

Statement

of

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State Director

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on the

Partnerships for Regional Economic Performance

for the

Community, Economic and Recreational Development Committee

of the

Pennsylvania State Senate

Chairman Scavello, Chairman Farnese and the members of the committee, I am Christian Conroy, state director of the Pennsylvania Small Business Development Centers. Thank you for providing me the opportunity to brief the committee on the services and impact of the Pennsylvania Small Business Development Centers (SBDC) network and how we work in partnership with other state supported economic development programs.

We are fortunate to have the leadership of Secretary Davin and Deputy Secretary Collins, and the dedication of all the staff of DCED in supporting a vibrant economy throughout the Commonwealth. We also value the strong relationships that we have with the Industrial Resource Centers, the Local Development Districts and the local Economic Development Organizations that comprise the Partnerships for Regional Economic Performance or PREP.

Every day the Small Business Development Centers are on the front lines helping businesses in thousands of communities throughout all 67 counties of the Commonwealth. As you know, the vast majority of firms in Pennsylvania are small businesses and they employ more than half of the state's workforce. They also represent the future – they are a source of innovation and new ideas, and all companies that grow to be large firms start as small businesses. As such, it is important that Pennsylvania maintain resources to serve these innovators and vital businesses.

The SBDCs have a substantial impact across the state and serve the largest number of entrepreneurs and small businesses of the PREP programs. In 2016, the SBDCs provided no-fee management advisement to 8,815 entrepreneurs and served an additional 9,520 through 639 educational programs. We achieve this scale because nearly all of the state funds invested in the program go to direct service delivery to entrepreneurs and businesses. The educational institutions that host SBDCs provide most of our operational support at no cost to the state. Additionally, the state's investment in the SBDC is used to secure and leverage over \$5.3 million in federal funds that are also used to support these direct client services.

While this output is significant, more important is what results. Consistently, year after year, the SBDC network is helping to launch new firms and enable small businesses to tackle challenges to grow and be sustainable. In fact, since 2011 the SBDCs have contributed the following impact metrics to the Partnerships for Regional Economic Performance:

- Client Obtained Financing \$975,166,716
- New Businesses 3,939
- New Sales \$1,959,157,709
- New International Trade Sales \$390,671,808

- New Government Contracts \$1,287,645,215
- Jobs Impacted (created, saved and outsourced) 52,347
- State Sales & Income Taxes Generated \$60,012,465

It should be noted that these are direct, client attributed impact results. In fact, we only report data for which we have attribution from the client for that metric. We do not report indirect or induced impact and we do not use econometric models. If this approach was used, the data would be significantly greater than what I consider are already impressive results. However, we believe that it is important to be able to directly tie performance to the state’s investment so that taxpayers can be confident of the return on this investment.

The SBDC program has a model in place to ensure that the state’s investment in the program directly generates economic impact – start-up and growth capital acquired, new businesses started, sales revenues generated and jobs impacted. For every \$10,000 in funding that a center receives, they are required to help clients obtain \$400,000 in capital, start 1.5 new companies, increase revenues by \$375,000 and impact 15 jobs. You can be confident that investing in the SBDC is a smart decision that will continue to benefit the Commonwealth’s bottom line.

This laser focus on delivering proven results for every dollar of the state’s investment has resulted in a return on investment of \$6.56. As such, the SBDCs are part of the solution to the Commonwealth’s revenue challenges. Thanks to our clients’ growth and success, new revenues are flowing to the state treasury. Specifically, for 2012, 2013, and 2014 (the most recent data available), SBDC clients generated \$60,012,465 in new state sales and income taxes. During this same period, \$9,143,592 was invested in the SBDC program by the Commonwealth of Pennsylvania through PREP, for a return of \$6.56 for every state dollar invested.

We have been able to achieve these results because of our strong community roots. The SBDCs have long believed in the power of local ties and partnerships. These relationships are critical to helping our clients succeed and achieve results. All centers are active participants in their regional PREP programs. To support collaboration, all centers encourage clients to allow their information to be shared in the DCED Executive Pulse database.

The SBDCs are a critical component of the state’s economic development infrastructure because we are the only program focused on businesses in all industry sectors and in all stages of development from pre-launch, through start, then growth, and with survival and re-invention. Our goal is for companies to

grow and prosper over the long term. We do this by focusing on educating and building the intellectual capacity of the business owner. As a result, SBDC companies survive at rates that are far greater than other firms. In fact, 83% of companies started with SBDC assistance are still in business after 8 years. This survival rate of SBDC companies is critical to lessening the disruption that comes from businesses that close due to lack of preparation and planning. By helping companies survive, we are helping families to retain and build wealth; we are sustaining businesses that are critical sources of jobs, community services and tax base; and we are reducing the costs for state supported social services. We both make money and save money for the Commonwealth.

If you look at the top five sectors of the state's economy – healthcare, retail, manufacturing, education, and accommodations and food service – the SBDC is actively engaged in serving all of them. In particular, the retail and accommodations and food services sectors are especially important to the economic fabric of main streets, commercial corridors and small towns. The retail sector is experiencing major disruptions. Last year, nationwide more jobs were lost in retail than exist in coal and steel production combined. The SBDCs can help small and local retailers understand and survive the seismic shifts underway in this sector.

Speaking of disruptions, the SBDC network is also focusing on addressing the positive and negative changes in the energy sector. We have a Coal Team that is helping companies across the state survive the changes roiling the coal mining and coal electricity industries. We also have a Shale Team that is helping companies to leverage new opportunities from the state's shale gas supplies and from new developments such as the Shell cracker facility in Beaver County.

With strong local roots and relationships with thousands of firms, the SBDCs are actively engaged with companies over a long period. This outreach helps to retain them and helps accomplish their expansion plans. Furthermore, as we learn of their needs, we refer them to our economic development partners.

A great example of how the SBDCs utilize the state's economic development ecosystem to benefit Pennsylvania companies can be seen in EcoTech Marine, a growing firm in Northampton County. As the founders were looking for help in turning their concept for an aquarium pump into a company they sought help from the Lehigh University SBDC in acquiring financing. The SBDC helped leverage resources and funding from the Ben Franklin Technology Center, the Lehigh Valley Economic Development Corporation and the local IRC, the Manufacturers Resource Center. As they grew, they returned to the SBDC for help in expanding into overseas markets. In 2014, their growth and success was recognized as the Pennsylvania Exporter of the Year by the U.S. Small Business Administration.

I believe the SBDCs have a track record of proven performance that is having measurable, direct results throughout all regions of Pennsylvania. We are passionately committed to the growth and success of small businesses. With the support of the Committee, the General Assembly, Governor Wolf, DCED and our PREP and local partners, the Pennsylvania SBDC will continue to build upon this record and make Pennsylvania a better place to work and live.

Thank you for this opportunity.