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 2020

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 FY 2020 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 million small businesses are the key component to continued job creation and economic growth in this country. In 2018, there were 30.2 million small businesses in the United States, accounting for 99.9 percent of all businesses and employing nearly 59 million employees.[1] Throughout history small businesses have touched the lives of so many in perceptible ways. Nearly half the country's workers are employed at small firms, helping to reduce the unemployment rate to 4.1 percent in February 2018.[2] Not only do they create jobs, entrepreneurs support local communities and towns through innovation, trade, and business reinvestment. As a result, more small businesses than ever are counting on the SBA and its programs to deliver assistance with access to capital, counseling, and other services.

Since 1953, the U.S. Small Business Administration (SBA) has held the responsibility to ensure that these businesses have the tools and resources they need to start and expand their operations and create jobs that support a growing economy and a strengthened middle class. Entrepreneurs continue to depend heavily on these programs not only to provide capital, but also advising, mentoring and training.

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. Specifically, the SBA provides loans and loan guarantees to credit-worthy small businesses; entrepreneurial counseling and technical assistance; and disaster services to disaster survivors. 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.

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[1] SBA Office of Advocacy, 2018 SMALL BUSINESS PROFILE (2018), https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf.
[2] *Id*.

On October 11, 2018, SBA's Office of the Inspector General (IG) released a report outlining SBA's most significant challenges.[3] The report cited ongoing weaknesses in small business contracting programs and inaccurate procurement data;[4] technology capabilities;[5] human capital,[6] and risk management and oversight practices.[7] The report also noted that SBA needs to improve its loan programs to reduce improper payments[8] and that disaster assistance should balance competing priorities to deliver timely assistance.[9] Finally, the report found that SBA must more effectively manage the needs of 8(a) program participants, ensure only eligible firms are admitted, and justify relevant standards.[10] The Committee trusts that the agency will make progress in addressing its challenges in Fiscal Year 2020.

SBA released its FY 2018-2022 Strategic Plan wherein SBA summarizes the strategies that SBA intends to use to accomplish its four strategic goals.[11] 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.[12] The Committee will closely follow SBA's efforts to accomplish its goals during the upcoming five year period.

The Committee reiterates its ongoing concerns about SBA-created initiatives. Many of these efforts have not been reviewed, approved or sanctioned by this Committee and often duplicate longstanding small business outreach efforts funded through SBA's annual appropriation. In addition, often these SBA-created initiatives have not been adequately assessed by SBA prior to or after their implementation. In the Committee's view, this funding could be eliminated without hindering outreach to small businesses, and the funds saved could be reallocated to technology improvements, hiring appropriate SBA employees to assist small businesses gain their fair share of federal government contracts, or implementing the priorities that Congress has mandated for SBA.

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

[3] SBA, OFFICE OF INSPECTOR GENERAL, REPORT ON THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE SMALL BUSINESS ADMINISTRATION (Oct. 11, 2018).
[4] *Id.* at 1.
[5] *Id*. at 4.
[6] *Id.* at 6.
[7] *Id*. at 7.
[8] *Id*. at 14.
[9] *Id*. at 17.
[10] *Id.* at 21.
[11] SBA, STRATEGIC PLAN FOR FY2018-2022, *available at* https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_2018-2022_Strategic_Plan.pdf.
[12] *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.*

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 7(m) microloan program provides loans and technical assistance to traditionally underserved borrowers, including women, minorities, and veterans. Finally, the Small Business Investment Company (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[13] (FCRA). 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) 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 traditional capital markets with an affordable source of loans. During FY 2018, the 7(a) program supported substantial lending nationally, more than $25.34 billion across over 60,300 loans. This amount nearly matches the record-high set in FY 2017. The Committee recommends the FY 2020 authorization level for the 7(a) program be set at a robust level to take into account natural growth in the program, but no less than $30 billion, as was enacted for FY 2019.

<u>SBA Oversight and Cap Flexibility</u>

In its annual reports, the SBA OIG has repeatedly pointed to lender oversight and loan agent fraud as management challenges that the agency has faced.[14] Relatedly, questions have been raised about whether the loans being made are reaching the small business borrowers the program is intended to serve, and whether participating lenders are taking on appropriate levels of risk. Additionally, although lending remained under the $27.5 billion authorization cap set by Congress in FY 2017, SBA has run out of authority to make loans twice recently.[15] Furthermore, SBA has underestimated the level of 7(a) lending for at least the last seven years.[16] For example, actual lending volume exceeded SBA's estimates by 30 percent in FY 2014, 56 percent in FY 2015, and 15 percent in FT 2016.

