AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

ASSISTING ENTREPRENEURS: EXAMINING PRIVATE AND PUBLIC RESOURCES HELPING SMALL BUSINESSES

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

HEARING HELD
JUNE 13, 2023



Small Business Committee Document Number 118–018
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
52–424 WASHINGTON : 2023

HOUSE COMMITTEE ON SMALL BUSINESS

ROGER WILLIAMS, Texas, *Chairman*
BLAINE LUETKEMEYER, Missouri
PETE STAUBER, Minnesota
DAN MEUSER, Pennsylvania
BETH VAN DUYNE, Texas
MARIA SALAZAR, Florida
TRACEY MANN, Kansas
JAKE ELLZEY, Texas
MARC MOLINARO, New York
MARK ALFORD, Missouri
ELI CRANE, Arizona
AARON BEAN, Florida
WESLEY HUNT, Texas
NICK LALOTA, New York
NYDIA VELÁZQUEZ, New York, *Ranking Member*
JARED GOLDEN, Maine
KWEISI MFUME, Maryland
DEAN PHILLIPS, Minnesota
GREG LANDSMAN, Ohio
MORGAN MCGARVEY, Kentucky
MARIE GLUESENKAMP PEREZ, Washington
HILLARY SCHOLTEN, Michigan
SHRI THANEDAR, Michigan
JUDY CHU, California
SHARICE DAVIDS, Kansas
CHRIS PAPPAS, New Hampshire

BEN JOHNSON, *Majority Staff Director*
MELISSA JUNG, *Minority Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Hon. Roger Williams	1
Hon. Nydia Velázquez	2

WITNESSES

Mr. Chris Pilkerton, Chief Legal Officer, Accion Opportunity Fund, Tilghman, MD	5
Mr. Reginald Hodges, Owner and President, Training Center of Central Texas, Harker Heights, TX	7
Mr. Rich Palmer, Managing Director, Launchpad Ventures, Cambridge, MA	8
Ms. Sonya Smith, State Director Company, New York Small Business Development Center, Albany, NY	9

APPENDIX

Prepared Statements:	
Mr. Chris Pilkerton, Chief Legal Officer, Accion Opportunity Fund, Tilghman, MD	28
Mr. Reginald Hodges, Owner and President, Training Center of Central Texas, Harker Heights, TX	30
Mr. Rich Palmer, Managing Director, Launchpad Ventures, Cambridge, MA	32
Ms. Sonya Smith, State Director Company, New York Small Business Development Center, Albany, NY	36
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
National Association of Federally-Insured Credit Unions	43

ASSISTING ENTREPRENEURS: EXAMINING PRIVATE AND PUBLIC RESOURCES HELPING SMALL BUSINESSES

TUESDAY, JUNE 13, 2023

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 2:40 p.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Luetkemeyer, Meuser, Salazar, Alford, Crane, Bean, LaLota, Velázquez, Landsman, McGarvey, Perez, Scholten, Thanedar, Davids, and Pappas.

Chairman WILLIAMS. I welcome everybody here today and thank you for the witnesses and for those who have come to hear the hearing.

I call the Committee on Small Business to order.

Without objection, the Chair is authorized to declare the recess of the Committee at any time.

I now recognize myself for my opening statement.

Today's hearing will focus on examining the public and private resources available to our nation's entrepreneurs. And anyone in our country can become an entrepreneur if they are willing to put in hard work to bring an idea to life. That is the beauty of our great country. For many people they do not know where to even start as they try to accomplish this great objective. They can talk to their network of friends and family. They can talk to local chambers of commerce or research what resources are available in their community, whether that be from the private sector or the federal government.

As we have conducted hearings this year, we have too often heard that navigating the federal bureaucracy and figuring out what resources are available can be too challenging for many small business owners. The data backs up this line as we have repeated heard 70 percent of business owners give the government a grade of C or below when asked about the effectiveness of their programs. While some federal programs can be beneficial to small businesses, we must ensure that they are being utilized to create successful businesses. These are ultimately taxpayer funded programs and it is our duty in Congress to ensure that these dollars are being used as effectively as possible. The government does not need to create a new government program and expand government services whenever a new problem arises.

Unfortunately, the SBA has done this far too many times and too often. And while there are programs that have a proven track record of success just as SBDCs which leverage federal dollars to state and local partners, but there are others that are not as effective. For example, the Community Navigators Program received nearly $200 million over the last few years to do substantially similar work as other counseling services at the SBA and their performance metrics are abysmal.

As we continually look to make SBA more effective and efficient, we must look to end this kind of duplication that is wasting taxpayers' dollars. Additionally, we have our need to be evaluated, and if a program is beneficial and deserves funding it is important for us to know that if the private sector is already stepping up to fill a specific need. In many cases, the private sector is able to adapt more quickly to the changing needs of small business.

If we want to help small businesses in Congress, the best thing we can do is enacting pro-growth policies that make it easier for them to keep their doors open. Let's not burden them with excessive regulations. Let's lower their tax rate so they can keep more of their hard-earned money. And let's stop the reckless government spending that has caused high inflation and high interest rates. This type of waste across the SBA and other federal agencies leads to inefficiencies, the misuse of taxpayer dollars, and a bloated federal government. Simply put, our goal here today is to examine the landscape of the resources that are available to help small businesses. Once we have an idea it will make it easier for Congress to utilize which programs are effective and which ones are duplicative of other resources available to our nation's job creators.

Small business owners dedicate their lives and finances to the production of services they bring to the marketplace. We salute the small businesses who continue to fight and give selflessly back to their communities, and we are eager to enact policy solutions that will help pave a path towards success for both now and success in the future.

I want to thank you all again for being here today, and I am looking forward to today's conversation.

So, with that I will yield to our distinguished Ranking Member from New York, Ms. Velázquez, who just got here.

Ms. VELÁZQUEZ. Yes. Financial Services.

Thank you, Mr. Chairman.

America's 33 million small businesses are the cornerstones of our local economies. When a main street business succeeds, we see hard earned dollars get reinvested back in our communities, along with robust job creation and local economic growth.

Launching a small business is not for the faint of heart. When it comes to turning a great idea into a thriving business, entrepreneurs can face a number of challenges. But that is where the SBA comes in. The SBA fosters a robust entrepreneurial ecosystem, one that offers free or low-cost counseling and training to small business owners throughout the country. Whether it is helpoing to create a business plan, access capital, or navigate the procurement process, the SBA offers a wide range of resources to help small businesses succeed. These programs have a high return on invest-

ment. Studies have shown that entrepreneurs who receive counseling and training are able to incase sales and create more jobs.

Every year, SBA resource partners assist more than one million small business owners. Just imagine how powerful our economy and workforce will be with additional resources for SBA's programs. We could unleash the power of entrepreneurship and innovation in communities all across the United States.

Of particular concern to me are the barriers that women, minority, and rural entrepreneurs face each and every day. Lack of access to capital, mentorship, and vital networks are well-known challenges for underserved entrepreneurs.

A recent report by the Office of Advocacy confirms that large and persistent racial disparities in business ownership and outcomes have existed for some time in the United States. Only 5 percent of Blacks and 8 percent of Latinos own small businesses compared to more than 10 percent of non-Latinos/Whites. Moreover, Black and Latino-owned businesses have lower average sales and hire fewer employees.

Equally troubling is the fact that roughly 90 percent of America's 12 million women entrepreneurs are sole proprietors and stay small. Despite representing more than 50 percent of the population, women garner roughly 2 percent of venture-backed capital in 2022. And while rural communities have a higher rate of self-employment, they rely more on personal savings to launch a business and face acute workforce challenges. We have to break down the barriers that keep women, minority, and rural entrepreneurs from reaching their full potential. That means providing small businesses that are often overlooked with access to capital and arming them with the resources and technical assistance needed to grow and prosper. It also means filling the gaps that are not being met by the private sector and state and local economic agencies.

I am looking forward to today's hearing and I hope to learn more about public-private efforts that are underway to help small businesses thrive. Thanks to all the witnesses for participating, and I hope we have a productive discussion.

Thank you, Mr. Chairman. I yield back.

Chairman WILLIAMS. Thank you. And I will now introduce our witnesses. But let me tell you, it is pretty simple. You have got some lights in front of you and you are going to have 5 minutes and the lights will turn yellow. They will turn red or whatever. And if you hear the gavel, you need to cut it off. Okay? All right. So we appreciate you all being here.

So our first witness today is Chris Pilkerton. Mr. Pilkerton is the chief legal officer of the Accion Opportunity Fund located in San Jose, California. Accion Opportunity Fund is the nation's largest nonprofit community development financial institution concentrating on small business support for underserved communities. Prior to his time at the Accion Opportunity Fund Mr. Pilkerton served as acting administrator of the Small Business Administration during the Trump administration. During his time at the SBA, he helped coordinate federal, state, and local economic development efforts to help our nation's job creators. Mr. Pilkerton earned his J.D. from Catholic University of America, a bachelor's degree from

Fairfield University, and a certificate in data analytics from Cornell University's College of Business.

Mr. Pilkerton, thank you for being here today and we look forward to the conversation ahead.

Our next witness today is Mr. Reginald Hodges. I have had the pleasure of meeting Mr. Hodges several times over the last few years through all the work he does in the great state of Texas. He is an owner and president of the Training Center of Central Texas College located in Harker Heights, Texas. A Former Navy Civil Engineer Corps officer, Mr. Hodges has over 11 years of military service and over 16 years of construction management experience. Mr. Hodges started the Training Center of Central Texas with a vision of training men and women to enter the solar technology field. Since opening the school, it has expanded their curriculum to include a variety of programs ranging from dental assistant to substation technician. Mr. Hodges earned his Bachelor of Applied Science from the University of North Florida and his master's degree in electronics engineering from California Polytechnic State University in San Luis Obispo.

So, Mr. Hodges, it is good to see you and thank you foremost for your service being here today and we look forward to our conversation ahead.

Our next witness is Mr. Rich Palmer. Mr. Palmer is the managing director of Launchpad Venture Group located in Boston, Massachusetts. Launchpad Venture Group is an angel investment group that provides funding and counseling services to early-stage startup companies. Mr. Palmer is also on the Public Policy Committee of the Angel Capital Association, and prior to his time at Launchpad Venture Group he co-founded Gravity Lead Product Development at Relationship-Science and was the head of the portfolio analytics for S&P Capital IQ's Quantitative Intelligence team. Mr. Palmer earned his Bachelor of Science from Rensselaer Polytechnic Institute. What are you all? What is your mascot? I got you, didn't I? Okay. All right. Polytechnic Institute and received his Master of Business Administration from Babson College.

Mr. Palmer, thank you for being here today, and we look forward to the conversation ahead.

And I now recognize the Ranking Member from New York, Ms. Velázquez, to briefly introduce our last witness appearing before us today.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

It is with greater pleasure that I introduce Sonya Smith from my hometown state of New York. Ms. Smith is the state director of the New York Small Business Development Center and has in-depth knowledge of the challenges our small businesses are facing today. She has an MBA from Albright College and has risen through the ranks of the SBDC network. She is the first woman an first African American to lead the New York State SBDC and I am proud that she is testifying before our Committee today.

Welcome, Ms. Smith. Thank you for being here. I look forward to your testimony. I yield back.

Chairman WILLIAMS. Thank you now. And again, we all appreciate all of you being here today.

And I now recognize Mr. Chris Pilkerton for his 5-minute opening remarks.

STATEMENTS OF CHRIS PILKERTON, CHIEF LEGAL OFFICER, ACCION OPPORTUNITY FUND; REGINALD HODGES, OWNER AND PRESIDENT, TRAINING CENTER OF CENTRAL TEXAS; RICH PALMER, MANAGING DIRECTOR, LAUNCHPAD VENTURES; SONYA SMITH, STATE DIRECTOR COMPANY, NEW YORK SMALL BUSINESS DEVELOPMENT CENTER

STATEMENT OF CHRIS PILKERTON

Mr. PILKERTON. Thank you Chairman Williams, Ranking Member Velázquez, and to all of the Committee Members.

