

**H.R. 6445, the “Small Business Development Centers Improvement Act of 2022”  
Representative Jared Golden (D-ME) and Representative Jim Hagedorn (R-MN)  
Background**

**Background**

America’s 30 million small businesses account for more than 56 million jobs and create two out of three private sector jobs in the United States.<sup>1</sup> The Small Business Administration (SBA) offers a wide range of free or low-cost counseling and training services through its entrepreneurial ecosystem to help entrepreneurs launch and grow their small businesses. To deliver these resources, the SBA relies on its four primary Resource Partners: Small Business Development Centers (SBDCs), Women’s Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs).

The largest of the Resource Partners within SBA’s entrepreneurial ecosystem is the SBDC network, SBDCs receive grants from SBA to leverage a unique mix of federal, state, and private sector financial resources to foster the economic growth of small businesses that generates business revenue, creates and retains jobs, and enhances local and regional economies. SBDCs deliver management and technical assistance to small businesses through an extensive business education network comprised of 62 lead centers managing nearly 1,000 outreach locations throughout the country.<sup>2</sup> SBDCs deliver professional business advice and training focused on strategic planning, business development, financial planning, and cash flow management to hundreds of thousands of business clients annually. In 2020, SBDCs provided training and counseling to almost 511,000 entrepreneurs and small business owners.<sup>3</sup> In 2019, SBDCs helped clients start more than 20,000 small businesses and obtain \$6 billion in financing.<sup>4</sup> For every federal dollar spent on the SBDC program in 2019, SBDC services generated \$1.99 in federal revenue.<sup>5</sup>

**Legislation**

H.R. 6445, the “Small Business Development Centers Improvement Act of 2022”, was introduced by Representative Jared Golden (D-ME) and Representative Jim Hagedorn (R-MN). The legislation will:

- Modernize and strengthen the SBDC network;
- Authorize funding for the SBDC program for four years (FY2022-FY2025) at \$175 million for each fiscal year;
- Require an annual report to measure the effectiveness of the SBDC program; and
- Increase awareness of SBDC program and services.

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<sup>1</sup> SBA, FY 2021 CONGRESSIONAL BUDGET JUSTIFICATION AND FY2019 ANNUAL PERFORMANCE REPORT at 5.

<sup>2</sup> America’s SBDC, *About Us*, <https://americassbdc.org/about-us/> (last visited May 4, 2021).

<sup>3</sup> America’s SBDC, *2021 Annual Report*, <https://www.sbdciimpact.org/results> (last visited May 10, 2021).

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

**H.R. 6445, the “Small Business Development Centers Improvement Act of 2022”  
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Section-by-Section**

*Section 1. Short Title.*

This Act may be cited as the “Small Business Development Centers Improvement Act of 2022”.

*Section 2. Annual Report on Entrepreneurial Development Programs.*

This section amends Section 10 of the Small Business Act (15 U.S.C. 639) by creating a new subsection (i).

Subsection (i) — Annual Report.

This subsection requires the SBA to include in its comprehensive annual report to the President, the President of the Senate, the Senate Select Committee on Small Business, and the Speaker of the House of Representatives information on all Entrepreneurial Development activities during the previous fiscal year. This subsection prescribes items that must be included within the report including: a description and operating details for each program and activity; operating circulars, manuals, and standard operating procedures for each program and activity; a list of all awardees, contractors, and vendors (including organization name and location) and the amounts of awards for the previous fiscal year for each program and activity; the amount of funding obligated for the previous fiscal year for each program and activity; and the date, names, and titles for those individuals responsible for each program and activity. The data required in the report will help ensure that the Committees of jurisdiction have the necessary information to ascertain whether taxpayer dollars are being spent wisely.

*Section 3. Marketing of Services.*

The Small Business Act (Act) is currently silent on the question of whether SBDCs can market and advertise their products and services. This section amends Section 21 of the Act by adding a new subsection (o), which ensures the SBDCs can utilize up to 10 percent of their budget to market and advertise their products and services. Greater awareness of the services available through the SBDCs will allow more small businesses to receive entrepreneurial assistance without imposing any more financial burdens on SBDCs, the SBA, or the taxpayer.

*Section 4. Data Collection by the Small Business Development Center Association.*

This section amends the Small Business Act to direct the SBA to consult with SBDC Association to develop documents governing data collection activities related to grant recipients. Section 21 is further amended to require the Administrator to provide an annual report on data collection activities related to the SBDC program, and to establish a Data Collection Working Group, consisting of members from the SBA, as well as representatives from each Resource Partner, to develop a plan for the collection of data and submit this plan to the Senate Committee on Small Business and Entrepreneurship and the House Committee on Small Business within 180 days.

