Overview: SBA Innovation Clusters

Tuesday, November 12, 2013
SBA's Pilot Contract Based Clusters (10), $14.7M
• SBA

Jobs Accelerator Collaboration Clusters (20), $37M
• EDA, ETA, SBA

Advanced Manufacturing Jobs Accelerator Collaboration Clusters (10), $20M
• EDA, ETA, NIST, DOE, SBA

Rural Jobs Accelerator Collaboration Clusters (13), $9M
• EDA, USDA, DRA, ARC

56 Federally Funded Cluster Initiatives
$214.6 Million
### Jobs Accelerator Advanced Manufacturing

<table>
<thead>
<tr>
<th>No.</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>NY - Rochester Regional Optics, Photonics &amp; Imaging Accelerator</td>
</tr>
<tr>
<td>12</td>
<td>NY - Advanced Manufacturing of Thermal and Environmental Control Systems</td>
</tr>
<tr>
<td>13</td>
<td>PA - Agile Electro-Mechanical Product Accelerator</td>
</tr>
<tr>
<td>14</td>
<td>PA - Greater Philadelphia Advanced Manufacturing Innovation and Skills Accelerator</td>
</tr>
<tr>
<td>15</td>
<td>TN - Advanced Manufacturing and Prototyping Center of East Tennessee</td>
</tr>
<tr>
<td>16</td>
<td>MI - Advanced Contract Manufacturing of Southeast Michigan Cluster</td>
</tr>
<tr>
<td>17</td>
<td>OK - Manufacturing Improvement Program for the Oil and Gas Industry Supply Chain</td>
</tr>
<tr>
<td>18</td>
<td>AZ - Southern Arizona Aerospace and Defense Cluster</td>
</tr>
<tr>
<td>19</td>
<td>CA - Advanced Manufacturing Medical/Biosciences Pipeline for Economic Development (AM2PED)</td>
</tr>
<tr>
<td>20</td>
<td>OR - Innovations in Advanced Materials and Metals Cluster (IAM2)</td>
</tr>
</tbody>
</table>

### Jobs Accelerator Collaboration Clusters

<table>
<thead>
<tr>
<th>No.</th>
<th>Cluster Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>ME - GreenME Renewable Energy Industry Cluster</td>
</tr>
<tr>
<td>22</td>
<td>NY - Finger Lakes Food Processing Cluster Initiative Food Processing</td>
</tr>
<tr>
<td>24</td>
<td>PA - Southwestern Pennsylvania Revitalization Energy/Health Care</td>
</tr>
<tr>
<td>25</td>
<td>OH - Northeast Ohio Speed-To-Market Accelerator Energy/Flexible Electronics</td>
</tr>
<tr>
<td>27</td>
<td>TN - Advanced Composites Employment Accelerator Advanced Composites with Focus on Low-Cost Carbon Fiber Technology</td>
</tr>
<tr>
<td>28</td>
<td>GA - Atlanta Health Information Technology Cluster Health Information Technology</td>
</tr>
<tr>
<td>29</td>
<td>FL - Space Coast Clean Energy Jobs Accelerator Clean Energy</td>
</tr>
<tr>
<td>30</td>
<td>WI - Milwaukee Regional Water Accelerator Project Water</td>
</tr>
<tr>
<td>31</td>
<td>IL - Rockford Area Aerospace Cluster Jobs and Innovation Accelerator Aerospace</td>
</tr>
<tr>
<td>32</td>
<td>MO - St. Louis Bioscience Jobs and Innovation Accelerator Project Bioscience</td>
</tr>
<tr>
<td>33</td>
<td>MN - Minnesota’s Mining Cluster Energy</td>
</tr>
<tr>
<td>34</td>
<td>MO – Kansas City Regional Jobs Accelerator Advanced Manufacturing &amp;Information Technology</td>
</tr>
<tr>
<td>35</td>
<td>AR - Launching the ARK: Acceleration, Resources, Knowledge Information Technology</td>
</tr>
<tr>
<td>36</td>
<td>KS - Center for Innovation and Enterprise Engagement Advanced materials</td>
</tr>
<tr>
<td>37</td>
<td>ND - Upper Missouri Tribal Environmental Risk Mitigation Project Environmental Risk Mitigation</td>
</tr>
<tr>
<td>38</td>
<td>WA - Washington Interactive Media Accelerator - Interactive Media</td>
</tr>
<tr>
<td>39</td>
<td>OR - Portland Regional Clean Tech Advance Initiative Clean Tech</td>
</tr>
<tr>
<td>40</td>
<td>CA - San Diego-Imperial Valley Renewable Energy Generation Training and Demonstration Center Renewable Energy</td>
</tr>
</tbody>
</table>

