

B. State Development Corporations (Section 501).—These corporations are authorized by special Acts of the State legislatures, privately organized, owned and operated, and initially financed from private sources. We are pleased with the success of the program particularly because it has *not* required extensive outlays of Federal funds. Since the program was initiated in 1959:

37 states have enacted legislation to establish the Corporations.

21 of the Corporations are now active.

7 of the Corporations have borrowed \$14.5 million from SBA under 23 loans (Table 18).

An organization of 19 State Development Corporations has been formed to stimulate the program. The organization reports that 90 percent of the financing provided by State Development Companies benefits small business; as of September 30, 1967, their 19 companies had outstanding 836 loans totalling \$76.4 million.

Future outlook.—The willingness of member banks to finance Corporate operations has reduced demands for loans from SBA. We expect this healthy condition to continue through FY 1969. Accordingly, our budget calls for a modest \$5 million in FY 1969 for this program.

C. Local Development Companies (Section 502).—The Development Company program is one I like to describe as a "peoples program" because it is pre-eminently a local self-help program. Members of a community are encouraged to build healthy, viable communities capable of sustained economic growth. Each Company must be principally composed of, and controlled by, persons residing or doing business in the community. The benefits of the program accrue to the people in the community—not just the Company or the small businessman.

Program progress.—From a modest beginning in 1959, when only 14 loans were made for \$1,671,000, the program has financed through December 31, 1967, a total of 1,556 loans for projects costing almost \$305 million (Tables 19 and 20). Of this amount, the Local Development Companies raised \$69.0 million and private lending agency participation totalled \$17.0 million, thus leaving the SBA share at \$219.0 million.

The small businesses financed under this program have provided about 65,000 employment opportunities which means that for every \$3,400 in SBA seed money, a new job opportunity was created. This is a most remarkable record. Furthermore, if we assume the average wage to be \$4,000 annually, new payrolls would run to over \$250 million a year, thus generating local economic growth and added tax revenues.

The majority of these Development Company loans are made in small communities. To illustrate this, I would like to cite a few statistics on our FY 1967 activity:

Community population	Loan projects		Job opportunities Created	
	Number	Percent	Number	Percent
Under 2,500.....	146	43.1	6,199	53.0
2,501 to 5,000.....	48	14.1	1,566	13.4
5,001 to 10,000.....	44	13.0	1,211	10.4
Subtotal.....	238	70.2	8,976	76.8
10,001 to 25,000.....	28	8.2	930	7.9
Over 25,000.....	72	21.6	1,778	15.3
Total.....	338	100.0	11,684	100.0

During 1967, 23.4 percent of these loans were placed in depressed areas such as Appalachia. Some were used to assist communities in diversification of their industries. Others were used to expand businesses to stimulate economic growth in the community. Forty-one percent of the funds loaned in 1967 went into new businesses. The 338 projects financed in 1967, covered a wide range of industries: Manufacturing—189; Transportation—12; Wholesale-retail—45; Services—83; Construction, recreation, etc.—9.

Loans are made for the overall benefit of the community involved. To give you some examples of how flexible we are in this program, I would like to illustrate the variety of loans we make:

In a mining town in the west for years, the people have been removing ore from beneath the nearby mountains and yet, no use was ever made of