

**ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER  
COUNSELING ACTIVITIES IN THE UNITED STATES: 2018-2019**

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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 Mississippi State University.

**Prepared November 23, 2020**

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**EXECUTIVE SUMMARY**

This report presents the results of the 24<sup>th</sup> national study of the economic impact of Small Business Development Center (SBDC) counseling activities in the United States. The report analyzes the changes in sales and employment, jobs and sales revenue maintained, and financing obtained by a sample of 6,012 established businesses and 3,379 pre-ventures that received five or more hours of counseling assistance (long-term clients) in 2018.

Data from all 62 SBDCs in the United States were used in the study. The 9,391 responses represented 13.9% of the clients that were sent questionnaires (67,538). The clients surveyed represented the entire long-term client population of the 62 Small Business Development Center programs in the United States. 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 United 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 SBDC. 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 from 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, the financing obtained by clients as a direct result of SBDC assistance was analyzed.

Of the 67,538 long-term clients in 2018, 40,766 (60.4%) were classified as established businesses and 26,772 (39.6%) were classified as pre-ventures. Most respondents (89%) indicated that the service received from the SBDC was beneficial. Of the pre-venture clients, it was estimated that about 76.1% started new businesses after receiving counseling (69.2% within one year).

Results indicate that, after adjustments, the long-term clients of the SBDC generated a total of approximately \$7.3 billion in sales and 91,767 new full-time equivalent jobs from the assistance received (see Table 1). The average cost of generating each job was \$3,052.

The incremental performance improvements resulted in \$236.16 million in additional tax revenues from established businesses and \$393.77 million from pre-venture clients who started new businesses. This amounted to a total of approximately \$629.93 million in tax revenues, of which \$371.88 million went to the state governments and \$258.05 million went to federal government. When compared to the cost of operating the 62 SBDCs that participated in the study (\$280.04 million), these counseling activities generated approximately \$2.25 in tax revenues for every \$1 spent on the entire program. It should also be noted that the tax revenues generated exceeded the direct cost of the counseling provided to long-term clients by a ratio of 4.97 to 1.00.

Finally, approximately \$6 billion in financing was obtained by clients as a result of the counseling received (\$1.8 billion in SBA loans, \$2.4 billion in debt financing from other sources, and \$1.8 billion in equity financing). These figures suggest that every dollar expended on the operation of the SBDC program in the U.S. was leveraged by approximately \$21.43 in new capital raised from external sources.

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

|  | Established Firms<br>(N = 40,766) | Pre-Ventures<br>(N = 26,772) | All Firms<br>(N = 67,538) |
|--|-----------------------------------|------------------------------|---------------------------|
| Aggregate sales impact                   | \$3,329,857,000                   | \$4,006,185,000              | \$7,336,042,000           |
| Aggregate employment impact              | 26,783 new jobs                   | 64,984 new jobs              | 91,767 new jobs           |
| State tax revenues generated             | \$160,842,700                     | \$211,038,500                | \$371,881,200             |
| Federal tax revenues generated           | <u>\$ 73,314,500</u>              | <u>\$182,734,100</u>         | <u>\$258,048,600</u>      |
| Total tax revenues generated             | \$236,157,200                     | \$393,772,600                | \$629,929,800             |
| Cost of all SBDC operations (62 Centers) |                                   |                              | \$280,035,684             |
| Benefit to cost ratio                    | 0.84 to 1.00                      | 1.41 to 1.00                 | 2.25 to 1.00              |
| Cost per job                             |                                   |                              | \$3,052                   |
| Cost of all counseling                   |                                   |                              | \$168,163,637             |
| Benefit to cost ratio                    | 1.40 to 1.00                      | 2.34 to 1.00                 | 3.75 to 1.00              |
| Cost of long-term counseling             | \$ 89,631,219                     | \$ 36,996,000                | \$126,627,219             |
| Benefit to cost ratio                    | 2.63 to 1.00                      | 10.64 to 1.00                | 4.97 to 1.00              |
| SBA financing                            | \$ 984,536,400                    | \$ 830,032,900               | \$1,814,569,300           |
| Other debt financing                     | \$1,504,220,600                   | \$ 847,046,300               | \$2,351,266,900           |
| Equity financing                         | <u>\$1,451,029,500</u>            | <u>\$ 383,037,200</u>        | <u>\$1,834,066,700</u>    |
| Total financing obtained                 | \$3,939,786,500                   | \$2,060,116,400              | \$5,999,902,900           |
| Financing "Leverage"                     | 14.07 to 1.00                     | 7.36 to 1.00                 | 21.43 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 2018. 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 2018 and 2019 with the changes in performance for businesses in the states and territories the program served during this 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 indicate whether the SBDC program had assisted them to obtain financing and if so, the amount of debt and equity financing they were able to obtain as a direct result of the counseling received from the SBDC. Finally, several qualitative questions were asked concerning the quality of the counselors. The remainder of this report describes the methodology and results of the study.

