Association of Small Business Development Centers

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ASBDC Board of Directors Meeting
Chesapeake Room
Crystal City Marriott
Crystal City, VA

Sunday, April 14, 2013

Chairman King called meeting to order at 8: 34 am Eastern Standard Time.

Board Members Present: Chairman Jim King; CEO Tee Rowe; Georgianna Parkin, Vice Chairman; Diane Howerton, Secretary; Mike Young; Treasurer, Jim Heckmann, Christian Conroy, Mark Petrilli, Allan Adams, Brett Rogers and Mary Peters.

Non-board members present: Al Salgado, Karen Shauri, Jody Keenan, Greg Panichello, Nancy Jackson, Ellen Nystrom, Mark Langford, Laura Fine, Scott Daughtery, Beth Melnik, Kristina Oliver, Debra Martin Gayle Kugler, Michele Abraham, Doug Gurley, Robert Forster, Mary Lynn Wilkerson, Michael Myhre, Rod Hollenstine, Carol Lopucki, Donna Ettenson, Brett Tribodeau.

Chairman's remarks: Jim King addressed the 8% sequester whereby he has had numerous discussions with SBA. He expressed a comfort level working with Carroll Thomas and Chancy Lyford at OSBDC acknowledging they don't hesitate asking the hard questions at the Agency. Carroll thought she could provide a reduction in goals but the decision was made above her pay grade and we will address goals with next year's budget proposal. There was expressed concern among the Board members about why the agency took a 5.2% but the SBDC program was but cut by 8%. The agency's response; the service providers were treated fairly. Jim said the 8% is not open for negotiation but possibly the goals are.

Approval of March Minutes: March minutes were reviewed by Board and approved as presented with a motion to accept the March minutes. The motion was made by Brett Rogers and seconded by Georgianna Parkin. The minutes were approved.

Financial Report: Mike Young, Treasurer presented the financial report to include the annual audit by Murray & Cavanaugh, P.C. It was decided not to have the Association's CPA attend this meeting at $500 an hour. The audit report was provided in the Board's information packet and also posted on the ASBDC website. The Association has a positive cash flow and the notes to the financial statements are the same except for two new footnotes: (1) on the reserve funds and, (2) contingent liability on contracts for future conferences. As a small organization, we are limited on the affordability of infrastructure and therefore need to outsource some of the Associations accounting. The auditors footnote explains that we don't have perfect internal controls. Mike reminded the Board that all checks require two signatures and any checks over $1,000 need pre-approval by Mike Young.

Mark Petrilli asked if there are any recommendations on improving internal controls? Mike stated that he

believes we have done all we can without hiring more staff. We do have controls in place with minimum risk. An outside party prepares the financial statements and there is an annual audit. Mike has not seen any hint or problem of irregularity.

Tee explained the contingent liability footnote. When there is a contract with the hotel, we make a point of including clauses that our attendance and commitment to the contract is based in large part on the presence or absence of federal funding. They understand that if federal funding is lost, we cannot honor the contract. We take the usual precautions; insurance in case of a national disaster and or terrorist like 9/11. Even though these clauses are in the hotel contracts, the CPA indicates the contingent liability footnote should be added to the financials.

President's Report/Legislative Update:

Tee said plans are going very well regarding the Conference with Rod Hollenstine providing a more comprehensive update later during this meeting. We have begun the rollout of the Americas SBDC brand receiving positive responses. The biggest issues are dealing with SBA. They have not given us an explanation on why we received 8% when the agency took a 5.2% cut. They view SBDCs as employees.

There was a very pointed letter from the House Small Business Committee asking: *How can they fund unfunded programs and not support the SBDCs? How do they intend to incorporate the cuts and why aren't they reallocating the unauthorized programs like clusters, emerging leaders, boots to business that should be cut first rather than the statutorily core programs?* The SBA has not provided a response to this inquiry. The Senate has not issued their views.

Tee provided some facts on the President's budget and what the SBA is proposing. Salient language is the way they have appraised the Boots to Business, opt out, $7.0 million over 2 programs. Tee explained that SBA saved $100M in subsidies in loan programs. But the $100M saved, increased salaries to $67 million; $7M on website revision; Boots to Business, $40M for emerging leaders.

Tee has a staff retreat late May to work on rolls and responsibilities. This is important because of succession planning coupled with the fact that several staff will be retiring and/or taking short-term leave. More staff is expected to retire in the next several years.

Jim King addressed the fiscal health of the 63 networks with information provided in the membership packet. Because of the sequestration issue the question becomes: How many people in the membership have seen a deteriation of their position since this survey was taken? Currently, going into this budget period we are in a better financial position then expected.

