with vast resources available through the university community.

Program Constraints The SBDC Program, as established in federal law and regulations, (i) is required to be a statewide program, (ii) must be affiliated with a university as its host institution, (iii) must receive matching funds of no less than one to one, (iv) may not charge for consulting services, (v) must pass an accreditation based on Malcolm Baldrige Continuous Quality Improvement, and, (vi) must pass a federal financial review every two years in order to continue to receive funding.

Performance Results in 2010 A major objective of Hawai'i SBDC Program management has been to increase productivity and efficiency through reduction of administrative expenses, re-design of internal procedures, and concentration of effort. As a result, from 2009 to 2010, the number of clients seen rose 20.4%, hours spent in direct consultation with clients went up by 47.9%, total hours spent directly on client services increased 45.3%, and the number of client sessions rose by 30.8%, all under conditions of essentially flat funding: a small increase in federal funding was approximately offset by a small decrease in State of Hawai'i matching funds.

Impact of Further Funding Reduction Funding reduction would directly impact the capacity and quality of client services. Extensive reductions over the last three years to administrative and overhead costs in favor of increased capacity render any cut in funding as equivalent to cuts in core mission delivery. Cuts to client services will impact both quality and performance – major concerns of both the accreditation process and the sponsor's goal achievement expectations – with the attendant effect of putting federal funding at risk.

Small businesses are the engine of the economy. Job creation will be led by small businesses during the foreseeable future. Small businesses assisted by the SBDC program hire 10.8% more employees and have sales increases 12.4% higher than the average small business in Hawai'i. (Statistics are based on a 10 year study by James Chrisman, PhD) For every state dollar invested, \$3.40 in new taxes is returned to the state (Scott Thompson, PhD, UH Hilo). Investing in the SBDC is investing in economic recovery.

Contact John Furstenwerth at john.furstewerth@hawaii-sbdc.org for additional information.