Over the last several years I have spent my career focusing on issues related to the small business community, with particular attention to underserved populations. I served as the General Counsel of the U.S. Small Business Administration under Administrator Linda McMahon, as well as the Acting Administrator of the agency from April 2019 into early 2020 when I joined the White House to advance the issues that included access to capital and workforce development. The lessons of those efforts and an associated bipartisan plan going forward have been documented more specifically in a book I have recently coauthored titled "Underserved."

Since leaving government, I have continued this work in various capacities. I serve as the Chief Legal Officer for Accion Opportunity Fund, the leading nonprofit community development financial institution focused on small business lending and technical assistance to underserved borrowers all across the country. I have also cofounded and developed an initiative called the Small Business Corps at Georgetown University Business School, a private sector led program to offer underserved small businesses with specific goal-focused technical support provided by fellows who are recent college and business school graduates. I have also worked closely with people like the performing artist Ice Cube to identify opportunities for underserved small businesses to scale and participate in the Fortune 500 corporate supply chain.

While access to capital to small businesses is critical, academic analyses have shown that technical assistance and counseling can be amongst the most meaningful component of a business' ability to perform, develop, scale and hire.

There are technical assistance resource partners that have traditionally been an important part of the small business ecosystem, organizations such as SBDCs, SCORE, Women's Business Centers and Veterans Business Centers.

As this committee is aware, certain funds to support these organizations are appropriated and then distributed via SBA. I have worked with all of these organizations and have seen their impact on the growth of individual small businesses.

Given my experience in this arena, I would recommend this Committee consider the following methods to advance small business technical assistance in the United States.

First, for any entity that receives technical assistance dollars from a government grant or designated appropriation, there must be a common menu of meaningful performance metrics both before

and after distribution of the funds. These metrics must be reasonable and realistic, but also be significant enough to hold grantees accountable to the provision of quality services.

Second, technology must be central to this process from start to finish. Not only should technology be utilized to streamline the application process, but the actual technical assistance provided must have a substantive online learning component as is seen in the SBA's Ascent platform, which was championed by Administrator McMahon and continues to be highlighted by the agency.

Third, perhaps not dissimilar to the intent of the Community Reinvestment Act, the government must consider ways to engage and incentivize the private sector in this work. At Accion Opportunity Fund, for example, we work with companies like Federal Express and Boston Brewing Company to advance online support and coaching opportunities for entrepreneurs. Programs like these, or government-initiated opportunities like the 2019 Pledge to the American Worker, can also serve as a model of the convening power of government to engage businesses of all sizes to advance trainings, apprenticeships, and job placement all across the country.

Fourth, in coordination with existing resource partners, policymakers must encourage and incorporate new and innovative technical assistance stakeholders into this process. During my time at SBA, for example, we pioneered a pilot program called the Makerspace Hiring Training Collaboration and Hiring (MaTCH) initiative, to advance the makerspace incubator system. This pilot immediately impacted many businesses across the country in places like California, Missouri, New Hampshire, New York, Oklahoma, Pennsylvania and Puerto Rico.

Fifth, Congress should be a partner to the Executive Branch as part of the trackable interagency cooperation process. Although meetings like these are usually governed by executive order or memoranda of understanding, on this topic a congressionally-engaged, bipartisan working group for key offices such as SBA, MBDA, the Department of Labor's WIOA, various secondary education offices within the Department of Education, could make huge strides on this topic and avoid much of the bureaucratic disruption that can impact any administration.

Finally, I will close by saying that all of this is doable right now. However, these would just be part of an overall strategy that could be developed in accordance with a comprehensive study on these issues. Now, I know that such studies are often frowned upon as kicking the can down the road, but given the massive size of all of these grants and appropriations in their entirety, such a review could set forth a government-wide best practices approach that could maximize measurable small business and workforce outcomes, while ensuring the government is a responsible steward of taxpayer dollars.

Thank you all again to all of you for your work in this area, and I look forward to any questions.

Chairman WILLIAMS. I now recognize Mr. Reginald Hodges for his 5-minute opening remarks.

STATEMENT OF REGINALD HODGES

Mr. HODGES. Good afternoon, Chairman Williams, Ranking Member Velázquez, and distinguished Members of the House Committee on Small Business.

Thank you very much for inviting me to tell our story. I am truly honored to be here today and to share our story of the Training Center of Central Texas. We are both a minority and veteran-owned business since 2017. The Training Center was honored to have had Chairman Williams address our summer graduating class of 2021. He was called away to Washington, D.C. for a vote on the Infrastructure bill, but he recorded an address addressed to our students, which was a memorable moment for our 49 graduates, mostly military veterans, of the electrical, solar and medical technician programs.

I am Reginald Hodges, CEO and president of the Training Center of Central Texas. I was approached by the congressional staff to share our story of our growth and challenges of training our students not only for careers but also for starting their own businesses.

The Training Center offers a cost-effective, career-focused, flexible education and prepares our students for in-demand jobs in the solar, medical, and electrical industries. Having been recognized for 3 years straight as the number one trade school in our area, we would not be here today without Brian Sunshine, a co-owner, and the first person that every students meets when they walk through that door. And also, our esteemed director, Jim Bondi, a retired colonel and one of the most respected men in our Fort Cavazos community.

I enlisted in the Navy in 1994 at the Navy Recruit Training Command at Great Lakes. There is a building there, Building 1405, located right there at Boot Camp. And they had a mural of the first African American naval officers in the Navy's history. They were commissioned there at Great Lakes. These 12 ensigns and 1 warrant officer went on to serve with distinction in World War II. They called themselves the Golden 13. As I looked up to those 13 men on a mural, I knew I wanted to be a naval officer and I dedicated my life to that goal. The first day I arrived at my duty station in Jacksonville, Florida, I enrolled in classes for my associate's at the local community college where I attended school full time at night. Full time.

After leaving the Navy in 1998, I was accepted to an officer program at the University of North Florida. Upon graduation with my bachelor's degree in electrical engineering, I attended Navy OCS. The day I was commission in 2001 is still the greatest honor I have ever had and I proudly served our country for 11 years.

I am a person of integrity and believe in service in our community and building the next generation of skills. I am reminded that the students who we serve at the Training Center are anywhere from 18 to 30 years old. They comprise 20 percent of the population, yet they make up 100 percent of our future. We have a strong need to equip our students with the most enduring critical skills in health care, in the electrical trade, and solar technicians.

At our school, these skills often get used right where our students are in school. Our students work at nursing homes, assisted

living homes, blood drives, and actually do the electrical wiring for Habitats for Humanities all throughout our area. As a career school I would hope that we can obtain from this hearing additional resources for trade schools to partner with local businesses, school districts, and trade organizations because by working together we can actually help build a stronger workforce and support economic growth in our communities.

Additionally, I hope that we can foster more programs that are similar to the very successful Boots to Business program for transitioning veterans but for civilians. More specifically, high school seniors as approximately 40 percent of small business owners do not have a college education. However, nearly all of them have a high school education. I say let's get the word out about the great resources that the Small Business Administratino has because the resources are there but few are aware.

I would like to thank you very much for this opportunity to be here. Thank you very much, Chairman Williams, Ranking Membmer Velázquez, and you distinguished people here on the House Committee of Small Businesses. It has been an honor. It is an honor. That is it. Thank you.

Chairman WILLIAMS. I am sorry. We recognize Mr. Palmer for his 5-minute opening remarks.

STATEMENT OF RICH PALMER

Mr. PALMER. Chairman Williams, Ranking Member Velázquez, and distinguished Members of the Committee. Thank you for the opportunity to testify before you today. My name is Rich Palmer, and I am the managing director of Launchpad Venture Group and I am here on behalf of the Angel Capital Association. I will call it the ACA. I am happy to be here to discuss how Congress can improve the federal government's engagement with angel investing to better facilitate the flow of capital to small businesses.

ACA is a professional society of accredited angel investors who make up the world's most prolific early stage investment class. ACA represents more than 15,000 accredited angel investors and 250 angel groups, accredited platforms, and family offices who together deploy more than $950 million in early stage capital every year, supporting more than 30,000 entreprenerial companies.

I have spent nearly 20 years focused on entrepenurship. At the beginning of my career on Wall Street I eventually cofounded Gravity, the leading company for social good using AI. I also serve as an entrepreneur in residence at Babson College, having invested in dozens of promising startups and speak regularly on entrepreneurship.

In 2022, I became managing director of Launchpad Venture Group, a nationally recognized angel network. Launchpad currently has more than 185 active angel investors who provide human and financial capital to help enrepenur build successful companies. Each Launchpad Member is qualified as an accredited investor under the definition of Rule 501 of the SEC regulatoions.

Each year, Launchpad invests $8 to $10 million both in new and follow-on opportunities. As one of the most active angel networks in the United States, Launchpad exemplifies the power of angel investing as a driver of entrepreneurship.

Angel investing supports small businesses in four distinct ways.

First, angel investors provide crucial funding to startups and early stage companies that may have difficulty accessing traditional sources of capital.

Second, angel investors provide invaluable mentorship and guidance to entrepreneurs as they often have a wealth of experience in the industry or sector that they invest in.

Third, angel investor are willing to take on higher risks compared to traditional investors like banks and financial insstitutions, and thereby, enable early stage companiesi to pursue innovatvive ideas that have the potential for substantial growth.

Lastly, angels lend credibility to a startup. When a reputable angel investor conducts due diligence, sits on a board, and invests in a company, it signals to other investors, customers, and stakeholders that the business has potential and is worth considering.

The facts speak for themselves. A desert angel study found that every angel investment dollar has a multiplier effect of 21X. For example, the average initial investment from a Launchpad Member is $25,000, which creates economic value worth more than half a million dollars per investor.

The importance of angel investing is further augmented by the reality that existing federal resources were oriented towards small businesses, such as the Small Business Agency (SBA) failed to capture the entire innovation ecosystem.

The SBA is undoubtedly an important organization. However, the SBA does not focus on the early stage innovative companies that angel investors concentrate on. Rather, they focus on traditional, established small businesses such as local restaurants, flower shops, and so on. Since the SBA does not capture the entire innovation ecosystem, SBA should begin to leverage local angel groups and our know-how to get more capital to entrepreneurs. Importantly, although more than 16 million Americans qualify as accredited investors, only about 16,000 are active angels. SBA could help narrow that disparity by developing programs that leverage private investment capital in early stage companies. Such an initiative would especially benefit entrepreneurs of color and women who may not be able to leverage connections or family wealth for their investment.

My colleagues and I are ready and willing to serve as a resource of infomration and feedback as you pursue your legislative solutions to make capital more readily available to our Natino's entrepreneurs.

Thank you again for this opportunity to share my experience with you. I look forward to your questions.

Chairman WILLIAMS. Thank you.

And I now recognize Ms. Sonya Smith for her 5-minute opening remarks.

STATEMENT OF SONYA SMITH

Ms. SMITH. Thank you, Chairman Williams, Ranking Member Velázquez, and to the House Small Business Committee Members.

Again, I am Sonya Smith, and thank you for the introduction. I am the state director for the New York Small Business Development Center, and with my experience of over 15 years of various

roles within the SBDC, Small Business Development and Economic Development, from my knowledge gained from the work and experience with the SBDC, I am understanding and learned of the importance of building an ecosystem to provide solutions to communities, regions, states, and nationwide.

As stated, both public and private resources can be valuable as entrepreneurs look to start or grow their business. We must ensure that any taxpayer dollars going towards these efforts are being effectively used in a way that is not duplicative of private sector initiatives.

The Small Business Administration offers a variety of services to help educate and counsel small businesses, including small business development centers. With over 1,000 locations nationwide, SBDCs provide valuable resources to small businesses across the country. Through our partnership with SBA, SBDCs are hosted by universities, colleges, state, economic development agencies, or private entities, and our goal is to help launch and grow small businesses.

The State of New York is one of the 63 networks represented in the nationwide program consisting of all the states and U.S. territories. In the state of New York there are 22 service centers covering all 62 counties. There is no one size solution for our organization for the 33 million small businesses of the country. Each business owner or entrepreneur has their own unique circumstances that may need the support and assistance from several resources.