### **OVERVIEW: THE 2018-2019 NATIONAL IMPACT STUDY**

In 2018, the 62 in the United States provided long-term counseling assistance to a population of 67,538 clients, of which 40,766 were owners of established small businesses and 26,772 were seeking to start new businesses (pre-ventures). The entire population of long-term clients of the

participating centers was sent a questionnaire in the summer of 2019.<sup>1</sup> In the questionnaire clients were asked to evaluate the SBDC's services, provide their sales revenues and employment levels for 2018 and 2019, and indicate the amount of financing they were able to obtain that could be credited to the SBDC program (See Appendix 1). In total, 6,012 established business clients (14.7% response rate) and 3,379 pre-venture clients (12.6% response rate) returned questionnaires. This represented a 13.9% overall response rate for the clients sent questionnaires (9,391 of 67,538). However, because of missing data and the decision to analyze only clients who indicated that the SBDCs' services were beneficial, the samples used for the impact estimates were 4,794 established business clients and 1,804 pre-venture clients.<sup>2</sup>

#### **SAMPLE SIZE**

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

**Confidence Interval of the Means.** To determine if the number of respondents was actually sufficient to obtain a reliable and valid 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 (4,794 established, 1,804 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).

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<sup>1</sup> The SBDCs in the United States in 2018 include: Alabama, Alaska, American Samoa, Arizona, Arkansas, California-UC Merced, California-Los Angeles, California-San Diego/Imperial Counties, Northern California, California-Orange County/Inland Empire, Colorado, Connecticut, Delaware, District of Columbia, 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, North Texas (Dallas), Texas Gulf Coast (Houston), Northwest Texas (Lubbock), South Texas Border (San Antonio), Utah, Vermont, Virgin Islands, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

<sup>2</sup> These figures represent the number of clients who indicated the service received was beneficial. The effective sample sizes for the analyses conducted varied.

Based on the above statistics, it was determined that the confidence interval of the sales and employment means for the established business and pre-venture respondents were reliable at the 99.9% and 96.6% levels, respectively. Thus, we were confident at the 96% level or better that our sample means were no more than one-twentieth of one standard deviation from the population means for the 62 centers in the SBDC system across the US.

#### **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% of those surveyed will respond to the questionnaire. Therefore, it is necessary to conduct statistical tests to ensure that there is a minimum likelihood of response bias, and the data are reliable. The following procedures were used.

**Response Bias.** The questionnaire was sent to clients in several waves in 2020. Respondents were divided into groups according to when they responded to the questionnaire. They were then compared in terms of their reported sales revenue, employment, financing obtained, and evaluation of the SBDC's services. This procedure made it possible to investigate the issue of response bias. Taken together, statistical tests indicated that there were no differences in the responses of early and late for responding established business and pre-venture clients. Given that late respondents could be expected to be more like non-respondents than earlier responders are, there does not appear to be any strong reason to believe the estimates reported in this study have an upward bias.

**Reliability.** The reliability of the questionnaire was assessed by a correlation analysis comparing clients' perceptions of whether the SBDC's services were beneficial and their (1) evaluations of the knowledge and expertise of the counselors, (2) working relationships with the counselors, and (3) willingness to recommend the SBDC to others. The results of the

respective comparisons were statistically significant at better than the 1% level for both established business clients ( $r = .58$ ;  $r = .56$ ;  $r = .54$ ) and pre-venture clients ( $r = .60$ ;  $r = .57$ ;  $r = .58$ ). 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**

The changes in sales and employment for the period before and after counseling was received were calculated for businesses receiving at least five hours of assistance. For employment, both regular employees and independent contractors were considered. One full-time independent contractor was considered equivalent to one full-time employee. Two part-time employees or independent contractors were considered equivalent to one full-time employee.<sup>3</sup>

Rates of sales and employment growth for the existing clients were compared with the weighted average growth rates in the home states or territories of the 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 SBDC system. This procedure guards against potential biases that might exist if the number of clients counseled across the states and territories varied in proportion to their populations.

