



A Partnership Program between the University of Hawai'i at Hilo and the U.S. Small Business Administration

State Administrative Office
Hilo, Hawai'i

East Hawai'i Center
Hilo, Hawai'i

Maui Center
Kihei, Hawai'i

Honolulu Center
Honolulu, Hawai'i

Kaua'i Center
Lihue, Hawai'i

Hawai'i Business Research Library
Kihei, Hawai'i

LATE TESTIMONY

Chair: The Honorable Jerry L. Chang, Chair

Hearing: Committee on Higher Education

2/03/05 Tuesday 2:00 p.m. Conference Room 309

Bill: H.B. 1618 Making an Appropriation for Small Business Development

Purpose: To promote sustainable economic development by appropriating funds to the University of Hawai'i on behalf of the Hawai'i Small Business Development Center.

Presenter: William D. Carter, Ph.D., State Director
Hawai'i Small Business Development Center Network

Position: I am writing in support of H.B. 1618

Comments. It is in the interest of the State of Hawai'i and the welfare of its citizens that H.B. 1618 be passed. The evidence:

- Small businesses in Hawai'i are the engine that drives the creation of new jobs and provides the increases in taxable income that support the social, health, and educational programs of the government. This occurs because 96.7% of all businesses in Hawai'i are small businesses and because 83.0% of all net new jobs in Hawai'i are created by small businesses.
- To foster the conditions under which these small businesses thrive is an appropriate role for government and builds a diversified, sustainable economy that will withstand the vicissitudes of tourism. These conditions are promoted through an economic development investment in small business and entrepreneurial development programs, including management-force training.
- Investment in entrepreneurial development programs returns to the state in new incremental taxes many times its cost. In a recent study, the Hawai'i SBDC Network was shown to return \$4.45 in new incremental taxes to the State for every dollar the State invested in the program.
- The Hawai'i SBDC Network is the premier organization in Hawai'i delivering entrepreneurial development and small business management consulting and training, which it has been doing since 1990 on each of the four major islands. The Hawai'i SBDC Network is an accredited and award-winning. In addition to being the premier organization in the state providing entrepreneurial assistance, the Hawai'i SBDC Network is the only one with a comprehensive program for small business owners and prospective owners and the only one delivering a program statewide.

Additional funding needed:

The Hawai'i SBDC Network needs \$699,000 in additional funding to continue its small business and entrepreneurial development programs that assists small businesses in Hawai'i to create a diversified, sustainable economy. Those additional funds will be used for the following purposes:

- (1) \$111,000 to fund a Sustainable Energy Initiative among small businesses. These funds will be used to create a statewide initiative to assist small businesses in managing spiraling energy costs. The initiative will enable the Hawaii SBDC Network to coordinate university, public utility, state agency, federal government and other small business resources with its own resources, including the research facilities of the Hawaii Business Research Library, leveraging its unparalleled position in the small business community to affect change. This collaborative will work to insure that an optimal impact can be made with available public and non-public resources. Controlling or reducing energy costs provides an immediate "bottom-line" benefit to small businesses and a substantial economic impact to the state. These funds will provide a required match to a federal small business energy sustainability competitive grant.
- (2) \$111,000 to fund a statewide International Trade Initiative among small businesses, leveraging the resources of state and federal agencies working to assist small businesses develop international trade with the resources of the Hawai'i SBDC Network, including those of the Hawai'i Business Research Library. Finding new non-domestic markets is an essential growth strategy for many small businesses in Hawai'i. These funds will be combined with competitive grant funds from the US Commerce Department.
- (3) \$300,000 to fund a statewide High Technology Initiative among small businesses in order to develop new programs and partnerships as well as focus an increasingly substantial segment of the Hawai'i SBDC Network's resources on high technology and fast growth businesses. Current research shows that the greatest job growth occurs with high-impact businesses, particularly those with 25 or fewer employees. The consulting expertise that most entrepreneurs in high technology and fast growth businesses need includes not only traditional consultant knowledge of business and market planning, finance, accounting, and human resource issues, but also knowledge to address intellectual property issues, equity-based capitalization, SBIR funding, and global market development. Additionally, this initiative will more substantially align the SBDC Network with economic development strategies of the University of Hawaii at Hilo and other key stakeholders and partners.
- (3) \$108,000 to fund additional capacity at the Honolulu Center. Currently, there is only one Hawai'i SBDC Network consultant available in Honolulu for the entire island of Oahu. With the high number of existing small businesses as well as new entrepreneurs on Oahu, it is important to provide sufficient resources to reduce to more acceptable levels waiting lists for services and response time to requests for assistance. This funding would enable the Hawaii SBDC Network to hire one additional full-time, business consultant for the Honolulu center.
- (4) \$ 69,000 to fund costs associated with sustaining the organization. The Hawai'i SBDC Network has long deferred costs associated with increasing prices for facility expenses, travel, salaries and benefits, and equipment. A quality organization cannot long be maintained without addressing these issues.

What you need to know about the Hawai'i SBDC Network:

- Statewide:** The Hawai'i SBDC Network is a partnership between the U.S. Small business Administration and UH Hilo providing entrepreneurial development consulting and management-force training.
- Five service centers on major islands and one specialty center—Business Research Library—plus state administrative office in Hilo.
- Matching:**
- Has brought over \$29 million in federal funds into the state since 1994.
- Well established:**
- Beginning its 19th year of operations
- Achievements:**
- Management consulting to over 1,200 small businesses per year.
 - Management training through more than 150 workshops to over 1,800 people.
 - Research for more than 1,200 inquiries.
- Effective:**
- SBDC clients in 2004 hired 20.6% more employees than did the average business in Hawai'i.
 - SBDC clients in 2004 had sales increases 19.2% higher than the average business in the state.
- Results:**
- \$35 million in annual economic impact on average since 2004.
 - For every state dollar invested by the Legislature, \$4.45 in new taxes were returned to the state in 2004.
- Constraints:**
- The SBDC Program is established in federal law and regulations and *is required* (a) to be a statewide program, (b) that must be affiliated with a university as its host institution, and (c) may not charge for consulting.