

“Promoting a Resilient Economy for Hawai‘i Farm Businesses”, August 18, 2023, Hilo, HI

Testimony of Joseph Burns, Interim State Director of the Hawai‘i Small Business Development Center (Hawai‘i SBDC)

Thank you, Senator Hirono and the members of the Senate Committee on Small Business and Entrepreneurship for your invitation to submit testimony on this crucial topic.

With respect to federal agencies which support Hawai‘i small agricultural businesses, may I please mention three: the United States Department of Agriculture (USDA), the U.S. Small Business Administration (SBA), and the U.S. Department of the Treasury.

1) The Hawai‘i SBDC continues to work in partnership with the USDA through 2 of their flagship guaranteed loan programs: the Community Facilities Guaranteed Loan program, and the Business and Industry Loan Guarantees. By providing business advisory services and writing required feasibility studies, we have contributed to the funding of agricultural and rural development projects at least over the last 13 years. Examples include:

- A coffee school with career and workforce development training on the cultivation, processing, roasting, and cupping of coffee
- A rural urgent care medical clinic on Kaua‘i: while not an agricultural project per se, this clinic helps to attract and sustain farm owners and workers by providing urgent medical care in the rural community surrounding it
- A cattle ranch refinance on the Big Island lowering their financing expenses and supporting their expansion into the agritourism sector

2) With respect to the SBA, the Hawai‘i SBDC partners with the state Department of Business Economic Development and Tourism (DBEDT) by providing export business advisory services to Hawai‘i businesses involved in the SBA State Trade Expansion Program (STEP), which is administered as a cooperative grant to states. Branded in Hawai‘i as the as HISTEP program, we cover areas such as export planning, international market research, and export financing, including the SBA’s excellent guaranteed export finance loans. These programs are particularly helpful for local value-added agricultural product creators.

Examples of HISTEP export assistance provided by the HISBDC to to value-added agricultural businesses include:

- A vertically integrated cacao grower and craft chocolate manufacturer and exporter
- A distiller of heirloom Hawaiian sugar cane varieties producing high-quality rum
- A manufacturer of reusable cloth food wraps using 100% Hawaiian beeswax

SBA is allowing SBDCs to select a regional goal for this next program year that will improve economic conditions by addressing priorities in our locality. The Hawai‘i SBDC has selected the agriculture sector as our regional goal focus, in order to contribute to sustainable agriculture and food security in Hawai‘i.

3) A program we may not immediately associate with agriculture is the U.S. Department of the Treasury’s State Small Business Credit Initiative (SSBCI). Through investments with states, the SSBCI program provides funding support for both equity and debt access to capital programs. In Hawai‘i, we have established the HI-CAP capital acquisition programs funded by the SSBCI

program and administered by DBEDT and the Hawai'i Technology Development Corp. in cooperation with local banks.

There is also a technical assistance element of the program under which the Hawai'i SBDC will receive funding to provide business financial literacy and management improvement services to socially and economically disadvantaged entrepreneurs and very small businesses outside of O'ahu. Potential participants for technical assistance in these areas tend to be farm and rural businesses. We plan to house this effort in our Lead Center office in Hilo, and are speaking with potential partners, such as the University of Hawai'i at Hilo, and a local ag-tech community program among others.

As for how to improve federal programs that support agriculture and rural communities, one specific idea refers to the USDA Community Facilities Guaranteed Loan program mentioned above. There is a requirement that under certain circumstances, applicants must obtain the examination opinion of a CPA attesting to the validity of the assumptions in the Financial Feasibility Report. In our experience, it has been very difficult to find local CPAs who are willing and capable to render the examination opinion when it is required. Applicants must then turn to mainland CPA firms which in our experience are prohibitively expensive, thus creating a barrier to completing a potentially valuable project. If there is not such a mechanism already, would the USDA consider making available funding to facilitate the CPA examination opinion?

Lastly, the national SBDC program has nearly 1,000 local centers providing no-cost business advisory services and low-cost training to both new and existing businesses. Small business owners and aspiring entrepreneurs can go to their local SBDC for individualized, face-to-face business advising and access training on a wide variety of timely and relevant topics.

As small businesses owners navigate an ever-changing and challenging environment, SBDCs continue to support and elevate our clients. Small businesses who partner with their local SBDC receive solutions and results that help their businesses thrive on main streets across the U.S. SBDCs are the leaders in job creation and attributed measurable economic impact. The latest annual national results show \$7.7 billion in client capital acquisition and the creation of 85,094 new jobs. Each federal dollar invested produced \$1.66 in federal revenue and \$3.64 in state revenue.

The Hawai'i SBDC, accredited since 1990, and hosted continuously since then by the University of Hawai'i at Hilo, manages 5 service centers statewide on the four major Hawaiian Islands. In the first 2 quarters of 2023, the Hawai'i SBDC advised 941 unique clients, and materially assisted with \$19,944,192 in attributed capital acquisition. Our client satisfaction rate during this period was 96%.

We thank Senator Hirono for cosponsoring the SBDC Improvement Act of 2023, which reauthorizes the national SBDC program, and enhances its effectiveness. We fully support this bill (S. 2185, 118th Congress). Some important provisions of this bill are:

- Section 2 adds depth and detail to the existing mandated report to Congress with respect to the SBDC's annual entrepreneurial development activities
- Section 3 allows SBDCs to use a limited amount of SBA cooperative grant funding for marketing purposes
- Section 7 strengthens the protection of client confidentiality

We are grateful for the Committee's continuing support for federal programs which help to sustain agriculture and rural businesses in Hawai'i for the accomplishment of the shared goals

of reducing food insecurity, removing barriers to pursuing agriculture, and providing the capital and technical assistance needed to foster a robust agricultural economy.