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.<sup>4</sup> Only clients

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<sup>3</sup> All employment data reported in this study refers to full-time equivalent jobs.

<sup>4</sup> GSP growth among private industries between 2018 and 2019 was used as a surrogate for the average rate of sales growth in each state. We used data obtained from the Bureau of Economic Analysis to estimate state sales growth. The average rate of employment growth in each state was obtained from the Bureau of Labor Statistics. The average growth rates were computed using a weighting scheme that accounted for the long-term client population of the SBDCs.



who indicated that the SBDC's services were beneficial were used to calculate incremental growth rates.<sup>5</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 state or territory compared to the total number of clients served by the centers to since counseling intensity differed by state, region, and territory.<sup>6</sup> The weighted average sales tax rate was reduced by 25% 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, and still captures the value added by those businesses whose sales are not directly taxed. Furthermore, any overestimate must be weighed against the fact that other tax sources are not measured in this study (e.g., payroll taxes, corporate income taxes, social security payments).

Federal income tax data for 2017, the most recent year available, were obtained from the online version of the Internal Revenue Service's *Statistics of Income Bulletin* (2019). The estimated median (based on an analysis of tax brackets), 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 the median federal income taxed paid per return by the average

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<sup>5</sup> 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 count the performance improvements of clients who did not believe they received value from the SBDC.

<sup>6</sup> State sales tax information was available for all 62 SBDCs. State income tax data were available for 59 SBDCs. The average tax rates were computed using a weighting scheme that considered the long-term client population of the SBDCs. Federal tax data were available for all 62 SBDCs.

federal income tax paid per return within the state and multiplying that proportion by the average state income tax paid per return. A weighted national average was then computed based on the populations of clients served by each SBDC.<sup>7</sup>

Adjusted weighted sales tax rates and personal income taxes (state or territory and federal) were multiplied by the average incremental improvements in sales and employment respectively to arrive at the value-added figures. As shown below, 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.<sup>8</sup>

$$\text{Average Growth} \times \text{Tax Rate} \times \text{Proportion of Clients Satisfied w/Service} \times \text{Total Number of Clients} = \text{Total Tax Revenues} \quad (2)$$

**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 number of pre-venture clients who failed or did not start a business between 2018 and 2019 (30.8% of the sample did not start a business by the end of 2019). The adjustments are shown below.

$$\text{Average Performance} = \text{AS} \times (\text{NS}/\text{NP}) \quad (3)$$

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

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<sup>7</sup> The responding SBDCs provided state or territory income tax data for the most recent year available. In most cases, this was 2017, 2018, or 2019. In any event, since experience shows these numbers do not vary much from year to year, it is unlikely the year in which state income tax data was available had a significant impact on the results.

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

$$\text{Average Performance} \times \text{Tax Rate} \times \text{Proportion of Clients Satisfied w/Service} \times \text{Total Clients} = \text{Total Tax Revenues} \quad (4)$$

**BENEFIT OF SBDC SERVICES TO COST**

The tax revenue generated by the SBDC was divided by the total cost of operating the SBDCs to arrive at a benefit to cost ratio. The total budget of the SBDCs, per data supplied by the Small Business Administration for fiscal year 2018, was used for this calculation. This was a conservative approach since only part of the budget of the SBDCs was used for counseling, and some of that amount was spent on short-term rather than long-term clients.<sup>9</sup> Thus, the calculations compare the impact of assistance to long-term clients, which consumed about 45.2% of the United States SBDC program's budget, with the amount spent on the entire SBDC program.

To provide additional insights we also made cost-benefit comparisons with the cost of counseling, as well as 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 if the services provided by the SBDC were beneficial. This question was used to determine whether clients' performance improvements might have been affected by SBDC counseling. As noted above, the performance improvements of responding clients were adjusted to account for the proportion that believed the SBDC's services were beneficial.

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

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<sup>8</sup> Aggregate figures for sales generated and jobs created were calculated by multiplying average performance by the total number of clients.

<sup>9</sup> Estimates of counseling budgets were made from data supplied by 56 SBDCs.

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.

**Financing.** Established business and pre-venture clients were asked to estimate the amounts of SBA guaranteed loans, other loans, and equity financing obtained directly because of SBDC counseling activities. To remain conservative, only those clients who indicated that the SBDC assisted them to obtain financing were used for this analysis. Extrapolation to the entire client population was made after adjusting for the proportion of clients who indicated the SBDC assisted them in raising capital.

