Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2021

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, the Committee on Small Business is transmitting herein: (1) the views and estimates on the priorities within its jurisdiction or functions to be set forth in the concurrent resolution on the budget.

The Committee on Small Business has legislative jurisdiction over the Small Business Administration (SBA) and this letter accordingly focuses on the Fiscal Year 2021 (FY21) budget request for this agency and the programs it operates under the authorizations contained in the Small Business Act (15 U.S.C. 631 et seq.) and the Small Business Investment Act (15 U.S.C. 661 et seq.).

OVERVIEW

America's 30.7 million small businesses are the engines that drive economic growth, employing 59.9 million Americans and creating 1.8 million new jobs in 2019 alone. Not only do they fuel the economic growth, but they also support local communities and towns through innovation, trade, and business reinvestment. When they are successful, our country is successful.

Since 1953, the U.S. Small Business Administration (SBA) has empowered small business owners by giving them the tools and resources they need to launch and grow their small businesses. The SBA meets its statutory mission through three major components: 1) assisting small businesses obtain capital; 2) helping small businesses navigate the federal procurement marketplace; and 3) offering managerial counseling and assistance. Each component is carried out through Congressionally mandated programs, sometimes in conjunction with private sector partners. The majority of these services are delivered, either by SBA or one of its partner organizations, through SBA's district offices throughout the United States.

On October 11, 2019, SBA's Office of the Inspector General (IG) released a report outlining SBA's most significant management challenges.[1] The report cited ongoing weaknesses in small business contracting programs and inaccurate procurement data; called for additional improvements information technology (IT) to address cybersecurity risks; and found SBA needed to improve its risk management and oversight practices to ensure its loan programs operate effectively. The report also found that SBA must manage the needs of 8(a) program participants more effectively, ensure only eligible firms are admitted, and justify relevant standards. Finally, the IG found that SBA needs robust oversight of its grants management system and must ensure the disaster assistance program balances competing priorities to deliver timely assistance and reduce improper payments. On October 16, 2019, the Committee held an important oversight hearing to understand the underlying causes of the identified challenges and remains committed to working in a bipartisan manner with the agency to ensure the challenges are addressed in FY21.

[1] SBA, OFFICE OF INSPECTOR GENERAL, REPORT ON THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE SMALL BUSINESS ADMINISTRATION (Oct. 11, 2019).

SBA released its FY18-22 Strategic Plan wherein SBA summarizes the strategies that SBA intends to use to accomplish its four strategic goals.[2] The goals are: (1) increase the number of loans by 5 percent to small businesses in socially and economically disadvantaged urban and rural areas; (2) maximize the percent of federal contracts set aside for small businesses; (3) increase the number of unique 8(a) small business contracts awarded by 10 percent; and (4) increase the average number of disaster loan applications processed from three to six applications per loan specialist.[3] The Committee will continue to closely follow SBA's efforts to accomplish its goals during this period.

The Committee reiterates its ongoing concerns about SBA-created initiatives. Many of these past efforts have not been reviewed, approved, or sanctioned by this Committee and often duplicate longstanding small business outreach efforts funded through SBA's annual funding.

ACCESS TO CAPITAL

When testifying before the Committee, small business owners consistently cite the lack of available capital as a significant problem. SBA administers four major capital financing programs: (1) 7(a) Guaranteed Loan Program; (2) Certified Development Company Loan Program; (3) Small Business Investment Company (SBIC) Program; and (4) Microloan Program. Through the SBA 7(a) and 504/CDC programs, entrepreneurs are provided with greater access to capital through the extension of federal guarantees on long-term loans. The Microloan Program provides loans and technical assistance to traditionally underserved borrowers, including women, minorities, and veterans. Finally, the SBIC Program leverages public and private capital to assist small high-growth firms.

In these programs, SBA does not lend funds directly to small businesses, but through government guarantees, SBA works with private-sector and non-profit partners and intermediaries on the repayment of issuance of credit and equity. The SBA must operate its capital access programs within the Federal Credit Reform Act (FCRA).[4] Under FCRA, the budget records the federal government's estimated long-term cost (its subsidy cost) in the year the direct loan or loan guarantee is made. Agencies generally update these subsidy costs annually to reflect loan performance. To the extent that the President's budget states the need for appropriations to cover the cost of loan programs, the Committee believes that the budget resolution should provide sufficient funds to do so.

