

ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER  
COUNSELING ACTIVITIES IN THE UNITED STATES: 1998-1999

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This report was prepared by the author acting as an independent consultant.  
Neither the project nor the contents of this report were endorsed or sponsored  
by the University of Calgary.

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EXECUTIVE SUMMARY

This report presents the results of the sixth national study of the economic impact of Small Business Development Center (SBDC) counseling activities in the United States. The report analyses the changes in sales and employment and financing obtained by a sample of 5,800 established businesses and 3,619 pre-ventures that received five or more hours of counseling assistance (long-term clients) in 1998. It also discusses clients' perceptions of the value the SBDC added to their businesses and the direct impact of the counseling.

Data from 55 of the 57 SBDCs in the United States were used in the study. The 9,419 usable responses represented 17.6 percent of the clients surveyed (53,540). The clients surveyed represented the entire long-term client population of the 55 Small Business Development Centers analyzed. Analysis indicated that response bias did not appear to be a threat to the study.

The performance improvements of the responding sample in the year after receiving assistance were compared to the weighted average changes in performance of all businesses in the 55 participating states. The incremental improvements in the sample's performance -- over and above what they would have been had they performed like the average business -- were extrapolated across the entire long-term client population of the participating centers. To avoid overestimation of the impact of the SBDC program, only those clients who indicated that the SBDC's services were beneficial were used to calculate performance improvements. These performance improvements were then used to estimate the tax revenues generated for state and federal governments as a result of SBDC counseling. The tax revenues generated by the long-term clients were compared to the total cost of providing the services offered by the SBDC.

To gain additional insights into the value of the services offered by the SBDC clients were asked to estimate how much the counseling was worth in terms of allowing them to better manage their businesses and to indicate whether comparable services were available from private sector sources at a price they could afford. Finally, the financing obtained by clients as a direct result of SBDC assistance was analyzed.

The 55 SBDCs studied counseled 53,540 long-term clients during the year: 27,167 (50.7%) were classified as established businesses and 26,373 (49.3%) were classified as pre-ventures. Most respondents (86.6%) indicated that the service received from the SBDC was beneficial. Of the pre-venture clients, it was estimated that about 54 percent started new businesses in 1998 or 1999.

Results indicate that, after adjustments, the long-term clients of the 55 SBDCs studied generated a total of approximately \$5.3 billion in sales and 67,827 new full time equivalent jobs as a result of assistance from the SBDC (see Table 1). The cost of generating each job was \$2,427 per job.

The incremental performance improvements of the clients resulted in \$199.3 million in additional tax revenues from established businesses and \$268.7 million from pre-venture clients who started new businesses. This amounted to a total of approximately \$468.0 million in tax revenues, of which \$214.4 million went to the federal government and \$253.6 million went to the various states where the counseling was conducted. When compared to the cost of operating all 57 SBDCs in the U.S. (\$168.5 million), these counseling activities generated approximately \$2.78 in tax revenues for every \$1 spent on the *entire* program. Compared to the cost of operating the 55 centers (\$164.6 million) participating in the study, the benefit to cost ratio was 2.84 to 1.00. Finally, it should be noted that the tax revenues generated exceeded the direct cost of the counseling provided to the long term clients analyzed by a ratio of 6.56 to 1.00.

The estimate using clients' perceptions of the direct impact of counseling on sales generation and job creation (\$767.5 million) was substantially higher than the standard method of calculating impact reported above. Thus, the benefit to cost ratio using direct attribution was 4.64 to 1.00.<sup>1</sup> Additionally, the clients estimated the value of the SBDC's services to be worth \$718.6 million. This amount was 4.37 times the SBDC's budget in 1998. It should be noted that all three of these estimates consistently point to the value of the SBDC Program.

An estimated \$3.4 billion in financing was obtained by clients as a result of the counseling received (\$1.11 billion in SBA loans, \$1.44 billion in debt financing from other sources, and \$869 million in equity financing). These figures suggest that every dollar expended on the operation of the 55 SBDCs included in this study was leveraged by approximately \$20.75 in new capital, raised from external sources.

Finally, approximately 80.1 percent of the clients felt they would have been unable to obtain counseling of similar quality from a private consultant for a price they were willing to pay.

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1. The direct attribution method of assessing economic impact, however, led to substantially higher job creation (and retention) estimates: 86,663 (50,802 jobs created; 35,861 jobs saved) for established businesses and 35,340 for pre-ventures (122,003 in total). The cost per job using direct attribution estimates was \$1,349.

TABLE 1  
IMPACT OF SBDC COUNSELING ON THE ECONOMY OF THE UNITED STATES

	Established Firms (N = 27,167)	New Firms (N = 26,373)	All Firms (N = 53,540)
Aggregate sales impact	\$2,580,532,200	\$2,676,946,500	\$5,257,478,700
Aggregate employment impact	25,115 new jobs	42,712 new jobs	67,827 new jobs
State tax revenues generated	\$119,891,530	\$133,716,460	\$253,607,990
Federal tax revenues generated	<u>\$ 79,389,610</u>	<u>\$135,013,870</u>	<u>\$214,403,480</u>
Total tax revenues generated	<u>\$199,281,140</u>	<u>\$268,730,330</u>	<u>\$468,011,470</u>
Cost of SBDC operations (all 57 centers)			\$168,489,329
Benefit to cost ratio	1.18 to 1.00	1.59 to 1.00	2.78 to 1.00
Cost of SBDC operations (55 participating centers)			\$164,596,601
Benefit to cost ratio	1.21 to 1.00	1.63 to 1.00	2.84 to 1.00
Cost per job generated			\$2427 per job
Cost of all counseling (55 participating centers)			\$ 94,972,238
Benefit to cost ratio	2.10 to 1.00	2.83 to 1.00	4.93 to 1.00
Cost of long term counseling	\$ 42,262,645	\$ 29,061,504	\$ 71,324,149
Benefit to cost ratio	4.72 to 1.00	9.25 to 1.00	6.56 to 1.00
Direct attribution estimate	\$591,138,370	\$176,338,180	\$767,476,550
Direct estimate to cost (55)	3.59 to 1.00	1.07 to 1.00	4.66 to 1.00
Value added estimates	\$423,180,350	\$295,430,340	\$718,610,690
Value to cost (55 centers)	2.57 to 1.00	1.79 to 1.00	4.37 to 1.00
SBA financing	\$ 594,605,860	\$ 512,268,620	\$1,106,874,480
Other debt financing	\$ 813,737,280	\$ 625,444,790	\$1,439,182,070
Equity financing	<u>\$ 520,492,330</u>	<u>\$ 348,561,120</u>	<u>\$ 869,053,450</u>
Total financing obtained	<u>\$1,928,835,470</u>	<u>\$1,486,274,530</u>	<u>\$3,415,110,000</u>
Financing "Leverage" (55 centers)	11.72 to 1.00	9.03 to 1.00	20.75 to 1.00

## INTRODUCTION

This report describes the results of a study designed to assess the economic impact of the long term counseling activities of the Small Business Development Center (SBDC) Program in the United States in 1998. Long term clients are defined as those who received a minimum of five hours of counseling assistance from the SBDC. The economic impact of counseling activities was analyzed by comparing the increases in sales and employment experienced by SBDC clients between 1998 and 1999 with the average changes in performance for all businesses in the states of the participating centers in the United States during this time period. The growth in sales and employment in excess of national averages was used to calculate the incremental federal and state tax revenues generated the year after counseling assistance was provided. The tax revenues generated by SBDC-counseled clients were then compared to the cost of the service to determine if it was cost effective.

