



Testimony
of
C. E. “Tee” Rowe
President/CEO

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“SBA’s Entrepreneurial Ecosystem:
An Update and Next Steps”

Chairman Crow, Ranking Member Kim,

Thank you for inviting me to testify today on behalf of America's SBDCs. I am the President and CEO of America's SBDC, the Association that represents the nationwide small business development center (SBDC) system of 62 networks with over 975 locations and over 4,000 dedicated professional counselors, advisors, specialists and support staff.

For 40 years the SBDCs have been providing services to small business owners and aspiring entrepreneurs. Over the years our member networks have developed a wide variety of services for small businesses of all sizes, services that are tailored to meet the needs of regional businesses throughout the nation.

HOW AND WHERE SBDCs WORK

SBDCs operate out of host institutions, primarily colleges and universities, and they operate (with some exceptions) statewide. California and Texas are the exceptions having five and four regional networks respectively. Some SBDCs (CO, IL, WV, IN, OH, MT) are hosted by their state departments of commerce or economic development. The host institution manages the operations of its SBDC network through its sub-centers and many of those are at other colleges, community colleges and chambers of commerce. Those host institutions and their partners contribute matching funds that exceed the federal funding. Federal funding for SBDCs is allocated based on population census figures with a minimum funding level established for smaller states (VT, NH, SD, etc.)

Many SBDCs are based at the business schools of their respective colleges and universities providing the ability to leverage the skills and knowledge of the professors and students with the practical experience of our advisers. However, while SBDCs may be headquartered at colleges and universities (or state agencies) our centers are in the communities. We strive to develop partnerships with local groups to ensure that our services are reaching as many small businesses as possible in all areas of society. For example, in California our networks are located at sites like the International Rescue Committee in El Cajon, the Hispanic Chamber in Silicon Valley, or the East Los Angeles Initiative. In Colorado you will find SBDCs at the Municipal Center in Aurora or the Boulder public library. SBDCs are located to maximize access as much as possible.

SBDCs provide services to small businesses at all stages of development. The mix of businesses usually varies depending on the region and their unique characteristics. A good rule of thumb is that we have a range of about a 60/40 mix of existing and nascent (start-up) entrepreneurs. Annually, these ratios vary due to economic conditions and external

factors such as disasters or market conditions. Over 50% of our clients are women, and roughly 10% of our clients are veterans. Every year we provide over one and a half million hours of counseling and training to over 500,000 small business owners and their employees.

SBDCs focus on providing free one on one consulting and mentoring on how to improve, finance, market, and manage their businesses. The services SBDCs provide tend to be more in-depth, and our relationships often span several years. The services will change as the business grows and its needs shift. SBDCs offer assistance in procurement, rural tourism, energy conservation, international trade assistance, among many other areas. We are always trying to expand and improve our services in an effort to support the growing needs of the small business sector and to adapt to a changing business environment. The advance of technology has changed the way most small businesses have to do business in order to survive and thrive.

This assistance has provided significant results. From 1990 to 2018 our conservative estimates are 70.5 billion dollars in capital accessed, 120.4 billion dollars in increased sales, and 2.4 million jobs created by over 1.25 million clients. All of this generating over \$10.75 billion in tax revenue.

From 2012 to 2018 alone SBDCs helped their small business clients obtain over \$30 billion in capital, increase their sales by over \$40 billion and helped them create over 538,000 new jobs. In 2019 SBDC helped small businesses access \$6 billion in capital, increase sales by \$7 billion and create 91,767 jobs.

ACCREDITATION

SBDCs are unique in that they are subject to accreditation. Each SBDC network is required to undergo accreditation at least every five years. Each accreditation review involves a week long examination by an accreditation team, a rigorous self-study, interviews and written reports. The reports are reviewed by our accreditation committee and SBA. Our accreditation standards are based on the Malcolm Baldrige Standards for continuous quality improvement. These standards monitor the skills of our counselors, the strength of our SBDC management, the commitment of our host institutions, the strength of and adherence to our strategic plans, and SBDC effectiveness. A key component of every SBDC's strategic plan is our needs assessment process. This focuses on the needs of our clients, the changing economy and ensuring that SBDC services keep up with needs of small business. The SBDC program has been recognized by the Office of Management and Budget for its accountability and the quality of its performance data. We're proud of the fact that our impact data is accurate and verifiable and that we're accountable to the taxpayers.