As one of the four resource partners of the SBA, SBDCs, SCORE, and Women Business Centers and Veteran Business Outreach Centers, SBDCs are a nationally accredited program that provide one-on-one, no cost, confidential advice to small business owners and entrepreneurs, educational training, and research and business resources. The SBDC program offers a broad reach of resources and opportunities to create an impact on businesses at every stage of their business lifecycle.

The SBDCs across the country deliver high-quality services and programming by experienced experts at each center. By leveraging the private-public resources and partnerships, our program services over one million small businesses nationwide and has the opportunity to continue to serve more with the multiplier effect.

With each SBA core dollar, federal dollars, the SBDCs match that program with state and institution funds. It is the SBA's largest matching grant funded program. This shows not only the financial support from the state, local, and host institutions, but also the value added the SBDCs provide to stakeholders in their communities.

One of the key functsions of the SBDC is to be a trusted, collaborator and connector. The SBDCs tie all these parts together in terms of small business assistance across the country, and you will see how we partner with entities at the state level, as well as the local, city, and county development groups to provide consistent support statwide.

The SBA congressional budget states that the Office of Entrepreneurial Development has made noteworthy progress. The SBDCs have provided a large share of these achievements. Eighty-eight percent of capital infusion, 75 percent of new business starts serv-

ing over a million clients, as well as supporting over 5 million jobs. The success of the program is evident and the data shows that the results increased during the panic and the demand has stayed up as well as the results.

When small business owners and entrepreneurs need support, one, they do not know where to go or where to start; two, there are so many resources available that they are not sure which one would be beneficial, too much information at once, and the SBDCs have been known as the best kept secret, which is not a compliment of the program with the inception year of 1979.

During the pandemic with the support of CARES Act funds, the SBDCs were able to, for the first time, use SBA grant funds to develop and pay for marketing and informational materials to expand reach to communities. The reauthorization of the program would help modernize the administrative concerns and streamline processes and provide allocation for marketing purposes.

SBDCs collaborate with resources and private organizations, chambers of commerce, trade and industry groups, and associations by providing technical assistance due to staffing capacity, training, and educational programs. We are also co-located in these locations for accessibility.

Thank you again for your time and your work with small busienses and taxpyaers across the country and I look forward to your questions.

Chairman WILLIAMS. Great.

We will now move to the Member questions under the 5-minute rule which we talked about. So I recognize myself for 5 minutes.

Mr. Hodges, we have, as we said earlier, met several times previously. And before I get started, I want to thank you again for your service to our country and the outreach you do to the veterans around newly named Fort Cavazos. You know it's better than most but our servicemen and women are such great leaders and can do amazing things in the private sector when they are given the right training and the right opportunities. So, one of the most pressing things we keep hearing when we speak with small businesses is the ability to find qualified workers.

Mr. Hodges, my question, can you describe how the Training Center of Central Texas is able to adapt to the needs of the small business community? And how do you ensure that you are able to continue providing value for your customers?

Mr. HODGES. Mr. Chairman, first of all, there is a shortage of electricians right now. While you have the infrastructure bill, you have the renewable energy that is going on across the country, well, 70 percent of renewable energy jobs are actually going to be performed by electricians. And right now we have a shortage of 60,000 electricians in the United States. As a matter of fact, the average age of an electrician, licensed electrician is 57 years old.

So what our school decided to do was create a program that was a short 6 month program that actually addresses need. We were partnered with local contractors in the area where right now approximately of our students have actually went on to work at this local contractor. And also, we have been partnering with KISD in our area also to bring in newly graduated students to actually come over to the Training Center. And the way this is actually working

is just yesterday—I am going to give you a brief example here. Just yesterday we had two students, recent high school students, come in to the Training Center. They signed up for our program, for our electrician program, and they said they did not want to go to college. They wanted a job within the next 6 months. And when they graduate, they are actually going to go and work for the local contractor there in our area. And it is really a very beautiful thing that we are doing there.

Chairman WILLIAMS. Mr. Pilkerton, you have a unique perspective on the topics we are discussing today since you served as the acting administrator of the SBA and now are focusing on how the private sector can get better engaged to help small business.

So, can you describe some of the work you did during the time as acting administrator to coordinate public and private partnerships without needing to spend additional federal funds?

Mr. PILKERTON. Yes, sir. Thank you for the question.

So I think what I would say from my time at SBA is really, the big sort of takeaway from this is meeting businesses where they are and including the components of innovation. And let me give you an example. So all the resource partners that we have talked about here today provide an incxredibly valuable service to the SBA. But I do think the SBA, in order to innovate and modernize needs to think about how those resource partners and perhaps other resource partners could engage as part of this sort of small business ecosystem.

So one of the examples that we used was the Ascent platform that I mentioned before. And that was championed by Administrator McMahon. And that was focused on women businessese. And it was called Ascent because it was essentially a mountain process where you would scale your business and the technology that supported it was created by SBA and labor but it allowed these small businesses to scale to sort of where they were. So it is not just starting your business but being able to get into that corporate supply chain which is innovation.

The second thing I would say is we did a Makerspace program which I referenced in my program. And that is really sort of the future of local incubators. So when you talk about trying to meet businesses where they are, Makerspaces are very critical because they can provide not only resources but the kind of SBA information to those businesses in a local fashion.

Chairman WILLIAMS. Also, Mr. Pilkerton, you mentioned in your testimony the need to have consistent performance metrics in SBA programs. Can you give us quickly some examples of programs at the agency that have unproven track records of success but continue to receive taxpayer dollars?

Mr. PILKERTON. So as I mentioned in my testimony, I think that this is a huge opportunity for both the agency and this Committee to work together to perform a study of these programs because quite honestly, there are programs that are incredibly impactful and there are components of those programs that are perhaps antiquated and not meeting where the actual business owners are.

So as I mentioned in my testimony, I know we are sort of towards the end, I would really encourage a study to be supported by this Committee.

Chairman WILLIAMS. Thank you very much.

I now recognize the Ranking Member for 5 minutes of questions.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Ms. Smith, as you mentioned and I mentionend in my opening statement, there are 33 million small businesses nationwide and SBA resource partners provide important counseling and training more than 1 million entrepreneurs each year. What can this Committee do to help the SBDCs and the other resource partners reach more small businesses?

Ms. SMITH. Thank you, Ranking Member, for the question.

So what is the main focus I think is the reauthorization of the program to be able to assist there with not only the administrative side and the proceses and streamlining, but also the ability to have an allocation towards marketing and outreach. For the first time, CARES Act funds were the only allowable grant funds that were utilized for marketing and outreach.

Ms. VELAZQUEZ. Thank you.

I understand that you formed, Ms. Smith, a partnership with host universities in New York to address some of the pressing workforce challenges facing small businesses in the state. How have these efforts benefitted both workers and small businesses?

Ms. SMITH. Thank you.

The apprenticeship program is a partnership with SUNY/CUNY, so the State University of New York, the City Univerties of New York, and Department of Labor. The main focus is the SBDCs being a main partner with the community colleges to provide an apprenticeship program. This is also to develop client facing. So webinars, as well as webinars for our advsiors on workforce development. This is the focus on how a business will register as a site for an apprenticeship, for on-the-job training. This will assist with the Earn as You Learn. And on the other side of it, looking at the availability of training at the community colleges at the colleges in the area.

So if a business has some upskill training that they would like to do, it is participating in that and getting funds that will help utilize and push forward the upper mobility of their workforce.

Ms. VELAZQUEZ. Mr. Pilkerton, increasing access to capital for the underserved has been a top priority of mine. Given the breadth of your experience with the underserved, can you share with this Ccommittee what more can be done to penetrate these hard-to-reach communities? And also, how important is counseling and technical assistance for these entrepreneurs?

Mr. PILKERTON. So thank you for the question. I will take the last part first.

So, at Accion Opportunity Fund, we have received feedback that 90 percent of our clients who utilize the technical assistance would encourage others to do so. So it is clearly a huge impact.

But to your point as far as getting access to capital in underserved communities, one of the reasons when I left the SBA that I came to a CDFI was to ensure that CDFIs and MDIs have that seat at the table with other financial institutions because the serv-

ices that they provide are critical, and the outreach that they have to these communities of color, women, rural areas, and other groups are really kind of that piece that is msising from the financial services system. So the more support that they get from the private sector because they are really engaged really enhances that opportunity,

Ms. VELAZQUEZ. Thank you.

Mr. Palmer, despite representing over 50 percent of the population, female founders garner only 2.1 percent of venture-backed capital in 2022, and the numbers are not better for minority led companies. In your experience, what is being done to increase diversity on both the investor and investment sides?

Mr. PALMER. Thank you for that question. The Launchpad Venture Group, which is the group I represent, I have specific statistics. I will read them out because they are a lot better than the 2 percent number which it is unfortunate; right? So, about 13 percent of our founders are minority by their own definition of that. Twenty-six percent have an immigrant on the founding team. Thirty percnet have at least one woman on the founding team. And about 53 percent of the comapneis that we see—that we fund, excuse me—have a combination of those three.

One of the things that we are seeing in the industry is on the investor side people, you know, I said 16 million people could be angel investors but only 16,000 are. A lot of that feels like awareness of this opportunity. You know, I talk about what I do on a daily basis and they say, oh, you can do that? I can help entrepreneurs? I can make a little money? I can do these kinds of things; right? And I think a lot of times those opportunities were done on the golf course or behind the scenes or any of that kind of stuff.

And so now, because of that awareness especially at Launchpad, we are actively looking to balance and get folks in that are female, that are minority.

Chairman WILLIAMS. Your time is up.

Mr. PALMER. Oh, excuse me. I am sorry.

Chairman WILLIAMS. Okay, no problem.

Ms. VELAZQUEZ. My time is up. I yield back.

Chairman WILLIAMS. All right, thank you.

Okay, I now recognize Mr. Luetkemeyer from the great state of Missouri for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

The program is notorious for wasting taxpayer dollars with duplicative programs and unnecessary red tape. One of the most concerning examples of this within the SBA is the Community Navigator Pilot. Although the SBA already had a high performing program to help small businesses with training and development (SCORE), the Democrat led American Rescue Plan established the Community Navigator program which duplicates much of what the SCORE program provides.

Worse in 2022, it was reported that Community Navigators received $120 million in funding and it only helped 422 small businesses, while SCORE successfully helped 4,000 small businesses with $20 million, six times the money, one-sixth of the businesses.

According to SBA's FY24 budget request they want to decrease the SCORE program funding and increase the budget for the Community Navigator Program.

Mr. Pilkerton, from your experience do you think that is a good deal?

Mr. PILKERTON. Well, thank you for the question. With respect to the Community Navigator Program, my organization did not apply or participate so I cannot speak to the metrics that you reference. But I can tell you this. The SCORE program is excellent. When I was SBA administrator, I traveled the country and I will tell you that I went to individual businesses where the SCORE mentors knew as much about the business as the business owners and they were just as excited about the successes of that business. And every small business that I went to benefited tremendously by the knowledge, the wisdom, and real experience that these folks had had during very successful careers.

Mr. LUETKEMEYER. I come from the Lake of the Ozarks area there in Missouri which is a retirement area and we have lots of retired executives there. And so that area has a SCORE chapter. At one time it was the top SCORE chapter in the whole United States because of so many executives retiring there and willing to share their expertise and knowledge so it is a really, really good program, and I really want to highlight that.

Mr. Palmer, you were talking about developing a program for angel investors to help leverage money with the SBA a minute ago. Can you expand on that just a little bit?

Mr. PALMER. Sure. Thank you for the question.

So for angels, a lot of time what we are looking to do is try to figure out what kind of risk we are underwriting; right? The goal is to sort of help these companies grow, reach critical mass, but also, you know, see what their natural exit is. And that typically happens between let's say 50 and a $200 million exit. We are not talking about the unicorns, if you know that word. They are unicorns. They are rare for a reason. We are trying to get involved and help these companies win; right? Which means we need to start from—if that is the end point, we need to make sure that we are not overly sort of taking our after-tax dollars and putting them into companies and sort of ruining the economics for us and for the founders.