Section 5. Fees from Private Partnerships and Co-Sponsorships.

In order to obtain funding, SBDC grantees must match funds provided by the federal government with non-federal resources, such as private donations or state funds. As a result, SBDCs work alongside other community partners, such as a local chamber of commerce, to host events as a partnership or a co-sponsor. In these instances, a participation fee may be charged to businesses by the partnership or co-sponsorship party. Under current law, SBDCs are not allowed to collect the necessary fee. This provision permits SBDCs to collect fees or other income related to the operation of partnerships or sponsorships. This does not alter the requirements for SBDCs to provide no-cost counseling to individual small businesses.

Section 6. Equity for Small Business Development Centers.

Under current law, up to \$500,000 of authorized funding to SBDCs could be utilized by the Administrator to pay the America's SBDC (ASBDC) for the performance of accreditation services and an additional \$500,000 of authorized funding for SBDCs could be utilized by the Administrator for financial examinations expenses associated with reviewing SBDCs. This section eliminates the award of \$500,000 of SBDC grant monies to reimburse the SBA for program administration while raising the amount of funding to \$600,000 to be provided to the ASBDC for accreditation. This promotes ongoing accreditation, which is necessary to ensure strong SBDCs across the country.

Section 7. Confidentiality Requirements.

SBA requires SBDCs to collect certain information on the businesses that they counsel. This information is the basis for the performance metrics the agency uses to determine the effectiveness of the SBDCs in fulfilling their mission. Some of the information, while relevant and necessary for the SBA and SBDCs is sensitive information that small business would prefer to be treated as confidential. This sensitive information, such as the name of the small business, is not necessary to develop performance metrics. Its forced disclosure could dissuade small businesses from seeking assistance through SBDCs, thereby undermining the intent of Congress when it created the SBDCs. This section prohibits the SBA from distributing and sharing SBDC client information with other parties and reinforces the Committee's longstanding efforts to ensure the confidentiality of the information that small businesses provide to SBDCs.

Section 8. Limitation on Award of Grants to Small Business Development Centers.

A majority of SBDC grantees are partnered with higher education institutions, which bolster SBDCs ability to obtain private matching funds as required under the law. This section prohibits entities other than institutions of higher education from becoming grantees under Section 21. An exception is provided for current SBDC grantees who are not institutions of higher education. These institutions can continue to renew their status as a grantee until they no longer wish, or the SBA determines that, these grandfathered grantees are incapable of providing these services. Furthermore, a rule of construction is added to make it clear that while Women's Business Centers may not lead a center under the SBDC program, they are allowed to receive funds from lead centers and to act as subgrantees.

Section 9. Management of Program Activities.

This section requires SBA to work in partnership with the SBDC program to determine program functions and services to ensure that the program best meets the needs of individual state networks and the national small business economy.

Section 10. Authorization of Appropriations for Formula Grants Received by States.

This section authorizes appropriations in the amount of \$175 million for each fiscal year from 2022 through 2025.

Section 11. Requirements Relating to Matching Funds.

Beginning in 2019 the SBA required SBDCs to expend matching funds dollar for dollar with federal funds. In addition, SBA has delayed the Notice of Award and reimbursement funds because SBDCs may not have their full match “in hand”. This practice does not take into account that SBDCs match is often based on state legislative action, which is on a different timeline than the federal appropriations process and grant disbursements. This section remedies this issue by allowing SBDCs to obtain funding from SBA by providing good faith assertions that they will acquire the necessary matching funds.

Section 12. Contract Prerequisites.

Currently, SBA requires SBDCs to submit contracts or grants they enter into with other Federal agencies to the Assistant Administrator for the Office of Small Business Development Centers (OSBDC) for review and approval. This section streamlines the process for both the SBA and the SBDCs by assuming that these contracts or grants are approved unless the Assistant Administrator provides a written objection within 15 business days after award of the contract. The Assistant Administrator may object to the contract or grant if it is determined it will not provide assistance to small businesses or hinder the operation of the SBDC.

Section 13. Duties of the Associate Administrator for Small Business Development Centers.

This section requires the Associate Administrator for the Office of Small Business Development Centers to actively promote the services of SBDCs to other Federal programs. This will allow for greater visibility of the SBDC program and the resources it provides.

Section 14. Determination of Budgetary Effects.

This section requires the act to comply with the Pay-As-You-Go Act of 2010.