VETERANS

SBDCs prioritize assistance to veterans – approximately 10% of our clients are veterans. We have specialized programs in several states to assist veterans both pre and post deployment. Many of our networks, particularly in states with large veteran populations (TX, NY, FL, e.g.) have such programs. Veterans consistently make up a highly entrepreneurial demographic and often base their businesses on a skill set acquired while serving our nation's defense; we believe they have earned our special attention.

UNDERSERVED COMMUNITIES

The SBDC outreach to minority and underserved communities is significant. Our minority clientele comprises over 38% of our client base nationwide and our members support targeted outreach programs all across the country. In New York for example, the SBDC network hosts the Organization for Latino Entrepreneurs (Ole) and in Maryland the SBDC network supports the Branch Avenue project, an inner city business restoration program, as well as operating a Hispanic Business Center. Two SBDC networks are hosted by Historically Black Colleges and Universities and many of our satellite partners are HBCUs as well. However, as I will discuss later, our efforts to reach all communities are not stopping there.

RURAL OUTREACH

SBDCs are mandated to provide service to their entire state. Rural, urban, suburban. Over the years SBDCs have recognized the difficulties faced by rural communities and have introduced initiatives to meet their needs. As an example, our Texas SBDC networks have hosted an annual Texas Rural Conference with a focus on bringing together economic development organizations to focus on the needs of entrepreneurs in rural communities. In the same vein, the Virginia SBDC supports a rural outreach program, the Small Town and Merchant Program to aid small independent retailers and restaurateurs-in small communities. Our Alabama SBDC network is initiating a Rural Strong initiative in cooperation with the USDA to expand its efforts in rural Alabama. In Missouri the SBDC in Cape Girardeau works closely with the Delta Regional Authority to provide the business development assistance that is integral to that agency's economic development mission.

EXPORTS

Nationwide SBDC have over 500 certified export assistance counselors to help small businesses reach the markets outside the US, where 95% of the world's markets reside. We partner with the US Census Bureau to provide training in US export regulations and in Massachusetts and Illinois, as well as other states the SBDC network is one of the key components of the state's export outreach program. We are also involved in an ambitious effort to spread the SBDC model to other countries. Working with the Department of State SBDCs have been helping establish small business support organizations throughout South and Central America, an initiative called the Small Business Network of the Americas. We consider this effort to have a vital role both in building markets and export relationships for our small business clients. As a result of our efforts, particularly through the South West Texas Border SBDC at UTSA we have helped establish small business development organizations in Mexico, Honduras, Colombia, Chile, Costa Rica, Belize, Guatemala and Panama.

TECHNOLOGY – As the subcommittee heard last week, SBDCs are significant providers of assistance for the SBIR and STTR programs. SBDCs all across the country work with small technology firms and assist them in applying for and winning grants to develop technology for federal R&D priorities and commercialize them.

CYBERSECURITY – Over the past year the national SBDC network has developed a cybersecurity training program based on the Department of Defense Cybersecurity Maturity Model Certification Program. Our platform encompasses all facets of the DoD, NIST and Homeland Security guidance in order to provide the ability for SBDCs to provide basic security for small business owners and help them access higher level services when needed.

In addition to that basic training on cybersecurity we are developing an innovative new program called *Secure Towns*. Through *Secure Towns* SBDCs work with local Chambers, economic development organizations, local governments and businesses to build cooperative local frameworks to prevent cybersecurity breaches and raise awareness of vulnerabilities. We are starting the program with a pilot in Culpeper, VA but hope to expand the concept to many more cities and towns.

