Emily Starr knows how to teach kids. A fourth-grade teacher in DeWitt, Iowa, she had an idea for a Web-based educational tool that would help schools, teachers, and parents reinforce core concepts in math and reading.

But Starr didn't know how to turn that idea into money - a viable business. "I had expertise in the content area," she said. "I didn't really know how you take a concept and develop it into a business."

In March 2005, she attended Boot Camp for Entrepreneurs, an educational program presented by the Davenport-based Eastern Iowa Small Business Development Center, which also offers free business counseling. She's been a client of the Small Business Development Center (SBDC) ever since, and this spring plans to begin marketing StarrMatica Learning System. (The program's Web site can be found at http://www.starrmatica.com and includes a product demonstration.)

Starr is in the middle of a one-year leave of absence from her teaching job, but she doesn't expect to return. Ironically, the educational mandate that has made her hesitant to go back to the classroom - the No Child Left Behind Act - created a nationwide market for her product.

The law has taken "a lot of the joy out of teaching," Starr said. But with its emphasis on standardized testing in the areas of reading and math, No Child Left Behind means that educational products can focus on those areas without needing to be adapted for local curricula. And Starr saw a void of relatively inexpensive, online resources for educators and parents. StarrMatica will be available to school districts for a base rate of $3 per student.

So far, Starr has contracted with writers, programmers, and researchers, and is looking to

hire her first employee - a sales representative - in the next few months. With the assistance of the Small Business Development Center, she has set up an advisory board and is trying to establish a relationship with the lab school at the University of Northern Iowa to test her product. Startup costs have reached into six figures, which she has covered through her savings and family loans.

Starr stressed that the Small Business Development Center was a critical catalyst in her transition from teacher to entrepreneur. "Without their help, I wouldn't have started my business," she said.

There are more than 1,000 SBDCs nationwide - the program is a partnership between the federal Small Business Administration and state and local hosting institutions - and they serve hundreds of thousands of people each year. Research has indicated that businesses that receive counseling from SBDCs grow more quickly - in terms of employees and sales - than businesses that do not receive counseling, and that incremental tax revenue more than pays for the program. Furthermore, studies show that SBDC-participating businesses last longer than the typical small business.

So why is the Small Business Development Center program so meager, particularly with politicians from both major parties emphasizing the importance of small business to the economy?

"It Never Seems to Be a Priority"

The Quad Cities have two SBDCs: one for the Iowa side in the NewVentures Center in downtown Davenport, and one for the Illinois side at 4703 16th Street in Moline. In their most recent fiscal years, they provided counseling to clients totaling nearly 2,350 hours; their current combined budgets total approximately $265,000.

The Small Business Development Center program was started in 1977 as a pilot project in

five states. SBDCs are funded with $88 million at the federal level this fiscal year, said Don Wilson, president of the Association of Small Business Development Centers. Federal funding over the past few years has ranged from $81 million to $90 million, Wilson said. (Federal money for SBDCs must be matched at a state or local level, so the amount actually being spent on the program is roughly $200 million nationwide.)

But that's a pittance for a federal program, particularly one with demonstrated success in an area that most politicians claim to care deeply about. "We're at a loss," Wilson said when asked about federal funding for SBDCs. "It never seems to be a priority."

Small Business Development Centers are not the only assistance sources for people looking to start or expand a company. The national organization SCORE also offers free business counseling, provided by retired and working executives.

George Kovacs, marketing chair of the local SCORE chapter, said his organization's efforts are "very much in parallel" with those of SBDCs. The Quad Cities SCORE offers walk-in counseling Tuesdays and Thursdays at the Illinois Quad City Chamber of Commerce, Tuesdays at DavenportOne, and Wednesdays at the Bettendorf Chamber of Commerce. (Counseling hours are 10 a.m. to noon at each site.)

Kovacs said SCORE is "a very useful and helpful complement" to SBDCs because those offices are "hampered by budget restrictions. They don't have the means to do what they'd like to do."

Small Business Development Centers certainly aren't sexy - specializing in home-grown incremental development. And that might work against them in terms of funding.

