

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, House Committee on Small Business
FROM: Nydia Velázquez, Chairwoman
DATE: October 6, 2021
RE: Full Committee Hybrid Hearing: “SBA’s Entrepreneurial Development Programs”

The Committee on Small Business will meet for a hybrid hearing titled, “SBA’s Entrepreneurial Development Programs.” The hearing is scheduled to begin at **10:00 A.M. on Wednesday, October 6, 2021, in person in Room 2360 of the Rayburn House Office Building, and virtually via the Zoom platform.** The hearing will examine the Small Business Administration’s (SBA) Entrepreneurial Development programs, which provide counseling, training, and outreach to small businesses, as well as discuss any challenges the Office of Entrepreneurial Development (OED) faces implementing the broad range of services and programs under its jurisdiction.

Panel

- Mr. Mark Madrid, Associate Administrator, Office of Entrepreneurial Development, Small Business Administration, Washington D.C.

Background

Entrepreneurial education, counseling, and training are more important than ever as small businesses emerge from the pandemic. The SBA’s OED oversees a network of programs and services that support small businesses through management training and technical assistance.¹ To that end, OED houses three separate sub-offices; the Office of Small Business Development Centers (OSBDC), which services Small Business Development Centers (SBDCs); the Office of Women’s Business Ownership (OWBO), which oversees Women’s Business Centers (WBCs); and the Office of Entrepreneurship Education, which works with SCORE. This network of programs support the training and counseling needs of small business and is the technical assistance arm of the SBA with Resource Partners located throughout the country.² In addition, OED oversees the implementation of the Community Navigator Pilot Program as authorized by the American Rescue Plan Act of 2021.³

¹ “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>.

² Office of Entrepreneurial Development, SBA.gov, <https://www.sba.gov/about-sba/sba-locations/headquarters-offices/office-entrepreneurial-development>.

³ P.L. 117-2.

Office of Entrepreneurial Development Programs

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 nearly 1,000 outreach locations throughout the country.⁴ 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 FY 2019, SBDCs helped clients start more than 17,000 small businesses and obtain \$6 billion in financing.⁵ For every federal dollar spent on the SBDC program in 2019, SBDC services generated \$1.99 in federal revenue.⁶

In the 116th Congress, the Committee approved H.R. 4406, the Small Business Development Center Improvement Act of 2019, which would modernize and strengthen the SBDC program for FY 2020-FY 2023.⁷ The bipartisan legislation was approved by the House of Representatives on October 21, 2019 under Suspension of the Rules by a vote of 375-25. The Committee plans to introduce similar legislation this Congress.

Women's Business Centers

Women's Business Centers are a national network of 136 centers that offer one-to-one counseling, training, networking, workshops, technical assistance, and mentoring to women entrepreneurs on many business development topics, including business startup, financial management, marketing, and procurement. SBA provides grants up to \$150,000 to eligible private, nonprofit, 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 must serve a representative number of socially and economically disadvantaged women.

In FY 2020, the WBC program advised and trained more than 82,000 entrepreneurs, an increase of almost 128 percent from FY 2019, and helped start and sustain more than 2,000 small businesses.⁸ In FY 2021, the SBA launched two new WBCs in Puerto Rico and announced new funding opportunities for WBC expansion in Tulsa, Oklahoma and Rochester, New York.⁹ In

⁴ America's SBDC, *About Us*, <https://americassbdc.org/about-us/> (last visited September 14, 2021).

⁵ See e.g., U.S. Small Business Administration, *FY2022 Congressional Justification FY2020 Annual Performance Report*; America's SBDC, *2021 Annual Report*, <https://www.sbdciimpact.org/results> (last visited September 14, 2021).

⁶ *Id.*

⁷ H.R. 4406, 116th Cong., (1st Sess. 2019).

⁸ U.S. Small Business Administration, *FY2022 Congressional Justification FY2020 Annual Performance Report*.

⁹ See e.g., Press Release, SBA Announces \$150,000 To Fund Women's Business Center in Tulsa, Oklahoma, (August 3, 2021), <https://www.sba.gov/article/2021/aug/03/sba-announces-150000-fund-womens-business-center-tulsa-oklahoma>; Press Release, SBA Announces \$150,000 To Fund Women's Business Center Expansion in

addition, SBA made \$2.7 million available through 14 grant awards of up to \$200,000 to WBCs in 13 states as part of the WBC Resiliency and Recovery Demonstration Grant.¹⁰ These grants were made available to existing WBCs in Massachusetts, New Jersey, New York, Pennsylvania, Florida, South Carolina, Indiana, Minnesota, New Mexico, Arkansas, Colorado, California, and Idaho to establish or continue innovative projects that aim to improve service delivery, training, and support provided to women-owned businesses impacted by COVID-19.¹¹

Last Congress, the Committee approved H.R. 4405, the Women’s Business Centers Improvement Act of 2019, which would strengthen the WBC program for FY 2020-FY 2023 at \$31.5 million for each fiscal year.¹² The bipartisan legislation was approved by the House of Representatives by voice vote under the Suspension of the Rules on October 21, 2019. The Committee plans to introduce similar legislation this Congress.