<u>SBA 7(a) Program</u>

SBA's flagship lending program, the 7(a) Loan Guaranty Program (7(a) program), provides small businesses with comprehensive financial assistance including working capital, fixed, and intangible asset financing, as well as refinance and export support through term and revolving loans. The original mission of the 7(a) program was to provide entrepreneurs who could not access

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[2] SBA, STRATEGIC PLAN FOR FY2018-2022, *available at* https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_2018-2022_Strategic_Plan.pdf.
[3] *Id.* SBA stated that the goals were developed through the Administrator and in consultation with the Office of Management and Budget and SBA's committees in Congress. *Id.*
[4] 2 U.S.C. §661-661f.

traditional capital markets with an affordable source of loans. During FY19, the 7(a) program supported a substantial volume of lending nationally, equaling $23.2 billion across 51,907 loans. The Committee recommends the FY21 authorization level for the 7(a) program be set at a robust level to account for the natural growth in the program, but no less than $30 billion, as was enacted for FY20.

The SBA requests authorization to make $30 billion in loans and projects a positive subsidy of 5 basis points for the 7(a) program, meaning the program will be forced to shut down if Congress does not either provide funding in the amount of $15 million to cover the subsidy or raise fees in the program to offset the cost. To that end, the agency is requesting authority to institute a new administrative fee of $0.16 per every hundred dollars approved to enable it to offset over $80 million in administrative costs. The agency is also proposing modifications to the 7(a) program fees to maintain a zero subsidy. The Committee remains strongly concerned about the subsidy rate calculations and the modification of borrower fees. In order to avoid raising existing fees on small business borrowers in the 7(a) program, or creating new ones altogether, the Committee supports funding of $15 million to support $30 billion in 7(a) lending in FY21.

Access to Capital in Underserved Markets

SBA 7(a) lending in underserved communities, including to minority- and women-owned businesses must be improved. In FY19, 27 percent of 7(a) loans went to minority-owned firms and only 18 percent to women-owned firms.[5] While the percentage of loans going to such firms has remained fairly consistent since 2010, it remains lower than before or during the recession (2006-2009). Women-owned businesses accounted for about 40 percent of 7(a) lending activity but the average loan size was roughly 30 percent *less* than SBA loans going to businesses owned by men. The Committee recommends SBA improve outreach to borrowers and lenders in underserved communities with funding made available to the agency to boost access to capital for these firms.

Microloan Program

The SBA Microloan Program provides loans to intermediaries, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. The intermediaries in turn help the smallest of small businesses and startups access capital to help new businesses get off the ground. The program plays a critical role in the small business economy, providing credit to those unable to secure traditional bank-based financing. In FY19, SBA approved loans to intermediaries totaling over $42.2 million. Microloan intermediaries, in turn, approved 5,532 loans totaling more than $81.5 million, an SBA record.

The SBA requests an appropriation of $4 million to cover lending to intermediaries of $41 million which represents a reduction of $1 million from the FY20 enacted subsidy amount. Due to the success of the program in traditionally underserved communities, the Committee recommends robust funding be made available to operate the program at or above a program level of $45 million. It should be noted that this program level can be accomplished with less funding than years past due to a steady decline in the subsidy rate since FY14 when it was nearly double today's rate.

[5] A woman-owned firm is defined as a one that is more than 50 percent female-owned.

Additionally, the technical assistance provided under the Microloan Program helps microentrepreneurs succeed. The agency requests only $26.38 million for technical assistance grants – a decrease of $8.5 million from the FY20 enacted amount. Therefore, the Committee believes it is inappropriate to reduce the technical grants assistance and recommends at least $35 million in grant funding be provided for technical assistance to meet the demand associated with proposed lending activity.

504/CDC loan Program

The 504/CDC Program provides permanent, fixed rate financing for businesses to acquire industrial or commercial buildings or heavy equipment and machinery. The program is delivered by local Certified Development Companies (CDCs) working in partnership with private lenders and the SBA. During FY19, the program approved 6,099 504 loans for just under $5 billion. Since FY16, the 504/CDC program operated at zero subsidy and the agency reports it will not require a subsidy appropriation in FY21. However, similar to the 7(a) program, the SBA is requesting authority to charge program participants a new administration fee to offset appropriated funds to run the program. The Committee strongly opposes creating a new fee which would increase the cost of capital for small businesses.