So what we kind of see is for more capital intensive but very worthwhile businesses. Let's say robotics. Let's say AI. Let's say chips where an angel does not have the pocket to do it or we do not have the time to hold on to. That kind of stuff. Working with the SBA specifically through like SBIR grants so that the entrepreneur can hold on to more of their company through the nondelegated funding and then we take over at the commercialization stage.

Mr. LUETKEMEYER. Quick question for you. With regards to, you know, the title of the hearing is with regards to inflation problems here with the small businesses, have you seen inflation affect the number of businesses interested in having angel financing or increased it?

Mr. PALMER. That is a good question. We see——

Mr. LUETKEMEYER. I only ask good questions.

Mr. PALMER. No, it was a great question.

Mr. LUETKEMEYER. That is why I am on this Committee. We ask good questions.

Mr. PALMER. Thank you.

Mr. LUETKEMEYER. We ask them of people that have got good answers though, too.

Mr. PALMER. We see about 1,500 to 2,000 companies a year that come through our doors. And some are ready for angel investment and some are not. A lot are looking for it. I think what people are recognizing now is that it is a harder funding landscape and some of the, hmm, I will use the word "shenanigans" less defined of sort of the front headlines of VC and FTX and Theranos are kind of making this a harder place for these small companies to navigate. As the inflation affecting the companies that come to us what might affect is our angels' ability to actually deploy capital, especially if about 10 percent of their, you know, we say about 10 percent of your net worth should go into this asset class, maybe no more because of the risk. So if something else goes down you are overly allocated in this asset class and it could affect your deployment.

Mr. LUETKEMEYER. Thank you. Thank you.

Mr. Hodges, thank you so much. I do not have time to ask a question but I just want to thank you for being here today, for what you do for a lot of individuals to get them into the workplace. In today's world, technicians are going to be very, very important and you are helping them get in that position and fill a very important need. Thank you so much.

With that, Mr. Chairman, I yield back.

Chairman WILLIAMS. Thank you. And I now recognize Mr. Landsman from the great state of Ohio for 5 minutes.

Mr. LANDSMAN. No questions.

Chairman WILLIAMS. Mr. Landsman, no questions?

All right. We recognize Mr. McGarvey from the great state of Kentucky for 5 minutes.

Mr. MCGARVEY. Thank you, Mr. Chairman. Appreciate it. Thank everyone so much for being here today. We really appreciate you being in front of the Committee. This is a Committee that does work together to try and help small businesses succeed in all of our communities. We know what an important force and part of the backbone of our communities that small businesses are. So we want to talk about how we can continue to support the next generation of those small businesses.

Small business development centers (SBDCs) offer counseling and training to all sorts of small businesses by developing informational tools that will provide for foundational guidance to startups and existing businesses alike.

So Ms. Smith, one of the things you mentioned is that there is no "one size fits all" approach to this. There are 33 million small businesses across the country. We cannot just have one approach for all of them. But can you touch on how the SBDCs work to meet entrepreneurs where they are and how this program provides assistance to small business owners of all backgrounds?

Ms. SMITH. Yes. Thank you for the question.

We focus on meeting people where they are, entrepreneurs and small business owners with our outreach within the community. Of course, during the pandemic that was a different deployment method but we do work with a lot of chambers of commerce, nonprofit organizations, as well as our host institutions of higher education. The more we look at our stakeholders and our partners in our communities is as I mentioned a connector and a collaborator, so we meet our community members where they are. And that is also the diversity of our clients. The Ranking Member spoke about the diversity of women and minorities of not understanding the resources or not getting the same in sales and access to capital so that can be, we call it in some of the centers, "Be on the street." So walking down to the community and the neighborhoods in downtown, visiting the clients that we already served, but also checking in to clients to talk about our SBDC services. And as I mentioned, nonprofit organizations, but also churches, areas where you may not think about small businesses, but there are entrepreneurs and small businesses to reach.

Mr. MCGARVEY. Thank you. And we want these programs to be successful.

Ms. SMITH. Yes.

Mr. MCGARVEY. You know, we can be critical of the administration. When it is time, we want to also offer praise when it is due but we want these programs to work. We want these programs to work for our small businesses so we are encouraging entrepreneurs and small businesses to grow.

And I did notice that the administration added a new metric that measures client satisfaction with the small business development centers and the SCORE was 93 percent favorable, which when that information comes back to us is certainly an accomplishment.

So with that score that we have gotten back, how do these SBDCs and the other resource partners set themselves apart from programs offered at the state and local level in the private sector?

Ms. SMITH. Thank you. We are an accredited program of economic development and small business development. So what that means is a peer-to-peer method of continuous improvement and excellence in service. And so that model is modeled after the Baldridge standard. And so that is helpful for looking at our networks and the consistency but also reinventing our programs. So that is the way that we look at the excellence of customer service and our client needs are the most important. So how we collaborate together, co-counsel, co-advise, but look at best practices across the nation. So that is a big thing for us I think as state directors but all partners, is meeting the client where, as you mentioned in the first question, meeting them where they are but also what success means for that client.

Mr. MCGARVEY. Thank you. I appreciate that. Because as I said, we want these programs to work. We also want more small businesses. We want people to have access to small business and to entrepreneurship, particularly, traditionally, disadvantaged groups. And so I appreciate the work there.

Mr. Hodges, just before my time expires I want to ask you a question because I loved your statement that students who are between the ages of 18 to 30 comprise 20 percent of our population

but 100 percent of our future. I could not agree more with that statement. And this Committee has discussed extensively the opportunities for students to build careers outside of the traditional 4-year college route, and I think it is important that we create pathways to employment and business ownership for every kind of student.

So what are some ways that we can help more small business partners, more small businesses partner with career and technical education programs capable of building their skilled work force, something I hear that small businesses in my district, you know, clamor for on a daily basis?

Mr. HODGES. Actually, I would have to say awareness. You know, when I look at the Small Business Administration and everything that they are doing, you can go to the website from the very beginning of your business all the way to closing it out. All the information is there. But the problem is no one is getting to that information.

I know I am going to run out of time here. But just say, for instance, right after the pandemic we were getting a lot of emails and marketing materials and stuff about the Disaster Relief Fund. It was so helpful for our school. It really was. And we took advantage of it. If that same amount of effort was given—I am not saying it is not here, but if that same amount of effort was given about the Small Business Administration and all the things we can do here, it really——

Chairman WILLIAMS. Your time is up.

Mr. HODGES. It really would do a lot. Thank you.

Mr. MCGARVEY. Thank you. I yield back, Mr. Chairman.

Chairman WILLIAMS. Next, we recognize Mr. Meuser from the great state of Pennsylvania for 5 minutes.

Mr. MEUSER. I appreciate that, Chairman. Thank you very much. Thank you very much to our witnesses.

So I have got a number of questions. First off, I would like to ask Mr. Pilkerton, yourself, and Ms. Smith, just related to cybersecurity resources and access to information. That seems to be an ongoing them here that we have got to talk about. But do you feel that small business owners have the sufficient awareness of what to do should they come under some sort of cyberattack, Mr. Pilkerton?

Mr. PILKERTON. Thank you for the question.

So, there is information on the SBA website about how you can protect your business against cyber but to the point that was just made, that information is on the website. It goes back to the idea that not only do you need a process, a program, a risk protocol, but how do you communicate that to the small business? So you have to do it in an innovative way that is actually meeting the small business where they are.

So to answer your question, you know, I could not give you a percentage of small businesses that are aware of the cyberthreat, but I think it is incumbent upon the federal government and state governments and local economic development groups to enhance that and provide that information in an efficient way.

Mr. MEUSER. Okay. Ms. Smith, does the SBDC offer such information and connections?

Ms. SMITH. Yes. Talking about the public and private partnership, that is one. We already have one established and then developing a new one when it comes to micro enterprises. So right now small to medium-sized businesses, we give them an intuitive platform with partnership with an entity called Posture. On this platform it is training on best practices and gaining access to vital resources to help protect their data, devices, and security instability for their operations.

On the other side from micro enterprises is really focusing not only on cybersecurity but looking at disaster resiliency and succession planning. So most microenterprises do not understand cybersecurity or how to protect themselves so trying to be more proactive than reactive.

Mr. MEUSER. Well, that sounds excellent.

So working with local chambers. I have got some excellent chambers throughout my district. In fact, they are outstanding. Do you find the SBA and your organizations work effectively with the chambers?

I will ask you, Mr. Palmer.

Mr. PALMER. I have no experience with that. Sorry, but thank you.

Mr. MEUSER. Is that right?

Okay. Mr. Pilkerton?

Mr. PILKERTON. I think they do work effectively. But I think it would be much more effective because the chambers are the ones that actually are working with those private sector companies and have the ability. The U.S. Chamber has a number of programs around this but I do agree that that could bring a lot more private resources and also great workforce opportunities to what Mr. Hodges was talking about.

Mr. MEUSER. County chambers for angel investors as well as for training programs, I mean, you know, talk about know the customer. I mean, they spend a lot of time together. They know them extremely well.

Mr. Hodges, do you engage with the chambers?

Mr. HODGES. Yes, sir. We are very engaged with the chambers in our area. And as a matter of fact, we are very community focused as a trade school. And one of the reasons why we became number one in our area is because every month on our calendars we always reach out and do something. And through those actions we actually do a lot of business.

Mr. MEUSER. Let me ask you both this.

Actually, Mr. Palmer, not you because you don't really work with the chambers yet. You should change that though.

Mr. Hodges, does the SBA or do the local chambers provide you better access for your business?

Mr. PALMER. Yes, sir. Whenever we need any type of services for our business, one of the first people that we would actually contact is our local chamber. Harker Heights Chamber of Commerce as a matter of fact. And it helps us with accounting, finding services for electrical work, and much, much more.

Let me ask all of you this question. So the Navigator program was introduced in, I think it was the Inflation Reduction Act. And it cost $130 million. And it served 422 new businesses or helped

start up 422 new businesses which works out to be about $300,000 per small business star tup. Now, they do also do servicing on 16,000 others but you can do the math there. That is like $8,000 per outreach. Do you think there is a better way of spending money, particularly since it may be very duplicative to SBDC? Comments?

Ms. SMITH. I mentioned some of what we do with our data and the strength of the SBDC program. But Community Navigators, those relationships were already longstanding before the Community Navigators pilot. So some of those books and hubs we have already worked with.

Mr. MEUSER. Thank you. I am over my time. I appreciate it.

Mr. Chairman, I yield back.

Chairman WILLIAMS. Thank you.

I now recognize Mr. Thanedar from the great state of Michigan for 5 minutes.

Mr. THANEDAR. Thank you, Chairman. And I want to thank all of you for being here and for your testimony.

I am an immigrant. And after getting my education I, you know, had the entrepreneurial bug and wanted to start my own business. And it was a little struggle getting capital. But I was able to secure a 504 from the Small Business Administration that helped me buy my first building for my business which made a huge difference. And then, you now, I got another fire for later. So it is hard to access but if you pursue it sometime good things happen. My concern, you know, I represent Detroit and its surrounding areas, Michigan's 13th District.

And Mr. Palmer, Ms. Smith, you know, focus on bringing entrepreneurship. I feel like I achieved my American dream but a lot of people in my district do not have access to it and have difficulty having access to the American dream. And part of the reason why I am not running my businesses and I sold them, I decided to enter public service is because I wanted to help out others to achieve their American dream.

Now, I see, Ms. Smith, you know, really, if you look at the percentage of Black-owned businesses, they are substantially lower than our Latino businesses, for example. Substantially lower than their White counterparts. We also see lower revenues for Black businesses. Black and Brown businesses. A lower number of employees.

Mr. Palmer, in terms of capital, I see angel investment is much lower in Black businesses, angel follow on investment is substnially lower in Black businesses. And here I am trying to promote entrepreneurship. And I see a lot. You know, I have a woman in my district. She is an amazing baker. She bakes amazing things. She has the technical knowledge. She has a desire to succeed but does not have the business knowledge. And so how does, you know, we give people who have the desire, the skills, technical skills. How do we give them the business skills?

