

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
**2361 Rayburn House Office Building**  
**Washington, DC 20515-6515**

**MEMORANDUM**

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**TO:** Members, Subcommittee on Innovation, Entrepreneurship, and Workforce Development  
**FROM:** Jason Crow, Chairman  
**RE:** Subcommittee Hybrid Hearing: The Small Business Administration’s Entrepreneurial Ecosystem: An Update and Next Steps with SBA’s Resource Partners  
**DATE:** May 19, 2021

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The Committee on Small Business, Subcommittee on Innovation, Entrepreneurship, and Workforce Development will meet for a hybrid hearing titled, “The Small Business Administration’s Entrepreneurial Ecosystem: An Update and Next Steps with SBA’s Resource Partners”. The hearing is scheduled to begin at **10:15 A.M. on Wednesday, May 19, 2021, in person in Room 2360 of the Rayburn House Office Building, and virtually via the Zoom platform.**

The Subcommittee will meet to examine the United States Small Business Administration’s (SBA) entrepreneurial development ecosystem and offer Members of the Committee the opportunity to review the major technical assistance programs. Members will hear directly from America’s SBDC, the Association of Women’s Business Centers (AWBC), and SCORE about the programs, how the pandemic has impacted their work, and the challenges they face as the country recovers from the economic downturn.

**Panel:**

- Mr. Tee Rowe, President and CEO, America’s SBDC, Arlington, VA
- Ms. Bridget Weston, CEO, SCORE, Herndon, VA
- Ms. Corinne Hodges, CEO, Association of Women’s Business (AWBC), Washington, DC
- Mr. Patrick Montgomery, Founder/CEO, Kansas City Cattle Company, Kansas City, MO

**Background**

America’s 30 million small businesses account for more than 56 million jobs and create two out of three private sector jobs in the United States.<sup>1</sup> The SBA offers a wide range of free or low-cost counseling and training services through its entrepreneurial ecosystem to help entrepreneurs launch and grow their small businesses. To deliver these resources, the SBA relies on its four

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<sup>1</sup> SBA, FY 2021 CONGRESSIONAL BUDGET JUSTIFICATION AND FY2019 ANNUAL PERFORMANCE REPORT at 5.

primary resource partners: Small Business Development Centers (SBDCs), Women’s Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs).

According to SBA’s 2013 Impact Study, clients that receive three or more hours of counseling have higher survival rates than firms that receive less counseling. Moreover, the surviving small businesses tend to realize significantly higher growth in revenues and employees, compared to those who received less counseling.<sup>2</sup> These counseling and training services have been particularly important throughout the COVID-19 pandemic. In FY 2019, more than one million entrepreneurs participated in the counseling, mentoring, and training programs through SBA.<sup>3</sup>

### Small Business Development Centers

The largest of the Resource Partners within SBA’s entrepreneurial ecosystem, SBDCs receive grants from SBA to leverage a unique mix of federal, state, and private sector financial resources 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.<sup>4</sup> 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.

SBDCs received \$192 million in additional funding through the CARES Act to accommodate the historic increase of small business owners seeking counseling and training on how to pivot their business, navigate SBA’s disaster relief programs, and maintain operations through a global pandemic.<sup>5</sup> This additional funding was used to provide virtual services, hire additional staff, and buy equipment necessary for virtual and remote work. In 2020, SBDCs provided training and counseling to almost 511,000 entrepreneurs and small business owners.<sup>6</sup> In 2019, SBDCs helped clients start more than 20,000 small businesses and obtain \$6 billion in financing.<sup>7</sup> For every federal dollar spent on the SBDC program in 2019, SBDC services generated \$1.99 in federal revenue.<sup>8</sup>

### Women’s Business Centers

The WBC program is a competitive grant program, where WBCs compete for federal funding. SBA currently provides grants to more than 130 non-profit organizations to provide quality counseling and training services primarily to women entrepreneurs, many of whom are socially and economically disadvantaged.<sup>9</sup> Participating organizations must match the federal funding with

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

<sup>3</sup> SBA, FY 2021 CONGRESSIONAL BUDGET JUSTIFICATION AND FY2019 ANNUAL PERFORMANCE REPORT at 84.

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

<sup>5</sup> Pub. L. No. 116-136 [hereinafter “CARES Act”].

