

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0515

Memorandum

To: Members, Subcommittee on Contracting and Workforce
From: Committee Staff
Date: March 27, 2017
Re: Hearing: “SBA’s Entrepreneurial Development Programs: Resources to Assist Small Businesses”

On Thursday, March 30, 2017 at 10:00 a.m., the Subcommittee on Contracting and Workforce of the Committee on Small Business will meet in Room 2360 of the Rayburn House Office Building for the purpose of examining the United States Small Business Administration’s (SBA) Entrepreneurial Development (ED) programs. The hearing will offer Members of the Subcommittee the opportunity to review and examine the major technical assistance programs offered by SBA, along with the offices at SBA charged with overseeing the programs. Members will hear directly from SBA’s resource partners.

I. Introduction

With approximately half of all private-sector workers in America employed by a small business,¹ the health of the nation is heavily reliant on the smallest firms. When the nation’s entrepreneurs and start-ups are growing and creating jobs, their actions have ripple effects that are felt across the economy. It is for this reason that the United States Congress set out to aid small businesses with the creation of the SBA in 1953.² From financial loan guarantee programs and contracting programs to regional offices across the nation, SBA works to assist and help small businesses. Small businesses naturally have a limited number of employees. Therefore, owners must perform various roles throughout a given work day and often turn to SBA for counseling and assistance to start, grow, and expand their companies. From turning an idea into a business plan to speaking face-to-face with counselors regarding access to capital issues, SBA offers resources to fledgling small businesses.

II. Entrepreneurial Development Programs

SBA provides outreach and technical assistance to small businesses through its ED programs. These programs are not carried out by SBA itself, but rather through congressionally-appropriated³ resource partners. The ED programs provide opportunities for small businesses to

¹ SBA OFFICE OF ADVOCACY, SMALL BUSINESS PROFILE (2017), available at https://www.sba.gov/sites/default/files/advocacy/United_States_1.pdf.

² 15 U.S.C. § 631.

³ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 57.

start, grow, and expand through strategic counseling and mentoring. SBA reports its ED programs have reached over one million entrepreneurs by utilizing the expertise and guidance of approximately 13,000 business owners.⁴ According to SBA's 2013 Impact Study, "clients that receive three or more hours of counseling have higher financial performance and employment growth rates, and they are more likely to start new businesses than clients who received less than three hours of counseling."⁵

Although SBA offers a myriad of options for small businesses, only a few have been codified into law. It is important to note that SBA has used its general authority to create redundant and duplicative programs in the past. Despite congressional concern, these programs continue to operate with underwhelming metrics. However, this hearing will not focus on these ill-advised initiatives; rather, this hearing will concentrate on those programs that operate with the express discretion of Congress.

a. Small Business Development Center Program

Most often located within a university or a state agency, the Small Business Development Center (SBDC) program operates hubs, which help small businesses with general business assistance, including credit information⁶ and business plan advice.⁷ With 63 development centers and over 900 outreach centers,⁸ the SBDC is the largest ED program. According to the SBA, in fiscal year 2015, SBDCs helped create over 13,000 new small businesses.⁹ Through a grant funding structure,¹⁰ the SBDCs use one-on-one counseling to provide small businesses guidance on access to capital, regulations, and compliance issues.¹¹ With a total of 40 percent of small business clients in the pre-venture stage, SBDCs have provided over 950,000 total counseling hours.¹²

b. SCORE Program

The SCORE program taps into the wealth of knowledge of those who have previously been in the business world. Through the national volunteer program, SCORE offers small businesses and entrepreneurs business consultation services from retired and active business professionals. Known as the largest mentoring program in the federal government,¹³ SCORE is funded primarily through the congressional appropriations process. With approximately 11,000 volunteers, SCORE in fiscal year 2015 trained and mentored over 300,000 individuals.¹⁴ While 63 percent of individuals in 2015 received face-to-face mentoring, the program had

⁴ SBA, OFFICE OF ENTREPRENEURIAL DEVELOPMENT YEAR IN REVIEW 2015 at 3 (2015).

⁵ SBA, IMPACT STUDY OF ENTREPRENEURIAL DYNAMICS: OFFICE OF ENTREPRENEURIAL DEVELOPMENT RESOURCES PARTNERS' FACE-TO-FACE COUNSELING at 5 (2013).

⁶ 15 U.S.C. § 648(c)(3)(a)(i).

⁷ *Id.* at § 648(c)(3)(a)(ii).

⁸ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 55.

⁹ *Id.* at 58.

¹⁰ 15 U.S.C. § 648(a)(4)(c).

¹¹ AMERICA'S SBDC is the association for SBDCs, SBDC, ABOUT US, available at <http://americassbdc.org/about-us/>.

¹² SBA, OFFICE OF ENTREPRENEURIAL DEVELOPMENT YEAR IN REVIEW 2015 at 30 (2015).

¹³ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 62.

