

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0515

MEMORANDUM

TO: Members, Small Business Committee
FROM: Nydia M. Velázquez, Chairwoman
RE: Full Committee Hearing: “Supporting America’s Startups: Review of the Small Business Administration’s Entrepreneurial Development Programs.”
DATE: February 27, 2019

On **Wednesday, February 27th at 11:00 a.m. in Room 2360 of the Rayburn House Office Building**, the Committee on Small Business will convene for a hearing titled “Supporting America’s Startups: Review of the Small Business Administration’s (SBA) Entrepreneurial Development Programs.” The hearing will examine the United States Small Business Administration’s (SBA) Entrepreneurial Development programs and offer Members of the Committee the opportunity to review the major technical assistance programs, along with the offices at SBA charged with overseeing the programs. Members will hear directly from SBA’s resource partners. Witnesses will include:

- Mr. Charles “Tee” Rowe, President and CEO of America’s Small Business Development Centers
- Ms. Corinne Hodges, CEO, Association of Women Business Centers
- Mr. W. Kenneth Yancey, Jr. CEO, SCORE
- Ms. Cherylynn Sagester, Director, Veterans Business Outreach Center, Old Dominion University, Virginia

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.¹ 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).

According to SBA’s 2013 Impact Study, clients that receive three or more hours of counseling have higher survival rates than firms that receive less counseling. Moreover, the surviving small

¹ SBA, FY 2019 CONGRESSIONAL BUDGET JUSTIFICATION AND FY2017 ANNUAL PERFORMANCE REPORT at 2.

businesses tend to realize significantly higher growth in revenues and employees, compared to those who received less counseling.²

- In FY 2018, more than 1.5 million entrepreneurs participated in the counseling, mentoring, and training programs through SBA, a 17 percent increase from FY 2016.³

Small Business Development Centers

The largest of the resource partners within SBA's entrepreneurial ecosystem, the SBDC network is comprised of 63 lead organizations and more than 900 SBDC centers.⁴ They are located in rural, urban, and suburban communities nationwide, and many are housed at universities or state agencies. The network delivers free face-to-face counseling and at-cost training in all aspects of small business management to new and existing small businesses. The services include, but are not limited to, assisting small businesses with developing a business plan, accessing capital, marketing, regulatory compliance, technology development, and international trade.⁵

- In FY 2017, SBDCs trained and advised more than 430,000 clients, including 62,000 long-term clients, and helped clients start more than 14,000 small businesses, obtain more than \$5 billion in capital, and secure \$1 billion in government contracts.⁶

Women's Business Centers

Women's Business Centers (WBCs) are another critical component of SBA's entrepreneurial ecosystem. WBCs were created to assist small businesses primarily owned by women, many of whom are socially and economically disadvantaged. The WBC program funds more than 100 centers nationwide and offers a full range of counseling and training services for all stages of business development.⁷ Many of the WBCs provide multilingual services, maintain evening and weekend hours to accommodate clients who work full time, and allow children to attend training sessions with their mothers.⁸

- In FY17, the WBC program trained and advised more than 140,000 clients and created nearly 17,500 small businesses.⁹

SCORE

SCORE utilizes an expansive network of volunteers to provide free or low-cost mentoring and training to entrepreneurs throughout the country. It is the largest network of volunteers, with more

² IMPACT STUDY OF ENTREPRENEURIAL DYNAMICS: OFFICE OF ENTREPRENEURIAL DEVELOPMENT RESOURCE PARTNERS FACE-TO-FACE COUNSELING, Concentrance Consulting Group, LLC, Sep. 2013.

³ See *supra* note 1, at 80.

⁴ SBA, OFFICE OF SMALL BUSINESS DEVELOPMENT CENTERS, *available at* <https://www.sba.gov/offices/headquarters/osbdc/resources/11409>.

⁵ America's SBDCs is the association for SBDCs, SBDC WEB RESOURCES, *available at* <https://americassbdc.org/about-us/>.

⁶ SBA, *supra* note 1, at 83-84.