## **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 4,794 clients who provided usable responses to the service evaluation question, 90% indicated that the SBDC's services were beneficial. Furthermore, clients gave a rating of 4.44 out of a possible 5.00 on the knowledge and expertise of their counselors and a rating of 4.37 on their working relationship with the counselors (See Table 2). Finally, 95% of the 4,813 responding established business clients indicated that they would recommend the SBDC's services to other business owners.

**Economic Impact Estimates.** Table 3 compares the 2018 and 2019 sales and employment levels of established small business clients. As this Table shows, these clients reported an average increase in sales of \$130,686, from \$975,896 in 2018 to \$1,106,582 in 2019. There was also an increase in the number of individuals employed by clients in 2019 (9.53) compared to 2018 (8.68).

Table 4 compares the growth in sales and employment between 2018 and 2019 of SBDC clients with the growth experienced by the average business in the United States. As shown, the sales of established business clients increased by 13.4% compared to an increase of 4.1% for the average business in the U.S. In addition, employment levels of established clients increased by 9.7% compared to a 1.3% increase for U.S. businesses in general.

The overall impact estimate for established business clients suggests that the SBDCs' services led to a total of approximately \$236.2 million in new tax contributions: approximately \$160.84 million went to state governments and \$75.31 million went to the federal government (Table 5). As shown in Table 6, these additional tax revenues were 84% of the operating budget of the entire SBDC program. Furthermore, established clients generated tax revenues that were 40% greater than the total counseling budget of the SBDCs; these revenues also represented a return of \$2.63 for every dollar the SBDCs spent on established business clients who received long-term assistance.

**Financing Obtained.** According to the respondents, 23% of the 5,039 established business clients who responded to the questions were assisted in preparing to seek financing. Those clients obtained an average of \$420,191 in capital, of which \$105,004 came from SBA loans, \$160,430 came from other forms of debt financing, and \$154,757 came from equity financing. Extrapolations indicate that clients raised \$0.98 billion in SBA loans, \$1.50 billion in other debt financing, and \$1.45 billion in equity financing (approximately \$3.9 billion in total) with the help of the SBDC. This suggests that the total expenditure of tax dollars on the SBDC was leveraged by public and private financing at a ratio of 14.07 to 1.00 for long-term established business clients alone. Our estimates also suggest that 3,483 established business clients received SBA guaranteed loans because of SBDC assistance. Furthermore, 4,200 obtained other loans and 2,290 obtained equity financing.

## **PRE-VENTURE CLIENTS**

**Perceptions of the Quality of Counseling.** Of the 1,804 pre-venture clients who provided an evaluation of the SBDC's services, 87% felt the counseling was beneficial. In addition, clients gave a rating of 4.33 out of a possible 5.00 on their counselors' knowledge and expertise and a rating of 4.19 on their working relationship with the counselors (See Table 7). Finally, of the 1,821 clients who answered the question, 93% indicated they would recommend the SBDC's services to other entrepreneurs.

**Economic Impact Estimates.** After adjusting for unsuccessful clients, we calculated that an average of \$172,001 in sales and 2.79 new jobs were created per pre-venture client. As Table 8 indicates, these new employees generated tax payments of approximately \$393.77 million to the state and federal governments (\$211.04 million to the state and \$182.73 million to the federal).

When compared to the cost of operating all the SBDCs in the United States, the tax revenues generated by pre-venture clients returned \$1.41 for every dollar expended. Furthermore, the tax revenues generated exceeded the cost of all counseling activities by a ratio of 2.34 to 1.00. Finally, the tax revenues from pre-venture clients were 10.64 times the amount spent on long-term pre-venture counseling (See Table 9).

**Financing Obtained.** According to the responses, 23% of the 1,893 pre-venture clients who responded to the question received assistance from the SBDC in preparing to obtain financing. The average raised was \$134,799 in SBA loans, \$137,562 in other sources of debt financing, and \$62,206 in equity financing for a total of \$334,567. Extrapolating to the population suggests that a total of \$0.83 billion in financing from SBA loans, \$0.85 billion from other sources of debt, and \$0.38 billion from equity investors were raised. The grand total of approximately \$2.06 billion suggests that each tax dollar expended on the SBDC was leveraged by \$7.36 in public and private financing for new ventures. Finally, our estimates suggest that 2,625 pre-venture

clients received SBA guaranteed loans, 2,307 obtained other loans, and 2,228 obtained equity financing with the aid of the SBDC.

