



**Testimony of**

**Antonella Pianalto**

**on behalf of the  
Association of Women's Business Centers**

**to the**

**U.S. House of Representatives Small Business  
Subcommittee on Contracting and Workforce:**

*SBA's Entrepreneurial Development Programs:  
Resources to Assist Small Businesses*

**March 30, 2017**

**Testimony of Antonella Pianalto: SBA's Entrepreneurial Development Programs: Resources to Assist Small Businesses**

Good morning. Chair Knight, Ranking Member Murphy, and distinguished Members of the Subcommittee, thank you for the opportunity to testify before you today. My name is Antonella Pianalto, and I serve as the President & CEO of the Association of Women's Business Centers.

The Association of Women's Business Centers (AWBC) supports the national network of Women's Business Centers (WBCs) by providing training, mentoring, programing, and advocacy with the goal of improving services to women entrepreneurs. We are pleased to announce to the Committee that for the first time, the AWBC's membership includes every WBC throughout the United States. As the advocate for this critical program, it is an honor to be here today.

First, let me thank the Committee for holding this hearing. It has been many years since Congress has heard about the progress we are all making to serve American small businesses. Each Small Business Administration (SBA) resource partner provides services in distinct ways, and many of those differences stem from the original statutes that created our programs.

As you know, the Women's Business Center program is a public-private partnership with more than 25 years of success in providing training, counseling, mentoring, and access to capital to women entrepreneurs across the country. Our network reaches into communities – urban and rural alike – to assist America's job creators in launching and growing their own businesses.

Women's Business Centers are focused on being an effective and efficient resource for one of the fastest growing sectors of the economy. Our continued growth leaves an enormous footprint of successful business owners and job creators. In fiscal year 2016, our centers reached more than 145,000 clients and conducted over 93,000 hours of counseling and over 15,000 training sessions in over 35 languages.<sup>1</sup> In 2015, the most recent data, WBCs assisted with nearly \$429 million in private capital infusion and last year helped to secure nearly \$40 million in government contracts for women-owned businesses.<sup>2</sup>

The WBC program continues to fulfill its Congressional mandate of ensuring that women's entrepreneurial drive is fueled by adequate training and resources to keep the small business engine of the economy thriving. Nonetheless, Congress should act to strengthen and modernize the program, in turn supporting women business owners nationwide.

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<sup>1</sup> Fiscal year 2016 data provided to AWBC on request by SBA and to be formally published in the FY18 Budget Justification to Congress. Language details found in SBA OED 2015 Report, p. 36 (see footnote 2).

<sup>2</sup> US Small Business Administration. *Office of Entrepreneurial Development 2015 Year in Review*, p. 39. Available online at [https://www.sba.gov/sites/default/files/resources\\_articles/2015\\_OED\\_Year\\_In\\_Review.pdf](https://www.sba.gov/sites/default/files/resources_articles/2015_OED_Year_In_Review.pdf). Hereafter SBA OED 2015 Report. Federal contracting data provided by SBA via Entrepreneurial Development Management Information System (EDMIS).

## History of the WBC Program

The Women’s Business Center Program was created by Congress as part of H.R. 5050 (P.L. 100-533), the Women’s Business Ownership Act of 1988; landmark legislation that advanced the entire women’s business agenda. The legislative history of that bill noted that despite making enormous contributions to the American economy, “women, as a group, are subjected to discrimination in entrepreneurial endeavors due to their gender...adversely impacting the ability to raise or secure capital, to acquire managerial talents, and to capture market opportunities.”<sup>3</sup> Congress sought to remedy this through, among other items, the creation of the WBC program and centers throughout the country to provide the necessary business assistance.