⁷ The Association of Women's Business Centers is the resource partner for WBCs. WBC RESOURCES, *available at* <https://irp-cdn.multiscreensite.com/fb72abcb/files/uploaded/WBC-One-Pager-and-2018-Policy-Priorities.pdf>.

⁸ SBA, *supra* note 1, at 84.

⁹ SBA, *supra* note 1, at 85.

than 11,000 expert business advisors at 350 chapters nationwide.¹⁰ SCORE provides personalized one-on-one counseling to help entrepreneurs start, grow, and manage their small business, as well as workshops, either on-line or in local communities. Among other services, SCORE aids with developing a business plan, building a website, growing an online brand, managing cash flow, and determining a company's legal structure.¹¹

- In FY 2017, SCORE volunteers mentored and trained more than 646,000 clients and conducted outreach to attract additional clients. In FY 2016, it helped start 54,072 new businesses and create 78,691 new jobs.¹²

Veterans Business Outreach Centers

The Veterans Business Outreach Center (VBOC) program provides counseling, training, and resource partner referrals to eligible service members, veterans, National Guard and Reserve members, and military spouses. Veterans develop important skills and leadership qualities during their service in the military, many of which are relevant to owning a small business. The VBOC program integrates veterans' specific challenges with SBA counseling and training services and refers clients to other resource partners where appropriate.¹³ With 22 centers nationwide, the VBOCs teach veteran entrepreneurs the fundamentals of business ownership, including the development of a five-year business plan, market research, legal considerations, and financing.

- In Fiscal Year 2017 (FY 2017), VBOCs trained and counseled nearly 49,000 veteran small business owners.¹⁴

Fiscal Year 2019 Funding Levels

The Financial Services and General Government (FSGG) Appropriations bill provides funding for the SBA. Under the final spending agreement (FY 2019) enacted on February 15, 2019, the Entrepreneurial Development programs received \$247.7 million. Specifically, the SBDC program received \$131 million, the WBC program received \$18.5 million, SCORE received \$11.7 million, and the Office of Veterans Business Development, which includes VBOCs and other veterans' initiatives, received \$12.7 million.¹⁵

SBA Management

The four primary counseling and technical assistance programs described above are overseen by two offices: the Office of Entrepreneurial Development (OED) and the Office of Veterans Business Development (OVBD).

Given its mission statement,¹⁶ OED is charged with helping small businesses through management training and technical assistance. OED houses three separate sub-offices; the Office of Small

¹⁰ SBA, *supra* note 1, at 86.

¹¹ SCORE, SCORE WEB RESOURCES, available at <https://www.score.org/our-impact>.

¹³ SBA, *supra* note 1, at 91-93.

¹⁴ SBA, *supra* note 1, at 93.

¹⁵ Further Additional Continuing Appropriations Act of 2019, Pub. L. No. 116-5.

¹⁶ "The Office of Entrepreneurial Development's mission is to help small businesses start, grow, and compete in global markets by providing quality training, counseling, and access to resources." THE OFFICE OF ENTREPRENEURIAL DEVELOPMENT WEB RESOURCES, <https://www.sba.gov/offices/headquarters/oed>.

Business Development Centers, which services SBDCs; the Office of Women’s Business Ownership, which oversees WBCs; and the Office of Entrepreneurship Education, which works with SCORE. Through a multitude of resources and tools, OED manages the three congressionally-created programs and their respective resource partners.¹⁷

The OVBD uniquely finds its authority directly within the Small Business Act¹⁸ and has a broader mission to concentrate on small business resources for veterans, service-disabled veterans, and their dependents and/or survivors.¹⁹ Charged with being the primary SBA office for all veteran small businesses needs, the office’s responsibility extends beyond VBOCs. For example, the Office is led by an Associate Administrator²⁰ that executes policy and also acts as an Ombudsman for veteran entrepreneurs.²¹

Office of the Inspector General

The Office of the Inspector General (OIG) regularly conducts audits and evaluations of SBA’s grant programs. Between FY 2014 and FY 2018, the OIG performed nine reviews of specific grant programs, totaling \$63.4 million. On November 8, 2018, the OIG released a “Consolidated Findings of OIG Reports on SBA’s Grant Programs,” (Report Number: 19-02), which identified systemic weaknesses in SBA’s grant management.