SCORE

SCORE provides face-to-face counseling at over 250 chapters with more than 10,000 SCORE volunteers.¹³ 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. In 2019, SCORE helped clients start 128 small businesses and served over 140,000 unique clients.¹⁴

Last Congress, the Committee approved H.R. 4407, the SCORE for Small Business Act of 2019, which would strengthen accounting, oversight, and performance of SCORE for FY 2020-FY2022.¹⁵ The legislation was approved by the House of Representatives on October 21, 2019 under Suspension of the Rules by a vote of 389-8. The Committee plans to introduce similar legislation this Congress.

Community Navigators

The Community Navigator Pilot Program aims to help underserved small businesses obtain additional support for accessing federal relief programs. The pilot program was authorized in the American Rescue Plan Act of 2021 and provides \$100 million for grants to organizations to participate in the program and \$75 million to support outreach and education.¹⁶ Competitive grant awards range from \$1 million to \$5 million for a two-year performance period.¹⁷ Outreach and education will include services in the 10 most common languages other than English, improvements to SBA’s website, implementing a media campaign to educate underserved communities, and establishing an SBA call center.

Rochester, New York, (August 5, 2021), <https://www.sba.gov/article/2021/aug/05/sba-announces-150000-fund-womens-business-center-expansion-rochester-new-york>.

¹⁰ Press Release, SBA Awards \$2.7M in Grants to 14 Women’s Business Centers, (August 16, 2021), <https://www.sba.gov/article/2021/aug/16/sba-awards-27m-grants-14-womens-business-centers>.

¹¹ Press Release, SBA Awards \$2.7M in Grants to 14 Women’s Business Centers, (August 16, 2021), <https://www.sba.gov/article/2021/aug/16/sba-awards-27m-grants-14-womens-business-centers>.

¹² H.R. 4405, 116th Cong., (1st Sess. 2019).

¹³ SCORE, *About SCORE*, <https://www.score.org/about-score> (last visited September 14, 2021).

¹⁴ U.S. Small Business Administration, *FY2022 Congressional Justification FY2020 Annual Performance Report*.

¹⁵ H.R. 4407, 116th Cong., (1st Sess. 2019).

¹⁶ P. L. 117-2.

¹⁷ Community Navigator Pilot Program, SBA.gov, <https://www.sba.gov/partners/counselors/community-navigator-pilot-program>.

Under the community navigator approach, traditional business assistance organizations like SBDCs, WBC, SCORE chapters, and other organizations will engage trusted, culturally knowledgeable partners to conduct targeted outreach to specific sectors of the small business community. This outreach can take several forms including hiring dedicated staff to focus on these communities or partnering with specialized community organizations and Chambers of Commerce via a “hub and spoke” model. Applications through Grants.gov were due by July 23, 2021, and the program is the performance period is projected to commence in October 2021.¹⁸

CARES Act Funding

The CARES Act, enacted on March 27, 2020, provided \$265 million, in total, for SBDCs, WBCs, and their respective Associations.¹⁹ SBDCs received \$192 million, with WBCs receiving \$48 million, to provide education, training, and advising to small businesses in response to the health and economic effects of the pandemic.²⁰ In addition, the SBDC and WBC associations received \$25 million to create a centralized platform for COVID-19 information.²¹ The platform includes a public-facing webpage that consolidates federal resources and information for small businesses about COVID-19 and a training portal to educate Resource Partner counselors on those resources and information.

Oversight

Office of Inspector General Report on Women’s Business Centers

On May 4, 2021 SBA’s Office of Inspector General (OIG) released a report detailing a lack of SBA oversight of the WBC program.²² The report outlined weaknesses in accounting systems, internal controls, and limited oversight of the WBCs that resulted in approximately \$800,000 in unallowable, unallocable, and unsupported costs, matching funds, and program income earned. The OIG made 10 recommendations to address these issues which SBA agreed with and outlined plans to close each recommendation. The Committee is committed to ensuring proper oversight of the WBCs and ensuring that these recommendations are closed in a timely manner.

Grant Delays

On May 19, 2021, the Committee held a hearing entitled, “The Small Business Administration’s Entrepreneurial Ecosystem: An Update and Next Steps with SBA’s Resource Partners.” The Committee learned of significant grant reimbursement delays for SBDCs and WBCs and has continued to hear concerns from SBDCs regarding reimbursement delays, some which have lasted several fiscal quarters and have put unnecessary stress on centers when demand for their services has been historically high.

¹⁸ Community Navigator Pilot Program, SBA.gov, <https://www.sba.gov/partners/counselors/community-navigator-pilot-program#section-header-1>.

¹⁹ P.L. 116-136.

²⁰ *Id.*

²¹ *Id.*

²² 21-14, SBA Inspector General, *Audit of SBA’s Oversight of Women’s Business Centers’ Compliance with Cooperative Agreement Financial Requirements*, (2021).

Conclusion

Access to entrepreneurial resources like free and low-cost counseling and training are critical to entrepreneurs and small business owners seeking to start, pivot, or grow their small businesses. SBA's OED ensures vital programs like the SBDCs, WBCs, and SCORE operate effectively and efficiently for America's small businesses. As the OED's responsibilities grow through implementing new programs like the Community Navigator Pilot Program, it is important the OED maintains a proper balance between oversight and operations to ensure these programs continue to operate on the high level their clients expect.