Thanks to the efforts of Mary Lynn Wilkinson and her role as chair for the Disaster Preparedness Committee, The Disaster Mutual Aid Agreement will be available for all state director signatures. Senator Landrieu advocated this so that we don't have to go to SBA in times of disaster to seek approval to travel across state borders. This will allow us to become first responders on a national basis.

Legislative Issues:

Jim King commended Christian and Tee on their outstanding work preparing legislative materials and buy-in from state directors. Tee sent to the membership the president's budget. The basics: $104M for SBDCs with the minimum funded amount at $581,111. The budget has funds for entrepreneurial training development where they intend to spend $40M at 10 sites, one per state. Their justification is that you can all apply for this.

Tee provided additional breakdown on the numbers:
$103.5M what shows in the budget $102M
$112.5 less 8.5% = $103.5M
$1.5M for portability, advisory board, SBDCnet, accreditation

Mike Myhre reminded the Board that sequestration is not a one-year occurrence if a budget is not passed. If they pass the budget, then sequestration will not occur. But if we are on a CR, then sequestration will take place another year.

Christian Conroy, What are SBA's priorities?
Tee. They will always go to the mat for loan programs, 504s and 7a. What they want beyond that is, SBIC programs, the entrepreneurial education because they are going to marry that with lending to outreach communities. Tee anticipates their argument is that SBDCs are not reaching these communities.

Christian. Why are they are proposing to do this?
Tee. They claim to say they can do this by reaching out to 25,000. They can't tell you what the numbers or outcomes are going to be and the agency is not clear on process.

Allen Adams said that we have focused on high impact clients, now they are using this against us. It appears they have a social impact focus not economic impact. There is no peace to be made with them. Al Salgado asked what is the strategy to defend these SBA strategies? Underserved markets, are we presenting these numbers back to Congress? SBA will ignore our impact numbers but not Congress.

Christian asked how does a GAO audit report get initiated? Tee indicated this occurs from a letter from a Congressman.

Christian asked about immigration overall. Is there a way for us to get funding for outreach to small business, no match money requirement? Tee said the main focus must be core funding. The message to Congress is that SBA is wasting your time and dollars from a proven capacity program. We should be talking about verification of results.

Mike Young said that if they continue to chip away at our core funding with specialty programs we will be in a tough position. Jim King stated the need to stay focused on the core budget rather than these individual programs. Tee said that the emerging leaders program represents about 5% of their budget, which is unauthorized. The Agency is trying to do Congress's function. Christian suggested that we focus on short, medium and long term strategies. Tee said that the short-term strategy should be a straightforward message, "SBA's budget request is ridiculously inadequate with the small states not able to provide the coverage at their current $500,000 level. Jim King said that from a board perspective, the need is to express our board position on the funding. Mike Young stated the need to formulate a policy statement for our members.

Break: 10:10 for 15 minutes

Jim King requested to Tee and Christian as leaders of the legislative, to prepare a strategy for the association. Tee said that we will not be able to change Mike Chodos mind but he does not think letting them know our strategy is the best approach. Rather, let him know our concern about the budget and stay low key.

Scott Daughtery made the comment, "Do we want to give SBA the opportunity to go to the Hill to say that we did not oppose their budgets?" There was a discussion on the message and the approach to Congress along with the reduction of goals. Comments were made on concerns regarding the SBDC expectations for Boots to Business, which has low results. They do have an evaluation process for this 2-day program. At best it can be done in one day or half day. Program is not flexible but they are revising the curriculum and when this is done contractors are paid each time to retool.

Christian Conroy presented the Legislative strategy with the handout materials in the Board packets. He stressed the importance of our core funding for 2014 at $115.0M. Jim King noted that Mark led the marketing initiative, which was very helpful with the legislative committee.

Tee needs to get more data on a state-by-state basis. Christian suggested for Tee/Brett to send out a reminder to the networks when this is due and exactly what information is being requested. Georgianna Parkin suggests to please note, which reports he has received with the exact reporting period (date specific) being requested.

Old Business

Status report on review of restricted ASBDC funds:

Mike Young provided background information about the Association making a decision a number of years ago to have some reserve funds to run the conference and to have additional lobbying funds for federal funding. The membership agreed and a dues surcharge over several years was implemented for a reserve fund to be used in case of an emergency. Over the years this money was invested and the Association has done very well in the market plus the annual Association surplus was added to the reserve fund.

Tee and Mike asked the accountant to update the disclosure because the documentation was not clear. Board minutes from 2001 indicate the surcharge was in place for 3 years. At the 2009 annual meeting in Orlando, the membership voted section 4.16 in the by-laws to require a 2/3 vote of the board to disperse contingency funds. But at the time, amounts were not specified. During this 2009 meeting, Jim Heckmann made the motion and Mark Petrelli seconded.

There is a contingency reserve $1.54M as of Jan 1, 2013. The operating reserve has two certificates of deposit: $200,000 and $400,000. The gains on these two securities are split between the two deposits.