[13] 2 U.S.C. §661-661f.

[14] According to the SBA OIG, with limited resources, SBA's Office of Credit Risk Management manages credit risk for a nearly $120 billion loan portfolio originated by over 2,400 active lenders and Certified Development Companies that have various degrees of expertise regarding SBA loan program requirements. *See* SBA OIG, Report on the Most Serious Management and Performance Challenges in Fiscal Year 2017.

[15] SBA required and additional $1 billion FY 2014 and more than $4 billion FY 2015.

[16] *See* SBA FY2018 Congressional Budget Justification, table 1.1d.

The Committee recognized that some of the challenges presented may be best addressed through legislation. As such, H.R. 4743, the *Small Business 7(a) Lending Oversight Reform Act of 2018*[17] was enacted into law with the primary goals of strengthening the ability of the SBA to conduct lender oversight, increase transparency of the oversight process, provide Congress with regular updates of SBA's oversight actions and the performance of its portfolio, and establishing a notification-and-approval process by which SBA can request an increase of the 7(a) lending cap (up to 15%). The Committee expects SBA to work with Members and staff to address and correct identified deficiencies in the oversight functions of the Agency, closely monitor loan volume and provide Congress with regular reports, and coordinate efforts in the implementation of P.L. 115-189.

7(a) Secondary Market Re-estimate and Changes to SBA Procedure

The 7(a) secondary market program allows lenders participating in the 7(a) loan program to sell the guaranteed portion of their loans on to investors. Similar to the process of packaging and securitizing mortgages, SBA works with financial institutions known as "assemblers" to package SBA loans into a "pool" that is sold off fractionally to investors in shares known as Pool Certificates. Holders of pool certificates are entitled to receive a proportionate share of the principal and interest payments made by the borrowers of the underlying loans.

To ensure timely payment of pool payments to holders of certificates, SBA established the Master Reserve Fund (MRF) and contracted with Colson Services Corp. to act as Fiscal and Transfer Agent (FTA) to collect and disburse payments in and out of the MRF.

In FY 2018, SBA indicated the secondary market guarantee program required a $511 million upward reestimate to cover deficiencies in the MRF dating back to FY 2004. At the same time, SBA issued a notice in the Federal Register making a change to how the pass through of principal payments in the MRF would be made. Both the upward reestimate and the procedural changes have raised concerns in Congress about SBA's oversight of the secondary market guarantee program. Therefore, the Committee recommends additional Congressional oversight and investigation during FY 2019, and FY 2020 if necessary, into the events that led to the reestimate, the reasons why over 12 years elapsed before the underlying causes were identified, and what effect, if any, the policy changes made by SBA in October 2017 will have on the secondary market guarantee program.

Access to Capital in Underserved Markets

SBA 7(a) lending in underserved communities, including to minority and women-owned businesses must be improved. In FY 2017, 27 percent of 7(a) loans went to minorities, and only 18 percent to women-owned firms.[18] While the overall number of loans has increased, the percentage going to minority and women-owned firms has remained fairly consistent since 2010, and is lower than before or during the recession (2006-2009). Women-owned business used to account for about 40 percent of 7(a) lending activity while the average loan size going to a woman-owned business is roughly 30 percent *less* than SBA loans going to businesses owned by men. Similarly, minority owned firms used to receive 35 percent of all 7(a) loans. The Committee

[17] P.L. No. 115-189.

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

recommends SBA improve outreach to borrowers and lenders in underserved communities and funds should be made available to the agency to boost access to capital for these firms.

7(m) 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 FY 2018, SBA approved 58 loans to intermediaries totaling over $37.3 million. Microloan intermediaries, in turn, provided 5,459 loans totaling $76.8 million. 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 FY 2014 when it was nearly double today's rate.

Additionally, the technical assistance provided under the microloan program helps microentrepreneurs succeed. Therefore, the Committee recommends at least $32 million in grant funding should be provided related to 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 FY 2018, the program experienced over $4.753 billion in loans approved. In FY 2016, FY 2017, FY 2018, and FY 2019 SBA requested no subsidy appropriation. Regardless of fluctuations in the overall economy, the Committee recommends SBA administer the program such that it remains zero-subsidy in FY 2020, with any fee increases being borne by CDCs and lenders participating in the program.

