

Response to Governor's Re-Org Plan

By

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State Chair – California Small Business Development Centers

Good morning Chairman Hancock and members of the Commission. My name is Priscilla Lopez and I am the State Chair for the California Small Business Development Centers. Thank you for the invitation to testify in front of you today on the Governor's Reorganization Plan.

The California Small Business Development Centers are a statewide program that is partially funded by the U.S. Small Business Administration and accredited by the Association of Small Business Development Centers to provide one-on-one consulting, training and access to capital to small business owners. The SBA provides the CASBDC program \$12 million in federal funds that need to be matched with another \$12 million in cash and in-kind funds. The CASBDCs are part of a national program with 63 networks nationwide. The SBDC program has been in existence since the late 1980's. In California, the SBDC was operated under the California Technology, Trade & Commerce Agency(TTCA) until 2003. With the demise of TTCA, the CASBDC program was split into six regions, administratively operated by Regional Lead Centers. The regions have Lead Centers that are hosted by higher educational institutions. The six regions are: Northern California, hosted by Humboldt State; Northeastern California, hosted by Chico State; Central California, hosted by UC Merced; Los Angeles, hosted by Long Beach Community College District; Orange County/Inland Empire, hosted by CSU, Fullerton; San Diego/Imperial Counties, hosted by Southwestern Community College District. There are 38 Small Business Development Centers statewide.

Specific examples of services provided by SBDC Service Center consultants include: assistance with cash flow projections and financial assumptions; assistance with business plan development; assistance with procurement contracts; preparing entrepreneurs to pitch their idea in front of angel and venture capital investors; preparing small businesses to go global.

In 2011, the California SBDC program created 5,942 new jobs; assisted business owners to retain 3,253 jobs that would have otherwise been eliminated; and provided access to capital totaling \$211 million.

As a result of SBDC services, small business clients increased sales by \$243.9 million, which resulted in the creation of over \$37 in new taxable revenue for every \$1 invested by the state.

Does your organization support the portion of the reorganization plan that pertains to it?

Yes, the California Small Business Development Centers support being a part of the Governor's Office of Business Development. For the past year and a half, since the formation of the Governor's Office of Economic Development under the Schwarzenegger administration, the CASBDC has worked closely with key members of the office to provide support to small businesses via the use of the SBDC's data collection system known as WebCats. A SBDC staff member worked in the office and would triage calls from small business owners in order to make sure their questions are answered and their needs are met. Small business assistance requests received through the GO-Biz website are routed to SBDC business specialists, who then refer individuals to their local SBDC or other small business assistance resource. Nearly half (48%) of all GO-Biz website inquiries are for small business assistance (2011). In addition, there was a 71% increase in client sales in FY2011. This is a direct result of the collaboration with GO-Biz and the state matching the federal funds. The CASBDC also has an outreach location in the GO-Biz office where our Statewide Partnership Director, Michele Gault, works on occasion.

What advantages and risks would need to be considered?

The inclusion in the Governor's plan is a great advantage for the CASBDC program. Prior to the closure of TTCA, the CASBDC program was recognized in statute as a partner to the State of California. Across the nation, the SBDC program is recognized in state law with the exception of California. With the demise of TTCA, the CASBDC, along with many other economic development programs was taken out of State statute. Codification of the program reinstates the CASBDC as a State partner and formally acknowledges the important role the organization plays in economic development across the state

As previously mentioned, the CASBDC program brings \$12 million in federal funds to the State of California to serve small businesses and fosters innovation throughout the State. This is a tax revenue generation program. Alignment with the Governor's Office of Business Development allows for a stronger economic development program for the State and deters duplication of services to the small business community. The Go-Biz Office has access to the services provided by the CASBDC on a statewide basis, without having to expend additional resources to implement a duplicative program. The CASBDC has a proven track record serving the small business communities statewide. In 2011, over 50,000 business owners utilized California SBDC services.

Does this reorganization plan position the state to operate more effectively and efficiently? If not, what additional action is needed?

Yes, it does position the State to operate more effectively and efficiently. Small businesses have so many regulatory issues and bureaucracy to navigate that it deters entrepreneurs and business owners from continuing to operate or starting their businesses in the State of California. The Reorganization Plan takes this into consideration by having the organizations that provide economic /business development services under the same Office working together for small businesses. It is important to keep our businesses concentrated on their business generating tax revenues and creating jobs.