### 56 Federally Funded Cluster Initiatives

#### Initial Clusters

- **A**: PA – Greater Philadelphia
  - Energy-Efficient Buildings Hub (SBA, EDA, NIST, DOE)
- **B**: FL – Space Coast – Space Shuttle Shutdown Transition (SBA, EDA, NASA, DOL)
- **C**: OH: Southwest Ohio Water Cluster – Water Research (EPA)

#### Rural Jobs Accelerator

- **41**: MS – Community and Economic Development in Rural Mississippi
  - Automotive, Furniture, Agribusiness
- **42**: NC - WNC AgriVentures – Cultivating Jobs and Innovation Project Agribusiness
- **43**: NC - North Carolina Eastern Region Aerospace and Automotive Cluster Project Aerospace, Automotive
- **44**: SC - South Carolina Alliance Rural Jobs and Innovation Accelerator Challenge Nuclear Energy
- **45**: LA- I-20 Corridor Regional Accelerator Bioscience
- **46**: IL - Henry-Rural Rock Island-Mercer County Economic Development Consortium Agribusiness/Food Processing
- **47**: KS - Project 17: Together We Succeed Advanced Manufacturing
- **48**: CT - New England Food Hub Cluster Initiative Food Processing
- **49**: NH - Northern Tier Farm and Forest Jobs Accelerator Agribusiness
- **50**: VA - Appalachian Spring – Using Asset-Based and Creative Economy Methods to Catalyze Rural Job Acceleration Music/Craft/Local Tourism
- **51**: WV - Southern West Virginia Rural Jobs Accelerator Partnership Music/Craft/Local Tourism
- **52**: WV – Value Chain Initiative Food Processing
- **53**: AK - Bristol Bay Jobs Accelerator Project Fisheries, Seafood Processing
Example of Interagency Collaboration: $20M in Direct Support to 10 Clusters from SBA, EDA, DOE, NIST, DOE and ETA

Activities

- Accelerate the formation of new high-growth businesses and growth of existing businesses and help create high-wage jobs
- Accelerate the creation of high-wage jobs
- Advance the commercialization of research
- Enhance the capacity of small businesses in the cluster, including small and disadvantaged businesses
- Increase exports and business interaction with international buyers and suppliers
- Develop the skilled workforce needed to support growing clusters

Expected Outcomes:

- 1,000 workers trained for careers in high-growth sectors
- 650 companies will leverage cluster resources
- Quarterly progress reports via an integrated work plan
Summary of Cluster Initiative

Pilot Findings: SBA’s initiative re: 10 Pilot Contract-Based Clusters is the first program in the federal government to evaluate the impact of clusters

- Traditional cluster investments have focused more on long-term evaluation (5-10) years.
- Through SBA’s efforts, there has been a focus not only on long-term evaluation, but also early outcomes (1-3 years)
- Focus has also been on analysis of cluster formation, impact specifically on small businesses and the supply chain, best practices, and best ROI.