To supplement this analysis, clients were also asked to estimate the direct impact of the counseling on their sales and employment levels, and the value added with respect to their ability to better manage their businesses. In addition to this, clients were asked to indicate the amount of debt and equity financing they were able to obtain as a direct result of the counseling received from the SBDC.

Finally, a host of qualitative questions were asked concerning the availability of comparable assistance from private consultants and the quality of the counselors.

The remainder of this report describes the methodology and results of the study.

### OVERVIEW: THE 1998-1999 NATIONAL IMPACT STUDY

In 1998, the 55 SBDCs which participated in this study provided long term counseling assistance to 53,540 clients, of which 27,167 were owners of

established small businesses and 26,373 were seeking to start new businesses (pre-ventures).<sup>2</sup> The entire population of these long term clients was sent two mailing of a questionnaire in the Spring and Summer of 2000 asking them to evaluate the SBDC's services, provide their sales revenues and employment levels for 1998 and 1999, estimate the direct impact of SBDC counseling on their sales and employment, assess the value added to their businesses as a result of SBDC counseling, and indicate the amount of financing they were able to obtain that could be credited to the SBDC program (Appendix 1). A total of 5,800 established business clients and 3,619 pre-venture clients returned questionnaires. This represented a 17.6 percent response rate (9,419 of 53,540). Because of missing data and the decision to analyze only clients who indicated that the SBDCs' services were beneficial, the effective sample sizes for established and pre-venture respondents were 4,739 and 2,922, respectively.<sup>3</sup>

#### SAMPLE SIZE

The procedures described below were utilized to determine if the number of responding clients and the number of participating centers obtained from our sampling plan were sufficient to obtain a statistically reliable sample.

The Confidence Interval of the Means. In order to determine if the number of respondents were actually sufficient to obtain a reliable and valid

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2. The study includes 55 SBDCs in operation in 1996: Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Guam, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas-Dallas, Texas-Houston, Texas-Lubbock, Texas-San Antonio, Utah, Vermont, Virgin Islands, Virginia, Washington, West Virginia, Wisconsin, and Wyoming. The Colorado and District of Columbia SBDCs chose not to participate in this study.

3. These figures represent the number of clients who indicated the service received was beneficial. The effective sample sizes for the analyses conducted varied.

estimation of the average changes in sales revenue and employment of SBDC clients, the following formula was used.

$$Z = (nE^2/s^2)^{1/2} \tag{1}$$

where: n = effective sample sizes (4,739 established, 2,922 pre-ventures).  
s = standard deviation of the sample (standardized value = 1).  
Z = confidence interval for the mean.  
E = amount of error in the mean to be tolerated (5% of s).

With sample sizes of 4,739 and 2,922 and a tolerated error of .05 standard deviation it was determined that the confidence interval of the sales and employment means for both the pre-venture and established business respondents were reliable at better than the 99 percent level. In other words, we were more than 99 percent confident that our sample means were no more than one-twentieth of one standard deviation from the population means for the participating centers.

Analysis of Number of Participating Centers Needed. To determine if the number of participating centers was adequate to provide statistical reliability, a similar formula to that shown in equation (1) was utilized. This formula, however, accounts for the fact that the number of centers needed to obtain adequate representation is a substantial proportion of the total number of centers. As a consequence, the formula must account for the size of the population, as shown in equation (2).

$$Z = [nNE^2/(Ns^2 - ns^2)]^{1/2} \tag{2}$$

where: N = number of SBDC state centers (57).  
n = number of participating centers (55).  
s = standard deviation of the sample (standardized value = 1).  
E = amount of error in the mean to be tolerated (5% of s).

With 55 participating centers, we obtained a confidence level of .95. In other words, we were 95 percent confident that our estimates of the SBDC's impact on the participating centers could be extrapolated to the centers that were not included in the study. However, to remain conservative in our



estimates, we refrained from extrapolating our impact estimates to the two nonparticipating centers.

#### SAMPLE VALIDATION

Although we surveyed the entire population of long term clients, when a mail survey is conducted there is no way to ensure that 100 percent of those surveyed will respond to the questionnaire. Therefore, it is necessary to conduct statistical tests to ensure that respondents are representative of the population, there is a minimum likelihood of response bias, and that the data are reliable. The following procedures were used.

Representativeness. Each center was asked to provide demographic information (gender and ethnic background of client, industry in which business competes) for all clients surveyed and for all respondents (Appendix 2).<sup>4</sup> Comparisons and Chi-square goodness-of-fit tests indicated that both the pre-venture and established business respondents were proportionally representative of the population with respect to industry and gender.

Nonwhites were underrepresented among both groups of clients. Thus, nonwhite clients accounted for 19.3 percent of the established business population and only 13.9 percent of the responses. Likewise, nonwhites made up 23.9 percent of the pre-venture population but only 17.3 percent of the respondents. However, it was not expected that these differences were important enough to have caused any significant bias in our findings; we have no evidence of a systematic difference in the size or type of business owned or started by whites and nonwhites. Nevertheless, the findings of this study should be interpreted with caution and do not necessarily represent the performance of nonwhite clients.

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4. The comparative statistical analysis of the population and respondents were conducted with data from 39 state centers. The remaining state SBDCs did not provide complete demographic data for this analysis.

Response Bias. Two mailings of the questionnaire were conducted. Respondents were divided into early and late responders according to which questionnaire they responded. This procedure made it possible to investigate the issue of response bias. T-tests indicated that there was no significant difference between respondents to the first or second mailings for either pre-venture or established business clients in terms of their levels or growth in sales revenue or employment (either actual or directly attributed to the SBDC by clients), estimates of value added, financing obtained, or their evaluation of the SBDC's services. Since later responders could be expected to be more similar to nonrespondents than earlier responders are, we conclude that there is no reason to suspect bias along any of the key variables analyzed in this study. This conclusion is supported by the results of previous impact studies.