"Every time people want to do something, they want to do something new," said Eastern Iowa SBDC Director Ann Hutchinson, the former Bettendorf mayor. "Politicians don't want to just talk about, ‘Oh, I gave more money to so-and-so.' They want to come up with some new concept. ... The thinking is that ‘What we're doing isn't working, so we should do something new.' Well, maybe what you're doing isn't working because you're not putting enough resources toward it."

In recent years, the Quad Cities have seen the development of the NewVentures Center in Davenport and the Northwest Region Entrepreneurship Center in Rock Island. (The *Reader* will discuss those projects in a future article.)

Those "entrepreneurial" initiatives, for the most part, are chasing the next big idea - the type of business that might have front-page sizzle and hundreds of jobs if it takes off. And as states and communities look for magic bullets to jump-start their economies, the SBDCs sometimes get lost.

A lot of states and communities are focusing on bio-tech; that's one emphasis of the NewVentures Center, for example. But Wilson called that a "zero-sum game," as companies will follow the incentive money to other states or even other countries. Furthermore, he said, bio-tech is largely the province of large companies.

SBDCs focus on the entrepreneurs already in a community - the people who got laid off when a plant closed, or who got fed up with working for somebody else, or who just had an idea or a dream. Places such as the NewVentures Center, Hutchinson said, serve "a very specific clientele. I serve everybody." The only criterion to qualify for SBDC assistance is that a business have fewer than 500 employees.

Some people, such as Starr, come in without a business background or a plan. They come in and say, "I have absolutely no idea what to do," Hutchinson related. Frequently, they don't even have what she called the "elevator speech - what exactly does this business do?"

Other businesses need limited assistance.

When it was developing the $2-million Bucktown Center for the Arts in 2004, MidCoast Fine Arts was trying to secure $200,000 in financing from the City of Davenport but had difficulty submitting a business plan to the city's satisfaction. MidCoast was referred to the SBDC.

"We needed that [the city financing] for the lender," said Dean Schroeder, MidCoast's executive director. "They helped write the plan." Hutchinson also accompanied the organization to its meeting with the lender.

"I thought it was phenomenal," he said of the SBDC program. "It was probably *the* critical element."

The business plan has even helped MidCoast deal with one of Bucktown's shortcomings - its failure to secure a first-floor restaurant/coffee-shop tenant. The business plan anticipated a 14-percent vacancy rate, Schroeder said, so "it hasn't hurt as badly, because of the projections."

Barriers to Success

SBDCs are so valuable because ideas and expertise in a particular area don't necessarily translate into business skills. "Most small-business owners in this country have had no management training," Wilson said.

He gave the example of a superior auto mechanic who decides to open his own auto-repair shop. The mechanic might know cars better than anybody else. But "most people don't know how to write a business plan, what a business plan is," Hutchinson said. "They're afraid to do it. They don't understand marketing and market research, as opposed to advertising. ... They don't understand how to do their financial projections.

"People are pretty much lost. We just don't teach these things in high school or in college, unless they happen to be business majors. And I even find business majors who are kind of clueless when it comes to trying to write a business plan."

And that typically gets a budding business into trouble. "It's not uncommon for me at all to get telephone calls from people who said, ‘You know, I started my small business about two years ago, and I didn't really have any money when I did it, and now I've got about $50,000 in credit-card debt, and now I need to refinance my business,'" Hutchinson said. "If they don't understand what they're getting into and they don't plan ahead, that's the biggest barrier to success in small business."

Or as Donna Scalf, the director of the Small Business Development Center in Moline, tells clients: "You cannot open a restaurant just because you like to eat."

Another barrier is financing. Small businesses often don't require big bucks, and Hutchinson said banks are hesitant to deal in small-dollar, higher-risk loans. If a business needs $35,000, she said, "that's credit card."

And many small businesses don't have collateral. A Web-based business such as Starr's has few assets beyond the idea itself. "It's difficult for banks to say, ‘This intellectual capital - that's something we can collateral-ize,'" Wilson said.