#### **SUMMARY AND CONCLUSIONS**

Results suggest that the SBDC Program makes an important contribution to the economic development of the United States. Our analysis indicated that the SBDCs' long-term clients added \$7.3 billion in incremental sales and 91,767 new jobs to the nation. The latter number suggests that the cost of generating a new job through investment in the SBDC was \$3,052 per job. In addition, 76.1% of all pre-venture clients started businesses after receiving counseling (69.2% within one year).

Estimates suggest that the one-year tax benefits accruing because of the performance improvements of SBDC-counseled long-term clients returned \$2.25 for every dollar spent on the 62 SBDCs that participated in the study. Furthermore, our estimates indicate that \$4.97 was returned for each dollar expended on counseling long-term clients. Finally, our estimates indicate that approximately \$6 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 \$21.43 in debt and equity capital.

The numbers presented in this report are only estimates based on responses to a questionnaire. It is possible that the respondents were not representative of the population of clients, factors such as social desirability bias may have inflated the estimates, or that "self-selected" SBDC clients tend to exceed the sales and employment growth rates of "average" businesses in the United States for reasons unrelated to the counseling provided. It is also possible that some of the gains of the clients were not net gains to the economy.

Impact methodologies are always susceptible to potential problems of obtaining adequate control groups, the possibilities of response bias or self-

selection bias, and displacement effects. Nevertheless, the tests conducted for bias and reliability, as well as the use of weighted statewide comparison groups, suggests that the results are accurate enough to conclude that the SBDC program in the United States makes a positive contribution to the economy. Furthermore, 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.

In addition, the estimates reported herein do not consider the following. (1) The other programs the SBDC offers (e.g., workshops, seminars). (2) The value added to the operations of short-term clients. (3) The tax revenues long-term clients generate after the year of analysis. (4) The many failures SBDC assistance helps stave off and the individuals with unviable business ideas it discourages. (5) The other tax revenues generated by corporate taxes, property taxes, unemployment taxes, and social security payments. (6) The multiplier effects associated with a healthier small business sector. Considering all these factors, we believe that the results presented in this study tend to be conservative.

From a public policy standpoint, the implication of this study is that the SBDC makes an important contribution to the economy of the United States. By assisting established small businesses, SBDCs across the United States help create new job opportunities in these firms. The SBDC work with pre-venture clients helps individuals identify and initiate viable new business ventures that invigorate the economy. The evidence presented in this report indicates that SBDC-assisted clients generate sales and employment opportunities that return more tax revenues to state and federal governments than the cost of operating the Program. Clients believe the SBDC contributed substantially to the performance improvements of their businesses and helped them raise capital to support the start-up and growth of their businesses. This is justification for the continuation and proliferation of the SBDC Program.



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

Knowledge and Expertise of Counselors

|                  | Number | Percentage |
|------------------|--------|------------|
| 5. Excellent     | 3,009  | 62.6%      |
| 4. Above Average | 1,141  | 23.7%      |
| 3. Average       | 512    | 10.7%      |
| 2. Below Average | 61     | 1.3%       |
| 1. Poor          | 84     | 1.7%       |
|                  | <hr/>  | <hr/>      |
| Totals           | 4,807  | 100.0%     |

Average = 4.44

Clients' Working Relationship with Counselors

|                  | Number | Percentage |
|------------------|--------|------------|
| 5. Excellent     | 3,028  | 63.0%      |
| 4. Above Average | 893    | 18.6%      |
| 3. Average       | 635    | 13.2%      |
| 2. Below Average | 123    | 2.6%       |
| 1. Poor          | 127    | 2.6%       |
|                  | <hr/>  | <hr/>      |
| Totals           | 4,806  | 100.0%     |

Average = 4.37

**TABLE 3**  
**2018-2019 AVERAGE SALES AND EMPLOYMENT OF ESTABLISHED CLIENTS**  
**WHO INDICATED THAT SBDC ASSISTANCE WAS VALUABLE**

|               | 2018      | 2019        | Average Change       |
|---------------|-----------|-------------|----------------------|
| Sales *       | \$975,896 | \$1,106,582 | + \$130,686<br>13.4% |
| Employment ** | 8.68 jobs | 9.53 jobs   | + 0.85 jobs<br>9.7%  |

\* Based on analysis of the 3,929 clients that provided usable sales data for both 2018 and 2019 and indicated that the SBDC's services were beneficial.

\*\* Based on analysis of the 4,182 clients that provided usable employment data for both 2018 and 2019 and indicated that the SBDC's services were beneficial.