Mr. Palmer, I believe you have been to Babson. I was in Babson. I took my son there for an interview at that college. Purely, being an entrepreneur I was excited to see a college that is purely focused on entrepreneurship education. Unfortunately, my son did not take my advice and chose an alternate school, which was a

good school, too. But, so in terms of angel investment, again, what can be done to get angel investment in poor Black and Brown communities? Where is the problem? Is it them being educated? Are there any kind of hurdles that we can overcome to rectify that situation? I do not have a lot of time left but I want to let you and Ms. Smith address some of these concerns if you can.

Mr. PALMER. Thank you. I will be as quick as I can.

So Babson College, the number one entrepreneurship school for undergrad and grad for the past 25-30 years. Seventy percent of the students are actually internaitnoal. And one of the things that I do is also as an entrepreneur in residence, I am there teaching them how to sort of even navigate which idea to go with, let alone the process, let alone cofounders, let alone all this stuff that they have not had experience for. So half of it is education and the other half is access to the funding and not putting any barriers up.

So one of the things that we do at Launchpad is you do not need to know somebody to come in. You can go in through our application. Granted, we have 185 Members so they are in the community. They are mentoring. They are part of the chamber of commerce. I should have said that before; right? But they are out there meeting these folks before they even are ready; right? And 70 percent of our funding each year, historically for 20 years, actually goes into follow-on investments. Because first you are investing in the dream. And then you are investing in the results. So it is pretty clear the ROI of that. But thank you for your question.

Ms. SMITH. You are out of time. Okay.

Mr. THANEDAR. Thank you. I yield back, Chair.

Chairman WILLIAMS. I now recognize Mr. Crane from Arizona, the great state of Arizona for 5 minutes.

Mr. CRANE. Thank you, Mr. Chairman.

My first question is to Mr. Palmer. How does the government interfere most with your ability to invest private capital into potential businesses?

Mr. PALMER. Most is a difficult thing so I will ramble for 4 seconds; right?

So one is sort of the regulatory risks surrounding certain businesses; right? So I will speak for our industry. We are mostly focused in New England based companies and so a reflection of what is going on there. You will see high tech, you will see life sciences. You will see healthcare. And a lot of what we have to contend with is if these companies need to go through regulatory hurdles, if there are stages. If there is anything like that it impacts our risk, like the risk we are underwriting, which will impact: (a) the amount of funding we are willing to give, evaluation, any of these kinds of things. Second, and I think I sort of mentioned it, we usually see angel investors invest maybe 10 percent of their net worth in this asset class because of the risks associated with it. But that is a relative amount. So if something happens to your other money related to your house, related to stocks, related to wherever else it is going, which I think the govnerment has an imapcat on, that will affect whether we are willing or able to put monye toward. So I think those are the two I would like to share. Thank you again.

Mr. CRANE. Next question also to Mr. Palmer. Wh at is the area you are seeing govnerment fail small business the most in?

Mr. PALMER. Where I am seeing it most is—and this is more anectdotal maybe. I do not have the data to surround this but a lot of companies that could benefit from these SBIR grants that I have been talking about are afraid to go through the process. They are afraid of the paperwork. They think they need to know somebody. They had an entrepreneur that did it and they heard about it. But however it was perceived to them it is a barrier. And so they go with the hard way. Or they bootstrap it to the point where they have no more money left. And so what I am seeing there is maybe it is education, maybe it is a streamline of this process, but those two things are sort of getting in the way of companies. And I think that might be a failure worth looking at.

Mr. CRANE. Follow-on question, Mr. Palmer. How efficient do you think the U.S. government is including the SBA?

Mr. PALMER. I do not know if I can answer that question. Not for any reason; I just do not have a good response for you.

Mr. CRANE. So you do not have an answer on whether you think the U.S. Government is efficient or not?

Mr. PALMER. I know for Launchpad we get entrepenerurs in and out of the process in 3 weeks or less and we judge them based off of the returns. It is pretty simple the ROI of that. I am not sure if I have heard ROIs for the other side.

Mr. CRANE. What about you, Mr. Hodges? What do you think? Do you think the federal government tends to be very efficient or not?

Mr. HODGES. In education it is a little bit different. Like, for instance, with a trade school, our——

Mr. CRANE. Hold on real quick, Mr. Hodges. That is not the question I asked you. I asked you, do you think the federal government is efficient? Is run efficiently?

Mr. HODGES. Is it run efficiently? I realy cannot effectively say.

Mr. CRANE. Okay. Does anybody on the panel know how much national debt we have here in the federal government?

Ma'am, I saw you smile at the end. Do you want to take a stab at it? Any idea? Just anybody, give me a ballpark. Is it, would you say $10 trillion plus, 20 trillion plus, 30 trillion plus?

Mr. HODGES. Thirty trillion.

Mr. CRANE. Yeah, you are right.

Does anybody know what it is going to be by January 2025 due to the bill that we passed in the House or that we passed this last week? Anybody know? About 36 trillion.

My point is is that there are some great people that come into this Committee who actually, and I am an entrepreneur myself. I love entrepreneurs. I love entrepreneurship. I have seen it lfit so many people up, seen it help so many people in the community. My point is to this panel and this Committee and it is going to continue to be is that the federal government should not be heavily involved in it because it does a horrible job with the tax dolalrs. And when all this money comes up and nobody knows where it went, guess who gets fired? Nobody, ever.

Thank you for letting me bloviate and go long, Mr. Chairman. I appreciate it.

Chairman WILLIAMS. I now recognize Mr. Pappas from New Hampshire, the great state of New Hampshire for 5 minutes.

Mr. PAPPAS. Thank you very much, Mr. Chairman. I want to thank our panel Members for their comments here today. I am from New Hampshire where small business is big business. And our main street economies drive our state and our regional economy.

Ms. Smith, I am glad that you are here. I have gotten to know the work of our small business development centers, the way that they work closely with other resource partners in the small business space. And just to sort of be able to measure the impact that they make, they have helped small businesses access more than $44 million in new capital in New Hampshire, increase sales by $17 million, and create and retain about 760 jobs just over the last year. Overall, their economic impact was about $207 milllion in New Hampshire's economy. That role has expanded since the pandemic as they built new relationships and met new entrepreneurs to be able to support.

Now, several folks have referenced the issue of duplcation which I think is an important thing for us to focus on but I will address a GAO study that was done about 10 years ago that focused on duplication, fragmentation, and overlap of various entrepreneurial development programs. No duplication was specifically found by GAO at that time. They did find overlap and fragmentation. Made recommendations for more collaboration within the variety of agencies within SBA and their resource partners. All recommendations were resolved, have not reappeared on their annual report on duplication, fragmentation, and overlap. So, I think that is something that is important to reference. And what I see where I live in New Hampshire is a great deal of collaboration among resource partners. One bill I have introduced helps highlight that collaboration. It is actually called the Collaborate Act, which builds upon the collaboration between our PTACs or procurement technical assistance centers in New Hampshire SBDC. Brings to bear some common sense ways that these federal agenceies can cooperate.

So I am wondering, Ms. Smith, that was a long sort of entre there, but if you could discuss the role of SBDC as being sort of a nexus of resource partners. And if you see any duplication out there that we need to address or the ways that you think that greater collaboration can be fostered between various agencies and resource partners that do this work for our small busineses.

Ms. SMITH. Thank you for the question. And as you mentioned, within your state, the more resources we had during the pandemic, the more output and success that we had to support our small businsses. So that is a way for the support to the SBDC program.

But as you said, the center of collaboration and a connector for our community, we are the statewide program to help build that federal, state, and local connection for collaboration, the ecosystem for small business assistance and support. With that being said, a lot of the assistance that we provide is why we are co-locatedd with certain locatinos, whether it is a chamber of commerce. Of course, our institutions of higher education, PTACs, now ATACs, accelerators on the established business side. So that whole life cycle of a business is where SBDCs are that really trusted partner to come and provide the technical assistance but also connect the business owner with the resourcers that they need.

Mr. PAPPAS. Well, thanks for that comment. Small businesses are diverse in how they are established, in terms of how they procure capital, in terms of their day-to-day needs. And I think we need to continue to appreciate that as we think about the constellation of resource partners that are out there to support them.

And I will also editorialize here a little bit and say that I was very disappointed to see in the president's budget a cut proposed to SBDCs, and I hope that Congress can work to maintain or increase funding for the work that you all do which is a lifeline.

Maybe in the remaining time I have if I could ask Mr. Palmer a question. Congress on a bipartisan basis has been focused on how we rebuild the nation's infrastructure, how we invest in our industrial base, including in the semiconductor industry. We need to see serious workforce development as part of that. But maybe you can speak to how public dollars can be matched with private investment in the interplay between those pools of money.

Mr. PALMER. Sure. I think I have mentioned it, but thank you for the question, a couple of times of underwriting the capital intensity of certain opportunities; right? So for semiconductors, for training these AI models that seem like magic, it takes a significant amount of hardware, a significant amount of money, a significant amount of energy to get to that magic moment. And so pairing sort of that ability for a longer time horizon and potentially deeper pockets with the stage at which commercialization can happen and we can build, you know, the job creation opportunities, build companies around it and all that, I think that is how it gets paired.

Mr. PAPPAS. Thanks for those thoughts.

I yield back my time.

Mr. CRANE. I now want to recognize Ms. Salazar from Florida for 5 minutes.

Ms. SALAZAR. Thank you. And I represent the city of Miami which is, according to a study conducted by the federal government is one of the best places in America to start a small business because for immigrants and for the Hispanic community you have your small shop or having your small business is living the American dream. So I want to thank all of you for coming and sharing with us your experience.

And specifically to Mr. Palmer, you said here on your statement that the SBA should begin to leverage local angel groups that are present in every community. So could you be a little bit more specific as to which way we could help you leverage those local angel groups through the SBA?

Mr. PALMER. Sure. So thank you for the question.

One of the things that we like to think about when we, you know, I said 1,500 of 2,000 companies come and some of them are prepared for venture scale funding, angel scale funding, and some are not; right? And knowing the difference between those two could be a way to say the small businesses that are the local shops that really support that, whatever, maybe it is a craft, maybe it is a service, but the scale sort of stops at a certain point versus the angel and VC sort of very large scale. They are small businesses to begin with and then they grow from there. And so knowing how to kind of almost collaborate together to say you belong here and you belong with me could be one of the best ways to do it. That

is joint. That is potentially going to local angel groups. We are doing mentorships. So if you do mentorship——

Ms. SALAZAR. To see if I understand a little bit better. If you had to write legislation that will rule over SBA, so what would that legislation say in order to create what you are saying, to leverage local angel groups? Because what you are saying here basically is that there is a disparity; that the SBA could help narrow the disparity by developing programs that leverage that private angel. So what are the programs that we would have to create?

Mr. PALMER. Yeah. So in all honesty I do not know all the existing programs, and especially not basically that may be in your area. But still, it is finding ways. I do not see any SBA folks at my angel group meetings out in the community when I am watching pitch competitions which are open to the public; right? And so knowing that we are not in the same place. I am not sure you need to legislate it or mandate it but we are just not in the same place and I think that is doing a disservice to companies——

Ms. SALAZAR. And if we were to be in the same place, what is the benefit for the community? What would be the benefit for the community?

Mr. PALMER. So of those 2,000 companies we see, we only invest in 2 to 5 percent of them. Some just are not ready and some will never be sort of venture scale. Knowing that they are not coming with us and they can go with another opportunity, I think that is where the benefit to the community is.

Ms. SALAZAR. You said that there are 16 million, there could be 16 million angel investors and there are only 16,000, that is a big disparity. What is the number one cause for that disparity?

Mr. PALMER. Awareness that you can be an angel investor and how to do it, not, you know, like gambling or willy-nilly. Like actually——

Ms. SALAZAR. Okay.

Mr. PALMER.—finding the companies, working together, guiding them. We sit on the boards of our companies. We are with them for between 5 and 10 years. I tis one of those things that people just do not understand how the process of angel investing sort of works. And maybe they have not had exposure to it. But it is awareness.