Small Business Investment Company Program

The Small Business Investment Company (SBIC) Program is an investment program that increases access to capital for high-growth start-up businesses. Specifically, with a $4 billion authorization per year, the SBIC program provides long-term loans and equity capital to small businesses with potential for substantial job growth and economic impact. SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. SBA provides funding to qualified investment management firms with expertise in certain industries. In FY19, SBICs provided $5.9 billion in financing to 1,191 small businesses. However, only 5 percent of those companies were women-, minority-, or veteran-owned. Therefore, the Committee recommends SBA prioritize expanding outreach to increase minority- and women-led funds, and to increase the number of women-, minority-, and veteran-owned businesses that benefit from the program.

Disaster Assistance Program

SBA’s disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. In FY19, SBA processed 95,626 loan applications, approving 42,375 for a total of $2.2 billion. In light of the critical need for funding to help homeowners and small businesses following devastating natural disasters, the Committee supports appropriating amounts necessary to support the SBA’s disaster loan-making functions.

Furthermore, in the event the government is operating under a future short-term continuing resolution, SBA may require additional appropriations to make such loans in the form of a funding anomaly. In the absence of securing an anomaly, SBA may exhaust its disaster subsidy, which has not occurred since 1988. The continued ability of SBA to make disaster loans available to victims in disaster areas is of utmost importance to the Committee. Therefore, the Committee recommends sustained coordination between the Committee, appropriators, and the agency during FY20 and FY21 if necessary to ensure adequate disaster funding is in place, particularly during continuing resolutions.

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

Each year, more than one million entrepreneurs come through SBA's resource partner network of Small Business Development Centers (SBDCs), Women's Business Centers (WBC), SCORE chapters, and Veterans Business Outreach Centers (VBOCs). They provide free and low-cost counseling services and training to entrepreneurs for every stage of business growth and development. Research has shown a direct correlation between counseling and the profitability, longevity and growth of small businesses. Providing sufficient levels of funding for counseling and training programs to support small businesses is a prudent use of taxpayer dollars. These providers deliver vital services to small businesses and, as more entrepreneurs seek their counseling, SBA should ensure that these partners, specifically those highlighted below, are provided robust levels of funding to serve small businesses.

In the past, the SBA has funded unproven pilot programs that lack a specific authorization at the expense of proven core programs. Concerns that have been raised repeatedly include a lack of demonstrated need and the absence of robust controls. The agency should continue to focus its efforts on strengthening its existing network of entrepreneurial development service providers, rather than continuing to establish and operate untested and unproven initiatives. The Committee will continue to work with SBA to ensure priority is given to Congressionally mandated initiatives.

Small Business Development Centers

SBA provides grants to SBDCs to leverage a unique mix of federal, state, and private sector financial resources. This funding model enables SBDCs across the country 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 more than 900 outreach locations throughout the country. 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 FY19, SBDC professional business advisors helped clients start more than 18,000 new businesses; provided training and advising to more than 250,000 entrepreneurs; and helped clients obtain $5.9 billion in capital for their businesses.

The FY21 budget requests $87.8 million, which is a decrease of over $47 million from the enacted FY20 amount of $135 million. The Committee believes this request underestimates the value and services performed by SBDCs. To improve the quality and quantity of services provided by the primary source of entrepreneurial development assistance at the SBA, the Committee requests at least $175 million in funding in the FY21 budget for the SBDC program. This will enable SBDCs to meet the rising and urgent demands for business development assistance from entrepreneurs throughout the country, as well as the growing areas of assistance. The Committee approved H.R. 4406, the Small Business Development Center Improvement Act of 2019, which would modernize and strengthen the SBDC program for FY20-FY23 at $175 million for each fiscal year. The legislation was approved by the House of Representatives on October 21, 2019.

Women's Business Centers

The SBA provides grants to more than 100 non-profit organizations that provide quality advising and training services primarily to women entrepreneurs, many of whom are socially and economically disadvantaged. The entrepreneurial development program is a competitive grant program, where WBCs compete for federal funding. SBA provides grants to eligible private, non-profit, and community-based organizations to operate WBCs. Participating organizations must match the federal funding with one non-federal dollar for every two federal dollars during the first two years and on a one-to-one basis thereafter. Unlike any other SBA entrepreneurial program, WBCs are also required to serve disadvantaged communities in underserved areas. In FY19, the WBC program advised and trained more than 64,000 entrepreneurs and helped start over 2,000 small businesses. For FY20, the SBA received $22.5 million for WBCs. Last year WBC opened 2 new centers in Idaho to increase services in the region.