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. From FY 2014-2018, the program has channeled over $28 billion of capital to more than 5,700 small businesses in a variety of sectors across the country. In FY 2018, the program provided over $5.5 billion in financing to 1,151 small businesses. However, only 7.9 percent of those companies were women-, minority-, or veteran-owned. Therefore, the Committee recommends SBA prioritize expanding outreach to increase minority-led and women-led funds, and to increase the number of women-, minority-, and veteran-owned businesses that benefit from the program.

Disaster Assistance Program

The SBA's Disaster Assistance program was implemented for the purpose of providing timely financial assistance in the form of low interest loans and working capital for businesses and homeowners devastated by a disaster. During FY 2017 and FY 2018, the SBA Office of Disaster Assistance responded to several major disasters across the country, including the aftermath of hurricanes Harvey, Irma, Maria, Florence, and Michael. As of February 22, 2019, SBA has approved 170,506 homeowner and business applications worth more than $8.484 billion for these storms. SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. In light of the critical need for funding to help home-owners and small businesses following devastating natural disasters, the Committee supports appropriating amounts necessary to support the SBA's disaster loan-making functions.

Although the SBA Disaster Loan program continues making loans during a 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 FY 2019 and FY 2020 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 (SBDC), women's business centers (WBC), SCORE chapters, and veterans business outreach centers.[19] 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.

SBA's entrepreneurial development programs provide the foundation for the agency's small business development efforts. In the past, the SBA has repeatedly funded unproven pilot programs

[19] Small business development centers provide technical assistance to small businesses and aspiring entrepreneurs. Women's business centers assist women in starting and growing small businesses. The SCORE Association is a nonprofit association comprised of over 13,000 volunteer business counselors located in 348 chapters throughout the U.S. and its territories. SCORE members are trained to serve as counselors, advisors, and mentors to aspiring entrepreneurs and business owners. Veteran business outreach centers provide entrepreneurial development services for eligible veterans.

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. In addition, given the deficiency of performance data SBA should establish metrics for its pilot programs to understand if these initiatives are successful or not. More importantly, the agency should focus 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

The SBDC program provides SBA grants to small business development centers and leverages 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 63 lead centers managing more than 900 outreach locations throughout the country. SBDCs deliver professional business advising and training focused on strategic planning, business development, financial planning, and cash flow management to hundreds of thousands of business clients annually. In FY 2017, SBDC professional business advisors helped clients start more than 14,000 new businesses; provided training and advising to more than 430,000 entrepreneurs including 62,000 long-term clients; helped clients obtain $5 billion in capital for their businesses; and helped clients secure $1 billion in federal government contracts.

Despite these efforts, there have been concerns that SBA has undervalued the SBDC program. To improve the quality and quantity of services provided by the primary source of entrepreneurial development assistance at the SBA, the Committee requests robust funding in the FY 2020 budget for the SBDC program to meet the rising and urgent demands for business development assistance from entrepreneurs throughout the country and the growing areas of assistance provided by SBDCs. The Committee expects to lead legislation in the 116th Congress to improve the program.

Women's Business Centers

The WBC program 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 program is a competitive grant program, where WBCs compete for federal funding. This differs from the SBDC program where each state is allotted funding based on a federal funding formula. 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. The Administrator selects a grantee or grantees and then enters into a grant agreement covering a five-year period specifying how the grantee will deliver the services to be provided at a WBC. Unlike any other SBA entrepreneurial program, WBCs are also required to serve disadvantaged communities in underserved areas. In FY 2017, the WBC program reached more than 140,000 small business owners and helped nearly 17,500 entrepreneurs launch small businesses. For FY 2019, the SBA received $18.5 million for WBCs. Last year WBC opened nine new centers in order to cover more areas of the country and are in the initial stages of the grant and building clientele to leverage this expansion. Furthermore, the SBA conducted a survey of WBC clientele to cover both advising and training to better understand the value and impact of WBC program services.

To effectively target business assistance to women entrepreneurs, one of the fastest growing small business sectors, the Committee recommends robust levels of funding for the WBC program to ensure these entrepreneurs have access to the tools that promote their growth. The Committee recommends raising the authorization and the cap to expand the reach of the program and to increase opportunities for women-owned small businesses. Further, the Committee intends to lead legislation in the 116th Congress to modernize the program.