Reliability. The reliability of the questionnaire was assessed by a point biserial correlation analysis comparing clients' perception of whether the SBDC's services were beneficial, and their evaluations of the knowledge and expertise of the counselors, their working relationships with the counselors, and their willingness to recommend the SBDC to others. The results of the respective comparisons were statistically significant at better than the .01 for both pre-venture clients ( $r = .62$ ;  $r = .63$ ;  $r = .74$ ) and established business clients ( $r = .65$ ;  $r = .65$ ;  $r = .70$ ). Thus, clients' responses to the questionnaire appeared to be reliable.

#### DATA ANALYSIS METHODS

The methods for estimating the economic impact of SBDC counseling services are described below.

#### EXISTING BUSINESSES

For existing businesses who received at least five hours of assistance, the changes in sales and employment between the year in which counseling was

received (1998) and the year after counseling was received (1999) was calculated. Two part-time employees were considered equivalent to one full-time employee.<sup>5</sup>

Rates of sales and employment growth for the existing clients were compared with the weighted average growth rates in the home states of the participating centers on each measure. Statewide averages were weighted according to the number of clients served by each center as a proportion of the total number of clients served by the participating centers.<sup>6</sup> This procedure guards against potential biases that might exist if response rates to the survey differ by state center.

The difference between the growth rate of clients and weighted average growth rates for all businesses was used to estimate the incremental or marginal changes in sales and employment growth of the sample. Only those clients who indicated that the SBDC's services were beneficial were used to calculate the incremental growth rates.<sup>7</sup> The incremental growth rates were multiplied by the average sales and employment of the respondents for the year before counseling was received.

Weighted averages of each tax figure (sales taxes, state and federal income taxes) were calculated based on the proportion of clients served by each

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5. All employment data reported in this study refers to full time equivalent jobs.

6. Average state sales growth rates were supplied by 42 centers. Average state employment growth rates were supplied by 43 centers. The average growth rates were computed using a weighting scheme that took into account the long term client population of the SBDCs. Most growth rates were for the 1998-1999 period. However, for a few states where current data were unavailable, earlier growth rates were used (e.g., 1997-1998).

7. Although reasons for client dissatisfaction may be unrelated to the quality of the advice (e.g., it was not what the client wanted to hear), it did not seem appropriate to claim credit for the performance of clients who did not believe that the assistance received was beneficial.

state compared to the total number of clients served by the participating SBDCs to guard against potential bias that might exist if response rates to the survey differ by state.<sup>8</sup> The weighted average sales tax rate was reduced by 25 percent to reflect the fact that not all businesses pay sales taxes even though some of their sales may eventually "pass through" to the final consumer. This adjustment may still overestimate taxes paid on sales. However, this approach is more realistic and conservative in its assessment of sales tax contributions than no adjustment, yet still captures the added value of those businesses whose sales are not directly taxed. Furthermore, any overestimate must be weighed against the fact that such businesses are taxed in ways not measured in this study (e.g., payroll taxes, corporate income taxes, social security payments).

Federal income tax data for 1998 were obtained from the Internal Revenue Service's *Statistics of Income Bulletin* (Summer, 2000). Since tax data for 1999 were not available, the figures for 1998 were used to estimate the average income taxes paid per return in 1999 by persons of median incomes. The median figure rather than the average was used to be conservative and to better reflect the types of employment opportunities offered by our respondents. The median state income tax paid per return for each state was estimated by dividing its median federal income tax paid per return by the average federal income tax paid per return and multiplying that proportion by the average state income tax paid per return. A weighted national average was then computed.<sup>9</sup>

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8. Sales tax data were supplied by 51 state centers. State income tax data were supplied by 42 state centers. The average tax rates were computed using a weighting scheme that took into account the long term client population of the SBDCs.

9. Each responding state provided state income tax data for the most recent year available. In most cases this was 1999; however, some states were only able to obtain data for 1998 or 1997.

Adjusted weighted sales tax and state personal income tax rates were multiplied by the average incremental improvements in sales and employment respectively to arrive at the value added figures. Weighted federal personal income tax figures were multiplied by the average incremental improvement in employment. All these numbers were then multiplied by the total number of existing business clients after adjusting for the proportion of the respondents who indicated the SBDC's services were beneficial. The formula for the calculations can be expressed as follows:

$$\text{Average Growth} \times \text{Tax Rate} \times \text{Proportion of Clients Satisfied w/Service} \times \text{Total Number of Clients} = \text{Total Tax Revenues} \quad (3)$$

#### DATA ANALYSIS METHODS: PRE-VENTURE CLIENTS

Similar procedures were used for pre-venture clients who received at least five hours of assistance, with the following exceptions. First, as pre-ventures had no previous sales or employees from which to calculate growth, the raw averages were used to assess economic impact. Second, this average was adjusted to account for the total number of pre-venture clients who failed or did not start a business (about 46% of the sample).<sup>10</sup> This adjustment was made as follows:

$$\text{Average Performance} = \text{AS} \times (\text{NS}/\text{NP}) \quad (4)$$

where: AS = average performance (sales, employment) of successful pre-ventures  
 NS = number of successful pre-ventures  
 NP = number of pre-ventures (successful + unsuccessful)

Once this adjustment was made, the average performance of the pre-venture respondents was multiplied by the corresponding tax rates, the proportion of

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 10. In making this adjustment all missing values for sales and employment data were assumed to be zero even if the business was known to have started during or after the period of analysis. Thus, we assumed that pre-venture clients who returned questionnaires with missing values had no sales or employees in 1999. This ensured that our estimates were as conservative as possible.

pre-ventures who judged the SBDC's services to be beneficial, and the total estimated number of pre-venture clients. This formula is shown below.

$$\text{Average Performance} \times \text{Tax Rate} \times \text{Proportion of Clients Satisfied w/Service} \times \text{Total Clients} = \text{Total Tax Revenues} \quad (5)$$

#### BENEFIT OF SBDC SERVICES TO COST

The tax revenue generated by the SBDC was divided by the total cost of providing the services to arrive at a benefit to cost ratio. The total operating budget of the SBDC was used for this calculation. This was an conservative approach since only 96.5 percent of the centers were included in the study (and accounted for only 97.7 percent of the combined budgets of the 57 SBDCs), only about 57.7 percent of the total budget of the participating centers was used for counseling, and only about 75.1 percent of that amount was used for long term clients.<sup>11</sup> Thus, the calculations compare the impact of assistance which consumed a total of 42.3 percent of the United States SBDCs' budget (and 43.3% of the budget of the participating centers) with the amount spent on the entire SBDC operation.