The SBA requests $17.4 million for WBCs. This request represents a reduction of $5.1 million from the enacted FY20 amount of $22.5 million. To ensure that women entrepreneurs across the country have access to the vital counseling and technical training services to take them from startup to success, the Committee recommends at least $31.5 million in funding in the FY21 budget for the WBC program. The Committee approved H.R. 4405, the Women's Business Centers Improvement Act of 2019, which would strengthen the WBC program for FY20-FY23 at $31.5 million for each fiscal year. The legislation was approved by the House of Representatives on October 21, 2019.

SCORE

SCORE provides face-to-face counseling at over 260 chapters with more than 11,000 SCORE volunteers. SCORE volunteers provide a full range of business consultation services, such as business plan development; strategic marketing; and financing ideas. SBA's SCORE database enables small businesses to find SCORE volunteers that best match the needs of their business.

The agency requested a FY21 budget of $8 million for SCORE. The Committee disagrees with this request and believes level funding of $11.7 million for the SCORE program should be enacted. The Committee approved H.R. 4407, the SCORE for Small Business Act of 2019, which would strengthen and restore integrity, accounting, and performance to the program for FY20-FY22 at $11.7 million for each fiscal year. The legislation was approved by the House of Representatives on October 21, 2019.

Veteran's Business Outreach Centers

To meet the growing number of separating service members and reservists seeking new economic opportunities, the VBOC program provides entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business. This program is the only program operated for veterans that is statutorily authorized. It is designed to assist the thousands of veterans returning home with skills, experience, and leadership to pursue entrepreneurship and create jobs. There are currently 22 VBOCs responsible for ensuring veterans' access to capital through marketing and outreach efforts as well as promoting veterans for federal procurement opportunities to ensure three percent of federal prime contracts and subcontracts go to service-disabled veteran-owned small businesses. The VBOC program is critical to addressing the high unemployment rate among veterans, service members, and reservists. VBOCs serve nearly 49,000 veteran small business owners each year.

Like the SBDCs and WBCs, the SBA requests a reduction in funding for VBOCs. The agency requests $12.84 million, which is a decrease of over $1.1 million for the program. The Committee requests robust funding for the Veterans Outreach program, which includes the Boots to Business program. The Committee approved H.R. 3537, the Veteran Entrepreneurship Training Act of 2019, which would codify for five years the Boots to Business program to help transitioning servicemembers launch and grow small businesses. The legislation was approved by the House of Representatives on November 12, 2019.

Growth Accelerator Fund Competition

The SBA funds the Growth Accelerator Fund Competition (GAFC) for the nation's most innovative and promising small business accelerators and incubators. The GAFC not only spurs economic development and creates jobs, it fills geographic gaps by supporting the development of accelerators and their startups in regions of the country where there are fewer sources of capital. In FY19, the GAFC made awards to 60 entities to help SBIR/STTR-focused businesses scale.

The SBA is not requesting funding for the GAFC for FY21 due to duplication of resources. However, the Committee disagrees with this assessment and requests $2 million in funding for the GAFC to continue its commitment of investment in the next generation of American entrepreneurs, promote innovation, and increase jobs. The Committee approved H.R. 4387, the Growth Accelerator Fund Competition within the Small Business Administration, to carry out the GAFC for 4 years at $2 million in funds annually. The legislation was approved by the House of Representatives on October 21, 2019.

Native American Outreach Program

The SBA aids Native American communities in starting, growing, and expanding their small businesses through the Native American Outreach Program. The Native American Outreach Program is critical to traditionally underserved often geographically isolated American Indian, Alaska Natives, and Native Hawaiian communities. In FY19, the program assisted 2,125 businesses in Native American Communities and conducted 35 Native American entrepreneurial empowerment and technical assistance workshops.

The SBA is requesting $1.5 million for Native American Outreach in FY21. The Committee remains committed to supporting Native American owned small businesses and supports robust funding to expand the programs' outreach capabilities.