¹⁴ *Id.* at 63.

approximately 100,000 people use its online tools.¹⁵ Through a robust client survey process, SCORE continuously tries to meet the needs of small businesses traversing a complex business environment.¹⁶

c. Women’s Business Center Program

As its name implies, the Women’s Business Center (WBC) program was created to assist small businesses owned and controlled by women. With approximately 100 centers nationwide, WBCs helped roughly 140,000 female business owners in fiscal year 2015.¹⁷ Unique to the centers, WBCs often focus on economically-disadvantaged women entrepreneurs and regularly concentrate on lending and financial literacy issues.¹⁸ As reported in SBA’s 2015 Year in Review, WBC clients saw a 96 percent average increase in revenue, with the average increase of more than \$30,000.¹⁹ Also in fiscal year 2015, WBCs assisted in creating more than 750 small businesses throughout the nation.²⁰ With females starting businesses at more than four times the rate of men,²¹ WBCs hope to offer the next great American company resources including webinars, best practice guides, and a wealth of research information.²²

d. Veterans Business Outreach Center Program

With a mission to assist those who volunteered their life to protect the country, Veterans Business Outreach Centers (VBOC) provide counseling and assistance to veteran-owned businesses. With 15 centers nationwide, VBOCs have helped over 60,000 small business owners in fiscal year 2015.²³ These centers focus on outreach to all veteran entrepreneurs as they navigate the business world, and when necessary, offer a referral to other SBA program offices. Through a combination of business planning tools, feasibility analysis assistance, and mentoring resources,²⁴ VBOCS provide our nation’s heroes with resources to position their company for growth and success.

III. Fiscal Year 2016 Funding Levels

In order to assist small businesses, entrepreneurs, and start-ups, SBA’s ED programs received approximately \$231.1 million in fiscal year 2016.²⁵ Specifically, the SBDC program received \$117 million; SCORE received \$10.5 million; the WBC program received \$17 million; and the Veterans Outreach program, which includes VBOCs and other veterans’ initiatives,

¹⁵ SBA, OFFICE OF ENTREPRENEURIAL DEVELOPMENT YEAR IN REVIEW 2015 at 24 (2015).

¹⁶ *Id.*

¹⁷ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 61.

¹⁸ *Id.* at 60.

¹⁹ SBA, OFFICE OF ENTREPRENEURIAL DEVELOPMENT YEAR IN REVIEW 2015 at 39 (2015).

²⁰ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 61.

²¹ SBA, OFFICE OF ENTREPRENEURIAL DEVELOPMENT YEAR IN REVIEW 2015 at 3 (2015).

²² The Association of Women’s Business Centers is the resource partner for WBCs. WBC RESOURCES, *available at* <http://awbc.org/resources/>.

²³ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 104.

²⁴ SBA, SBA LOAN PROGRAMS FOR SMALL BUSINESSES, *available at*

https://www.sba.gov/sites/default/files/oed_files/Veterans_Overview.pdf.

²⁵ SBA, FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT at 19.

received \$12.3 million in funding. The remaining balance was spread across various technical assistance programs.²⁶

IV. SBA Management

The four primary outreach and technical assistance programs that have been described above are geared to assist small businesses of all types. Within the SBA, the programs are overseen by two specific offices: the Office of Entrepreneurial Development (OED) and the Office of Veterans Business Development (OVBD).

Given its mission statement,²⁷ 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.

Although similar to OED, OVBD uniquely finds its authority directly within the Small Business Act²⁸ and has a broader mission to concentrate on small business resources for veterans, service-disabled veterans, and their dependents and/or survivors.²⁹ Charged with being the primary SBA office for all veteran small business needs, the office's responsibility extends beyond VBOC. For example, the office is led by an Associate Administrator³⁰ that executes policy and also acts as an ombudsman for veterans, as it pertains to all programs.³¹

V. Recent Legislation

During the 114th Congress, the House Small Business Committee marked up and successfully voted out of committee H.R. 207, *the Developing the Next Generation of Small Businesses Act of 2016*.³² To ensure small businesses have the resources available to help them grow in the 21st century and beyond, H.R. 207 improved, strengthened, and updated SBA's ED programs.

Specifically, H.R. 207 contained three titles. Each program had its own title in the packaged legislation. Title I focused on the SBDC program and included language to strengthen the program's data collection efforts. Title II reauthorized the WBC for four years at \$21.75 million per year and contained accreditation process language to ensure uniformity among the centers

²⁶ *Id.*

²⁷ "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." <https://www.sba.gov/offices/headquarters/oed>.

²⁸ 15 U.S.C. § 657a.

²⁹ "The Office of Veterans Business Development's mission is to maximize the availability, applicability and usability of all administration small business programs for Veterans, Service-Disabled Veterans, Reserve Component Members, and their Dependents or Survivors." <https://www.sba.gov/offices/headquarters/ovbd>.

³⁰ 15 U.S.C. § 657b.

³¹ *Id.* at § 657b(2).

³² H.R. 207, 114th Cong. (1st Sess. 2015).

across the country. Title II also increased the grant level an eligible entity could receive from \$150,000 to \$185,000. Title III reauthorized the SCORE program for two years at \$10.5 million per year. Title III, however, also required an enhanced online utilization effort by the program and a requirement of a strategic plan before future funding increases are considered.

Although the legislation was attached as Title XVIII to H.R. 4909, *the National Defense Authorization Act for Fiscal Year 2017*³³ and passed the House of Representatives, the Senate removed the language. In the 115th Congress, the Small Business Committee will look to advance this legislation.

VI. Conclusion

As the economy continues to recover from the economic downturn that occurred in the late 2000s, it is critical federal programs aimed at assisting our small businesses are performing efficiently. Often with limited resources, small businesses regularly turn to SBA's ED programs to develop a plan to expand their company or hire that needed additional worker. When the next great entrepreneur turns to SBA for assistance, the programs and offices charged with helping that business need to be operating as swiftly as the entrepreneur requesting the information.

³³ H.R. 4909, 114th Cong. (2nd Sess. 2016).