To provide additional insights we also made cost benefit comparisons with the cost of operating the 55 participating centers, the counseling budget of those centers, and the portion of their counseling budget spent on assisting long term established and pre-venture clients.

#### OTHER ANALYSES

Evaluation of Quality of Counseling Services. Clients were asked whether the services provided by the SBDC were beneficial. This question was used to determine whether clients' performance improvements were affected by SBDC counseling. As noted above, the performance improvements of responding clients were adjusted to account for the proportion who believed the SBDC's services

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 11. Estimates of counseling budgets were made from data supplied by 42 centers and then applied to the entire budget for the 55 participating centers.

were beneficial when extrapolating the results to the full population of clients.

Clients were also asked to assess the knowledge and expertise of counselors assigned to their cases as well as their working relationship with the counselors. Clients evaluated their counselors knowledge/expertise and working relationship on a five point scale: (1) poor, (2) below average, (3) average, (4) above average, and (5) excellent. These questions provide further evidence of the quality of the counseling services. In the main, however, these questions were used to assess the reliability of the question concerning whether the SBDC's services were beneficial.

Comparison with Private Consultants. Clients were asked if they could have obtained assistance of the same quality from a private consultant at a price they were willing to pay. A primary rationale of government funded programs is that there is a paucity of private sector assistance available to resource poor entrepreneurs. A major criticism of public programs is, on the other hand, that they may squeeze out private sector initiatives by providing unfair, subsidized competition. By analyzing the availability of alternative sources of assistance, this question made it possible to test whether the rationale for the SBDC program is valid, as well as whether criticisms about unfair competition are warranted.

Direct Impact of Counseling. Clients were asked to estimate the number of new full- and part-time jobs that were created or saved as a result of the assistance received from the SBDC. We also asked clients to estimate the amount of new sales revenue generated and previous sales revenue maintained as a result of SBDC assistance. By asking for a direct attribution of SBDC assistance to sales and employment results, these questions provided an alternative means of estimating economic impact. This approach also made it possible to assess the reliability of the standard method of impact assessment.

In other words, these questions attempted to arrive at, by direct means, the amount of sales and employment obtained by clients that could be attributed to the SBDC. The standard method required adjustments of total performance by deducting statewide growth rates and accounting for perceptions of the quality of the assistance. Since this alternative method depended upon direct attribution it was only necessary to multiple the average sales and employment growth estimates by the number of clients and tax rates to arrive at an economic impact estimate using this approach.

Value Added. All clients were asked to estimate the dollar value of the counseling services in terms of how it effected their ability to manage their businesses. To be conservative, a value added of zero was assigned for those who failed to respond to this question. The average was then extrapolated to the client population.

Financing. Established business and pre-venture clients were also asked to estimate the amounts of SBA guaranteed loans, other loans, and equity financing obtained directly as a consequence of SBDC counseling activities. To remain conservative, only those clients who indicated that the SBDC's services were beneficial were used for this analysis. Extrapolation to the entire client population was made after adjusting for the proportion of clients who were satisfied with the SBDC's counseling services.

## RESULTS

The results of the analysis of the counseling services provided by the SBDC to established business and pre-venture clients are presented below.

### ESTABLISHED BUSINESSES

Perceptions of the Quality of Counseling. Of the 5,537 clients who provided usable responses to the service evaluation question, 85.6 percent (4,739) indicated that the SBDC's services were beneficial. Furthermore,



clients gave a rating of 4.22 out of a possible 5.00 on the knowledge and expertise of their counselors and a rating of 4.23 on their working relationship with the counselors (See Table 2). Finally, 91.7 percent of the responding established business clients (5,090 of 5,553) indicated that they would recommend the SBDC's services to other business persons. All this suggests that the SBDC Program provides high quality services to its clients.

Comparison with Private Consultants. Results indicated that 78 percent of the responding clients (4,067 of 5,148) believed that it would not have been possible for them to have obtained private consulting services of a similar quality at a price they were willing to pay. Thus, the SBDC appears to be filling an important gap in the market rather than competing unfairly with the private sector.

Economic Impact Estimates. Table 3 compares the 1998 and 1999 sales and employment levels of established small business clients. As this Table shows, these clients enjoyed an average increase in sales of \$160,271 (from \$1,018,043 in 1998 to \$1,178,314 in 1999). There was also a marked increase in the number of individuals employed by clients in 1999 compared to levels in 1998 (9.55 versus 8.35).

Table 4 compares the growth in sales and employment between 1998 and 1999 of SBDC clients with the growth experienced by the average business in the United States. As shown, the sales growth rate of established business clients was larger than that experienced by the average business in the U.S. (15.7% versus 4.8%). In addition, employment levels of established clients increased by 14.4 percent compared to 1.5 percent for U.S. businesses in general.

The overall impact estimate for established business clients suggests that the SBDC's services led to a total of approximately \$199.28 million in new tax contributions: approximately \$119.89 million to state governments and \$79.39 million to the federal government (See Table 5). As shown in Table 6, these

additional tax revenues were 18 percent greater than the operating budget of the entire SBDC including nonparticipating centers, and 21 percent greater than the budget of the 55 SBDCs that participated in the study. Furthermore, established clients generated tax revenues that were 2.10 times larger the total consulting budget of the participating SBDCs; these revenues also returned \$4.72 for every dollar those SBDCs spent on established business clients who received long term counseling assistance.

Direct Impact of Counseling. Clients estimated that the SBDC program was responsible for an average of \$241,128 of their sales revenue, either through the generation of new sales (\$100,601) or the retention of existing sales revenue (\$140,527). Furthermore, an average of 3.19 jobs were created (1.87) or saved (1.32) as a direct result of the SBDC's services according to established business clients (50,802 created; 35,861 saved; 86,663 in total).<sup>12</sup> Taken together, according to clients SBDC counseling led directly to an estimated total of approximately \$591.14 million in tax revenues, an amount that was 3.59 times greater than the total budget of the 55 participating SBDCs, 6.22 times greater than the cost of counseling, and 13.99 times greater than the cost of counseling long term, established business clients.

Value Added Estimates. Responses indicated that, on average, the counseling received from the SBDC was worth \$15,577 to established business clients. Multiplying this number the total number of established business clients, yields a value added estimate of \$423.2 million. This number exceeds the cost of operating the 55 SBDCs by a ratio of 2.57 to 1.00.

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12. The estimates were based on responses from 3,641 established business clients who provided direct attributions of sales revenues and 5,569 clients who provided information on the number of jobs created or saved as a result of SBDC interventions.