Prison to Proprietorship

Every year, thousands of formerly incarcerated individuals return to their communities seeking to rebuild their lives. Studies have shown that recidivism rates tend to be higher for those individuals who lack employment. Of the 262,000 offenders that were released from federal prison between 2002 and 2006, 50 percent of those who could not secure employment committed a new crime or were sent back to prison. However, 93 percent of those who were able to secure employment were able to reintegrate back into society and not return to prison.[6]

The Committee approved H.R. 5078, the Prison to Proprietorship Act, which would establish entrepreneurship counseling and training services to the incarcerated through SBDCs and WBCs. The Committee also approved H.R. 5065, the Prison to Proprietorship for the Formerly Incarcerated Act, which would provide entrepreneurship counseling and training services to the formerly incarcerated through SCORE. H.R. 5065 and H.R. 5078 were approved by the House of Representatives in January 2020. As such, the Committee reiterates it support for funding the SBDC, WBC, and SCORE programs at $175 million, $31.5 million, and $11.7 million, respectively.

Historically Black Colleges and Universities

The White House Initiative on Historically Black Colleges and Universities (HBCUs) requires certain agencies, with one being the Small Business Administration (SBA), to develop annual plans to strengthen HBCUs. The Office of Entrepreneurial Development (OED), which helps small businesses through management and technical assistance, is responsible for fulfilling the objectives of the SBA's 2018 annual plan. At the Committee's April 2019 hearing on HBCUs, the OED Associate Administrator promised to strengthen HBCU outreach by creating an interagency working group to improve accountability, improve data collection, and expand the SBIR tour to include HBCUs.

This February, the Committee sent a bi-partisan letter to SBA to determine how OED is fulfilling their HBCU outreach objectives. The Committee remains committed to ensuring HBCUs receive the management and training resources they need to inspire entrepreneurship and strengthen small businesses in their communities. The Committee requests robust levels of funding to SBA's resource partners to ensure the expansion of SBA's outreach to HBCUs.

GOVERNMENT CONTRACTING PROGRAMS

The primary purpose of the SBA's Government Contracting and Business Development programs is to assist small businesses increase their access to the federal marketplace. Through federal contracts, small businesses can increase their capabilities and capacity, thereby improving their competitiveness. To assist small businesses that want to contract with the federal government, Congress created several programs designed to increase their contracting opportunities. However,

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[6] U. S. DEP'T OF JUST., PROJECT H.O.P.E RE-ENTRY INITIATIVE at https://www.justice.gov/usao-sdal/programs/ex-offender-re-entry-initiative.

the creation of these programs has not necessarily expanded the number of contracts awarded to small businesses each year. Generally, agencies are awarding fewer contracts worth higher values. While some agencies and the government have been able to meet their statutory small business goals, the overall participation of small firms in federal contracting programs has declined. This trend, coupled with a system that has become complex and has countless management problems, continues to raise concerns as to whether the SBA is effectively and efficiently advocating for small businesses in the marketplace.

Procurement Staffing Levels

Currently, there are less than fifty-five Procurement Center Representatives (PCRs) responsible for overseeing over $550 billion in federal contracting. However, the shortage of personnel is not limited to PCRs. To date, there is a limited number of Commercial Market Representatives assisting small businesses with subcontracting opportunities. The lack of resources available to review contracting actions has prevented small businesses from receiving the maximum practicable opportunities available to them and as a result fewer of these firms have been able to participate in the marketplace. Therefore, the Committee recommends funding be made available to increase the overall number of small business advocates.

Small Business Set-Aside Programs

Government contracts can be set-aside for classes of small businesses, such as socially and economically disadvantaged firms, whose members might not otherwise be considered for award in full and open competition. There are government-wide statutory contracting goals for small businesses as well as sub-goals for small business categories.[7] SBA has several set-aside programs including the 8(a) Business Development, Historically Underutilized Business Zone (HUBZone), Service-Disabled Veteran-Owned, and the Women-Owned Small Business (WOSB) programs designed to promote small business participation in federal contracting. Traditionally, SBA has not broken out the funds for these programs in its budget; instead, the funds are subsumed in SBA's general salaries and expenses accounts. Given that the SBA IG has identified small business contracting as a serious management challenge since FY05, SBA should have adequate resources to improve these programs.