**TABLE 4**  
**CHANGES IN SALES AND EMPLOYMENT BETWEEN 2018-2019:**  
**SBDC ESTABLISHED BUSINESS CLIENTS VERSUS AVERAGE U.S. BUSINESS**

|            | Average % change<br>in small business<br>sample | Average % change<br>all U.S. firms | Average incremental<br>change in small<br>business sample |             |
|------------|---|------------------------------------|---|-------------|
|            |   |                                    | percent   | aggregate   |
| Sales      | +13.4%  | + 4.1%                             | + 9.3%  | + \$90,758  |
| Employment | + 9.7%  | + 1.3%                             | + 8.4%  | + 0.73 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    | X | Tax     | X | % Clients | X | # of Long    | = | Total Tax            |
|------------|--------|---|---------|---|-----------|---|--------------|---|----------------------|
|            | Base   |   | Rate    |   | Valuing   |   | Term Clients |   | Revenues             |
|            |        |   |         |   | Service   |   |              |   | Generated            |
| Sales      | 90,758 |   | .044*   |   | .90       |   | 40,766       |   | \$146,513,700        |
| Employment | 0.73   |   | \$535** |   | .90       |   | 40.766       |   | <u>\$ 14,329,000</u> |
| Total      |        |   |         |   |           |   |              |   | \$160,842,700        |

FEDERAL TAX REVENUES

|  | Tax  | X | Tax       | X | % Clients | X | # of Long    | = | Total Tax     |
|--|------|---|-----------|---|-----------|---|--------------|---|---------------|
|  | Base |   | Rate      |   | Valuing   |   | Term Clients |   | Revenues      |
|  |      |   |           |   | Service   |   |              |   | Generated     |
| Employment                                       | 0.73 |   | \$2812*** |   | .90       |   | 40,766       |   | \$ 75,314,500 |
|  |      |   |           |   |           |   |              |   | <hr/>         |
| TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES |      |   |           |   |           |   |              |   | \$236,157,200 |

\* Figure represents 75% of the weighted average state sales tax rate in the United States in 2019 (5.9%).

\*\* Figure represents the weighted average of the estimated state income taxes paid per return by median income filers in 2017-2019.

\*\*\* Figure represents the weighted average of estimated federal income taxes paid per return by median income filers in 2017.

**TABLE 6**  
**THE COSTS AND BENEFITS OF SBDC COUNSELING IN THE UNITED STATES:**  
**ESTABLISHED BUSINESSES**

|  |               |
|--|---------------|
| Total incremental State and Federal tax revenues added by long-term established business clients | \$236,157,200 |
| Cost of operating all SBDC programs  | \$280,035,684 |
| Benefit to cost ratio  | 0.84 to 1.00  |
| Cost of all counseling*  | \$168,163,637 |
| Benefit to cost ratio  | 1.40 to 1.00  |
| Cost of counseling long-term established business clients**                                      | \$ 89,631,219 |
| Benefit to cost ratio  | 2.63 to 1.00  |

\* The weighted average cost of counseling was estimated to be 57.8% of the SBDCs' total operating budgets in 2018.

\*\* Long-term counseling provided to established businesses was approximately 53.3% of the SBDCs' total counseling budgets in 2018.

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

Knowledge and Expertise of Counselors

|                  | Number | Percentage |
|------------------|--------|------------|
| 5. Excellent     | 1,041  | 57.6%      |
| 4. Above Average | 464    | 25.7%      |
| 3. Average       | 214    | 11.8%      |
| 2. Below Average | 32     | 1.8%       |
| 1. Poor          | 56     | 3.1%       |
|                  | <hr/>  | <hr/>      |
| Totals           | 1,807  | 100.0%     |

Average = 4.33

Clients' Working Relationship with Counselors

|                  | Number | Percentage |
|------------------|--------|------------|
| 5. Excellent     | 1,001  | 55.5%      |
| 4. Above Average | 347    | 19.2%      |
| 3. Average       | 326    | 18.1%      |
| 2. Below Average | 58     | 3.2%       |
| 1. Poor          | 73     | 4.0%       |
|                  | <hr/>  | <hr/>      |
| Totals           | 1,805  | 100.0%     |

Average = 4.19

**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      | X | Tax     | X | % Clients | X | # of Long    | = | Total Tax            |
|------------|----------|---|---------|---|-----------|---|--------------|---|----------------------|
|            | Base     |   | Rate    |   | Valuing   |   | Term Clients |   | Revenues             |
|            |          |   |         |   | Service   |   |              |   | Generated            |
| Sales      | 172,001* |   | .044†   |   | .87       |   | 26,772       |   | \$176,272,200        |
| Employment | 2.79 **  |   | \$535†† |   | .87       |   | 26,772       |   | <u>\$ 34,766,300</u> |
| Total      |          |   |         |   |           |   |              |   | \$211,038,500        |