Financing Obtained. According to the responses, as a result of the counseling provided by the SBDC the average established business client obtained an additional \$82,943 in capital, of which \$25,569 was from SBA guaranteed loans, \$34,992 was from other forms of debt financing, and \$22,382 was from equity financing.<sup>13</sup> After adjustments for perceived service quality, this translates into an estimate of \$594.6 million in SBA loans, \$813.7 million in other debt financing, and \$520.5 million in equity financing (\$1.93 billion in total) that would not have been obtained had these clients not received assistance. This suggests that the tax dollars expended on the SBDC were leveraged by public and private financing at a ratio of 11.72 to 1.00 for long term established business clients alone. In other words, for every dollar the government invested in the 55 SBDCs analyzed, small business clients who received long term counseling were able to raise \$11.72 from other sources.

#### PRE-VENTURE CLIENTS

Perceptions of the Quality of Counseling. Of the 3,302 pre-venture clients who provided an evaluation of the SBDC's services, 88.5 percent (2,922) felt the counseling was beneficial. In addition, clients gave a rating of 4.21 out of a possible 5.00 on their counselors' knowledge and expertise and a rating of 4.18 their working relationship with the counselors (See Table 7). Finally, 92.0 percent (3,074 of 3,340) indicated that they would recommend the SBDC's services to other business persons. Again, the conclusion is that the SBDC is effectively meeting the needs of individuals who aspire to start a new business.

Comparison with Private Consultants. A total of 82 percent of the responding clients (2,509 of 3,060) believed that it would not have been

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<sup>13</sup>. This analysis was based on the 4,674 respondents who indicated the SBDCs' services were beneficial and provided data on financing. Our estimates suggest that of the 27,167 established business clients served 3,431 received SBA guaranteed loans as a consequence of SBDC assistance. Furthermore, 4,612 obtained other loans and 2,593 obtained equity financing.

possible for them to have obtained private consulting services of a similar quality at a price they were willing to pay. Again, it appears that the SBDC is filling an important gap in the marketplace since most of its clients would have not had a viable alternative private source of assistance if the SBDC did not exist.

Economic Impact Estimates. After adjusting for unsuccessful clients, we calculated that an average of \$114,693 in sales and 1.83 new jobs were created per pre-venture client. As Table 8 indicates, these new employees generated tax payments of approximately \$268.7 million to the state and federal governments (\$133.7 million to the state and \$135.0 million to the federal). It should be emphasized again that these tax contributions would not have been gained if these businesses had not been created and that the SBDC made a significant contribution to the formation of these new firms.

When compared to the cost of operating the entire SBDC operation, the tax revenues generated by pre-venture clients returned \$1.59 for every dollar expended to operate the entire SBDC system and \$1.63 for every dollar expended on the 55 SBDCs that participated in this study. Furthermore, the tax revenues generated exceeded the cost of all counseling activities by a ratio of 2.83 to 1.00. Impressively, the tax revenues from pre-venture clients were 9.25 times the amount spent on long term pre-venture counseling (See Table 9).

Direct Impact of Counseling. Pre-venture clients estimated that the SBDC program was responsible for an average of \$41,435 of their sales revenue and for the creation of an average of 1.34 new jobs (35,340 in total).<sup>14</sup> Extrapolation to the pre-venture client population yields an estimate of \$176.3 million in tax revenues, an amount that was seven percent more than the total budget of the 55  
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14. A total of 2,722 pre-venture clients provided estimates of the sales revenues attributable to SBDC counseling and 3,592 provided estimates of the new jobs credited to the SBDC.

participating SBDCs, 86 percent more than the cost of counseling, and more than six times greater than the cost of counseling long term, pre-venture clients.

Value Added Estimates. Responses indicated that the counseling received from the SBDC was worth approximately \$11,202 to pre-venture clients, on average. Multiplying that figure by the total number of pre-venture clients, yields a value added estimate of \$295.4 million. This number is 79 percent greater than the budget of the 55 participating SBDCs.

Financing Obtained. According to the responses, the average pre-venture client obtained \$21,948 in SBA loans, \$26,797 in debt financing from other sources, and \$14,934 in equity financing as a result of the counseling provided by the SBDC.<sup>15</sup> The total for the average client was therefore \$63,679. After adjustments for perceived service quality, this translates into an estimate of \$512.3 million in SBA loans, \$625.4 million in other debt financing, and \$348.6 million in equity financing that would not have been obtained had these clients not received assistance. The total of \$1.49 billion in financing suggests that each tax dollar expended on the SBDC in total was leveraged by \$9.03 in public and private financing for pre-venture clients.

#### SUMMARY AND CONCLUSIONS

Results of this study indicate that the SBDC Program makes an important contribution to the economic development of the United States. Our analysis indicated that the SBDC's long term clients added \$5.3 billion in incremental sales and 67,827 new jobs to the nation. The latter number suggests that the cost of generating a new job through investment in the SBDC was \$2,427 per job.

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15. This analysis includes the 2,895 pre-venture clients who indicated the SBDCs' services were beneficial and provided data on financing. Our estimates suggest that of the 26,373 pre-venture clients served 3,307 received SBA guaranteed loans as a consequence of SBDC assistance. Furthermore, 4,505 obtained other loans and 2,828 obtained equity financing.

Estimates suggest that the one year tax benefits accruing as a consequence of the performance improvements of SBDC-counseled long term clients returned \$2.78 for every dollar spent on the entire SBDC Program and \$2.84 for every dollar spent on the 55 SBDCs that participated in this study. Furthermore, our estimates indicate that \$6.56 was returned for each dollar expended counseling long term clients of the 55 SBDCs included in the study.

These numbers are surpassed by the results obtained from an analysis of clients' perception of the direct impact of the counseling provided by the SBDC. Thus, the overall benefit to cost ratio was 4.66 to 1.00 using the direct attribution impact estimation method. When comparing the tax revenues generated by direct sales and employment increases to the cost of long term counseling, a benefit to cost ratio of 10.76 to 1.00 was obtained.

Our research also indicates that clients estimated the total value of the services provided to be approximately \$718.6 million, a number that exceeds the budget of the 55 SBDCs by a ratio of 4.37 to 1.00. This again suggests that the clients themselves are capturing a considerable amount of benefit from the SBDC's services.

Finally, our estimates indicate that \$3.4 billion in capital was raised by clients as a direct result of the assistance received from the SBDC. This suggests that each dollar expended on the SBDC Program was later leveraged by approximately \$20.75 in debt and equity capital.