Ms. SALAZAR. And how could we help you or help the community become aware of those 60 million potential angel investors. I am trying to figure out which way we could help you.

Mr. PALMER. Yeah, thank you for that. I appreciate it.

Marketing. Understanding when someone goes to the SBA and they are ventured scaled, like here is what angel investors are. Talking to the people around you, constituents, any of that kind of stuff. It is an awareness problem which is effectively a marketing problem in my opinion.

Ms. SALAZAR. So you are suggesting for the SBA to become—that is what I am trying to understand. Marketing, I did not think we were in the business of marketing but then how could we be within the rules?

Mr. PALMER. Without going too much farther out on a limb, I am not actually sure.

Ms. SALAZAR. So what you are basically telling me is tat we should be marketing to our constituents the fact that there are angel investors. But then we are trying to figure out how to do that.

I might flip that if I might. Please do. Maybe I am not understanding.

Mr. PALMER. Sure. So 16,000 angel investors are part of the ACA, or excuse me, $15,000; right: We invest about $950 million Imagine if there were two more zeros attached to that and what that would do. I am not sure how to solve the problem but there is something there to unlock.

Ms. SALAZAR. Okay. Got it. Thank you. I yield back.

Mr. CRANE. I now want to recognize Ms. Gluesenkamp Perez from Washington for 5 minutes. I apologize if I said that wrong.

Ms. GLEUSENKAMP PEREZ. Four points. Thank you, Mr. Chair.

Mr. Hodges, thank you for being here. I am glad that the Committee is highlighting the important work that you do in preparing students for employment and career advancement in healthcare and construction job trades, job market. But there is significant pressure for young people to go to college and pursue a 4-year degree. At the same time we know that so many small businesses are impacted by ongoing shortages of skilled labor and training centers like yours are important to make sure that businesses have the skilled labor they need.

So my question, how do we confront the enormous pressure, societal pressure, family pressure on young people to go to college and instead get more of them to see the opportunities in the trades? How do we set up a pipeline for them to get into these jobs and be successful?

And beyond that, how can we help more businesses partner with career and technical education programs to utilize the critical skills that students are learning at centers like yours?

Mr. HODGES. Thank you. Thank you for that question.

One of the things that we really need is a better partnership between high schools and the training schools like we actually have. For instance, the one thing that sets the Training Center apart from a lot of these universities is the fact that we can actually train our students in 6 months for several ready jobs. And these particular jobs are in in-demand fields. A lot of our students, they simply do not want to go off to a university and wait 4 years to actually make a decent living. And there are actually some great paying careers out there in the electrical, in the trades. But the challenging thing is right now in the high schools, there is really no push to go into these particular trades. And so if we can get some help bridging that gap that would be great.

Ms. GLUESENKAMP PEREZ. I would like to mention that apprenticeship provides a really great opportunity for folks to get on-the-job training while they learn and data shows that businesses can get a really strong return on this. But in my experience, I own an auto repair and machine shop with my husband and we looked into having a 16-year-old kid come in an apprenticeship program and we could not afford the liability insurance and very real concerns about inviting the DOL into our business in that way. And

we decided we could not do it until we found a private nonprofit that agreed to cover the cost of his liability insurance to have a 16-year-old in the shop with us. He has been with us ever since. He just bought his first house. These are pathways to a solid middle class. But the hurdle for small businesses to access these programs and to engage in apprenticeship programs on the capital side can be really intense. I wonder if you could sort of speak to some of the broader sort of challenges that businesses face and engaging in these apprenticeship programs.

Mr. HODGES. As far as with the trades?

Ms. GLUESENKAMP PEREZ. Well, some of the challenges that they are going to have immediately is just typical business, you know, as far as an entrepreneurial education, entrepreneurial programs. But also just access to capital. One of the challenges that you actually run into when you start a business is just keeping your cost down. And if you can actually have an entrepreneurial programs in high schools that can actually show them how to put together business plans, how to put together all of the different steps for operating a business, I think that that would be very beneficial.

Mr. HODGES. Now, we actually are doing something very similar to this for the Boots to Business program on our bases here for veterans. But I believe that is sorely lacking right now out in the regular community for civilians.

Ms. GLEUSENKAMP PEREZ. Thank you so much to all of our witnesses for their testimony today. Thank you for the work you are doing.

Mr. Chair, I yield back. Thank you.

Mr. CRANE. In closing I would like to thank your witnesses for their testimony and for appearing before us today.

Without objection, Members have 5 legislative days to submit additional materials and written questions for the witnesses to the Chair which will be forwarded to the witnesses. I ask the witnesses to please respond promptly.

If there is no further business, without objection, the Committee is adjourned.

[Whereupon, at 4:08 p.m., the committee was adjourned.]

APPENDIX

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Chris Pilkerton, Chief Legal Officer at Accion Opportunity Fund

---

Thank you Chairman Williams, Ranking Member Velázquez, and to all of the committee members.

Over the last several years I have spent my career focusing on issues related to the small business community- with particular attention to on underserved populations. I served as the General Counsel of the U.S. Small Business Administration under Administrator Linda McMahon, as well as the Acting Administrator of the agency from April 2019 into early 2020 when I then joined the White House to advance the issues that included access to capital and workforce development. The lessons of those efforts and an associated bipartisan plan going forward have been documented more specifically in a book I have recently coauthored titled "Underserved."

Since leaving government, I have continued this work in various capacities. I serve as the Chief Legal Officer for Accion Opportunity Fund, the leading nonprofit community development financial institution focused on small business lending and technical assistance to underserved borrowers all across the country. I have also co-founded and developed an initiative called the Small Business Corps at Georgetown University Business School- a private sector led program to offer underserved small businesses with specific goal-focused technical support provided by fellows who are recent college and business school graduates. I have also worked closely with people like the performing artist Ice Cube to identify opportunities for underserved small businesses to scale and participate in the Fortune 500 corporate supply chain.

While access to capital to small businesses is critical, academic analyses have shown that technical assistance and counseling can be the most meaningful component of a business' ability to perform, develop, scale and hire. There are technical assistance resource partners that have traditionally been an important part of the small business ecosystem – organizations such as SBDCs, SCORE, Women's Business Centers and Veterans Business Centers. As this committee is aware, certain funds to support these organizations are appropriated and then distributed via SBA. I have worked with all of these organizations and have seen their impact on the growth of individual small businesses.

Given my experience in this arena, I would recommend this Committee consider the following methods to advance small business technical assistance in the United States.

First, for any entity that receives technical assistance dollars from a government grant or designated appropriation, there must be a common menu of meaningful performance metrics- both before and after distribution of the funds. These metrics must be reasonable and realistic, but also significant enough to hold grantees accountable to the provision of quality services.

Second, technology must be central to this process from start to finish. Not only should technology be utilized to streamline the application process, but the actual technical assistance provided must have a substantive online learning component- as is seen in the SBA's Ascent platform- which was championed by Administrator McMahon and continues to be highlighted by the agency.

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Chris Pilkerton, Chief Legal Officer at Accion Opportunity Fund

---

Third, perhaps not dissimilar to the intent of the Community Reinvestment Act, the government must consider ways to engage and incentivize the private sector in this work. At Accion Opportunity Fund, for example, we work with companies like Federal Express and Boston Brewing Company/Sam Adams to advance online support and coaching opportunities for entrepreneurs. Programs like these, or government-initiated opportunities like the 2019 Pledge to the American Worker, can also serve as a model of the convening power of government to engage businesses of all sizes to advance trainings, apprenticeships and job placement all across the country.

Fourth, in coordination with existing resource partners, policymakers must encourage and incorporate new and innovative technical assistance stakeholders into this process. During my time at SBA, for example, we pioneered a pilot program called the Makerspace Hiring Training Collaboration and Hiring - or the MaTCH initiative - to advance the makerspace incubator system. This pilot immediately impacted many businesses across the country in places like California, Missouri, New Hampshire, New York, Oklahoma, Pennsylvania and Puerto Rico.

Fifth, Congress should be a partner to the Executive Branch as part of trackable interagency cooperation. Although meetings like these are usually governed by executive order or memoranda of understanding, on this topic a Congressionally engaged bipartisan working group for key offices such as SBA, the Minority Business Development Agency, the Department of Labor's Office of Workforce Innovation and Opportunity, and various secondary education offices within the Department of Education, could make huge strides on this topic and avoid much of the bureaucratic disruption that can impact any administration.

Finally, I will close by saying that all of these are doable right now- today. However, these would just be part of an overall strategy that could be developed in accordance with a comprehensive study on these issues. I know that such studies are often frowned upon as kicking the can down the road, but given the massive size of all of these grants and appropriations in their entirety, such a review could set forth a government-wide best practices approach that could maximize measurable small business and workforce outcomes, while ensuring the government is a responsible steward of these taxpayer dollars.

Thank you all again for your work in this area and I look forward to any questions.

Good afternoon Chairman Williams and thank you so much for inviting me to tell our story. I am truly honored to be here today and to share our story of the Training Center of Central Texas (formerly Training Center of Healthcare Careers). We are both a minority and veteran owned small business since 2017. The Training Center was honored to have had Chairman Williams address our summer graduating class of 2021. He was called away to Washington for a vote on the Infrastructure bill, but recorded an address to our students, which was a memorable moment for our 49 graduates (mostly military veterans) of the electrical, solar and medical technician programs.

I am Reginald Hodges, CEO and President of the Training Center of Central Texas. I was approached by congressional staff to share our story of growth and challenges of training our students for not only careers but starting their own businesses.

I enlisted in the Navy in 1994 at the Navy Recruit Training Command Great Lakes. Building 1405, located onboard Recruit Training Command, had a mural of the first African-American naval officers in U.S. history that were commissioned at Great Lakes. These Twelve ensigns and one warrant officer, went on to serve with distinction in World War II. They called themselves the Golden Thirteen. As I looked up to those 13 men on this mural I knew I wanted to be a Naval officer and dedicated my life to that goal. The first day I arrived at my duty station in Jacksonville, Fl I enrolled in classes for my associates of arts at the local community college, where I attended school full time at night. After leaving the navy in 1998, I was accepted into an officer program at the University of North Florida. Upon graduation with a B.S. in electrical engineering I attended the Navy's Officer Candidates School. The day I was commissioned in 2001 is still the greatest Honor that I had. I proudly served our great Nation for 11 years.

I am a person of integrity and a believer in service to our community and building our next generation with critical skills. I am often reminded that our students who are between the ages of 18 to 30 comprise 20% of our population and 100% of our future. We have a strong need to equip our students with the most enduring critical skills in Healthcare, Construction Electrician, and Solar Electrician Technician fields. These skills often get to be used while our students are in school at Nursing Homes, Assisted Living Homes, Blood Drives, Habitat for Humanity in building homes and many more community opportunities.

At our recent graduation, we were recently reminded to "Dream Big and Inspire Others" and the beautiful stories of our students both current and past are truly amazing! In every case, student careers are jumpstarted many thanks to the skills learned at the Training Center. It is an employment placement percentage (100%) that we always strive to achieve for all of our graduating classes from all of our programs all of the time. In every case, student careers are truly started at the Training Center with great success! From students starting their own businesses and returning to hire our graduating students to instructors who have excelled in being the very best examples for our students.

Over the past three years (2020 to 2022), our school has been voted

- The Best College / University in Central Texas
- The Best Trade School in Central Texas
- The Best Training Center in Central Texas
- And one of the Best Places to Work in Central Texas, by the Killeen Daily Herald's readers' poll

With excellent student satisfaction, exemplary certification test results, great employment outcomes, caring instructors, labs that are second to none, and a clean audit from the Texas Workforce Commission. At the Training Center, we stand behind who we are and who we serve - and the overwhelmingly positive student perceptions and outcomes speak for themselves. The Training Center is a truly caring institution, we pride ourselves on being passionate about bringing the keys of opportunity to our students' front door for them to unlock whenever we can.

Thank you so very much for this opportunity!