PROCUREMENT

27 of the 94 procurement technical assistance centers operating across the country are supported by SBDCs. In addition, numerous SBDCs offer introductory courses and assistance on accessing government contracting opportunities. In many networks that government contracting effort is centered on supporting SBA's HUBZones and 8(a) procurement programs for underserved communities. For example, in New York the SBDC provides both federal and statewide MWBE certification assistance and contractor bonding programs to help meet state and federal goals.

I could spend a great deal of time discussing all the services offered by the SBDC network, and I could offer any number of success stories and even then I am sure I would miss many important contributions. In order to give this Committee and Congress a better picture of what SBDCs offer and accomplish I have provided a link to our annual report. It provides state by state and national impact information on SBDC performance and can be found at -

<https://www.sbdciimpact.org/>

COVID PANDEMIC RESPONSE

SBDCs have been working long hours over the last year assisting small business with handling their response to the pandemic. It hasn't been easy. I did a quick poll of my membership and all told we've done close to three years of work in the last 10 to 12 months. It's not unusual for counseling requests to exceed 200% of normal year over year.

SBDCs hosted and participated in over 3,500 webinars and assisted over 315,000 people in the early months of the pandemic and provided over 235,000 counseling hours.

We have assisted small businesses with billions in financings through PPP, EIDL, SVOG and now the Restaurant Revitalization Fund. Throughout the pandemic the biggest problem SBDCs and their clients faced was conflicting information. We've tried hard to help small business but our efforts have been hindered by information that comes out in fits and starts. We've worked hard to assist small businesses get applications in and get them the help they needed. Sadly, a lot of conflicting and sometimes downright bad information came out and that made our work harder. Motivated by the best of intentions a lot of parties tried to rush information out in advance of agency guidance. That, compounded by concern, drove a lot of small businesses to make mistakes and that was compounded by a shortage of actual guidance from the agencies.

In many situations, SBDCs guided small business by helping them to understand their options more fully. Taken all at once the combination of Family and Medical Leave Act changes, unemployment insurance changes, EIDL and PPP loans presented a confusing cocktail for most small business owners. Many were faced with unpleasant options – take an EIDL loan and save the business by paying rent but lose your employees. Pay your employees through PPP but not have enough to pay rent and lose the business. The interplay of the options presented were not easy to understand. If you put your employees on layoff would there be PPP funds to rehire them later after the lockdowns?

To respond to the pandemic and the unique problems it caused SBDCs responded in a variety of ways. An example is our Pennsylvania SBDC network. The PASBDC responded to the pandemic by launching 9 centers of excellence with specialty services. Within 2 months of receiving the Cares Act funding these COEs were open to serve clients across the Commonwealth with new services aimed specifically at helping clients weather the pandemic. Those services included e-commerce, SEO, life science, agriculture, and hospitality sector focused specialized services, including a bilingual (Latino) center of excellence to help the community access the various special loan programs.

In our networks, as demand for counseling and training tripled and quadrupled during the spring and summer of last year with the onset of the economic decline triggered by COVID, followed by the availability of the new federal loan and grant programs SBDCs shifted quickly to online counseling and training. The public's acceptance of on-line counseling and training grew tremendously based on quarantining and sheltering practices.

The use of on-line methods of working with businesses, although not preferred by everyone, will remain a significant alternative in the post-COVID environment. These on-line methods will help reduce drive-time inefficiencies, both in urban and rural areas. On-line counseling also allows SBDC's to better utilize specialized skillsets among staff as geographic location becomes less limiting. At SBDCs we conduct regular needs assessments regarding our small business clients' needs. Current survey results show that the most requested educational programming is "Finding New Customers", and that is also their most frequently mentioned business challenge. Other highly rated results are strategic planning, digital marketing, social media, and search engine optimization.