<sup>6</sup> America’s SBDC, *2021 Annual Report*, <https://www.sbdimpact.org/results> (last visited May 10, 2021).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> U.S. Small Bus. Admin., *Press Release No. 21-01: SBA Launches Largest Expansion of Women’s Business Centers in 30 Years* (Jan. 4, 2021), <https://www.sba.gov/article/2021/jan/04/sba-launches-largest-expansion-womens-business-centers-30-years>.

one non-federal dollar for every two federal dollars during the first two years and on a one-to-one basis thereafter. To allow WBC staff to focus on meeting the increased needs of WBC clients during the pandemic, the WBCs' federal matching requirement was waived for three months under the CARES Act.<sup>10</sup> The Economic Aid Act extended the waiver through June 30, 2021 and made it retroactive.<sup>11</sup>

In addition to the federal matching funds waiver, WBCs also received \$48 million in additional funding in the CARES Act to provide remote and virtual services, hire additional staff, and buy equipment necessary for virtual and remote work.<sup>12</sup> Unlike any other SBA entrepreneurial programs, WBCs are also required to serve disadvantaged communities in underserved areas. In 2020, the WBC program increased their reach by 22% and advised and trained more than 82,000 entrepreneurs and helped start and sustain over 30,000 small businesses.<sup>13</sup>

### SCORE

SCORE provides face-to-face counseling at over 250 chapters with 10,000 SCORE volunteers.<sup>14</sup> SCORE volunteers provide a full range of business consultation services, such as business plan development, strategic marketing, and financing ideas. The SBA's SCORE database enables small businesses to find SCORE volunteers that best match the needs of their business.

SCORE was the only SBA Resource Partner that did not receive additional funding in the CARES Act. Despite this, SCORE helped to create 45,027 new businesses and 74,535 new jobs in 2020, and it has a return on federal investment of \$67.35 for every \$1 appropriated in 2020.<sup>15</sup> In addition, SCORE has closed out all recommendations from the SBA Office of Inspector General (OIG) and has developed a clear roadmap to improve program operations, including investments in technology, streamlining administrative services, and increasing representation and outreach to underserved communities.

### Fiscal Year 2021 Funding Levels

Under the Consolidated Appropriations Act, 2021, enacted on December 20, 2020, SBA's Entrepreneurial Development programs received \$272 million for FY21.<sup>16</sup> Specifically, the SBDC program received \$136 million, the WBC program received \$23 million, and SCORE received \$12.2 million.<sup>17</sup>

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<sup>10</sup> CARES Act *supra* note 5.

<sup>11</sup> Pub. L. No. 116-260.

<sup>12</sup> CARES Act *supra* note 5.

<sup>13</sup> Association of Women's Business Centers (AWBC), *2020 Annual Report* (forthcoming 2021) (unpublished manuscript at 6) (on file with Committee).

<sup>14</sup> SCORE, *About SCORE*, <https://www.score.org/about-score> (last visited May 4, 2021).

<sup>15</sup> Letter from SCORE to the U.S. House of Representatives Committee on Small Business (Feb. 3, 2021) (unpublished letter) (on file with Committee).

<sup>16</sup> Pub. L. No. 116-260.

<sup>17</sup> *Id.*

## **SBA Management**

The three primary counseling and technical assistance programs described above are overseen by the Office of Entrepreneurial Development (OED). Given its mission statement,<sup>18</sup> OED is charged with helping small businesses through management training and technical assistance. OED houses three separate sub-offices; the Office of Small Business Development Centers, which services SBDCs; the Office of Women’s Business Ownership, which oversees WBCs; and the Office of Entrepreneurship Education, which works with SCORE. Through a multitude of resources and tools, OED manages the three congressionally created programs and their respective resource partners.<sup>19</sup>

## **Diversity Initiatives**

The pandemic has exposed historic inequities in small business ownership and resilience, taking an outsized toll on underserved small business owners, entrepreneurs, and their communities. In order to meet the needs of underserved small business owners, SBA’s Resource Partners have committed to expanding the diversity of their counselors and clients. In addition to participating in SBA’s Community Navigator Pilot Program the Resource Partners have also committed to the following initiatives:

### **SBDC Inclusivity Project**

SBDCs are currently working to implement the Northern California SBDC Network “Inclusivity Project” nationwide to support all underserved communities and their small businesses and entrepreneurs.<sup>20</sup> SBDC Members will work to adopt this effort by setting specific targets to increase outreach to the underserved communities in their state or region.<sup>21</sup> In addition, each state or region will appoint a State champion to assist the clients in the project, help with project outreach, and manage goal tracking so SBDCs stay on track of their targets.

### **SCORE**

SCORE is requesting an increase in appropriations to \$21.7 million for FY22, in part, to expand SCORE’s outreach in underserved communities. With the \$9.5 million in additional funding, SCORE plans to use \$2.5 million to support more underserved businesses and entrepreneurs.<sup>22</sup> SCORE’s plans include developing tailored training content on accessing emergency capital, how small business can succeed post-pandemic, and additional content for businesses hardest hit by COVID-19.<sup>23</sup> In addition, SCORE will increase access to this content with disadvantaged entrepreneurs, conduct research into their needs, and translate content into Spanish.<sup>24</sup> SCORE will

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<sup>18</sup> “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>.