Testimony of Rich Palmer
Managing Director, Launchpad Venture Group
On behalf of Angel Capital Association

House Committee on Small Business
"Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses."

June 13, 2023

Chairman Williams, Ranking Member Velazquez, and distinguished members of the Committee, thank you for the opportunity to testify before the Committee today. My name is Rich Palmer. I am the Managing Director of Launchpad Venture Group, and I appear today on behalf of Angel Capital Association (ACA). I am happy to be here to discuss how Congress can improve the federal government's engagement with angel investing to better facilitate the flow of capital to small businesses.

ACA is a professional society of member-accredited angel investors who make up the world's most prolific early-stage investment class. ACA represents more than 15,000 accredited angel investors and 250 angel groups, accredited platforms, and family offices. Together, ACA's members deploy more than $950 million in early-stage capital every year, supporting more than 30,000 entrepreneurial companies in our investment portfolios.

I have spent nearly twenty years focused on entrepreneurship and marshalling resources to help small businesses. After receiving a dual major Bachelor of Science in Information Technology and Economics from Rensselaer Polytechnic Institute, I began my career on Wall Street, where I led product development at Relationship Science. I was also head of portfolio analytics for S&P CapitallQ's quantitative intelligence team.

I then co-founded and served as the CTO of Gravyty, the leading AI company for social good. This position garnered me awards, patents, and accolades, including placement in the Boston Business Journal's 40 Under 40 list and Babson College's Entrepreneurship Award. I continue to serve as an Entrepreneur-in-Residence at Babson College, I have invested in dozens of promising startups, and I advise and speak regularly on entrepreneurship.

In 2022, I became Managing Director of Launchpad Venture Group. A proud member of ACA, Launchpad Venture Group is a leading, nationally recognized angel network. Launchpad pools human capital for purposes of sourcing, conducting due diligence, and negotiating terms, but Launchpad's members make their investment decisions individually, with each investor's name on the capitalization table. Unlike groups structured as funds, Launchpad takes no management fees, nor does it earn carried interest on profits.

Launchpad currently has more than 185 active angel investors building individual portfolios by providing human and financial capital to help entrepreneurs build successful companies. Each Launchpad member is qualified as an accredited investor as defined under Rule 501 of the SEC regulations. Since 2001, Launchpad members have invested over $125 million in more than 150

startups. Some of Launchpad's largest investments include stakes in Zipcar, EZCater, and Clean Fiber. We are the most active angel network in New England and one of the top three most active angel networks in the United States.

Each year, Launchpad invests $8 to $10 million in approximately 30 to 40 rounds of financing, both in new opportunities and in supporting our growing portfolio of companies. Thus, Launchpad exemplifies the power of angel investing as a driver of entrepreneurship.

Angel investing supports small businesses in four distinct ways.

First, angel investors provide crucial funding to startups and early-stage companies that may have difficulty accessing traditional sources of capital. Angel investors bridge the gap between a company's initial seed funding and subsequent rounds of venture capital or other forms of financing. This early-stage funding is often vital for entrepreneurs to develop their ideas, build prototypes, hire key personnel, and bring their products or services to market.

Second, angel investors provide invaluable mentorship and guidance to entrepreneurs. Angel investors typically have a wealth of experience and expertise in the industry or sector they invest in. Therefore, they are uniquely qualified to offer valuable mentorship, guidance, and strategic advice to entrepreneurs. This support helps startups navigate challenges, make informed decisions, and increase their chances of success. Moreover, angel investors often have extensive networks which they can leverage to the benefit of small businesses they invest in.

Third, angel investors provide essential "risk capital" to startups. Angel investors are willing to take on higher risks compared to traditional investors like banks or financial institutions. They understand that startups and early-stage companies face significant uncertainties and may have a higher failure rate. By providing risk capital, angel investors enable entrepreneurs to experiment, iterate, and pursue innovative ideas that have the potential for substantial growth.

Fourth, angel investment can lend credibility to a startup. When a reputable angel investor invests in a company, it signals to other investors, customers, and stakeholders that the business has potential and is worth considering. Consequently, angel investment can increase an entrepreneur's chances of attracting further investment from venture capitalists or other sources.

The facts speak for themselves. Desert Angels conducted a study that found every dollar invested by an angel investor has a multiplier effect of 21. The average initial investment from Launchpad, specifically, is $25,000, which creates economic value worth more than half a million dollars — per investor. Launchpad's members team up to put together rounds of between $500,000 and a million for pre-seed funding, and up to $3 million for seed rounds.

Because the market knows that angel investors provide crucial due diligence, the angel investment model delivers returns that are two times better than traditional investments, and companies with an angel on their board of directors earn returns 2.5 times higher than companies without.

The importance of angel investing is further augmented by the reality that existing federal resources oriented toward small businesses, such as the Small Business Agency (SBA), fail to capture the entire innovation ecosystem. The SBA is undoubtedly an important organization. The SBA's importance was underscored during the COVID pandemic, when it was tasked with the monumental endeavor of overseeing the Payment Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program. However, the SBA does not focus on the early-stage innovative companies that angel investors concentrate on. Rather, the SBA focuses on traditional, established small businesses such as local restaurants and flower shops. Therefore, SBA funding fails to reach an entire segment of innovation in our economy.

The Small Business Innovation Research (SBIR) program, specifically, measures success based on deployment of federal funds, not on a business's ultimate commercial viability. This is misguided, and represents a failure to understand and capitalize on the innovation ecosystem. SBIR encourages small businesses to engage in federal research and development (R&D) with the potential for commercialization by providing funding opportunities for small businesses to conduct R&D projects that align with the specific technology needs and priorities of participating federal agencies. These agencies include the National Institutes of Health (NIH), the National Science Foundation (NSF), and the Department of Defense (DoD). The narrow focus of this program on these agencies' particular needs and priorities disregards the thousands of innovative startups whose priorities are not aligned with these agencies' — companies that have high-growth, job-creating potential on a national or international scale.

In light of the failure of public resources to adequately capture the entire innovation ecosystem, SBA should begin to leverage local angel groups and our know-how in order to get more capital to entrepreneurs and small businesses. Angel investors are present in every community in the United States. Importantly, although more than 16 million Americans qualify as accredited investors, only about 16 thousand who are active angel investors. SBA could help narrow that disparity by developing programs that leverage private individual capital to invest in early-stage startups. By deepening its engagement with angel investors, SBA could play an important role in harnessing more private capital for small businesses and innovative startups. Such an initiative would especially benefit entrepreneurs of color, who cannot leverage family connections or family wealth, and thus particularly depend on professional angel investment.

Moreover, angel investing will be essential to the fulfillment of Congress's and the President's industrial policy goals. The CHIPS and Science Act of 2022, for example, seeks to reestablish the semiconductor industry in the US by returning leading-edge chip manufacturing to the US, expanding the US's capacity to make current chips and critical supplies, reinforcing the US's strengths in chip design and equipment, and growing an American semiconductor workforce. Though Congress has allocated important funding for this ambitious legislation, that funding cannot reach the CHIPS Act's goals without support from more capital creation and innovation. Angel investing is uniquely suited and ready to drive that innovation, bolster the American economy, and support the US government.

My colleagues and I are ready and willing to serve as resources of information and feedback as you pursue legislative solutions to making capital more readily available to our nation's

entrepreneurs. Thank you again for this opportunity to share my experience with you. I look forward to your questions.

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Sonya Smith, State Director NY Small Business Development Center (NYSBDC)

Thank you, Chairman Williams, Ranking Member Velázquez, and to all the House Small Business Committee members.

My background: NYSBDC State Director, Sonya Smith. I was appointed state director in December 2021 and rose through the SBDC ranks as the first woman and first African American appointed to lead New York's vast SBDC network in its nearly 40-year history. I had previously worked with The Pennsylvania SBDC program in various roles for over 10 years and a few years working as the Associate Director of Grants and Sponsored Projects for Kutztown University in Pennsylvania. From the knowledge gained from my work and experience with the SBDC, but also working as university staff with grant management, grant writing and program/partnership development. I've learned how important it is to build an ecosystem to provide solutions to communities, regions, state and/or nationwide. As stated, "both public and private resources can be valuable as entrepreneurs look to start or grow their business. We must ensure that any taxpayer dollars going towards these efforts are being effectively used in a way that is not duplicative of private sector initiatives."

There is no "one-size fits all" organization or solution for the 33 million small businesses across the country. Each business owner or entrepreneur has their own unique circumstances that may need the support and assistance from several resources. As one of the four resource partners of the Small Business Administration (SBA), [SBDCs, SCORE, Women's Business Centers (WBCs), Veteran Business Outreach Centers (VBOCs)]. SBDCs are a nationally accredited program that provides one-on-one, no-cost, confidential advising to small business owners and entrepreneurs, educational training, and research/business resources. The SBDC program offers a broad reach, resources, and opportunities to create an impact on businesses at every stage of the business life cycle.

The SBDCs across the country deliver high quality services and programming, provided by experienced experts at each center. By leveraging the private/public resources and partnerships, our program serves over 1 million small businesses nationwide and has the opportunity to continue to serve more with the multiplier effect. With each SBA core grant (federal dollar), the SBDCs match the program with state, local and host institutions funds, it is SBA's largest matching grant-funded program. This shows not only the financial support from the state, local and host institutions, but also the value-added the SBDCs provide to stakeholders in their communities. One of the key functions of the SBDCs is being a trusted collaborator and connector. The SBDCs tie all these parts together in terms of small business assistance, across the country you will see how we partner with entities at the state level, various local city and county development groups, all to provide consistent support statewide.

When small business owners and entrepreneurs need support, they 1) Do not know where to go or start 2) There are so many resources available they are not sure which would be the most beneficial; too much information all at once. The SBDCs have been known to be the "best kept secret," which is not a compliment for a program with an inception year of 1979. During the pandemic, with the support of CARES Act Funds, the SBDCs were able to (for the first time) use SBA grant funds to develop and pay for marketing and informational materials to expand reach

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Sonya Smith, State Director NY Small Business Development Center (NYSBDC)

to communities. The reauthorization of the program would help modernize the administrative concerns, streamline processes, and provide an allocation of funds for marketing purposes.

SBDCs collaborate with the other resource partners (VBOC, SCORE, WBCs), private organizations such as chambers of commerce, trade and industry groups and associations; by providing additional technical assistance due to staffing capacity, training and educational programs, industry/market research and being co-located for accessibility. Consolidating information, sharing partner information, partner roundtables, and clear step by step process guides for entrepreneurs and business owners, will help give these individuals seeking assistance enough information in a concise format. Having defined roles and areas of expertise in an ecosystem built to support small businesses is important, to continue to foster collaboration and reduce any duplication in services. Our partners leverage our reach to improve their coverage and maximize the effectiveness of their programs. We have also collaborated with two spokes of the Community Navigator Pilot Program, located in New York State. The Long Island African American Chamber of Commerce (focused on black business owners) and Universal Processing- US Pan Asian American Chamber spoke (focused on Asian retail merchants), these relationships were already established, but were strengthened to focus on the following 1) Funding Opportunities & Business Development: Create a list of resources by expertise and coverage area. 2) Create an educational program to bring learning activities to the neighborhoods of underserved communities.

The SBDC program focus and outputs vary geographically, but all across the country, we have developed programs to respond to both the diversity in the communities we serve, the diverse needs of our small business clients, and also the diversity within the SBDC workforce. It is important in New York State that we have specialized staple programs for our underserved communities (women, minorities, veterans, rural, disabled, and many more). The NYSBDC also assists displaced and unemployed individuals with the Self-Employment Assistance Program (SEAP). This program allows people who are out of work and meet certain requirements to start their own business while collecting Unemployment Insurance benefits.

NYSBDC program examples of private & public partnerships-

Business Fast Track Trainings

This intensive 20-hour virtual workshop will be taught over a 3-day period.
Collaboration between NYSBDC regional centers and local private sector professionals

Topics will include:

Business Plan Development
Legalities
Hiring Employees
Financial Management
Business Financing Options

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Sonya Smith, State Director NY Small Business Development Center (NYSBDC)

Marketing
Social Media
This workshop will be facilitated by a certified New York State Small Business Development Center (NYS SBDC) Business Advisor and includes a variety of presenters who are all experts in different facets of small business start-up (view the presenters list here).