GOING FORWARD

Based on these results, for the immediate future we see small business as increasingly reliant on technology to both serve and find customers. As the pandemic recedes we hope that people will return to their prior retail habits but it is not improbable that consumer habits learned during the pandemic will linger. Our concern is how to meet those small business needs and help small businesses re-establish those customer bases, customer confidence, and regain lost ground.

These changes also represent significant challenges. Broadband access limits the availability of on-line services in many communities. To overcome that SBDCs are continuing to increase their efforts at outreach with local community organizations. A particular example, the Southlands SBDC near Chicago worked with the Resurrection Project and the Urban League to ensure that SBDC services and SBA programs reached underserved communities. Our Ohio SBDC also collaborated with the Urban League to the same end, ensuring access and equity. Likewise, in Houston the Gulf Coast SBDC is teaming with the Greater Houston Black Chamber of Commerce, the second oldest and one of the largest Black Chambers in the US. They have begun a new initiative creating a "business institute" for underserved communities to improve their ability to access capital.

Their plan is to create cohorts of 30 businesses and put them through a 6-month intensive training program that provides access to resources, training and advising that they would not normally have or would not have access to. The Gulf Coast SBDC will be supporting the program through sponsorship funding to bring in outside experts on specialized businesses topics as well as providing our SBDC training. The Gulf Coast SBDC will not only provide advising services during the program, but will be providing ongoing support after the program is over.

This is a continuation of SBDCs' work to serve all their communities. As I mentioned before, SBDCs are spread across communities in their states and regions endeavoring to provide service to all communities. As a continuation of this the SBDCs have begun *The Inclusivity Challenge* based on the NorCal SBDC's *Inclusivity Project*- <https://theinclusivityproject.com/>

The challenge is simple – **"Do More"**. Based on the assessments of each SBDC's local needs they will reach out to more communities and establish more connections and provide more services. Each SBDC participating in *The Inclusivity Challenge* begins by critically examining communities within the SBDC service region that are underserved, or face barriers or limitations to building sustainable businesses. *The Inclusivity Challenge* is not just about targeting demographic groups. It's about helping all entrepreneurs overcome impediments to their success. Those can include language, culture, geography, disability, past life experiences (drug addiction, prison records), etc.

The Inclusivity Challenge is a framework to strengthen current activities and to expand into other markets. Partners are vital to building connections to businesses within the community targeted and help to endorse the creditability of the SBDC and build confidence of businesses to seek SBDC services. Partners include chambers of commerce, merchant associations, religious institutions, and navigator entities. Past SBDC clients will be tapped as community ambassadors and to help establish connections to the most relevant partners. Finally, financial partners will be vital to help address the capital needs of businesses and are important to achieving the capital access objectives of *The Inclusivity Challenge*.

We view our effort as complementary to the *Community Navigators* program. In fact, several SBDCs are already engaged in pilot programs for *Community Navigators*. SBDCs look forward to participating in *Community Navigators* as Hubs or Spokes, however we can best work with local navigator organizations to expand access to services and assistance to underserved small businesses. Our goal is to help as many small businesses, particularly those hardest hit by the pandemic – businesses in communities of color, come out of the current situation stronger and better prepared for the future.

COLLABORATION ACROSS AGENCIES AND PROGRAMS

America's SBDCs would like to start a discussion on the most efficient and effective ways to deliver services to small businesses. America's SBDC and its members don't believe in a one size fits all approach to the delivery of services. We recognize our states and regions have different economies, resources and needs. What we do believe is that the leveraging of the capabilities available must be accomplished in a thoughtful and efficient fashion.

There are a few themes that America's SBDC believes need to be developed to move towards that more efficient system. First, there need to be reasonable uniform standards for the impact and effectiveness of programs. Small businesses are focused on the bottom line. Yes, small business owners have a variety of motivations but, at the end of the day nobody goes into business to lose money. Growth in sales, investment and hiring are key indicators. Obtaining capital is usually the key measure. America's SBDC believes that access to capital is vital but, if that financing isn't leading to an improved bottom line it's just an output not an outcome.