Specifically, the OIG found that SBA’s process to monitor how grant recipients spent funds and to assess performance of its grants was ineffective, and as a result, SBA’s funds were at risk of not being used as intended or achieving their performance goals and objectives. SBA was responsive to the concerns, but the OIG further stated that SBA’s lack of centralized management structure inhibits agency improvements. The three offices – the Office of Grants Management, Office of Small Business Development Centers, and the Office of Women’s Business Ownership -- that oversee the grant process used separate policies to manage grants. Without an overarching office to ensure that federal laws are followed, grant officers are adequately trained, and policies are effective, SBA missed an opportunity to make sure any improvements or corrective actions were implemented agency-wide.

The OIG made four recommendations, and the SBA agreed to take the following actions:

- Conduct an evaluation of SBA’s organizational structure for grants management to ensure that all policies, practices, and execution of grants responsibilities are implemented consistently.

¹⁷ *Id.*

¹⁸ 15 U.S.C. §657a.

¹⁹ “The Office of Veterans Business Development's mission is to maximize the availability, applicability and usability of all administration small business programs for Veterans, Service-Disabled Veterans, Reserve Component Members, and their Dependents or Survivors.” THE OFFICE OF VETERANS BUSINESS DEVELOPMENT WEB RESOURCES, <https://www.sba.gov/offices/headquarters/ovbd>.

²⁰ 15 U.S.C § 657b.

²¹ SBA, OFFICE OF VETERANS BUSINESS DEVELOPMENT, <https://www.sba.gov/offices/headquarters/ovbd>.

- Implement controls to ensure grants officers and program personnel understand their responsibilities and enforce requirements that recipients submit all required financial and performance reports.
- Implement controls to ensure that grant officers and program personnel responsible for reviewing grant applications require that applicant proposals include plans to measure performance in support of SBA outcomes.
- Develop and implement a training program for all grants officers and program personnel and identify standard training requirements to ensure compliance with established policies and procedures for grants management.

SBA plans to issue standard operating procedures and train staff on procedures by September 30, 2019 and implement a new grants management system by September 30, 2020.²²

Recent Legislation

During the 115th Congress, the House of Representatives approved three separate bills to improve the Entrepreneurial Development programs, they are:

- H.R. 1680, the Women’s Business Centers Improvements Act, would have increased the maximum grant levels for WBCs and created uniformity through the accreditation process.
- H.R. 1700, the SCORE for Small Business Act, would have instructed SBA to expand and improve the SCORE resources for economically disadvantaged communities, rural area, and other traditionally underserved areas.
- H.R. 1702 would have improved the Small Business Development Centers program by allowing SBDCs to market and advertise their products and would have strengthened the program by improving data collections and reducing paperwork.

None of the bills were approved by the Senate. In the 116th Congress, the Small Business Committee will look to advance similar bills.

Conclusion

Small Businesses play an essential role in stimulating economic growth and creating jobs. SBA’s Entrepreneurial Development programs provide free or low-cost counseling and training to help entrepreneurs start, scale, and expand their small businesses. Over one million entrepreneurs utilize SBA’s resource partner network of Small Business Development Centers, Women’s Business Centers, SCORE and Veterans Business Outreach Centers each year. Studies have shown that small businesses that receive three hours of counseling or more tend to have higher survival rates than firms that receive less counseling. It is important to ensure that the training and counseling programs are reaching the maximum number of clients. Members will learn about each of these Entrepreneurial Development programs and hear what is working well and what more can be done to improve the quality of the counseling and training services to small businesses.

²² SBA, OFFICE OF THE INSPECTOR GENERAL, REPORT NUMBER 19-02, CONSOLIDATED FINDINGS OF OIG REPORTS ON SBA'S GRANT PROGRAMS FYS 2014-2018 (2018).