



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

TESTIMONY OF MICHAEL A. CHODOS
ASSOCIATE ADMINISTRATOR FOR
ENTREPRENEURIAL DEVELOPMENT
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS

MARCH 20, 2013

Chairman Graves, Ranking Member Velazquez, and distinguished members of the Committee. Thank you for inviting me to testify about the Small Business Administration's (SBA) work to enhance collaboration, avoid duplication and improve data tracking within our entrepreneurial assistance programs. I am grateful for the opportunity to discuss the wide range of business counseling, capital access and procurement assistance programs SBA makes available to America's 28 million small businesses to help them start, grow, innovate and create jobs. I also look forward to discussing our extensive collaboration with other federal agencies and our ongoing efforts to evaluate our own programs and to make them more streamlined, effective and efficient.

Entrepreneurs are the foundation of America's economic success. Roughly two-thirds of all net new private sector jobs are created by small businesses; and over half of America's working population either own or work for a small business. For 60 years SBA has been there to provide assistance and support for small business' success; and since 2009, under Administrator Mills' leadership, SBA has been there to address and meet critical gaps as small businesses struggled through the deep economic crises of the last four years.

In the past year alone, SBA and its resource partners counseled and trained over 1 million small businesses and helped thousands of new businesses start. SBA and its network of lenders also supported over \$30 billion in loans to small businesses through its 7(a) and 504 loan programs, and we helped agencies across the federal government to put over \$90 billion in federal contracts in the hands of small

businesses. SBA also leveraged a record \$3.3 billion in capital for small businesses through the SBIC program; and since 2009 has supported over \$3.3 billion in lending in our export loan programs.

Alongside the many ways in which SBA helps small businesses grow and create jobs, we're also there for individuals and small businesses after a disaster. Most recently, within 90 days after Super Storm Sandy struck, SBA approved more than \$1 billion in direct disaster loans.

To implement its programs, services and disaster support, SBA connects directly with small businesses in communities across America. It does so directly through its nationwide network of SBA District Offices, Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE chapters and Veteran's Business Opportunity Centers (VBOCs). And because so many of SBA's programs are delivered in partnership with others, we also help small businesses every day by collaborating with our very large network of private lenders, micro-lenders and investment funds in our lending and capital programs; with federal and state partners in our procurement, Small Business Innovation Research and export programs; and with university and non-profit partners in several of our innovative programs for supporting veterans' entrepreneurship.

We work collaboratively every day to break down siloes and to work effectively with our federal, state and private-sector partners. But we know that there are always further opportunities to use taxpayer dollars wisely and to make things simpler and easier for our small business constituents. We know that navigating the federal government and its many programs and services can be daunting to a small business. For that reason SBA and our network of partners act as the "Front Door" to federal support for small businesses. We help them access our own programs and services, and also act as community-based and online guides to help small businesses get the help they need from whichever federal, state or local partner can serve that small business best.

We appreciate the work of Mr. Shear and his team at the Government Accountability Office (GAO). Their reports on the important issues of fragmentation, overlap and data evaluation help SBA in its ongoing efforts to collaborate effectively with other federal agencies and to improve delivery of its own programs and services.

Over the past several years, SBA has focused very intensively on opportunities for improving collaboration and coordination within its own network. Our research shows that counseling and

business assistance services are vital to long-term success, and our network counsels and trains over 1 million entrepreneurs each year on topics ranging from business planning to financial analysis to marketing. We want to make sure that network is operating as efficiently and collaboratively as possible.

For that reason, last year SBA's Offices of Entrepreneurial Development (OED) and Field Operations (OFO) convened the first-ever national meeting of representatives from each resource partner network. We identified concrete ways to break down barriers and collaborate effectively in local markets nationwide, and detailed strategies to improve their clients' access to and utilization of SBA programs and services. We followed up this historic meeting with a series of regional meetings with SBA District Office staff to further refine the next actions to improve collaboration. And we modified all Resource Partner grant agreements to make effective collaboration a core part of each grant going-forward. Today, SBA's District Offices, SBDCs, WBCs and SCORE chapters are more integrated and coordinated than at any time in SBA's history.

SBA focuses intensively on opportunities for external collaboration and coordination of services, as well. At the same time, we recognize the ongoing need to identify and use the most promising practices for inter-agency collaboration, and we look forward to building on existing initiatives.

SBA has participated in and led efforts to collaborate and share resources with USDA, Department of Commerce and HUD. We have also worked to leverage each other's outreach efforts to improve local small business access to the full range of economic development programs and services.

For example, SBA participated in the Task Force on Travel & Competitiveness chaired by the Secretary of Commerce and the Secretary of the Interior, and contributed to the development of the Task Force's National Travel & Tourism Strategy released in May 2012. In addition, in response to the historic drought, SBA, USDA, and the Department of Commerce, through its Economic Development Administration (EDA), worked collaboratively to conduct outreach to drought-impacted communities about available federal resources. Also, SBA has been working with the Department of Commerce and numerous other federal agencies on developing BusinessUSA.gov, the comprehensive, one-stop platform for businesses looking to access information, resources, programs and services available through the federal government.