Although the numbers presented in this report are only estimates, their magnitude suggests that even if we greatly overestimated the economic impact of the SBDC our overall conclusions would remain the same. Furthermore, the estimates reported herein do not consider (1) the impact of the two nonparticipating centers, (2) the other programs the SBDC offers (e.g., workshops, seminars), (3) the value added to the operations of short term clients, (4) the continuing tax revenues generated by long term clients after

the year of analysis, (5) the many failures SBDC assistance helps stave off and the individuals with unviable business ideas it discourages, (6) the other tax revenue sources such as corporate taxes, property taxes, unemployment taxes, social security payments, or (7) any multiplier effects of a healthier small business sector. Taking all these factors into account, it should be obvious that the results presented in this study tend toward the conservative.

From a public policy standpoint, the implication of this research is that the SBDC makes an important contribution to the economies of the United States. As this study shows, the SBDC plays an important role in the U.S. economy. By assisting established small businesses, SBDCs across the United States help create new job opportunities in growing firms and the retention of jobs in small companies trying to turn around or reorient their businesses. The SBDC work with pre-venture clients helps individuals identify and initiate viable new business ventures that invigorate the economy. And as the findings show, this assistance is provided to small business persons and would-be entrepreneurs who often cannot afford the luxury and expense of a private consultant.<sup>16</sup>

In conclusion, the evidence presented in this report indicates that SBDC-assisted clients (1) generate sales and employment opportunities that return more tax revenues to state and federal governments than the cost of operating the Program, (2) believe that the SBDC contributed substantially to the performance improvements of their businesses, (3) placed a high value on the assistance rendered, and (4) are better able to raise capital to support the start-up and growth of their businesses. It is believed that this is ample justification for the continuation and proliferation of the SBDC Program.

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16. The Addendum to this report provides clients' perceptions of the importance of trends that might affect their businesses in the new millennium. The responses offer insights to the agenda for SBDC counseling in the future.

TABLE 2  
 QUALITATIVE EVALUATIONS OF THE COUNSELING PROVIDED TO  
 ESTABLISHED BUSINESS CLIENTS BY THE SBDC PROGRAM

Knowledge and Expertise of Counselors

	<u>Number</u>	<u>Percentage</u>
5. Excellent	2911	52.5%
4. Above Average	1498	27.0%
3. Average	774	13.9%
2. Below Average	155	2.8%
1. Poor	211	3.8%
	<hr/>	<hr/>
Totals	5549	100.0%

Average = 4.22

Clients' Working Relationship with Counselors

	<u>Number</u>	<u>Percentage</u>
5. Excellent	3151	56.9%
4. Above Average	1161	21.0%
3. Average	793	14.3%
2. Below Average	197	3.6%
1. Poor	235	4.2%
	<hr/>	<hr/>
Totals	5537	100.0%

Average = 4.23



TABLE 3  
 1998-1999 AVERAGE SALES AND EMPLOYMENT OF ESTABLISHED CLIENTS  
 WHO INDICATED THAT SBDC ASSISTANCE WAS VALUABLE

	1998	1999	Average Change
Sales *	\$1,018,043	\$1,178,314	+ \$160,271 15.7%
Employment **	8.35 jobs	9.55 jobs	+ 1.20 jobs 14.4%

\* Based on analysis of the 3,722 clients that provided usable data for both 1998 and 1999 and indicated SBDC services were beneficial.

\*\* Based on analysis of the 4,689 clients that provided usable data for both 1998 and 1999 and indicated SBDC services were beneficial.

TABLE 4  
 CHANGES IN SALES AND EMPLOYMENT BETWEEN 1998-1999: SBDC ESTABLISHED  
 BUSINESS CLIENTS VERSUS AVERAGE BUSINESS IN 55 PARTICIPATING STATES

	Average % change in small business sample	Average % change all U.S. firms	Average incremental change in small business sample	
			percent	aggregate
Sales	+15.7%	+ 4.8%	+10.9%	+ \$110,967
Employment	+14.4%	+ 1.5%	+12.9%	+ 1.08 jobs

TABLE 5  
 INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL GOVERNMENTS  
 AS A RESULT OF SBDC COUNSELING OF ESTABLISHED BUSINESS CLIENTS

STATE TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Sales	110,967		.041*		.856		27,167		\$105,801,820
Employment	1.08		\$561**		.856		27,167		\$ 14,089,710
Total									<u>\$119,891,530</u>

FEDERAL TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Employment	1.08		\$3161***		.856		27,167		\$ 79,389,610
TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES									<u>\$199,281,140</u>

- \* Figure represents 75 percent of the weighted average state sales tax rate in the United States applicable to participating SBDCs in 1999 (5.4%).
- \*\* Figure represents the weighted average of the estimated state income taxes paid per return by median income filers in 1999.
- \*\*\* Figure represents the weighted average of estimated federal income taxes paid per return by median income filers in 1998.

TABLE 6  
THE COSTS AND BENEFITS OF SBDC COUNSELING IN 55 PARTICIPATING STATES:  
ESTABLISHED BUSINESSES

Total incremental State and Federal tax revenues Added by long term established business clients	\$199,281,140
Cost of operating 57 SBDC programs	\$168,489,329
Benefit to cost ratio	1.18 to 1.00
Cost of operating 53 participating SBDCs	\$164,596,601
Benefit to cost ratio	1.21 to 1.00
Cost of all counseling (55 centers)*	\$ 94,972,238
Benefit to cost ratio	2.10 to 1.00
Cost of counseling to long term established business clients (55 centers)**	\$ 42,262,645
Benefit to cost ratio	4.72 to 1.00

\* The average cost of counseling was estimated to be 57.7 percent of the SBDCs' total operating budgets in 1998.

\*\* Long term counseling provided to established businesses was approximately 44.5 percent of the SBDCs' total counseling budgets in 1998.

TABLE 7  
 QUALITATIVE EVALUATIONS OF THE COUNSELING PROVIDED TO  
 PRE-VENTURE CLIENTS BY THE SBDC PROGRAM

Knowledge and Expertise of Counselors

	<u>Number</u>	<u>Percentage</u>
5. Excellent	1733	51.7%
4. Above Average	924	27.6%
3. Average	477	14.2%
2. Below Average	87	2.6%
1. Poor	131	3.9%
Totals	3352	100.0%

Average = 4.21

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Clients' Working Relationship with Counselors

	<u>Number</u>	<u>Percentage</u>
5. Excellent	1795	53.9%
4. Above Average	775	23.3%
3. Average	482	14.5%
2. Below Average	123	3.7%
1. Poor	157	4.7%
Totals	3332	100.0%

Average = 4.18

TABLE 8  
 INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL GOVERNMENTS  
 AS A RESULT OF SBDC COUNSELING OF PRE-VENTURE CLIENTS

STATE TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Sales	114,693*		.041 @		.885		26,373		\$109,754,810
Employment	1.83 **		\$561 @@		.885		26,373		\$ 23,961,650
Total									\$133,716,460

FEDERAL TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Employment	1.83		\$3161 @@@		.885		26,373		\$135,013,870
TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES									\$268,730,330

\* Based on analysis of the 2,489 clients that provided usable data for both 1998 and 1999 and indicated SBDC services were beneficial.