In just 2 years, small businesses in the 10 pilot clusters saw the following impacts:

- Increased participation in SBA’s 10 pilot clusters by more than $380%.
- Average employment growth by more than $18%.
- 23% increase in the average revenue.
- Over $66 million in capital accessed through private funding sources, such as loans, venture capital, and angel capital.
- More than $14 million in early stage investment from federal SBIR and STTR awards.
- More than $807 million in contracts or subcontracts in 2 years won by small businesses.
Cluster A Energy $148M
Cluster B Defense $61M
Cluster C Geospatial $24M
Cluster D Electronics $21M
Cluster E Energy $8M
Cluster F Defense $7M
Cluster G Defense $5M
Cluster H Agriculture $140K
Cluster I Nuclear $ data pending year 2
Cluster J Aviation $ data pending year 2

* Graph not to scale

Year-one snapshot as prepared by SBA: longitudinal relationship between mix of services and economic output will be examined as each cluster evolves.

Will be updated for Y2

Graphic by Cluster of Service Emphasized vs Cluster’s Economic Activity

SBA Internal Deliberative Process Only, Pre-decisional
Back-Up Slides
Pilot Findings: Focusing on small businesses helped increase small businesses’ participation in the cluster

- Total small business participation grew from 179 small business participants to 859, a **380% increase**.
- 96% of small businesses active in Year 1 remained active in Year 2.
- Small businesses’ top reasons for participation in clusters:

![Bar chart showing the percentage of small businesses surveyed for different reasons for participation]

- Networking with other small businesses: 82%
- Access to new markets, either domestic or international: 35%
- Access to cluster services (i.e., counseling): 55%
- Access to government procurement opportunities: 49%
- Integration in the industry’s supply chain: 30%
- Other: 13%
Pilot Findings: All ten clusters provided services directly to their Small Business participants by one-on-one services or group training; the majority also leveraged SBA resource partners and third-party organization’s expertise.

Year Two Services

Focus of One-on-One Sessions

Focus of Group Training Sessions
Pilot Findings: From Year 1 to Year 2, all clusters allocated more funding to providing services vs. cluster management
Pilot Findings: Clusters helped small businesses grow

6.5% Change in Average No. Full Time Employees

8.7% Change in Average No. Part Time and Full Time Employees

3.8% Change in Average $ Monthly Payroll

10.8% Change in Average $ Annual Revenue

Eighteen new businesses started after founders’ first cluster participation

Benchmark:
Increase is 9% higher than the change in total employment for similar firms not in SBA clusters

September

Sept. ’10 Sept. ’11 Sept. ’12

$175,000 $180,000 $185,000

$180,000 $185,000 $190,000

$195,000 $200,000 $205,000

Benchmark:
Increase is 16.2% higher than the change in state-level total compensation for similar firms not in SBA clusters
Pilot Findings: Clusters helped small businesses spur innovation, a key driver of productivity growth

Percentage of Small Businesses Developing New Products or Services

- 60%

Percentage of Small Businesses Commercializing New Technology

- 42%

Attitudinal Findings:

- 60% of small business respondents agree or strongly agree that cluster participation resulted in the development of new products and services.

- 42% agree or strongly agree that cluster participation led to the commercialization of new technology; (71% of clusters seeking commercialization services).

- 87% of small businesses reported that the services and activities provided by the clusters were unique and could not be found elsewhere.

- 80% of participants agree or strongly agree that cluster activities led to increases in collaborative activity within their region.

Number of patents received by Small Businesses

76 out of 109 reporting
Pilot Findings: Clusters helped small businesses enhance economic activity

Year Two economic activity reported by cluster administrators as tied directly to cluster assistance or tied indirectly to the cluster by virtue of the small business being an active cluster participant*:

- Over $589.6M in contracting/subcontracting activity
- Nearly $18.4M in AC, VC, other private funding, and loans
- Over $8.3M in SBIR/STTRs awards
- Nearly $17M in grants

* Excludes small business participants’ economic activity that had no connection to their participation in the cluster.