

**STATEMENT
OF
ELLEN GOLDEN**

**SENIOR DEVELOPMENT OFFICER,
COASTAL ENTERPRISES, INC.
AND
CHAIR,
THE ASSOCIATION OF WOMEN'S BUSINESS CENTERS**

FEBRUARY 12, 2004

**SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
HEARING ON THE PRESIDENT'S FISCAL YEAR 2005 BUDGET REQUEST FOR
THE SMALL BUSINESS ADMINISTRATION**

Introduction

Thank you for inviting me to participate in this hearing on the President's Budget Request for FY2005 for the Small Business Administration. I am Ellen Golden, Senior Development Officer at Coastal Enterprises, Inc. (CEI) in Wiscasset, Maine and Chair of the Association of Women's Business Centers.

Background: Association of Women's Business Centers

The Association of Women's Business Centers (AWBC) is a national not-for-profit organization representing women business owners and women's business centers. The AWBC was founded in 1998 to support entrepreneurial development among women as a way to achieve self-sufficiency, to create wealth and to expand participation in community economic development through educational, training, technical assistance, mentoring, development and financing opportunities. The vision of AWBC is a world where economic justice, wealth and well-being are realized through the collective leadership and power of successful entrepreneurial women. As an organizing force of women's business centers and women business owners, the mission of the AWBC is to develop and strengthen a global network of women's business centers to advance the growth and success of women business owners. The AWBC builds the capacity of women's business centers, develops public and private resources to support member centers and the women business owners that they serve, advocates on behalf of women's business centers and women business owners and otherwise promotes women's business development nationally and internationally.

Background: Coastal Enterprises, Inc.

Coastal Enterprises, Inc. (CEI) is a private non-profit, 501(c) 3, community development corporation and community development finance institution which provides financing and technical assistance in the development of small businesses, social services and affordable housing. CEI development finance activities are targeted to promising sectors, such as manufacturing, value-added natural resource industries, women business owners, microenterprises, select social services (e.g., child care), environmental technologies and others. In addition, CEI engages in the development of affordable and special needs housing, policy research and advocacy. In addition to being a Women's Business Center under the SBA Office of Women's Business Ownership, CEI is an intermediary under the SBA Microloan Program, a licensed SBA 504 local development corporation, a sub-center under the SBA Small Business Development Center program, and a New Markets Venture Capital program.

Incorporated in 1977, CEI manages a pool of \$114 million in loan funds raised from a variety of public and private sources. CEI funds have leveraged over \$480 million in financing for over 1400 small businesses that have created and retained 15,000 jobs. CEI also provides business assistance and training to 1,500 aspiring and existing entrepreneurs each year. In each of its projects, CEI targets social and economic opportunities to low-income people, including welfare recipients and individuals with disabilities. CEI provides a continuum of business finance and support to customers ranging from self employed individuals with limited resources to manufacturing enterprises that employ 100 or more people.

CEI has worked with women business owners since 1980, initially in the context of farm-based enterprises and ultimately encompassing the full-range of women-owned enterprises. In 1985 CEI initiated a Women's Small Business Project to focus finance and technical assistance services to women; that was followed by a Child Care Development Project and self-employment projects targeted to AFDC recipients, refugees, unemployed and economically disadvantaged. CEI has provided \$33 million in financing to 726 businesses partly or wholly owned by women and provided training and technical assistance to approximately 12,000 aspiring or existing women business owners.

History of the Women's Business Center Program

The Women's Business Center Program began as a demonstration program created by Congress in 1988 as a response to women's organizations that presented evidence to Congress that women continued to face discrimination in starting and running small businesses. A leveraged federal investment in women's economic development, the Women's Business Center Program quickly demonstrated its value and has enjoyed consistent, wide-spread, bi-partisan support from Congress. The Program has grown from four to 89 Centers that provided training to counseling and training to 106,000 people in FY2003. The women served by the Centers are diverse and include minorities, low-income, women with disabilities, and veterans. In addition, they represent women at all stages of business development, in all sectors and in different sizes from microenterprises to businesses employing more than 50.

