



Testimony

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to

Executive Office of Housing and Economic Development FY 2015 Budget Hearing

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Good Morning. My name is Joseph Kriesberg and I am the President of the Massachusetts Association of Community Development Corporations. Thank you for the opportunity to speak to you today.

MACDC strongly supports affordable housing and the many excellent programs that are administered by the Department of Housing and Community Development. We support full funding for those programs as outlined by our colleagues in the Building Blocks Coalition.

Today, however, I am here to talk about Small Business Development and specifically the Small Business Technical Assistance program, administered by the Massachusetts Growth Capital Corporation. This is a low-cost, high-impact program that helps disadvantaged entrepreneurs start, grow and sustain successful businesses across the state. I am here today to ask you to ensure continued funding for this critical program and to restore its funding closer to the original level established in 2006 of \$2 million.

I am familiar with this program both in my role as the President of MACDC and as one of the Governor's appointees to the board of MGCC.

Small businesses play a critical role in our state's economy, in particular in low-wealth communities, small towns, and immigrant neighborhoods. Firms with fewer than 20 employees – those served by this program – account for over 500,000 jobs in Massachusetts. Yet firms located in lower income communities and those owned by immigrants, people of color and woman, often struggle with a host of challenges from business planning, to permitting, to financial management and access to capital.

Fortunately, Massachusetts has many high-quality non-profit organizations that offer a wide range of services that help these business owners succeed. Since 2006, the Small Business Technical Assistance Program has funded approximately 20 – 25 agencies each year (see enclosed list), enabling thousands of business owners to benefit. Last year, MGCC allocated \$700,000 and achieved a tremendous return on investment:

**MGCC's Small Business Technical Assistance Program
FY 2013 Results**

- 910 business clients received services from our grantee small business assistance providers
- 500 (55%) were women; 310 (34%) minorities; 226 (25%) immigrants;
- 499 (55%) located in LMI communities
- 511 (56%) were low or moderate income entrepreneurs
- The Program helped small businesses achieve impressive results
 - 156 (17%) new businesses were created
 - 283 (31%) businesses stabilized
 - 296 (33%) businesses grew as a result of services provided by our grantees
 - These businesses created nearly 500 jobs and preserved another 300 jobs
- 259 (28%) of businesses received financing for a total of \$ 26,526,075

The program achieves these results by using a highly competitive process to select the highest performing organizations in the state, all of whom are using the state funds to leverage other resources from local, federal and private sources. Grantees are required to submit detailed reports on their activities according to a consistent framework of metrics. The program encourages collaboration among grantees and between the grantees and state/local government. Significantly, the program has funded organizations across the state, from the Berkshires, to Cape Cod, to Boston and many Gateway Cities. We believe that a competitive, merit-based program is a much better approach than the practice used previously when earmarks for specific organizations were common in the state budget. It is more fair and transparent and it makes much better use of taxpayer dollars.

The program was originally funded with state appropriations for the first several years. In October 2006, when Deval Patrick was first running for Governor, he announced at the MACDC Convention that he would retain the program for "all eight years" he planned to serve in office. To date, he has kept that promise with funding being provided in recent years by the Massachusetts Growth Capital Corporation. MGCC agreed to fund the program during the budget cuts induced by the Great Recession. We are asking you to make sure that an eighth year of funding is provided in FY 2015.

Given the success of the program, we respectfully request that you boost its funding level to at least \$1.5 million in FY 2015. This would begin to move the program back to its original funding level of \$2 million per year – and the level you embraced in 2006 before the Great Recession hit the state budget. We think the funding increase is easily justified by the results achieved by the program.

However, MGCC cannot afford to make such an investment with its current level of resources, and in fact may not be able to continue funding the program at all without an infusion of new dollars from the state. As a lending agency, MGCC cannot continually offer grants from its capital reserves without eventually undermining its ability to make loans to small businesses directly. Therefore, we are asking you to include funding for the program in the budget you submit to the Legislature in January 2014.

Thank you again for your consistent support of this vital program and your consideration of this request.