In its first year, the WBC program received \$2 million and funded four centers. After ten years, the program grew to 70 centers and \$12 million in funding. Since then, in line with the explosive growth of women business owners, the program has increased from those four “demonstration sites” to a proven network of 113 grants leveraged to more than 150 locations in 48 states and territories. Unfortunately, resources for the program have not grown in parallel – and the more than 50% increase in centers over the last fifteen years has been matched by only a 25% increase in funding.<sup>4</sup>

Throughout its quarter-century history the program has continued to be the source for counseling, training and access to capital for hundreds of thousands of women every year. In the last decade alone, WBCs have served more than two million women entrepreneurs leading to the creation and expansion of tens of thousands of new businesses and jobs.

## Women Entrepreneurs and the WBC Program Today

The most recent federal data, collated from the U.S. Census 2012 Survey of Business Owners, captures a snapshot of the explosion of women entrepreneurs. The census found 9.9 million women business owners in 2012 with \$1.4 trillion in annual receipts—an 18.7% increase from 2007.

Today, women own more than thirty-five percent of all businesses and, according to the Small Business Administration, are starting new ventures at four times the rate of men.<sup>5</sup> More recent, but not federally-released data, like the American Express OPEN 2016 State of Women-Owned Business Report, estimate more than 11 million women-owned businesses employing nine million Americans and generating \$1.6 trillion in receipts.<sup>6</sup>

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<sup>3</sup> P.L. 100-533, available at <https://www.gpo.gov/fdsys/pkg/STATUTE-102/pdf/STATUTE-102-Pg2689.pdf>.

<sup>4</sup> In 2000, the WBC program received \$12 million and had 70 centers. In 2015, the program had grown to more than 105 grants (>50%) but only increased to \$14.5 million (21%).

<sup>5</sup> SBA OED 2015 Report, p. 3

<sup>6</sup> American Express OPEN 2016 State of Women-Owned Business Report (2016).

[http://www.womenable.com/content/userfiles/2016\\_State\\_of\\_Women-Owned\\_Businesses\\_Executive\\_Report.pdf](http://www.womenable.com/content/userfiles/2016_State_of_Women-Owned_Businesses_Executive_Report.pdf)

The newest generation of business owners span the spectrum of industry. Their businesses are as diverse as their owners, and require WBCs to provide a wide variety of services – including training, counseling, and mentoring – to help their clients start or grow their enterprises. Nearly half of Women’s Business Centers provide direct loans, while 77% aid in procuring government contracts. As mentioned earlier, these efforts had measurable impact: in 2015, WBCs helped clients obtain new financing, totaling \$429 million. In 2016, WBCs helped clients secure nearly \$40 million in government contracts.

WBCs serve women entrepreneurs in every stage of the business continuum. In 2015, the SBA found that WBC client businesses averaged seven years in age and that 15% were start-ups while 26% were in business more than ten years.<sup>7</sup> The services provided to those businesses had a profound impact on the outcome of the company. According to the SBA Office of Entrepreneurial Development (OED) 2015 report, 96% of clients reported revenue growth, totaling a staggering \$658 million dollars.<sup>8</sup> This led to one in ten businesses hiring a new employee, creating nearly 25,000 jobs. The annual reviews of the program submitted to Congress by the SBA show that 2015 was not an outlier; since FY2010, WBCs have surpassed their SBA job creation and training goals.<sup>9</sup>

WBCs have played a role in fueling the growth of minority businesses as well; 45% of clients in 2016 were minorities. Focus on minority women is critical as businesses owned by women of color have more than doubled since 2007, increasing by 2.8 million. Nearly 8 out of every 10 net-new women-owned firms launched since 2007 were started by a woman of color.<sup>10</sup> This diversity has been matched by expanded abilities of the centers. Sixty-four percent of WBCs provide programming in two or more languages and overall, WBC services are provided in more than 35 languages.