<sup>19</sup> “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>.

<sup>20</sup> The Inclusivity Project, <https://theinclusivityproject.com/> (last visited May 6, 2021).

<sup>21</sup> Presentation from America’s SBDC California, Inclusivity Project (unpublished presentation) (on file with author).

<sup>22</sup> Letter from SCORE to the U.S. House of Representatives Committee on Small Business (Feb. 3, 2021) (unpublished letter) (on file with Committee).

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

also market this additional content and add staff positions to support diverse volunteer mentor recruitment.<sup>25</sup>

#### *SBA's Community Navigator Pilot Program*

The Community Navigator Pilot Program will help underserved small businesses obtain additional support in accessing federal programs for small businesses. The pilot program was authorized in the American Rescue Plan Act of 2021 and will provide \$100 million for grants to organizations to participate in the program and \$75 million to support outreach and education.<sup>26</sup> 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.

SBA's Resource Partners, 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. SBDCs, WBCs, and SCORE support the pilot program and plan to participate.

#### **Current Issues**

SBA's Resource Partners have worked tirelessly to meet the needs of America's small businesses and entrepreneurs as they move through the various stages of the pandemic. However, over the previous year, SBA's Resource Partners have raised concerns that SBA's management of their programs is not as efficient and effective as it could be. Some of the SBA's Resource Partners concerns are:

#### *Grant Disbursement Delays*

SBDCs and WBCs have experienced grant disbursement delays in both normal appropriations and CARES Act grants. Some of these delays lasted several fiscal quarters and have put unnecessary stress on centers when demand for their services has been historically high. When SBA grants are delayed, it can stress Resource Partner host institution relationships and make it difficult for centers to strategically plan.

#### *Potential Staffing Shortages and Retention Problems*

Resource Partners have expressed concern that SBA's OED, the Office of Small Business Development Centers (OSBDC), and the Office of Women's Business Centers (OWBC) are not sufficiently staffed to handle the needs of thousands of Resource Partner centers and chapters across the country. Hiring and retaining an adequate level of well-trained staff is critical to the proper operation of government and ensuring SBA achieves its mission to assist small businesses across the country.

#### *Future of Resource Partner Consolidated Platform*

Section 1103 of the CARES act provided \$25 million for ASBDC and AWBC to create a centralized platform for federal COVID-19 resources and a backend, training platform for all

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<sup>25</sup> *Id.*

<sup>26</sup> Pub. L. No. 117-2.

Resource Partner counselors.<sup>27</sup> The public facing, or Content Management System (CMS), platform was the first portion of the project that was operational and can be found at covid-sb.org. The backend training platform for Resource Partner counselors, or Learning Management System (LMS), had to be built from scratch and became operational January 18, 2021. Funding for the platform will expire in April 2022 and Congress will need to determine next steps for the platform before that expiration.

### **Recent Legislation**

During the 116<sup>th</sup> Congress, the House of Representatives approved three separate bills to improve the Entrepreneurial Development programs, they are:

- H.R. 4406, the Small Business Development Center Improvement Act of 2019, reauthorize and improve the SBDC program by allowing SBDCs to market and advertise their services while strengthening the program by improving data collection.<sup>28</sup>
- H.R. 4405, the Women’s Business Centers Improvements Act of 2019, reauthorize the WBC program and increase the maximum grant levels for WBCs while creating uniformity through an accreditation process.<sup>29</sup>
- H.R. 4407, the SCORE for Small Business Act of 2019, would reauthorize the SCORE program while creating process improvements related to program management.<sup>30</sup>

None of the bills were approved by the Senate. In the 117<sup>th</sup> Congress, the Small Business Committee will look to update and advance similar bills.

### **Conclusion**

Small businesses play an essential role in stimulating economic growth and creating jobs, particularly as the country economically rebounds from the pandemic. SBA’s Resource Partners provide free or low-cost counseling and training to help entrepreneurs start, scale, and expand their small businesses with over one million entrepreneurs utilizing their services each year. It is important to ensure that the training and counseling programs are reaching the maximum number of clients and can meet the needs of underserved and particularly hard-hit businesses across the country. Members will learn about each of these Entrepreneurial Development programs, how they have responded to and been impacted by the pandemic and federal relief efforts, and what more can be done to improve the quality of their program management.

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<sup>27</sup> CARES Act *supra* note 5.

<sup>28</sup> H.R. 4406, 116<sup>th</sup> Cong., (1<sup>st</sup> Sess. 2019)

<sup>29</sup> H.R. 4405, 116<sup>th</sup> Cong., (1<sup>st</sup> Sess. 2019)

<sup>30</sup> H.R. 4407, 116<sup>th</sup> Cong., (1<sup>st</sup> Sess. 2019)