Jim Heckman raised the issue about the possibility of having too much cash in a contingency account of $692,000. Mike said this is the historical cost before the surplus. Tee is speaking with Steve Sullivan, CPA about the $692,000. Tee does not now if these are current market values or a historical number.

Mark Petrilli said the contingency reserve is to build up to 18 months or 2 years of operating costs with intent to help the Association to help strengthen appropriations back.

Allan questioned how much is needed for operating costs. Tee said this is more than keeping the lights on at the Association and Jim King indicated that we need a basis on how much funding is required. Allen said that we should have a statement on the level of projections needed to cover critical costs. Tee stated that we don't need to change the by-laws when allocations are made.

A Motion was made by Brett Rogers and seconded by Diane Howerton to form a sub-committee to address the reserve accounts in order to establish a baseline of critical costs. The motion unanimously passed. A sub-committee was formed addressing the reserve accounts. Committee members: Allan Adams, Jim Heckmann, Mark Petrilli. Tee will chair this sub-committee.

Action Matrix, Strategic plan update:

Jim King and Diane Howerton provided an update on the Action Matrix, which has gone through numerous, edits, a reduction in size and still needs revisions to reflect more current issues and board strategies. Jim King would like to set aside the action matrix and complete our high priority items with other hot topics. He suggests updating the strategic plan, which has been in place for at least 4 years. He is considering this for the June meetings or at a later date.

Conference Report:

Jim King commends Rod Hollenstine for all his work. Rod said there are 130 workshops planned and the committee is working with Carol Lopucki on the technology offerings. This is not a formal certification track but technology oriented programs to cover core competencies at a basic and more advanced level. He expressed

appreciation Carol Lopucki's process. The committee is still targeting a May15th registration opening date. In the past, Rod said they have waited too long to release registration. The conference hotel is a gorgeous 5-star property with lots of space.

Christian Conroy asked about any plans to have a session on the affordable care act because we need people versed on the requirements and the basics. Brett Rogers addressed state differences regarding the implementation of the affordable care act varies among states. Therefore we should be focusing more at the state level. Plus several of the deadlines in the affordable care act have been delayed.

Donna reported on the key conference sponsors: Constant Contact, Intuit, Google, Microsoft and still looking for a luncheon speaker. We will have a conference app with an anticipated release date for the first of August.

Jim King commended Rod for his outstanding work with everyone extending appreciation with a round of applause.

Executive Session: 12:12 pm

Lunch

Reconvened the meeting at 1:32 pm

Chairman King welcomed the guest speakers:

SBA Report *Michael Chodos, Carroll Thomas, Chancy Lyford*

Michael Chodos talked about where they are, what's happening and here to answer questions. He wants to provide as much information as possible before going to the Hill. He said there have been a lot of changes since we were last together and grateful for Carroll's effort and Chancey's support.

Budget: Sequestration budget is below the 2012 level. He knows that everyone has been managing budgets and it's painful for us to talk about and painful for us to impose. Agency experiencing tremendous cuts. 5% disaster, loan subsidy, salaries & expenses.

The 2014 budget, continue to fund at a level of $104M little above sequestration; $40M for entrepreneurial training, $7 million to boots to business and several other areas. Michael said he doesn't have control over the funding. OMB driven process.

1. There intense pressure to cut on line items
2. Finding those programs that create jobs

Boots to Business and entrepreneurship education will be delivered through the existing programs. This is the first time in many years that we have an opportunity to bring in new dollars into new programs: $20.0M for Sandy, $40.0M with entrepreneurship education, $7.0M for boots to business. He is hopeful that we will be able to promote the value of these programs. He said they have ideas internally on how to deploy the entrepreneurship education and Boots to Business.

Christian asked Michael to share their vision on deployment. Michael stated this deployment builds on the Sandy based funding. 1/3 of the money going to SBDC 65%, 15% WBC, 10% to SCORE, similar to a portability grant. The second phase will be a request for proposals. We are going to make one grant per state. The service providers will work together. We are going to let you deploy these programs. Applications from teams of folks who are working with their economic organizations. Looking to SBDCs to organize and get these teams together. Tee said there are 35 sites listed in the report.

Michael said the Goldman program is intended to go away. Our program is intended to be free, urban, rural and underserved communities who are currently not getting access. The data shows that existing businesses and expanding of existing businesses are the ones creating jobs.

Gayle Kugler asked about the time frame and grant cycle? This is for FY14 budget request. Funds available beginning Oct2013. He expects the funds to be extended with deployment in FY15. Expect on the street by the end of FY14 to FY15. The deliverables: job creation, revenue increase, expansion of new sites, intake surveys, exit survey and a one-year survey. There will be an Independent grant authority to receive funding.