This differentiation of services has not impacted the ability of every center to provide high quality training and counseling to all its clients. As the National Women’s Business Council (NWBC) found:

Successful outcomes (clients served, businesses started, jobs created) are not dependent on the size, age or location of the center: rural centers were as successful as those located in urban areas; high poverty locations had as many successful outcomes as did lower poverty locations; and stand-alone centers were as successful as those that were co-located with other organizations.<sup>11</sup>

A good explanation for this is that centers design their own programs and delivery models that best meet the needs of their community. Most WBCs are “hosted” within a larger economic development organization or university, however, older and, for the most part, larger WBCs are stand-alone

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<sup>7</sup> SBA OED 2015 Report, p. 38

<sup>8</sup> Ibid, p. 39.

<sup>9</sup> U.S. Small Business Administration (2016). FY 2017 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2015 ANNUAL PERFORMANCE REPORT, p. 61. [https://www.sba.gov/sites/default/files/FY17-CBJ\\_FY15-APR.pdf](https://www.sba.gov/sites/default/files/FY17-CBJ_FY15-APR.pdf). Hereafter SBA FY2017 Congressional Budget Justification.

<sup>10</sup> American Express OPEN 2016 State of Women-Owned Business Report (2016).

[http://www.womenable.com/content/userfiles/2016\\_State\\_of\\_Women-Owned\\_Businesses\\_Executive\\_Report.pdf](http://www.womenable.com/content/userfiles/2016_State_of_Women-Owned_Businesses_Executive_Report.pdf)

<sup>11</sup> Womenable (2006). The Performance, Progress and Promise of Women’s Business Centers in the United States: A Summary of Three Research Studies, p. 2. Available at [http://www.womenable.com/content/userfiles/ResearchinBrief\\_WBC\\_studies.pdf](http://www.womenable.com/content/userfiles/ResearchinBrief_WBC_studies.pdf). Hereafter Womenable WBC Report.

organizations which provide a robust diversity of services that often include a variety of sector-specific expertise and access to capital.

Finally, and perhaps most critically, the WBC program has been a proven good investment of taxpayer dollars. Private sector fundraising, enhanced by the visibility of the SBA partnership, helps to match federal dollars more than three to one.<sup>12</sup> For every one federal dollar invested in the program, the WBC program returns \$46 to the economy.<sup>13</sup> The proven return on the program is underscored by the key fact that WBCs serve a unique population that otherwise would not receive the targeted training and counseling needed.

### Serving A Unique Population in Distinct Ways

The WBC program was created because existing programs were not adequately meeting women’s needs for services that addressed unique challenges. As the program has grown in size and influence, some Members of Congress have expressed the opinion that WBCs duplicate services provided by other resource partners.

The reality is that many clients receive services from more than one resource partner, and in fact, the SBA encourages resource partners to collaborate. What makes WBCs unique is the depth and breadth of our services. Women come to WBCs because we address four critical issues: competence, confidence, capital, and connection. Women view their local WBC as a trusted advisor and partner for the lifetime of their company. If other resource partners are serving more women than they used to, they should be – millions more women are starting businesses. That does not mean other programs can or should replace WBCs.

The statute that created WBCs expressly requires that the program serve a significant number of economically and socially disadvantaged individuals, including women and minorities—the only resource partner expressly required to do so. As a result, WBCs make concerted efforts to reach underserved populations. A recent AWBC survey found 64% of visitors were economically disadvantaged.<sup>14</sup>

A study of WBC clients done by the Center for Women’s Business Research found that, aside from general business management information, gaining financial management skills, and learning about the legal aspects of organizing a business, what the clients valued highly from their experience in the center was finding a community of other women with whom to build relationships. Unlike a “transactional” short-term course – after which a prospective business owner is on their own – women’s business centers provide a venue for ongoing learning and relationship-building.

This finding is echoed in the AWBC sponsored study among WBC leaders. In that study, the WBC leaders reported that while one of the key strengths of the program is allowing tailoring of programming to fit

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<sup>12</sup> AWBC 2013 Economic Impact Survey (latest available data). The survey found average center revenues to be \$635,668, of which a maximum could be \$150,000 from SBA.