"What is a bank going to take as security?" Hutchinson asked. "There just is no hard collateral. And banks haven't come to terms with that yet ... . They just haven't caught up."

A Record of Growth

There's plenty of evidence that SBDCs help businesses succeed.

James J. Chrisman, a professor at Mississippi State University, has been evaluating their effectiveness since he was a Ph.D. student in the early 1980s. He is now a consultant for 35 states - including Iowa and Illinois - as well as the Association of Small Business Development Centers. He sends out questionnaires to SBDC clients and compares the results to overall business performance in a state or in the U.S.

His findings are unequivocal. In the most recent national analysis, dated September 5, 2006, Chrisman concluded that "the long-term clients of the SBDC [those that received at least five hours of counseling] generated a total of approximately $9.3 billion in sales and 81,289 new full-time equivalent jobs as a result of the assistance received ... . This amounted to a total of approximately $662.4 million in tax revenues ... . When compared to the cost of operating all 63 [state and jurisdictional] SBDCs in the U.S. ($193 million), these counseling activities generated approximately $3.43 in tax revenues for every $1 spent on the entire program."

Furthermore, the state analysis for Iowa found that SBDC clients grow more quickly than other businesses in the state. Chrisman found that SBDC client sales grew 27.7 percent between 2004 and 2005, compared to 3.7 percent for businesses overall. And employment grew 19.8 percent for SBDC businesses compared to 1.6 percent in the state overall.

Hutchinson said she didn't have statistics for her center in terms of jobs created and sales. "They don't give us any statistics on a center-by-center basis," she said - although nothing prevents her from tracking those herself. The statistics she keeps for her center include counseling clients and hours, and attendance at SBDC classes.

At the SBDC in Moline, Scalf said her clients generated 110 new jobs in calendar year 2005, started five new businesses, and expanded or bought out nine businesses. Clients also secured more than $3 million in financing.

Chrisman said his comparison of SBDC clients to a state's businesses overall is appropriate, even though it includes large corporations. Using all businesses gives an accurate sense of a state's or the country's economy, and trying to separate small businesses from the large would be time-consuming and expensive. "It's a fair comparison," he said, even though "it's not necessarily the best that could be achieved."

He acknowledged that he has a conflict of interest, in the sense that the states and the national association that hire him would like to see their SBDC funding increase. But "I get paid regardless of what the results are," he said.

That's true, but he's hired in part because his research has consistently shown SBDCs to be cost-effective; states know what they're getting.

He noted, however, that every year, roughly 10 percent of the programs he analyzes aren't cost-effective; they cost more than they generate in tax revenue.

The Association of Small Business Development Centers' Wilson said that Chrisman's process and results are valid. "His methodology has been peer-reviewed for 20 years," he said. "It's a very conservative methodology."

But that hasn't translated into more federal money.

Wilson said that although Congress decides appropriation levels, it's heavily influenced by the Office of Management & Budget (OMB). He suggested that agency is responsible for the stagnation of SBDC funding.

OMB certainly isn't high on the SBDC program, but its criticism has less to do with its effectiveness than the fact the Small Business Administration (SBA) hasn't articulated measurable goals. A Fiscal Year 2004 Office of Management & Budget analysis noted: *"The Chrisman Economic Impact Study claimed that the SBDC program is effective and achieving results in that the program's counseling activities generated approximately $2.78 in tax revenues for every $1 spent on the entire program [in that fiscal year]. Nonetheless, since SBA has not identified any measurable-outcome goals, it is difficult to know whether this program is achieving any meaningful results."*

But Hutchinson said that there's a pattern in which small business gets lip service but little money or resources.

"It's just like the government," she said. "Everybody likes to talk about how much they love small business, but they don't do anything *for* small business. The one thing the state could do to help small business more than anything is expand the SBDC network. ... I cover 15 percent of the population of Iowa - with one person."

Furthermore, she said, banks could help small businesses by changing their lending policies - for instance, by offering unsecured small-business loans of less than $50,000 amortized over at least seven years.

"Banks ... like to talk about how much they like small business," she said, "but they don't provide the kinds of products and services that small businesses truly need."