8(a) Business Development Program and 7(j) Technical Assistance Program

The 8(a) program was created to provide business development assistance to eligible small disadvantaged businesses seeking to participate in federal contracting. A major benefit of the program is that 8(a) certified firms can receive sole-source contracts (contracts awarded without competition), as well as set-aside contracts (in which competition is restricted to a limited pool of contractors) so that small businesses do not need to compete with large businesses that may have an industry advantage. In addition to receiving contracts, 8(a) certified firms are eligible for

[7] The federal government has the following statutory goals for small business procurement: 23 percent of prime contracts for small businesses; 5 percent of prime and subcontracts for women-owned small businesses; 5 percent of prime and subcontracts for small disadvantaged businesses; 3 percent of prime and subcontracts for service-disabled veteran-owned small businesses; and 3 percent of prime and subcontracts for HUBZone-certified small businesses. These goals are tracked based on the dollar amount of contracts awarded. A business may qualify for more than one socioeconomic category.

management and technical assistance training through SBA's 7(j) program. Other businesses eligible for the 7(j) program include small disadvantaged businesses not participating in the 8(a) program, businesses operating in areas of high unemployment or low income and small businesses owned by low income individuals.

According to SBA's IG, the number of participants in the 8(a) program has continually declined from about 7,000 in 2010 to about 4,600 as of August 2016.[8] While SBA engaged in efforts to increase participation, the amount of 8(a) participants continues to decrease, with a total of 4,450 firms as of August 2019.[9] According to SBA, the number of businesses that have sought assistance through the 7(j) program, which supports 8(a) firms and other small businesses, has almost doubled since FY17. Specifically, in FY19, 8,023 participants were assisted in the 7(j) program, compared to 4,100 participants in FY17. Despite a significant increase in the number of small businesses seeking assistance, the FY21 budget request reduces funding by 82% from FY19 enacted levels. Thus, the 7(j) program will not have the adequate resources to support the number of businesses seeking assistance.

The Committee requests any funding increase within the 8(a) program to be spent to help reverse the declining trend of participants by providing outreach to those businesses that may be eligible for the program, implementing controls to ensure only eligible firms are admitted, and developing a system to identify and address business development needs and monitor progress within the program. SBA must also begin to plan for higher numbers of firms to ensure the current level of service continues. Moreover, the Committee requests a funding increase for the 7(j)program commensurate to the number of participants it assists in order to ensure adequate and improved service.

HUBZone Program

The HUBZone program aids urban and rural small businesses that are located in designated distressed areas in accessing federal procurement opportunities. There have been many reports detailing fraud and abuse in the program. For example, in 2019, SBA's IG found that program officials did not detect fraud indicators and certified two firms that did not meet the principal office requirement.[10] Moreover, a third firm was certified without meeting the employee-residency requirement.[11] While the administration has made efforts to combat fraud, doubts still remain as to whether enough has been done to ensure that only eligible firms receive contracting dollars from this program.

In addition, SBA has yet to provide metrics that would show whether or not the program is meeting its mission of promoting economic development in designated HUBZones. Although the HUBZone program continues to recruit new small businesses, it has not met its target contracting goal, with only 2.05 percent of contracts awarded to HUBZones in FY18, and worth $9.9 billion. While there have been long-standing challenges in implementing this program, the SBA is working

[8] SMALL BUS. ADMIN. OFF. OF INSPECTOR GEN., REPORT 20-01, REPORT ON THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE SMALL BUSINESS ADMINISTRATION IN FISCAL YEAR 2020 (OCT. 2019).
[9] *Id.*
[10] SMALL BUS. ADMIN. OFF. OF INSPECTOR GEN., REPORT 19-08, SBA'S HUBZONE CERTIFICATION PROCESS (MARCH 2019).
[11] *Id.*

to modernize the HUBZone program certification system. The Committee recommends SBA dedicate funding and resources to this program to ensure its proper performance.

Women-Owned Small Business Contracting Program

An issue of great importance to women-owned businesses is their lack of access to federal contracting. After taking more than ten years to implement the Women-Owned Small Business (WOSB) Federal Contracting program, SBA continues to devote few resources to the program. As a result, the statutory 5 percent contracting goal has not been met since FY15, with 4.75 percent of contracts awarded to WOSBs in FY18. Congress has made several changes over the past several years to the program including: the removal of caps on award size for set-aside contracts; allowing contracting officers to award contracts through a sole-source contract; the removal of self-certification to participate in the program; and reiterating the original mandate that SBA create its own certification process.

