

UNIVERSITY OF HAWAII SYSTEM

TESTIMONY

H.B. 3169 RELATING TO THE UNIVERSITY OF HAWAII

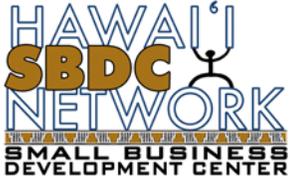
Testimony Presented Before the

Committee on Higher Education

Date: Saturday February 4th, 2006

By: The Hawaii Small Business Development Center

Name: Darryl Mleynek
Title: State Director
University of Hawai'i System



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
Lihu'e, Hawai'i

Hawai'i Business Research Library
Kihei, Hawai'i

Chair: The Honorable Tommy Waters
Hearing: House Committee on Higher Education
 2/04/06 Saturday 9:30 a.m. UH Hilo (UCB 100)

Bill: HB 3169 Relating to the Hawaii Small Business Development Center

Purpose: To appropriate funds for the general operating budget for the Hawai'i Small Business Development Center Network, Line-Item UOH 220.

Position: I am writing in support of H.B. 3169 and I am requesting an amendment to the bill.

Comments. The Hawai'i SBDC Network is a 16-year old statewide program of the University of Hawai'i at Hilo that is partially funded by the U.S. Small Business Administration. The program provides consulting, training, and research to small businesses and is highly effective for the following reasons:

Management-force development is critical to Hawai'i. The continuum of Hawai'i's educational needs is well understood to include workforce development, which is basically skills training. Less understood is the need for management-force development, which involves conceptual learning. Together, workforce development and management-force development, increase human capital productivity and that, given the lack of a large manufacturing sector, is Hawai'i's primary path to increased productivity and sustainable economic development. The Hawai'i SBDC Network, which works statewide with the owners and prospective owners of small businesses, is the state's premier deliverer of short-term management-force development.

There is a need for the training involved in management-force development. In a statistically valid random survey of small business owners throughout Hawai'i that was conducted in January, 2005, 47.1% of the respondents (which represents over 24,000 of the state's small businesses) indicated that they wanted the services offered by the Hawai'i SBDC Network, particularly free consulting by experienced, professional management consultants. These small business owners are willing to invest their time in training for several reasons: 46.0% (23,400) of them indicated that increased knowledge about doing business positively affects their company, and 15.4% (5,800) indicated that their lack of knowledge about business operations was negatively affecting their company. The need for training through consulting and workshops is recognized by small business owners and the need is substantial.

There is a social problem as well that is part of the need for providing consulting and training to small business owners. In this same survey, 32.4% (12,300 small businesses) said that their business does not provide them,

through a combination of salary and profit, with a middleclass standard of living. These small businesses are marginal and their owners in many cases are at risk. They need governmental help.

Training small business owners is effective. In a 2004 economic impact study of the clients of the Hawai'i SBDC Network conducted by Dr. James J. Chrisman of the University of Mississippi, SBDC clients who had been provided with counseling hired 20.6% more employees than did the average business in Hawai'i and had sales increases 19.6% higher than the average business in Hawai'i. This demonstrates that training small business owners, both through consulting and through workshops, is effective.

The impact of this training is substantial because of the central role played by small business in Hawai'i. Studies indicate that small businesses are the primary creators of new jobs in the economy (especially micro-businesses with less than five employees), the leading innovators, and the primary exporters. 96.7% of all businesses in Hawai'i are small businesses and 69.9 percent have five or fewer employees. Small businesses are a primary driving force in economic development in Hawai'i and their success is necessary to sustain the economy.

The work of the Hawai'i SBDC Network is revenue-enhancing. According to an economic impact study of the Hawai'i SBDC Network conducted by Dr. Youngki Hahn at UH Hilo in 2004, every dollar invested by the State of Hawai'i in the Hawai'i SBDC Network returned to the state \$4.45 in additional tax revenue. Every dollar produced \$55 in economic impact. This is a very high rate of return on investment.

The outcomes are substantial. By putting state resources into training the owners of small businesses through consulting and workshops, the number of new jobs and additional sales is substantially increased, state tax revenues are significantly increased, marginal businesses are improved, failed businesses are averted, and sustainable economic development is enhanced.

Recommendation and request for an amendment. For these reasons, I support HB 3169, if amended, and urge your support for the Hawai'i SBDC Network. I request that you amend Section 3 to bring it into alignment with the SBDC program as defined in federal law and regulations (15 USC 648(a) Section 21 and 13 CFR 130). To bring Section 3 into alignment, the words following the semi-colon (beginning on line 16 and ending on line 18) should be deleted. The concept is accurately expressed in Section 1 (beginning on line 11 and ending on line 13).