In another example, pursuant to their MOU executed in 2010, SBA and USDA are working together to promote awareness of each other's programs and services and to cross-refer business clients through their online websites and from their field offices. For example, SBA and USDA are working together to recruit small businesses from rural communities into the Historically Underutilized Business Zone (HUBZone) program. The HUBZone program's focus is to create jobs where they are needed most, and many designated HUBZones tend to be in rural communities.

In another example, SBDCs partner with USDA to leverage both the USDA access to rural communities and the SBDCs' business assistance services. SBDCs partner with the Cooperative Extension System, Rural Business Enterprise and the BioPreferred Program Offices to maximize assistance to small businesses in rural areas across the country. Several SBDCs across the country participate and receive USDA Rural Business Enterprise grants that finance and facilitate the development of small and emerging rural businesses through distance learning networks. And SBDCs are key to the counseling component of the E3 partnership led by DOC, EPA, USDA, Department of Energy and Department of Labor which has active projects in 20 states to integrate federal agency technical assistance tools and resources for more integrated factory and facility assessments and improvements.

HUD and SBA have been collaboratively supporting small business development in distressed areas through HUD-funded Community Development Block Grant (CDBG) projects. Working together, the agencies are piloting ways to increase small and minority business utilization of HUD's CDBG, HOME, public housing and multifamily programs through access to surety bonds for the smallest contractors. HUD and SBA have also worked together intensively in recent years to identify ways to address and eliminate duplication of benefits in disaster response, lending and granting programs.

SBA also partners with the Departments of Commerce, Labor and Education to coordinate federal efforts and leadership in supporting regional innovation through the Taskforce for the Advancement of Regional Innovation Clusters (TARIC). Through TARIC, SBA and 15 other federal agencies coordinate and collaborate to make their respective programs and services available to small business innovators through joint regional innovation cluster initiatives, including the Advanced Manufacturing Accelerator Initiative and the Rural Accelerator Challenge. By way of example, the Rural Accelerator Challenge made available a combination of \$9 million in funding from EDA, Department of Agriculture, the Delta Regional Authority, and the Appalachian Regional Commission, along with technical and program support from nine additional agencies including SBA.

SBA has also increased its collaboration with the DOC in the administration of its International Trade programs. As directed by the Jobs Act, SBA increased its nationwide network of Trade Finance Specialists co-located with the Department of Commerce staff at U.S. Export Assistance Centers, and has built Exporting expertise across the SBDC network with the training of over 200 new export counselors. The two agencies also participate actively in the inter-agency small business working group, chaired by SBA.

While work remains to be done, I am very proud of our accomplishments and progress in the area of collaboration to date. A great deal of the credit should also go to our SBA District Office leadership; national, state and local leadership in our SBDC, WBC, and SCORE networks; and our Cluster administrators and other partners.

In addition to our work fostering collaboration within our own SBA family and with other agencies, the Agency has been working intensively on ways to improve the measurement and evaluation of our programs. SBA believes that measuring and evaluating effectiveness and outcomes is essential to maximizing performance. We teach this principle to small businesses every day; and we work hard to apply the same principles to our own management of the precious taxpayer resources entrusted to us.

Internally, SBA already engages in extensive measurement of the activity and outcomes generated within our Resource Partner network. But we continually look for opportunities to improve that process.

Starting in FY12, OED undertook a comprehensive modernization project for our Resource Partner data collection system, known as EDMIS (Entrepreneurial Development Management Information System) to enhance current data fields, improve budget and performance integration capabilities, and expand reporting capabilities. Additionally, we are also working with all our Resource Partners to identify and align all our respective surveying, polling and impact study methodologies to harmonize the data collected through these efforts and have a coordinated set of data sources between the Agency and its partners.

Externally, in collaboration with DOC and other agencies, SBA is working with TARIC to implement rigorous data collection and evaluation for our cluster initiatives and to propagate best practices. In

addition, our Office of International Trade is implementing joint outcome-based performance measures in collaboration with the Trade Promotion Coordinating Committee and its 18 member agencies.

SBA is also participating in a series of inter-agency meetings in collaboration with the Performance Improvement Council to discuss data collection, program evaluation, and performance measures to create consistent and relevant standards across the agencies which support entrepreneurship. SBA is working with OMB and the Council of Economic Advisers on an interagency pilot with Commerce and USDA to pursue a cross-program study of business technical assistance programs. One goal of the pilot is to determine whether SBA program data can be matched with Census data to accomplish the broader objective of measuring the impact these programs are having related to their stated mission. SBA and the Department of Commerce also jointly sponsor a “Smarter Data, Smarter Policy” initiative, the goal of which is to develop a consistent data set that is widely accessible to government statistical and business agencies.

In closing, I want to thank you for the opportunity to testify before you today. As you know, the SBA, its Resource Partners and its many lending, federal sector and other partners have a critical mission to fulfill as our economy continues its recovery. Our goal is to support and strengthen America’s 28 million small businesses. Through enhanced collaboration, improved performance metrics, and new service delivery tools, we are building an entrepreneurial ecosystem for the 21st Century and beyond.

I look forward to answering any questions you may have. Thank you.