While SBA has implemented the cap removal and sole-source changes, they have been slow to remove self-certification from the program and implement their own certification process. Moreover, the IG and GAO have both reported weaknesses in SBA's controls that would ensure only eligible firms receive the woman-owned small business set-aside. Thus, the Committee supports SBA's funding increase request to increase the overall level of funding in the Salaries and Expenses account to $287.9 million, which would allow for 5 full-time employees and necessary improvements, including the software updates needed in certify.SBA.gov, to implement the WOSB certification process.

Service-Disabled Veteran-Owned Small Business Program

The Service-Disabled Veteran-Owned Small Business (SDVOSB) Program provides procuring agencies with the authority to set aside contracts for exclusive competition among eligible participants as well as the authority to make sole source awards. Although the goals for SDVOSB contracting have been met in recent years, the program faces many challenges that the Committee recommends SBA address, including the susceptibilities of its self-certification process. Moreover, there are other initiatives within the program that require attention, such as coordinating the potential transfer of VA's formal certification for SDVOSBs and veteran-owned small businesses (VOSBs) to SBA.

OTHER PROGRAMS

Office of Field Operations

The Small Business Administration assists small businesses through business loans, loan guarantees, counseling, and contracting preferences. To deliver these programs and services throughout the country, SBA relies largely on a network of 68 district offices located across the United States and its territories, with at least one district office based in every state. The Committee recently held a management review hearing on the Office of Field Operations and learned the aggregate number of Full Time Equivalents (FTE) employees in district and regional offices decreased from 813 in FY14 to 687 in FY19. To ensure the agency meets its mission to serve small businesses throughout the nation and deliver high quality services to the small business community, the Committee recommends that SBA dedicate funding to the Office of Field Operations to ensure adequate staffing levels.

Technology

Significant progress has been made over the years in developing reliable, secure, and high performing technology at SBA. As a result, its Federal Information Technology and Acquisition Reform Act (FITARA) score increased from a D+ in May 2018 to a B+ in December 2019. The improvements the Office of the Chief Information Officer (OCIO) are making are not only vital to the success of the agency and its programs but will also provide for a better user experience for the agency's small business clients. With that said, in its annual management report, the (IG) acknowledged that improvements were being made in SBA's deployment of IT controls and in several security areas, but it also reported that significant deficiencies remain. According the OIG's report on the Most Serious Management and Performance Challenges, SBA has spent $30 million on Certify.SBA.gov since 2017, but only limited functionalities for the 8(a) program have been implemented. To that end, the Committee supports robust levels of funding in the Salaries and Expenses account to ensure SBA continues to make progress in addressing the long-standing technological and cybersecurity weaknesses at the agency, particularly Certify.SBA.gov.

Office of Rural Affairs

For decades, rural communities have been the backbone of the American economy. But many rural businesses face challenges that can put them at a competitive economic disadvantage, and they often struggle to utilize traditional small business support systems. Recognizing this, Congress directed the SBA to establish an Office of Rural Affairs as part of the Small Business Reauthorization and Amendments Act of 1990 (P.L. 101-574), yet by 1995 this office was no longer being staffed at SBA. In 2019, the SBA named a National Director for the Office of Rural Affairs to assist in connecting rural communities and entrepreneurs with SBA's resources. The Committee requests adequate levels of funding in the FY21 budget to ensure that the Office of Rural Affairs can support rural small businesses and entrepreneurs in attaining equitable access to the wide range of capital and entrepreneurial development programs supported by the SBA.

CONCLUSION

The Committee has provided priorities for how the SBA should operate in FY21. The agency should be provided with the resources necessary to administer and oversee its core lending, entrepreneurial development, and contracting programs. The SBA should focus its efforts on programs that increase outreach and access to capital and contracting opportunities for traditionally underserved communities, including minority- and women-owned businesses. With the assistance of these tools, small firms will grow financially stronger and continue to create new and sustainable jobs in diverse industries and locations. The Committee will continue to work with the SBA and appropriators to ensure small businesses and burgeoning entrepreneurs can compete in a global economy.