This goes hand in glove with the need to share information across program boundaries. There is nothing more unproductive than having to collect different data, or follow different rules for different agencies or programs and keep that information in different formats. This creates silos that the entrepreneur does not understand or consider beneficial, and adds complexity that distracts from the mission – helping small business. It doesn't matter whether the information is being collected for the USDA, SBA, OMB or whoever – incompatible databases that collect inconsistent information, and conflicting guidance are counterproductive and fundamentally inefficient.

A complementary theme is cooperation. As I may have pointed before, several SBDCs co-locate with women's business centers. Many SBDCs host SCORE counselors as well. As well many of the VBOCs and the PTACs are located with SBDCs. SBDCs work hand in glove with the Delta Regional Authority as well as the Appalachian Regional Commission and many federal agencies. Yet at the same time, programs and initiatives often arise that seem to duplicate the efforts of existing programs and ignore capabilities that are already in place in existing networks. This is not anything new, it happens under every Administration. We believe this happens because people don't realize what's out there already or, they are frustrated by the limitations. They aren't wrong, there are nearly 30 million small businesses and there are significant gaps. However, we need to be clear about the resources we have and how to leverage them to the best effect. We need to recognize the skills that exist and encourage their adaptation, expansion and collaboration.

REAUTHORIZATION

America's SBDCs strongly support reauthorization of SBA's Entrepreneurial Development programs. It has been sometime since the programs were last updated and we agree that it is time to review, renew and reinvigorate the commitment to assisting small business.

I would like to point out a few areas where we believe SBDCs services and our relationship with SBA, and other agencies could be improved to increase the support offered to small business.

1. Clarify and strengthen the SBA/SBDC partnership through clear negotiation and collaboration.
2. Clarify SBDC marketing and co-sponsorship abilities.
3. Set forth priorities and goals for the entrepreneurial development programs that reflect 21st century economics and opportunities.
4. Strengthen the ability for all federal agencies, and entrepreneurial development programs to serve all counties. Rural and inner city alike.
5. Breakdown the silos that isolate program access and capacity.

6. Recognize the variety and scope of the entrepreneurial development programs and focus on broadening outreach rather than worrying about overlap.
7. Increase the SBDC authorization level to \$200 million, and our partners accordingly.
8. Involve SBA's ED programs in workforce development, and apprenticeships.
9. Support increases in ED program appropriations to build this capacity.

THE RPTP PLATFORM

As part of the CARES ACT America's SBDC and the Association of Women's Business Centers were tasked with establishing a two-part online platform, the Resource Partner Training Platform (RPTP). One side, the CMS, is a site for small businesses to find up to date unvarnished information about programs and services available to assist them during the pandemic. The other side, the Learning Management System or LMS, is designed specifically for training small business advisers from any of the resource partners, SBDCs, WBCs, SCORE or VBOCs. This has been a significant effort for our associations, and not something we've ever tackled before, however, I believe we've established a truly useful and worthwhile platform. We had the CMS up in only a few days and it has been providing up to date information for almost a year. We have completed the automated "web crawler" which will continuously update and add to the content available.

On the LMS side, we are continuing to augment the curriculum and to provide more and more training for Resource Partner advisers. In particular, we are pleased with the live webinar presentations which enable us to provide timely and important training on immediate topics. For instance, our recent training on how to assist small businesses with SAM registration for the Shuttered Venue Operators Grants. This week we will hosting training on "Building Inclusive Economic Ecosystems" a valuable program that we believe will assist in the implementation of the Community Navigators program.

While the platform is up and running and performing there is a question. What is its future? Funding only extends until April of 2022. What would Congress like us to do? We believe that the content and functionality that we have built has broader utility. Should it be kept as is? Should it be merged with SBA's website (due for revamp under Community Navigators), or merged with another platform?

We look forward to discussing this with the Committee while there is ample time to examine our options and plan for the RPTP's future.

That concludes my testimony. Thank you for letting me share this information about the SBDC program and our efforts. I look forward to any questions you might have.