FEDERAL TAX REVENUES

|            | Tax  | X | Tax       | X | % Clients | X | # of Long    | = | Total Tax            |
|------------|------|---|-----------|---|-----------|---|--------------|---|----------------------|
|            | Base |   | Rate      |   | Valuing   |   | Term Clients |   | Revenues             |
|            |      |   |           |   | Service   |   |              |   | Generated            |
| Employment | 2.79 |   | \$2812††† |   | .87       |   | 26,772       |   | <u>\$182,734,100</u> |

TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES \$393,772,600

\* Based on an analysis of the 1,388 clients that provided usable sales data for 2019 and indicated that the SBDC's services were beneficial.

\*\* Based on analysis of the 1,504 clients that provided usable employment data for 2019 and indicated that the SBDC's services were beneficial.

† Figure represents 75% of the weighted average state sales tax rate in the United States in 2019 (5.9%).

†† Figure represents the weighted average of the estimated state income tax paid per return by median income filers in 2017-2019.

††† Figure represents the weighted average of estimated federal income taxes paid per return by median income filers in 2017.

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

|  |               |
|--|---------------|
| Total incremental State and Federal tax revenues<br>Added by long-term pre-venture clients | \$393,772,600 |
| Cost of operating all SBDC programs  | \$280,035,684 |
| Benefit to cost ratio  | 1.41 to 1.00  |
| Cost of all counseling*  | \$168,163,637 |
| Benefit to cost ratio  | 2.34 to 1.00  |
| Cost of counseling to long-term pre-venture<br>clients**                                   | \$36,996,000  |
| Benefit to cost ratio  | 10.64 to 1.00 |

\* The weighted average cost of counseling was estimated to be 57.8% of the SBDCs' total operating budgets in 2018.

\*\* Long-term counseling provided to pre-ventures was approximately 22% of the SBDCs' total counseling budgets in 2018.



**APPENDIX 1**  
**SMALL BUSINESS DEVELOPMENT CENTER IMPACT STUDY QUESTIONNAIRE**

ALL DATA WILL BE HELD IN STRICT CONFIDENCE AND REPORTED ONLY IN THE AGGREGATE WITHOUT IDENTIFYING ANY INDIVIDUAL RESPONDENT

1. Please indicate the year you either started or purchased your business. (If never please indicate.)

Year Started \_\_\_\_\_ or  
Year Purchased \_\_\_\_\_  
Never Started or Purchased

2. What is the current status of this business?

- Business is still in operation under my ownership  
 Business was sold to a new owner  
 Business was closed

3. What was the major activity of your business or proposed business in 2018? *Please check one.*

- Retailing  
 Services (personal or professional)  
 Wholesale (distribution, etc.)  
 Manufacturing  
 Construction (all general and other contractors)  
 Other (please specify) \_\_\_\_\_

4. Including yourself, and other owners, how many people did you employ at the end of each calendar year below? If you were not operating, please enter N/A.

2018 Number of full-time paid employees (35 hours or more per week)  
\_\_\_\_\_

2018 Number of part-time paid employees (fewer than 35 hours per week)  
\_\_\_\_\_

2018 Number of full-time independent contractors (35 hours or more per week) \_\_\_\_\_

2018 Number of part-time independent contractors (fewer than 35 hours per week) \_\_\_\_\_

2019 Number of full-time paid employees (35 hours or more per week)  
\_\_\_\_\_

2019 Number of part-time paid employees (fewer than 35 hours per week)  
\_\_\_\_\_

2019 Number of full-time independent contractors (35 hours or more per week) \_\_\_\_\_

2019 Number of part-time independent contractors (fewer than 35 hours per week) \_\_\_\_\_

5. What was the approximate gross sales revenue of your business during each of the calendar years below? If you were not operating, enter N/A.

2018 \$\_\_\_\_,\_\_\_\_,\_\_\_\_.00  
2019 \$\_\_\_\_,\_\_\_\_,\_\_\_\_.00

6. Did the SBDC assist you in obtaining debt or equity financing?

Yes  No

7. Estimate the total amount of debt and/or equity financing your business obtained in 2018-2019. Please enter in whole dollars. If you did not obtain new financing, please enter N/A.