<sup>13</sup> SBA OED 2015 Report, p. 39. In 2015, the program received \$14.5 million in federal funding and generated \$658 in revenue growth for client companies.

<sup>14</sup> AWBC 2013 Economic Impact Survey (latest available data).

local needs, there are practices common to all WBCs that differentiate it from other types of entrepreneurial training, which include: providing a safe place to learn; peer support; mentoring opportunities; and offering a sense of community that clients could not find in other places they went to for business assistance.

In its own evaluations of the program in 2015, SBA concluded as much. From the FY2017 Congressional Budget Justification:

Many WBCs provide multilingual services and offer flexible hours, including evening and weekend, allowing mothers with children to attend training classes. WBCs predominantly use long-term training courses to maximize the delivery of services to primarily nascent entrepreneurs. Many of the trainings focus on business and financial planning that help women entrepreneurs gain financial literacy.<sup>15</sup>

In the 2015 EOD Impact Report, “WBCs create tailored programs that meet the needs of the clients in their community. WBCs are responsive to the unique needs of their local community.”<sup>16</sup>

WBC clients consistently say that they come to the WBCs not just for the business education and consulting, but for the supportive environment that helps build self-efficacy and confidence in their ability to succeed. The evidence bears this out. Evaluation data from WBC programs indicate that women who receive business assistance from their programs build larger businesses, create more jobs and have a significantly higher survival rate than the national average.

For example, Chair Knight, Women’s Economic Ventures, which serves constituents in the Simi Valley, developed the Thrive in Five® program. Clients participating in this long-term program show median sales of \$400,000 and have created an average of five jobs. Client businesses show an 80% survival rate after five years as opposed to 50% for all businesses in the U.S. and over 40% have employees compared to only 12% of all woman-owned firms. Moreover, 95% of clients who were in poverty at intake have moved out of poverty.

Such success is visible throughout the program where local centers tailor their efforts to clients. REI Women’s Business Center, in Durant, Oklahoma, offers the opportunity for their clients to expand markets by a regular trip to nearby Dallas, Texas and the 15 floor, 5 million square foot Dallas Market Center. In Portland, Oregon, Mercy Corps Northwest Women's Business Center partners with a regional corrections facility to offer entrepreneurial training to returning citizens, as well as a six-week business foundation course entirely in Russian to serve a local immigrant population. The Denver Women’s Business Center in Colorado, offers the “ProBono Patent Initiative” in partnership with the U.S. Patent and Trade Office (USPTO), to develop patents for low-income inventors. Finally, Women’s Business Development Center in Chicago, Illinois created the Developing Your Childcare Business course designed to provide business insight to prospective and existing child care entrepreneurs for home and center-based businesses. More examples are included in the appendix from dozens of centers, to add the breadth of the WBC program to the Congressional Record.

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<sup>15</sup> SBA FY2017 Congressional Budget Justification, p. 60.

<sup>16</sup> SBA OED 2015 Report, p. 36.

According to the U.S. Census Bureau, 71% of women-owned businesses generate less than \$25,000 in annual revenues and only 11% have employees other than the owner. Given such unrealized potential, and the proven ability of centers to drive growth with their clients, more women need access to WBC programming.

In summary, WBCs provide a critical blend of training and counseling services and access to capital aimed at serving a broad cross section of the population including minority, socially and economically disadvantaged women, as well as men.<sup>17</sup> The WBCs strategic approach is relational: they establish long-term relationships with clients and serve them from inception through the life cycle of their businesses, creating a cycle of value added services. WBCs services are distinctly different, yet complementary to services provided by other SBA resource partners.

### Moving the WBC Program Forward

The aforementioned growth in women entrepreneurs makes the WBC program more relevant than ever. Everyday thousands of would-be job creators, existing business owners, and innovators seek WBC assistance to move their business forward.