\*\* Based on analysis of the 2,903 clients that provided usable data for both 1998 and 1999 and indicated SBDC services were beneficial.

@ Figure represents 75 percent of the weighted average state sales tax rate in the United States in 1999 (5.4%).

@@ Figure represents the weighted average of the estimated state income tax paid per return by median income filers in 1999.

@@@ Figure represents the weighted average of estimated federal income taxes paid per return by median income filers in 1998.

TABLE 9  
THE COSTS AND BENEFITS OF SBDC COUNSELING IN THE UNITED STATES:  
PRE-VENTURES

Total incremental State and Federal tax revenues Added by long term pre-venture clients	\$268,730,330
Cost of operating 57 SBDC programs	\$168,489,328
Benefit to cost ratio	1.59 to 1.00
Cost of operating 55 participating SBDCs	\$164,596,601
Benefit to cost ratio	1.63 to 1.00
Cost of all counseling (55 centers)*	\$ 94,972,238
Benefit to cost ratio	2.83 to 1.00
Cost of counseling to long term pre-venture clients (55 centers)**	\$ 29,061,504
Benefit to cost ratio	9.25 to 1.00

\* The average cost of counseling was estimated to be 57.7 percent of the SBDCs' total operating budgets in 1998.

\*\* Long term counseling provided to pre-ventures was approximately 30.6 percent of the SBDCs' total counseling budgets in 1998.

APPENDIX 1  
SMALL BUSINESS DEVELOPMENT CENTER IMPACT STUDY QUESTIONNAIRE

ALL INFORMATION SPECIFIC TO INDIVIDUALS AND FIRMS WILL BE KEPT CONFIDENTIAL.

1. WHEN WAS YOUR BUSINESS STARTED?

Year Business Started \_\_\_\_\_

Never Started \_\_\_\_\_

2. WHAT WAS THE MAJOR ACTIVITY OF YOUR BUSINESS OR PROPOSED BUSINESS IN 1998?  
Please check one.

\_\_\_\_\_ Retailing (food, apparel, autos, etc.)

\_\_\_\_\_ Services (motel, laundry, law, etc.)

\_\_\_\_\_ Wholesale (distributor, etc.)

\_\_\_\_\_ Manufacturing

\_\_\_\_\_ Construction (all general, and other contractors)

\_\_\_\_\_ Other (please specify) \_\_\_\_\_

3. NOT COUNTING YOURSELF, HOW MANY FULL-TIME EMPLOYEES (35 hours or more each week) AND PART-TIME EMPLOYEES (less than 35 hours each week) DID YOU HAVE AT THE END OF EACH OF THE FOLLOWING YEARS THAT YOU WERE IN BUSINESS?  
If you were not in business during one of the years listed below, just write N/A (not applicable) in the appropriate blank(s).

1998 \_\_\_\_\_ full-time employees

1999 \_\_\_\_\_ full-time employees

1998 \_\_\_\_\_ part-time employees

1999 \_\_\_\_\_ part-time employees

4. PLEASE ESTIMATE THE NUMBER OF NEW JOBS THAT WERE CREATED AND/OR EXISTING JOBS THAT WERE SAVED AS A RESULT OF THE ASSISTANCE RECEIVED FROM THE SBDC.

Full time jobs created \_\_\_\_\_

Part time jobs created \_\_\_\_\_

Full time jobs saved \_\_\_\_\_

Part time jobs saved \_\_\_\_\_



5. WHAT WERE YOUR TOTAL SALES REVENUES FOR EACH OF THE FOLLOWING (calendar) YEARS THAT YOU WERE IN BUSINESS? If you were not in business during one of the years listed below, just write NA (not applicable) in the appropriate blank.

1998 \$ \_\_\_\_\_

1999 \$ \_\_\_\_\_

6. PLEASE ESTIMATE THE AMOUNT OF NEW SALES REVENUES GENERATED AND/OR EXISTING SALES REVENUES MAINTAINED AS A RESULT OF THE ASSISTANCE OBTAINED FROM THE SMALL BUSINESS DEVELOPMENT CENTER.

New revenues generated \_\_\_\_\_

Existing revenues maintained \_\_\_\_\_

7. PLEASE ESTIMATE THE AMOUNT OF DEBT AND EQUITY CAPITAL RAISED BY YOUR BUSINESS AS A RESULT OF THE ASSISTANCE RECEIVED FROM THE SBDC.

SBA Loans \$ \_\_\_\_\_

Other Loans \$ \_\_\_\_\_

Equity Raised \$ \_\_\_\_\_

8. HOW MUCH (IN DOLLARS) WAS THE ADVICE OR INFORMATION OBTAINED FROM THE SBDC WORTH TO YOU?

Dollar value of SBDC assistance \$ \_\_\_\_\_

9. WAS THE OVERALL SERVICE YOU RECEIVED FROM THE SMALL BUSINESS DEVELOPMENT CENTER BENEFICIAL?

Yes \_\_\_\_\_

No \_\_\_\_\_

10. COULD YOU HAVE OBTAINED ASSISTANCE OF THE SAME QUALITY FROM A PRIVATE CONSULTANT AT A PRICE YOU WERE WILLING TO PAY?

Yes \_\_\_\_\_

No \_\_\_\_\_

11. RECALLING THE COUNSELING YOU RECEIVED FROM THE SMALL BUSINESS DEVELOPMENT CENTER, HOW WOULD YOU RATE THE KNOWLEDGE AND EXPERTISE OF THE CONSULTANT ASSIGNED TO HELP YOU? Please check the appropriate response.

Excellent \_\_\_\_\_

Below Average \_\_\_\_\_

Above Average \_\_\_\_\_

Poor \_\_\_\_\_

Average \_\_\_\_\_

12. HOW WOULD YOU DESCRIBE YOUR OVERALL WORKING RELATIONSHIP WITH THE SMALL BUSINESS DEVELOPMENT CENTER CONSULTANT ASSIGNED TO ASSIST YOU? Please check the appropriate response.