SCORE

The SCORE Program provides face-to-face counseling by over 300 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 the business. The Committee remains focused on improving mentorships and requests reasonable levels of funding for this program.

Veteran's Business Outreach Centers

To meet the growing number of separating service members and reservists seeking new economic opportunities, the Veteran Business Outreach Center (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.[20] 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.[21]

The Committee requests robust funding for the Veterans Outreach program, which includes the Boots to Business program that the Committee plans to authorize during the 116th Congress. This program will modernize and streamline the federal governments core veterans' entrepreneurial development training initiative and provide returning service -men and –women with the tools they need to start a business.

[20] Small Business Administration. (2016). Six New Veterans Business Outreach Centers Open [Press release]. Retrieved from https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/six-new-veterans-business-outreach-centers-open.

[21] Id.

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 are able to increase their capabilities and capacity thereby improving their competiveness. To assist small businesses that want to contract with the federal government, Congress created a number of programs designed to increase their contracting opportunities. However, the creation of these programs has not expanded the number of contracts awarded each year. Rather, many agencies are awarding fewer contracts worth higher values. Thus, while some agencies and the government have been able to meet their small business goals, the participation of small firms has declined. This trend coupled with a system that has become complex and countless management problems continues to raise concern as to whether the SBA is effectively and efficiently advocating for small businesses in the marketplace.

Procurement Staffing Levels

Currently, there are less than sixty Procurement Center Representatives (PCRs) responsible for overseeing over $500 billion in federal contracting. However, the shortage of personnel is not limited to PCRs. To date, there are approximately a limited number of Commercial Market Representatives assisting small businesses with subcontracting opportunities. Similarly, staffing for the Service-Disabled Veteran-Owned Small Business Program, one of the set-asides discussed below, has decreased. 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.[22] 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 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 OIG has identified small business

[22] 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.

contracting as a serious management challenge since FY 2005, 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 assistant to eligible small disadvantaged businesses seeking to participate in federal contracting. A major benefit of the program is that 8(a) firms can receive sole source, as well as set-aside competitive federal contracts 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) participant firms are eligible for business training funded by the SBA's 7(j) program, which provided management and technical assistance to 8(a) businesses. The number of businesses that have sought assistance through this program has continually increased.

The number of participants has continually declined from about 7,000 in 2010 to about 3,421 in FY 2017, and this trend has been seen in the number of new applications to the program as well. Similarly, the number of businesses that have sought assistance through the 7(j) program, which supports 8(a) firms, is now also experiencing a decline after several years of growth and a decline in dedicated administrative resources. In FY 2012, 3,272 small businesses were assisted with the number peaking in FY 2015 at 5,360. Much of this increase was due to an effort by the agency to refocus efforts in this area. However, since then the number has dropped to 4,100 in FY 2017 with agency resources dedicated to the program near a record low. If the number of businesses seeking assistance does, indeed, rebound with improved agency outreach, small firms may see a reduction in the amount of funds spent per business.

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. As a result, the Committee recommends funding for the 8(a) and 7(j) programs be increased to escalate the levels of outreach to reverse the decline of program participants.

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 that has resulted from lack of eligibility verification by SBA of program participants. While the required information was requested to support the applications, SBA failed to verify that the firms had legitimate principle places of business in HUBZones. While the administration has made efforts to combat fraud by increasing site visits and reviewing firms that had previously been certified under the new review guidelines, 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 increasing employment opportunities and stimulating capital investment in designated HUBZones. Furthermore, although the HUBZone program continues to recruit new small businesses, over the years, the program has not met its target contracting goal, with only 1.65 percent of contracts awarded to HUBZones in FY 2017 worth $7.3 billion. Therefore, considering the challenges that SBA has faced in carrying out this program, the Committee suggests SBA focus more oversight in how resources for the program are spent.

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, few contracts have been awarded using the program with 438,597 contract actions worth $20.8 billion awarded in FY 2017. 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. The SBA OIG 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 recommends SBA dedicate funding to this program to maintain its integrity as well as participants.

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 need for adequate staffing levels and providing contracting education for participating firms.

CONCLUSION

The Committee has provided priorities for how the SBA should operate in FY 2020. SBA should put the appropriate level of resources to its programs and should focus its efforts on increasing outreach and access to both capital and contracting opportunities for traditionally underserved communities, including minority- and women-owned businesses. The agency should also be provided with the resources necessary to administer and oversee its core lending, entrepreneurial development, and contracting programs. 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.