The investment in the Women's Business Center Program has generated a significant return. In 1995, Congress appropriated \$4 million for the program, and in 2003, there was an appropriation

of \$12.5 million, an increase of 312 percent. During that same period, however, the number of clients served increased more than 1300 percent, from 8000 in 1995 to 106,000 in 2003.

The Women's Business Center Program has changed as it has grown. The Program was initially conceived as a demonstration with three-year funding and an expectation that Centers would graduate to other funding. In 1997, the Program was made permanent and funding was extended to cover a five year period. In 1999, with the overwhelming support of Congress, the Program was changed again to incorporate a sustainability pilot program that allowed Centers to apply on a competitive basis for an additional five years of funding.

The creation of the Sustainability Pilot Program is the result of the recognition of several important points. The first is the importance of the Women's Business Centers in providing essential services to a significant and growing market of women who want to be business owners and who also want to be part of a program targeted to women. Secondly, it acknowledged the importance of the SBA's role as a funder. Not only does the SBA contribution provide an important foundation from which Centers can build, but the SBA brings credibility to the work of the Centers and its funding serves as a catalyst for raising the necessary matching funds. Finally, it acknowledges the value of the investment made in the existing Centers and the need to sustain the infrastructure so painstakingly constructed over the life of the program. The Sustainability Centers have demonstrated their capacity to deliver the program in conformance with the program's goals and purposes. That means more than just delivering technical assistance and training; it also means that they have developed the skills and expertise of their staff, that they have established solid reputations in their communities and that they have developed the relationships and partnerships needed to sustain their organizations over a long period of time. It is an investment that is worth preserving.

CEI Experience with the Women's Business Center Program

CEI was funded by the SBA's Office of Women's Business Ownership under the Women's Business Center Program in 1995 as a new center and in 2000 as a Sustainability Center. Since that time nearly 4000 women have benefited from one-one business counseling, training, workshops, seminars, peer groups, information and referral and other program activities. Ninety-two business owners have received assistance in developing loan applications resulting in more than \$5.5 million in capital.

The customers for CEI's Center range from women who are contemplating starting a business to women who have been in business for over twenty years; from low-income women struggling to become economically self-sufficient to women who are interested in enhancing their profitability and creating good jobs for other women; from home-based service businesses to manufacturing operations; from traditional crafts to technology-based enterprises. One thing that brings them together is their desire to build their management skills and the importance that they place on being part of a program that is targeted to women.

CEI's approach is characterized by innovation, flexibility and interaction. Innovation has emerged by working closely with customers to develop services for existing women business owners, such as peer groups and Advisory Boards and developing services, such as training and

technical assistance in uses of the Internet and E-commerce, to help women business owners remain competitive in the 21st Century. Flexibility is evidenced by a willingness to design programs specifically to meet the needs of marginal business owners clustered in rural communities or to design a three-part, nine-hour start-up training for low-income women to fill a gap in the range of business assistance services available in Maine or to provide technical assistance on-site at a business. Interaction comes from limiting the size of workshops and training sessions to maximize interaction and facilitate peer support and networking.

In sum, CEI has developed its Women's Business Center in the context of the Maine economy, building on its experience-based understanding of the needs of women business owners and the explicit need for targeted services for women business owners in Maine. In short, CEI's Center is customer-driven and provides innovative services that fill unmet needs and complement Maine's other technical assistance services.

The following profiles illustrate just a few of the ways that the Women's Business Center benefits women business owners in Maine:

Mary and her husband Henry own a dairy farm in rural Maine. The fifth generation of farmers in the family, they realized that they could not support themselves and their three children with dairy farming alone. They decided that diversifying their operation was their only option. Mary approached the Women's Business Center at CEI for help. Now two years later, after working one-on-one with a business counselor on planning, marketing and financial management and participating in a peer support group, Mary and her family have transformed their farm. There are new products: hormone and antibiotic free chickens, beef and veal animals, pigs and laying hens; and there are new markets: up-scale restaurants and individual consumers. The new plan has had the added benefit of involving Mary's sons and a nephew in the operation, hopefully, laying the groundwork for a transition when Mary and her husband are ready to retire. Not only is this family now fully supporting itself with the farm, but they have built a new barn and improved the dairy barn and the manure and drainage systems. In addition, the local high school vocational class built a small shed to house the retail meat operation. They are poised for continued success.