Excellent \_\_\_\_\_ Below Average \_\_\_\_\_  
Above Average \_\_\_\_\_ Poor \_\_\_\_\_  
Average \_\_\_\_\_

13. WOULD YOU RECOMMEND THAT OTHER BUSINESS PERSONS CONTACT THE SMALL BUSINESS DEVELOPMENT CENTER?

Yes \_\_\_\_\_  
No \_\_\_\_\_

14. PLEASE RATE THE IMPORTANCE OF THE FOLLOWING TO YOUR BUSINESS IN THE NEW MILLENNIUM.

Workforce Skills/Productivity: High Importance \_\_\_\_\_ Medium Importance \_\_\_\_\_

Low Importance \_\_\_\_\_ No Importance \_\_\_\_\_

Globalization/Free Trade: High Importance \_\_\_\_\_ Medium Importance \_\_\_\_\_

Low Importance \_\_\_\_\_ No Importance \_\_\_\_\_

Government Regulation/Taxation: High Importance \_\_\_\_\_ Medium Importance \_\_\_\_\_

Low Importance \_\_\_\_\_ No Importance \_\_\_\_\_

Technology/Computerization: High Importance \_\_\_\_\_ Medium Importance \_\_\_\_\_

Low Importance \_\_\_\_\_ No Importance \_\_\_\_\_

Access to Capital: High Importance \_\_\_\_\_ Medium Importance \_\_\_\_\_

Low Importance \_\_\_\_\_ No Importance \_\_\_\_\_

APPENDIX 2  
DEMOGRAPHIC DATA COLLECTED FROM CLIENTS

DEMOGRAPHIC DATA FORM #1

The following information should be provided for ALL clients who received five hours or more of counseling assistance from your State SBDC regardless of whether they responded to the survey or not.

1. Total number of clients (5 hours or more)

Pre-venture \_\_\_\_\_

Established businesses \_\_\_\_\_

2. Type of Business (number of clients)

	PRE-VENTURES	ESTABLISHED
Retail	_____	_____
Service	_____	_____
Wholesale	_____	_____
Manufacturing	_____	_____
Construction	_____	_____
Other	_____	_____

3. Gender of clients (number)

	PRE-VENTURE	ESTABLISHED
Male	_____	_____
Female	_____	_____
Male/Female	_____	_____

4. Ethnic background (number of clients)

	PRE-VENTURE	ESTABLISHED
White	_____	_____
Other	_____	_____

DEMOGRAPHIC DATA FORM #2

The following information should be provided only for clients (five hours or more of counseling) who responded to the SBDC impact study survey.

1. Total number of responding clients (5 hours or more)

Pre-venture \_\_\_\_\_

Established businesses \_\_\_\_\_

2. Type of Business (number of clients responding)

	PRE-VENTURES	ESTABLISHED
Retail	_____	_____
Service	_____	_____
Wholesale	_____	_____
Manufacturing	_____	_____
Construction	_____	_____
Other	_____	_____

3. Gender of clients (number of clients responding)

	PRE-VENTURE	ESTABLISHED
Male	_____	_____
Female	_____	_____
Male/Female	_____	_____

4. Ethnic background (number of clients responding)

	PRE-VENTURE	ESTABLISHED
White	_____	_____
Other	_____	_____

DEMOGRAPHIC DATA FORM #3

The following information should be provided as it pertains to your State SBDC.

1. Counseling hours

Total number of counseling hours provided to all clients in 1998 \_\_\_\_\_ hours

Total number of counseling hours provided to clients in 1998 who received five (5) or more hours of assistance PRE-VENTURE \_\_\_\_\_ hours  
ESTABLISHED \_\_\_\_\_ hours

2. Proportion of total budget allocated to counseling (counselors' pay, benefits, expenses, and other cash or in kind costs allocated to counseling, divided by total budget) \_\_\_\_\_ %
3. State sales tax rate in 1999 \_\_\_\_\_ %
4. Average state personal income tax paid per return in 1999 \$ \_\_\_\_\_
5. Percentage growth in total business sales in your state between 1998-1999\* \_\_\_\_\_ %
6. Percentage growth in total business employment in your state between 1998-1999\* \_\_\_\_\_ %

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\* If data for this time period are not available please provide data for the most recent year and indicate that time period.

ADDENDUM: CLIENTS' PERCEPTIONS OF IMPORTANCE OF TRENDS IN THE NEW MILLENNIUM

As a supplement to the impact study an analysis was conducted of clients' perceptions of the importance of trends and business issues in the new millennium. Remarkable similarities in perceptions of established business and pre-venture clients were in evidence. The results suggest that the most important issue for both groups of clients was workforce skills and productivity. Following closely behind were the issues of (1) access to capital, (2) technology and computerization, and (3) government taxation and regulation. All of these issues are or could be addressed by the SBDC system as it searches for additional missions in the 21st century. Interestingly, globalization and free trade issues were seen as substantially less important by clients. Therefore, it does not appear that expansion in this area will have as large a market, or as great an impact, among clients as the other areas.

TABLE 10  
RATINGS OF IMPORTANCE OF TRENDS IN THE NEW MILLENNIUM

Importance of Workforce Skills and Productivity

	ESTABLISHED BUSINESSES		PRE-VENTURES	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
4. High Importance	4231	80.1%	1971	75.5%
3. Medium Importance	715	13.5%	385	14.8%
2. Low Importance	195	3.7%	125	4.8%
1. No Importance	141	2.7%	128	4.9%
Totals	5282	100.0%	2609	100.0%
Average	3.71		3.61	

Importance of Globalization and Free Trade

	ESTABLISHED BUSINESSES		PRE-VENTURES	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
4. High Importance	926	18.0%	452	17.9%
3. Medium Importance	1134	22.1%	531	21.0%
2. Low Importance	1583	30.8%	715	28.3%
1. No Importance	1495	29.1%	825	32.7%
Totals	5138	100.0%	2523	100.0%
Average	2.29		2.24	

ADDENDUM: TABLE 10 (Continued)

Importance of Government Regulation and Taxation

	ESTABLISHED BUSINESSES		PRE-VENTURES	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
4. High Importance	2731	52.7%	1378	53.9%
3. Medium Importance	1550	29.9%	722	28.3%
2. Low Importance	625	12.1%	279	10.9%
1. No Importance	273	5.3%	176	6.9%
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	5179	100.0%	2555	100.0%
Average	3.30		3.29	

Importance of Technology and Computerization

	ESTABLISHED BUSINESSES		PRE-VENTURES	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
4. High Importance	2937	56.2%	1315	51.0%
3. Medium Importance	1649	31.6%	811	31.4%
2. Low Importance	468	9.0%	305	11.8%
1. No Importance	171	3.3%	148	5.7%
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	5225	100.0%	2579	100.0%
Average	3.41		3.28	

Importance of Access to Capital

	ESTABLISHED BUSINESSES		PRE-VENTURES	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
4. High Importance	3219	61.6%	1673	64.7%
3. Medium Importance	1351	25.8%	562	21.7%
2. Low Importance	459	8.8%	200	7.7%
1. No Importance	198	3.8%	149	5.8%
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	5227	100.0%	2584	100.0%
Average	3.45		3.45	