Michael said the SBDCs do roughly 75%-85% new or startup businesses and 75% is training which is based on EDMIS data. There is a tremendous success on nascent and startup. However, out of 500,000, 65% get 5+ hours. The average amount of training is 4-5 hours. Most of the training is not ultra long training. Even though EDMIS is going through a million dollar update. The Board and the directors in attendance expressed very strong concern about the inadequacy on the EDMIS data and Michael making decisions on false data.

Mark Petrelli. Why create something different when there is an infrastructure in place?
Michael. The intention to manage by teams by research partners and working with anyone who you propose. Whoever you think. The state economic development organizations can apply. The definition of this training. Intensive entrepreneurship education; emerging leaders, FastTrac. The program is for existing businesses with10-20 employees who are ready to grow their businesses.

Allan Adams noted there are problems getting specialty programs awards out. This in large part because of staffing problems at SBA. Michael said that many of these concerns were resolved during Storm Sandy stating they can now get grants out the door in 60-90 days.

Georgianna Parkin asked how is this different than the E200 program? Michael said the E200 emerging leaders run on a separate platform. There are 4 models for this training and proposals to incorporate one of these models. The agency is anticipating thousands of jobs created under this initiative.

Janice Washington suggested they be very carefully not to create unintended consequences using the example of STEP Grant money. Michael said they are reducing the core SBDC program to incorporate new programs and as we structure what the grants look like, this is the feedback that we are talking about.

Christian expressed concern about our cuts while at the same time there is an increase in SBA staff at 25%. Michael said there are independent requirements to cut and there are opportunities to get additional funds.

Jim King thanked Michael, Carroll and Chancy for attending which concluded this portion of the meeting at 2:50 pm. There was a brief break with Jim King resuming the meeting at 3:00 pm.

New Business

Terms of the Accreditation Chair: Mike Young's plans as accreditation chair is to work with Beth Melnik as the next chair during the year. This will be presented at the September meeting. There was a question regarding the term limits of the accreditation chair. Mike does not recommend this because it takes approximately three years to learn the nuances of this responsibility and to cycle through several accreditation years. Beth is in her second year and she's good at this. Beth is in the processing of identifying a good vice chair.

Mike explained the accreditation committee process. The Committee elects the chair, which is confirmed by the Board. Mike said the chair nominates committee members to the accreditation committee who are then voted on by the full Board. Brett Rogers mentioned the service on the committee is by invitation and the chair is annually approved.

There was a discussion on dual membership between Board Members who also serve on the Accreditation Committee to address any conflict of interest situations. Jim King said when there are accreditation issues requiring a board vote, then the chair needs to abstain from the vote. There are a number of Board members who are currently on the accreditation committee. Jim King asked if best practices identified during site visits were being posted on the website? Mike Young said yes, this information is posted on the associates website. This has been routinely done but not sure the current status. Mike will get back to the Board on the posting of best practices.

There was a discussion on Professional Development for New State Directors and the need for leadership programs. Rob mentioned Covey training has been conducted in the past and the committee is also getting feedback from the directors. They do try to categorize/classify the trainings in the program. Jim King asked Mary to conduct a survey and Diane agreed to provide assistance.

Presentation of Economic Impact to Members of Congress:

Mike Myhre reported on the utilization of economic impact results to members of Congress. Jim King said we agree to certain definitions to attribution on a graduated scale. Question. What if you use an additional model, like, IMPAN, etc. SCORE is the one that uses this the most.

Some states have used these multiplier models for internal purposes. For those states that do not use a multiplier models they can be assessed as underperforming. We have been asked as a Board to come up with an opinion/determination on this. The concern is that some of these projected economic impact numbers are being being presented at the national program.

Allan Adams asked if is it our place to tell states what to do? How are we going to come up with a policy when each state has different approaches? Mike Young said that reconfirming national data, common data source is the ASBDC impact study. We just need to be careful not to discredit the common data.

Mike Myhre would like the board to consider additional modeling on the data to help verify the impact study. Mark Petrelli said the danger is making sure people understand the difference in the data because of the inconsistency.

Jim King mentioned longindidual impact study, i.e., during the recession our clients did much better than other businesses. Jim suggests we are at the high ground right now and don't want to abandon. He said this is the operations group, the process and how the data is being collected. Jim suggests that if states want to use a multi program for internal reasons or comparing with other state, that's their choice.

The accreditation donates their time to attend training meetings and it was recommended to the Board that at least the Association should have coffee available at these training meetings.

MOTION: Jim King recommended the Board approve the expenditure to provide coffee for the accreditation committee meetings. Motion was made by Jim King and seconded by Allan Adams. Motion passed with one abstention.

A Motion to adjourn the meeting was made by Brett Rogers and seconded by Georgianna Parkin.

Meeting adjourned at 3:52 pm, EST.