Many centers are ten or more years old and are established and respected resources in their communities. Their grant size from the SBA, however, despite ongoing success, has remained flat or decreased since the program's creation in 1988. These centers consistently demonstrate an ability to effectively and efficiently serve entrepreneurs and deserve a modernization of the grant system and access to additional resources to expand their impact.

While the network of centers spans the country, too many communities do not have access to the unique services provided by WBCs. In addition to allowing for the expansion of existing centers, new centers are needed in geographies so far unaddressed by the WBC program.

Moreover, the program continues to suffer from arbitrary requirements and limitations that constrain the ability of centers to succeed. Up until 2015, for example, the Office of Management and Budget (OMB) regulations forbade WBC Executive Directors from fundraising while on the job—despite requiring a match of federal dollars. Other OMB requirements, notably the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200, “omni-circular”), place an undue burden on small grantees like WBCs. Such policy incoherence should be addressed by Congress and the Administration as appropriate.

The challenges the program currently faces has legislative solutions. The AWBC is tremendously grateful to Chair Knight's recent introduction of H.R. 1680, the Women's Business Center Improvement Act of 2017, and to Representative Lawson for co-sponsoring the legislation. We endorse it wholeheartedly.

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<sup>17</sup> Numerous federal statutes including the 1964 Civil Rights Act (P.L. 88-352), as well as judicial decisions based on the 14<sup>th</sup> amendment of the Constitution require federally funded programs to provide services regardless of race, sex, or national origin. Grant proposals for the WBC program, for example, require a non-discrimination statement. In our view, the attendance of male entrepreneurs is a testament to the quality of services provided.

The AWBC also supports the recently introduced Developing the Next Generation of Small Businesses Act of 2017 sponsored by the broader Committee's Ranking Member Nydia Velazquez and co-sponsored by Chair Steve Chabot. Many of this Subcommittee's members have co-sponsored similar legislation in the past, and for that we are grateful.

The legislation would greatly improve the ability of WBCs to serve women entrepreneurs in three key ways: 1) increased program authorization; 2) modernized grant levels; and 3) streamlining of administrative requirements.

First, the bill re-authorizes the program up to \$21.75 million for FY2018. This will allow Congressional appropriators the much-desired ability to allocate additional funding for the WBC program.

Second, since the program was established in 1988, the total amount of the grant available from SBA to qualified WBCs is \$150,000 a year. Adjusted for inflation, according to the Bureau of Labor Statistics, that amount in 2017 dollars would now be \$308,879.<sup>18</sup> The legislation would begin to ameliorate this issue by increasing the grant level to \$185,000 and allowing for additional grant funding to be available to centers with proven impact.

Third, the legislation would remove certain unnecessary requirements that force resources to be diverted from training and counseling to back-office bureaucracy. For example, if a Center raises more money than is required to meet the federal match (up to \$150,000) that additional money is subject to federal spending guidelines and verification requirements even though it is not taxpayer money. This is a key inefficiency in the program and actually provides a disincentive for Centers to overmatch federal funds.

In addition to re-authorization, the upward trajectory of the program is deserving of more federal funding. While not the purview of this Subcommittee, the AWBC would note it has requested \$21.75 million for FY18 in the Financial Services and General Government Appropriations Subcommittee.

Increased funding for the program is critical. The \$17 million allocated in fiscal year 2016 allowed the SBA, for the first time in more than ten years, to fully fund grants at the statutory \$150,000 level. In fact, for several years, centers received less than \$120,000 each year due to funding limitations—effectively a 15% funding cut after the initial grant. Ensuring adequate resources is a key component to continuing the growth of the program and women's entrepreneurship more broadly.

### How Congress Can Help Women Entrepreneurs

Beyond strengthening the WBC program, Congress can support women business owners in two key areas: access to capital and access to markets.

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<sup>18</sup> US Bureau of Labor Statistics Inflation Calculator available at [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm).