Jennifer owns a small store and gas station in rural Maine. After 17 years in operation, family illness nearly drove her out of business. Cash flow problems left her with virtually no inventory and most of her vendors had stopped supplying her. Rather than take the advice of those urging her to file for bankruptcy, she approached the Women's Business Center for support. With the help of her business counselor, she prepared an excellent business plan and used it to attract investors. Two members of her community responded to her plan and invested a total of \$75,000, one is just an investor; the other wants to be a working partner and eventually purchase the store. Thanks to her investors, Jennifer has paid off old debt, renegotiated with her vendors, restocked the store and drawn her

customers back. Sales have increased dramatically, and are approaching the level they were at before the financial problems began. She narrowly avoided total financial disaster, and now has a plan for on-going recovery. She continues to work with her business counselor on her accounting system and developing the skills to assess the profitability of each department of her store. In addition, they are working on ways to structure the new infusions of capital to best meet the needs of the business and the investors.

Role of the Women's Business Center in Maine

CEI is a statewide organization and provides services to women business owners throughout the state. Maine's population is predominantly rural; less than a dozen communities have populations greater than 20,000 and the largest urban area has only 65,000 people. Maine is a poor state, with sharp regional disparities: there are pockets of poverty where rates approach 20 percent and unemployment is as high as 12 percent. Overall, the growth in the economy trails that of the nation and the region, and per capita income consistently lags behind those for the rest of the region and the country. Approximately thirty-four percent of Maine's businesses are women-owned.

Although the number of women business owners has risen steadily and dramatically for the past two decades, many women are still not taken seriously as business owners and their businesses are not valued. While business is technically no longer a non-traditional occupation for women, women business owners are still a minority and relatively inexperienced. They face significant challenges: isolation and a lack of confidence, assets, formal business training, credibility, and effective networks. Even established women business owners are not immune from these issues. The barriers that women have experienced in the labor market haunt them as business owners: lower earnings, fewer opportunities for advancement and occupational segregation.

A survey of Maine women business owners conducted by CEI in 2001 supports this assessment and points to the need for focused assistance. The median size of women-owned business in Maine was 2 employees and sales of \$100,000, yet 56 percent depended on their businesses for 50 percent or more of their family income, with 24 percent depending wholly on their businesses for household income. Seventy-nine percent reported seeking business advice, and 54 percent identified areas where they would like additional assistance. The majority started their businesses with modest amounts of capital (the median was \$20,000). While nearly half reported obtaining bank financing as part of their start-up capital, the percentage of those receiving bank financing declined over time. In other words, the more recently a business started, the less likely it was to receive bank financing.

For nearly two decades, CEI has provided targeted assistance to women business owners shaped by a deep understanding of the issues they face. The continuing demand for these services confirms their importance; the positive evaluations gathered from customers confirm the quality of these services. The funding from the Women's Business Center program has supported and enhanced CEI's capacity to develop its program further and to define its niche more clearly. CEI's Women's Business Center offers a unique combination of skills and experience to Maine's women business owners: a focus on women; a demonstrated understanding of the relationship between women's personal and business lives and the impact of personal issues on business

decisions; innovation in program design; business expertise; and a supportive environment that fosters sound learning.

Responses to the President's FY2005 Budget request for the SBA:

In their brief history, the Women's Business Centers have become a key SBA Resource Partner. Their importance is recognized in the President's budget request where the Women's Business Centers are acknowledged as a component of the SBA's primary infrastructure, as highly effective and as having a well-developed infrastructure

The following recommendations and comments are designed to support and sustain the Women's Business Development Centers, affirming their demonstrated effectiveness as an essential source of assistance for women business owners and their role as a key element of the SBA's infrastructure.

1. Appropriations

The AWBC is requesting that funds be appropriated consistent with authorized levels: \$14.5 million. This is the level of funding needed in order to meet current commitments and to continue to grow the program to meet unmet demand in areas currently not served by the program.