SBA Loans \$\_\_\_\_,\_\_\_\_,\_\_\_\_.00  
Other Loans \$\_\_\_\_,\_\_\_\_,\_\_\_\_.00  
Equity Raised from Investors \$\_\_\_\_,\_\_\_\_,\_\_\_\_.00

8. Was the overall service you received from the SBDC beneficial?

Yes  No

9. How would you rate the knowledge and expertise of your SBDC advisor? (Please circle one).

Excellent    Above Average    Average    Below Average    Poor

10. How would you describe your overall working relationship with the SBDC advisor who provided counseling to you? (Please circle one).

Excellent    Above Average    Average    Below Average    Poor

11. Would you recommend the SBDC to a friend or business associate?

Yes  No

**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 IN 2018 REGARDLESS OF WHETHER THEY RESPONDED TO THE SURVEY OR NOT.

1. Total number of clients served (5 hours or more) in 2018.

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

Existing businesses \_\_\_\_\_

2. Type of Business (number)

|               | PRE-VENTURES | EXISTING |
|---------------|--------------|----------|
| Retail        | _____        | _____    |
| Service       | _____        | _____    |
| Wholesale     | _____        | _____    |
| Manufacturing | _____        | _____    |
| Construction  | _____        | _____    |
| Other         | _____        | _____    |

3. Gender of clients (number)

|             | PRE-VENTURE | EXISTING |
|-------------|-------------|----------|
| Male        | _____       | _____    |
| Female      | _____       | _____    |
| Male/Female | _____       | _____    |

4. Ethnic background (number)

|       | PRE-VENTURE | EXISTING |
|-------|-------------|----------|
| White | _____       | _____    |
| Other | _____       | _____    |

CENTER: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

PHONE, FAX, EMAIL: \_\_\_\_\_

DEMOGRAPHIC DATA FORM #2

INFORMATION ON POINTS 1-4 SHOULD BE PROVIDED ONLY FOR CLIENTS SERVED IN 2018 (FIVE HOURS OR MORE OF COUNSELING ASSISTANCE) WHO RESPONDED TO THE SBDC IMPACT STUDY SURVEY. PLEASE ALSO INDICATE THE NUMBER OF UNDELIVERABLE QUESTIONNAIRES AT THE BOTTOM (POINT 5).

1. Total number of responding clients (5 hours or more) in 2018

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

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

2. Type of Business (number)

|               | PRE-VENTURES | EXISTING |
|---------------|--------------|----------|
| Retail        | _____        | _____    |
| Service       | _____        | _____    |
| Wholesale     | _____        | _____    |
| Manufacturing | _____        | _____    |
| Construction  | _____        | _____    |
| Other         | _____        | _____    |

3. Gender of clients (number)

|             | PRE-VENTURE | EXISTING |
|-------------|-------------|----------|
| Male        | _____       | _____    |
| Female      | _____       | _____    |
| Male/Female | _____       | _____    |

4. Ethnic background (number)

|       | PRE-VENTURE | EXISTING |
|-------|-------------|----------|
| White | _____       | _____    |
| Other | _____       | _____    |

5. UNDELIVERABLE QUESTIONNAIRES \_\_\_\_\_

CENTER: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

PHONE, FAX, EMAIL: \_\_\_\_\_

DEMOGRAPHIC DATA FORM #3

THE FOLLOWING INFORMATION SHOULD BE PROVIDED AS IT PERTAINS TO YOUR SBDC.

- 1. Counseling hours\*
  - a. Total number of counseling hours provided to all clients  
(regardless of hours) in 2018 \_\_\_\_\_ hours
  - b. Total number of counseling hours provided to clients in 2018 who  
received five (5) or more hours of assistance
    - LONG-TERM PRE-VENTURES \_\_\_\_\_ hours
    - LONG-TERM EXISTING CLIENTS \_\_\_\_\_ hours
- 2. Proportion of total budget allocated to counseling  
[counseling hours (from 1a above) + travel hours/  
total hours worked by all counselors] in 2018 \_\_\_\_\_ %
- 3. State sales tax rate in 2019 \_\_\_\_\_ %
- 4. Average state personal income tax  
paid per return in 2019\*\* \$ \_\_\_\_\_

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\* *Counseling Hours:* For the purpose of the national impact studies conducted under the auspices of the ASBDC, counseling hours shall include all time spent by counselors in the following activities: (1) direct one-on-one contact with clients in person or by telephone, (2) preparation for client meetings, (3) research activities on behalf of clients, (4) correspondence with clients by mail, fax, or email.

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

CENTER: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

PHONE, FAX, EMAIL: \_\_\_\_\_