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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M. DST
TUESDAY, SEPTEMBER 25, 1979

STATEMENT OF
JOHN LANDICHO, ASSOCIATE DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE

SELECT COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

SEN 05900

ON
[SBA'S SMALL BUSINESS DEVELOPMENT CENTER PROGRAM]

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

SEN 05900

WE ARE PLEASED TO APPEAR AT YOUR REQUEST TO DISCUSS THE RESULTS OF OUR LIMITED REVIEW OF CERTAIN OPERATIONS OF THE SMALL BUSINESS ADMINISTRATION'S (SBA'S) PROGRAM FOR SMALL BUSINESS DEVELOPMENT CENTERS (SBDCs) AT CALIFORNIA STATE UNIVERSITY, CHICO, CALIFORNIA; THE UNIVERSITY OF GEORGIA, ATHENS, GEORGIA; AND THE UNIVERSITY OF SOUTHERN MAINE, PORTLAND, MAINE.

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BACKGROUND

THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM, ADMINISTERED BY THE SMALL BUSINESS ADMINISTRATION, IS DESIGNED TO PROVIDE MANAGEMENT AND TECHNICAL ASSISTANCE TO SMALL BUSINESS CONCERNS THROUGH LOCALLY AVAILABLE, EXPERT RESOURCES TO HELP SMALL BUSINESSES WITH DIVERSE BUSINESS PROBLEMS. THESE SERVICES ARE TO BE PROVIDED THROUGH AN EXTENSIVE DELIVERY SYSTEM PRIMARILY UTILIZING THE RESOURCES OF COLLEGES AND UNIVERSITIES. THE SBDC PROGRAM BEGAN AS A PILOT PROJECT

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IN 1977 WITH THE ESTABLISHMENT OF EIGHT CENTERS. CURRENTLY, THERE ARE 11 SBDCs OPERATING AND SBA PLANS 11 ADDITIONAL CENTERS THROUGH FISCAL YEAR 1980.

RESULTS OF LIMITED REVIEW

OUR REVIEW WAS MADE PURSUANT TO A REQUEST BY THE RANKING MINORITY MEMBER OF THE HOUSE SMALL BUSINESS COMMITTEE FOR A SHORT EXAMINATION INTO THE OPERATIONS OF THE THREE SBDCs. THE REQUEST ASKED 15 SPECIFIC QUESTIONS CONCERNING

- THE NUMBER AND TYPES OF SMALL BUSINESSES SERVED,
- THE KINDS OF SERVICES OFFERED,
- ALLOCATION OF STAFF AND FUNDS,
- AVAILABILITY OF SERVICES,
- QUALITY OF SERVICES PROVIDED,
- WILLINGNESS OF SMALL BUSINESSES TO PAY A FEE, AND
- AVAILABILITY OF PRIVATE FIRMS TO PROVIDE SBDC SERVICES.

OUR REVIEW OF THE SBDCs COVERED MARCH 1977 THROUGH MARCH 1979. WE RESTRICTED OUR WORK AT THE THREE SBDCs TO THOSE AREAS CITED IN THE LETTER REQUEST. REVIEW WORK BEGAN AT THE UNIVERSITY OF SOUTHERN MAINE ON MAY 1, 1979, AND AT THE OTHER TWO SBDCs IN MID-MAY. WE USED PROFORMA TELEPHONE QUESTIONNAIRES TO OBTAIN SELECTED CLIENTS' PERCEPTIONS (117 TOTAL CLIENTS) ON THE ASSISTANCE THEY RECEIVED AND TO OBTAIN PERCEPTIONS OF SOME PRIVATE FIRMS PROVIDING SERVICES SIMILAR TO THE SBDCs. OUR REVIEW WAS LIMITED TO A 2-MONTH PERIOD AS WE WERE COMMITTED TO BRIEFING THE CONGRESSMAN'S OFFICE BY THE END OF JUNE.

THERE WAS NO ATTEMPT TO MAKE THE CLIENT SAMPLES STATISTICALLY SOUND OR TO INDEPENDENTLY VERIFY THE INFORMATION OBTAINED. IN ANALYZING THE ALLOCATION OF STAFF AND FUNDS FOR OPERATING THE SBDCs, WE RELIED ON ESTIMATES OF SBDC OFFICIALS AS TO STAFF TIME ALLOCATIONS AND DEALT ONLY WITH SBDC EXPENDITURES CHARGED TO MONIES RECEIVED UNDER THE BASIC SBA/SBDC CONTRACTS.

BECAUSE OF A LIMITED SCOPE AND INCONCLUSIVE RESULTS, WE COULD NOT ASSESS THE OVERALL EFFECTIVENESS OF THE SBDC PROGRAM.

OUR JULY 24 REPORT (CED-79-113) CONTAINED THE RESULTS OF OUR REVIEW. IN SUMMARY, THE OBSERVATIONS MADE DURING OUR BRIEFING ARE AS FOLLOWS:

- INFORMATION DEVELOPED AT THE THREE SBDCs SHOWS SUPPORT AS WELL AS CONCERNS ABOUT PROGRAM OPERATIONS;
- SBDCs' DATA SYSTEMS DID NOT PROVIDE AN ADEQUATE HISTORICAL BASIS FOR MEASURING PROGRAM PROGRESS;
- 56 PERCENT OF THE 117 CLIENTS JUDGED THE SBDCs' ASSISTANCE AS BEING OF "MODERATE USE" TO "LITTLE OR NO USE", *and*
- 56 PERCENT OF THE CLIENTS RESPONDING STATED THAT THEY WOULD BE UNWILLING TO PAY FOR SBDC SERVICES, AND
- PRIVATE FIRMS PROVIDING SIMILAR SERVICES WERE FREQUENTLY NEGATIVE TOWARD THE SBA/SBDC PROGRAM.

ON-GOING RELATED WORK

PURSUANT TO A REQUEST FROM THE CHAIRMAN, SENATE COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE, WE RECENTLY BEGAN A REVIEW OF THE OPERATIONS OF SBA'S SMALL BUSINESS DEVELOPMENT CENTERS AND THE ECONOMIC DEVELOPMENT ADMINISTRATION'S UNIVERSITY CENTER PROGRAM. THE ISSUES WE ARE ADDRESSING INCLUDE (1) WHETHER DUPLICATION EXISTS IN THE TWO PROGRAMS, (2) THE SERVICES BEING PROVIDED AND THE TYPE OF BUSINESSES ASSISTED, (3) THE COSTS OF EACH PROGRAM, AND (4) THE RESULTS ACHIEVED. WE ANTICIPATE ISSUING A REPORT TO THE COMMITTEE CHAIRMAN SOMETIME NEXT YEAR.

MR. CHAIRMAN, THIS CONCLUDES OUR PREPARED STATEMENT. WE WILL BE PLEASED TO RESPOND TO ANY QUESTIONS.