The Women's Business Center program has been funded at the same level for the past three years. In reality, flat funding has meant a reduction in funding for individual Centers. Quite apart from the effect of inflation and increasing costs of operation, Sustainability Centers experienced a reduction of between 12 and 19 percent in their SBA funding resulting in a reduced staff capacity and services in 2003. This was a direct result of an appropriation of \$12.5 million, an amount too low to support the program.

In FY2005, under the current funding model, if the appropriation is \$12 million as requested in the President's budget, the amount of the grants to Sustainability Centers will be cut in half.

2. Agency Goals for the Women's Business Center Program

The President's Budget Request includes a discussion about goals that the SBA has established for the Women's Business Center program. We are concerned about these goals for a variety of reasons.

First, many of the Centers have already experienced a reduction in funding and their resources are stretched thin. The requested amount of funding is inadequate. Nonetheless, we are expected to increase the level of services that are delivered by roughly 18 percent.

Secondly, goals are being imposed on the Women's Business Centers without any discussion with the Association or the WBC's to determine whether or not the goals are realistic or achievable. For example, the WBC's are being asked to train SBA personnel on doing business in Native American communities, to implement and evaluate pilot technical assistance programs

for Native American communities, to generate articles for the Online WBC and to host the Online WBC Message Board which would be available 24/7. All this, while increasing the level of service roughly 18 percent with a smaller appropriation.

Thirdly, there is a belief that the WBC's and the other key Resource Partners will absorb the additional demand resulting from the elimination of as many as ten other SBA programs and reductions in funding for others, such as the Microloan Technical Assistance grants and PRIME. This does not take into account that the markets served by other programs are not consistent with those served by the Women's Business Centers. Nor does it take into account that the demand for services offered by the WBC's is already so high that clients have to wait from three to six weeks to get services. The WBC's are already operating at maximum capacity. It is unclear how they will be able to respond to even greater demand for their limited resources.

The Women's Business Centers are staffed by committed professionals who care deeply about providing quality services to their customers. They are as eager as the other resources partners to contribute to the SBA's overall goals and to bring these essential services to existing and emerging entrepreneurs across America. But we need to be involved in the process of setting those goals.

3. Sustainability

The SBA is currently operating under a temporary reauthorization whose authority expires on March 15, 2004. Among other things, the temporary authorization continues the Pilot Sustainability Program which is now in its fourth year and which will expire without reauthorization. The Senate has passed S 1375, and the House bill HR 2802 is still in Committee pending resolution of issues that have nothing to do with the Women's Business Center Program. Although there are significant differences between the two bills with respect to the Women's Business Center Program, both contain provisions for renewal grants beyond the initial funding period (what we have previously referred to as sustainability).

We are deeply concerned that sustainability or renewal grants have not been taken into account in the President's budget request. There are currently 33 WBC's in the Sustainability Pilot and at least another 20 WBC's will be eligible to apply this coming year. Together these two groups account for nearly two-thirds of the currently funded Women's Business Centers. These are the more experienced Centers that have demonstrated their ability to meet the Program's goal and deliver quality services. These are the well-developed infrastructure referenced in the President's budget request. These are the very programs that the SBA is relying on to achieve its very ambitious goals, and yet there is no mention made of a commitment to fund these Centers.

In previous testimony before this Committee, the SBA has expressed a preference for funding new Women's Business Centers as a strategy to encourage innovation and to ensure Women's Business Center services in currently underserved markets. The AWBC has always supported the establishment of new Centers and shares a vision of having a Women's Business Center within reasonable proximity of every woman who wants access to these services. However, we do not support the establishment of new Centers at the expense of those who have demonstrated a capacity to deliver the program.

There are just 35 Women's Business Centers in the first funding cycle. If our concerns are realized and the Sustainability Centers are not funded, then the SBA will be in position to solicit applications for roughly 46 new Centers. It is difficult to imagine the SBA meeting its goals with more than half of the organizations new to the program and without the guiding support and mentorship of the Sustainability Centers who have generously shared their best practices and lessons learned with their less experienced peers in the past.

It is important that we reinvest in what has been built and continue to strengthen what has already been tested and proven to be effective.