### *Access to Capital*

Research conducted on behalf of the National Women's Business Council (NWBC) indicates that women start businesses with roughly half as much capital as their male counterparts.<sup>19</sup> Today, women receive just 7% of venture capital funds and less than 5% of conventional business loan dollars. Researchers and economists speculate that if women were fully engaged in their businesses, it would raise Gross Domestic Product (GDP) by more than seven percentage points,<sup>20</sup> and if women started businesses with the same amount of capital as men, they could create 6 million jobs in five years.<sup>21</sup>

To realize all this potential, Congress should ensure that existing programs that are proven to provide capital to women business owners continue. Budget proposals to eliminate key programs like the Community Development Financial Institution (CDFI) Fund could have devastating impacts on women and minority entrepreneurs.

Other options, like modernizing credit scores and Intellectual Property (IP) protections impact women business owners as well. One of AWBC's partner organizations, Women Impacting Public Policy (WIPP) has laid out legislative proposals in their 2017 Economic Blueprint report. We would encourage legislators to consider many of those policy options.<sup>22</sup>

### *Access to Markets*

Ensuring women business owners have access to additional markets, including global markets through export and procurement markets through federal contracts, is paramount to continued growth. The federal contracting market, with complex rules and jargon, has often deterred many women entrepreneurs with goods and services the government needs.

In addition to helping secure government contracts, Women's Business Centers assist women business owners with the Women-Owned Small Business (WOSB) certification process. Four WBCs are regional partners of one of the SBA-approved third-party certifiers and perform certifications, while others assist with site visits for third party certifiers.

WBCs can play a greater role in the certification process. Later this year, the SBA is expected to release new regulations about the certification of women-owned businesses. Expanding the certification options for women should be the goal of the agency as well as leveraging the already existing network of more than 100 WBCs to expedite certification. Congressional attention to this issue can help increase the availability of assistance and bring more women business owners into the government market.

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<sup>19</sup> National Women's Business Council. Available at <https://www.nwbc.gov/facts/access-capital>.

<sup>20</sup> McKinsey Global Institute (2015). *The power of parity: How advancing women's equality can add \$12 trillion to global growth*. Available at <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>.

<sup>21</sup> Candida G. Brush, et al (2014). *Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital*. Available at <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>.

<sup>22</sup> Women Impacting Public Policy (2017). *2017 Economic Blueprint: A Way Forward*. Available at [www.wipp.org/resource/resmgr/economic\\_blueprint/WIPP\\_Economic\\_Blueprint\\_2017.pdf](http://www.wipp.org/resource/resmgr/economic_blueprint/WIPP_Economic_Blueprint_2017.pdf).

## Conclusion

In the formation of the WBC program, Congress determined that ongoing limitations on access to capital and markets warranted the creation of a network of centers to assist women entrepreneurs. Those challenges persist, as must the commitment of a new Congress to advancing policies that foster innovation and women's business ownership.

We appreciate this Committee's dedication to the modernization of SBA's resource partners and your willingness to hear from the programs that are serving entrepreneurs across the country. The WBC program is a proven program, an effective public-private partnership, and fills a growing need for the distinct population we serve.

The directors and staff at WBCs are committed to helping women and their families prosper and achieve financial security through business ownership. In my visits across the country, from California and North Carolina, to Florida and New York, I remain in awe of our centers incredible power to bring a dream, an innovation, or an idea to fruition.

We urge Congress to advance the efforts already underway by this Committee to strengthen the WBC program and provide the necessary investment women entrepreneurs need to reach their full potential.

Thank you for the opportunity to testify and I am happy to answer any questions.

### **About the AWBC**

*The AWBC ([www.awbc.org](http://www.awbc.org)) is a non-profit 501(c)(3) organization founded in 1998 to support the national network of Women's Business Centers (WBCs) with programming and advocacy. Each year, our members leverage WBC grants to operate more than 150 locations throughout the United States. WBCs have more than 25 years of success in providing business training, counseling, mentoring, and access to capital to women entrepreneurs. The WBC program is a public-private partnership with the U.S. Small Business Administration.*