The Fast Track workshop also meets the requirements of SEAP (Self Employment Assistance Program) through the Department of Labor.

Youth Entrepreneurship:
SBDCs located in New York participate in SUNY regional and statewide business pitch competitions. This includes advising and prepping student teams, reviewing and assisting with business plan development, pitch competition logistics, co-marketing, and/or panel judge. We also have student workers. Students and graduates can also look at the possibility of working internally with an SBDC. I am a product of once being a student worker at an SBDC and learning the ins and outs of the program.

Apprenticeship Program SUNY/DOL:
NYSBDC partners with community colleges to produce SUNY Apprenticeship Program, to develop client-facing and advisor-facing workforce development presentations. MVCC SBDC hosts roundtable events that will bring together representatives from the SUNY Apprenticeship Program, Working Solutions, Mohawk Valley Community College (MVCC), Career Services, and The Center (Utica's refugee center). These events will provide small businesses with a range of solutions to the workforce issues they're experiencing. The Center is a new partner and has had great success placing refugees in jobs with local businesses, with the benefits of much higher retention rates and better job performance than non-refugees.

Educational Opportunity Centers (EOC) & Boards of Cooperative Educational Services (BOCES) Entrepreneurship Training:
EOCs and BOCES elevate the potential of New York's underserved by providing a state-wide system of quality, tuition-free academic and workforce development programs that impart skills, enhance college, and job prospects, and improve lives and communities. NYSBDC collaborates with the EOCs to provide entrepreneurship training parallel to the career center and faculty job placement for graduates (culinary, cosmetology, welding and other trades).

NY State Center for Disability Entrepreneurship:
Funding/Resource partner- Developmental Disability Planning Council
This program embodies our dedication to empowering people with disabilities to pursue their entrepreneurial dreams. Through a comprehensive offering of training, coaching, mentorship, networking opportunities, and funding access, we are determined to break down barriers and foster a more inclusive, diverse, and thriving entrepreneurial ecosystem.

NY Statewide program was developed to assist people with disabilities in starting a business. A series of five workshops will be developed and presented Statewide to introduce entrepreneurship to persons with disabilities. Prospective business owners from the disability

community will be exposed to resources and education to fully understand processes, requirements, and referrals to build a successful foundation of their business idea. The following workshops will be delivered by SBDC staff virtually or be offered in person to ensure all interested entrepreneurs have access to this program. This series will be presented three times per program period and outreach and collaboration will be in concert with local and Statewide agencies that work with people with disabilities.

Childcare Support Initiative:
Collaboration- HHS, SBA and NYSBDC
Recognizing the crucial role that childcare plays in New York State's well-being, the Farmingdale SBDC has developed a targeted workshop series as a testament to our commitment to support childcare business owners. With over 163 businesses having participated in these workshops, we have helped childcare businesses adapt to the changing business landscape and ensure sustainable success throughout the state.

Syracuse Refugee Family Childcare Microenterprise Program
Grant-funded program for Afghan refugees to start much needed daycare centers.
Local provider supplying daycare training & technical assistance.
Onondaga SBDC providing small business startup training & technical assistance.
70 hours of training + technical assistance over 20 weeks.

Cybersecurity Program:
Our partnership with cyber-risk management firm Posture demonstrates our unwavering commitment to safeguarding small-to medium-sized businesses from cyber risks. Through a comprehensive 30-day program, businesses receive access to an intuitive platform, training on best practices, and gain access to vital resources to protect their data and devices, ensuring the security and stability of their operations.

The Pace University SBDC and CPAs from the New York State Society of CPAs will be partnering to offer a CPA Accounting Clinic for New York State small businesses. Through this effort coordinated by the Pace SBDC, participating CPA volunteers will meet one-to-one with NYSBDC small business clients statewide to review specific accounting questions related to their small business. These virtual sessions will address questions in areas such as tax payment and filing responsibilities and provide much-needed industry expertise to complement the free one-to-one counseling services offered by NYSBDC Business Advisors.

MWBE Certification Assistance:
Championing diversity and inclusion is a fundamental aspect of our programming. Our dedication to assisting businesses with MWBE certification has helped 920 businesses across New York State obtain their MWBE Certification, promoting equal opportunities and inclusive growth in local, state, and federal contracts.

SEED Program:
The SEED Program is a character-based loan fund developed in a partnership between Broadview Federal Credit Union and the University at Albany's Small Business Development

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Sonya Smith, State Director NY Small Business Development Center (NYSBDC)

Center, School of Business and School of Social Welfare. The program provides character-based loans up to $35,000 for start-up and expanding businesses in the Capital Region and Western NY. The SEED Program was developed to provide future and current entrepreneurs with capital to start/expand their business. Selection for participation in the program and loan awards is based on the overall business concept and the character of the applicant. The program provides participants with the necessary business model development and business skill development to be successful with their business and are supported by a Business Advisor from the Small Business Development Center, a professor and MBA intern consultants from the University at Albany's School of Business.

FEED Program:
This 6-week soup-to-nuts educational program is aimed at food entrepreneurs interested in starting or expanding a food products business. Partnership between UAlbany SBDC and Cornell Extension, professionals from the Cornell University AgriTech program will be on hand to talk about the integral aspects of creating and packaging food items for consumers.

The Offshore Wind Training Institute (OWTI):
Farmingdale College and Stony Brook University lead the Offshore Wind Training Institute (OWTI), which seeks to provide grants to entities within or affiliated with the State University of New York (SUNY) system that will accelerate the development of an offshore wind workforce for the New York offshore wind industry. Doing so will directly support the State of New York in developing a diverse and highly qualified local workforce capable of constructing, manufacturing, installing, operating, and maintaining offshore wind farms, in addition to performing electrical grid integration, storage, and other onshore projects. Both SBDCs at these academic institutions participate in workforce development training.

Empire State Development 2023 Global NY Export Promotion Tour:
NYSBDCs partner to assist with outreach and technical assistance for small businesses looking into international trade as an opportunity to expand reach and increase sales revenue. Whether your company is export-ready, or you're interested in entering the global marketplace, the Global NY Export Promotion Tour offers an excellent opportunity for your business to explore new markets around the world.

At each stop, you'll hear from our global trade representatives based in Canada, Mexico, Europe (U.K.), South Africa, Israel, India, China and the Caribbean. Our international business experts and industry specialists will also be on hand to share details about Global NY programs and opportunities—from loans, grants and operational assistance to trade missions and trade shows—that connect New York State businesses to the world. From one-on-one consultations to tips on finding qualified sales representatives and distributors, you'll gain foreign market intelligence and insight.

Other Resources-

The Research Network at the New York Small Business Development Center (NYSBDC)
NYSBDC has built a unique and robust network of information and data that plays a driving

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Sonya Smith, State Director NY Small Business Development Center (NYSBDC)

force behind the organization's success. The NYSBDC's success can, in part, be attributed to a circular cycle that seamlessly integrates research, data, and client service, continuously refining and enhancing our understanding of the small business landscape. This process begins with meticulous research, drawing on a variety of sources and methods to identify trends, opportunities, and challenges faced by small businesses. The findings are then translated into action by the client. This informs the development of tailored strategies, programs, and services for our clients. By closing the loop between research, data, and client service, the NYSBDC fosters an environment of continuous learning and innovation. This adaptive approach ensures that our organization remains agile and responsive to the ever-changing needs of New York's small businesses.

Online learning:
In 2022, the NYSBDC served over 17,500 individuals through a series of over 500 webinars and workshops addressing various topics for entrepreneurs including topics like grant access, business plan writing, and taxes. These webinars additionally have supported internal staff in maintaining their professional development and certification goals, ensuring they possess the necessary skills to serve clients effectively and passionately.

Small Business Academy:
In collaboration with Jamestown Community College, the SBDC Online Business Academy offers a range of webinars and certifications to equip entrepreneurs with the skills they need to succeed. Our courses cover entrepreneurship, intellectual property, website development, ecommerce, social media marketing, and more.

EntreSkills:
NYSBDC's EntreSkills, a powerful resource fueled by our passion for knowledge and equal access, offers 17 comprehensive modules on a variety of small business topics, including a new module in 2022 focused on MWBE certification. EntreSkills is available at no cost to all NYSBDC clients and is also utilized in high school and college classrooms across the state.

Internal (NYSBDC) professional development:
We also created a professional development system to ensure advisors broaden their skillsets and deepen their expertise, consistently delivering exceptional client service.

The SBDCs across the nation have a proven track record of the program success and ROI for the federal ($140Mil), state, local and private dollars invested into it:

House Small Business Committee Hearing- "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses," June 13, 2023

Testimony of Sonya Smith, State Director NY Small Business Development Center (NYSBDC)

Services and impact for all clients in CY 2022

	TOTAL	Count	Min	Max	Average	Median
Total Number of ALL Clients	302,632	59	406	23,133	5,129	4,080
Total ALL Advising Hours	1,380,656	59	1,031	107,773	23,401	14,791
Total ALL Capital Acquired (All Sources)	$7,762,869,369	60	$3,740,472	$568,754,790	$131,574,057	$97,955,514
Total ALL Business Starts	16,543	60	13	1,929	276	210
Total ALL Revenue Growth	$3,668,897,584	50	$361,000	$509,429,815	$73,377,952	$57,543,577
Total ALL Export Sales Growth	$835,717,320	24	$1,445	$261,955,637	$33,428,693	$7,105,400
Total ALL Jobs Created	74,126	60	28	3,129	1,235	1,008

Exhibit 1 (Nationwide Stats)

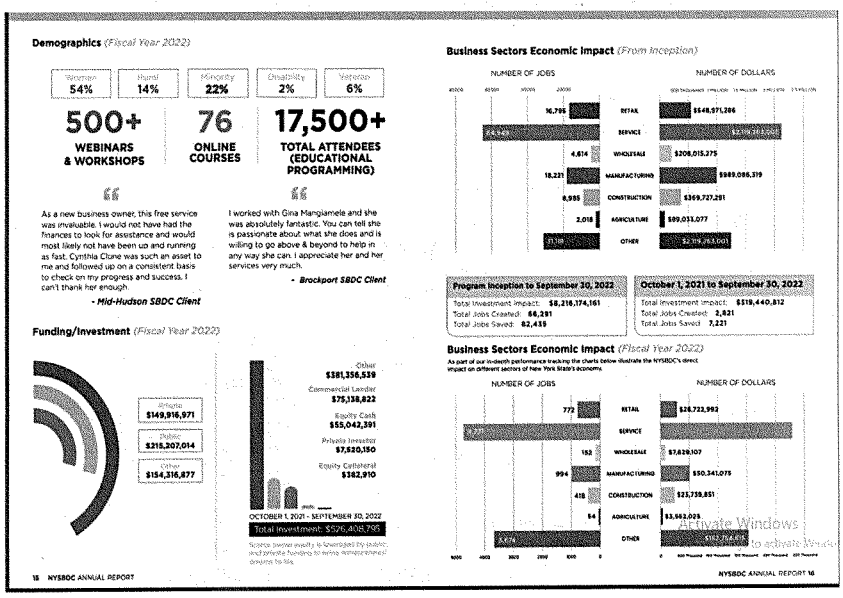


Exhibit 2 (NYSBDC Stats)

Thank you all again for your work for small businesses and taxpayers across the country. I look forward to any questions you may have.

3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

June 12, 2023

The Honorable Roger Williams
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing: "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses"

Dear Chairman Williams and Ranking Member Velázquez:

I write today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "Assisting Entrepreneurs: Examining Private and Public Resources Helping Small Businesses." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 135 million consumers with personal and small business financial service products. NAFCU appreciates the Committee's ongoing commitment to help increase access to capital for entrepreneurs and strengthen the American economy.

Credit unions have evolved as small business lenders over the past two decades, and NAFCU and our credit union members share the Committee's goal of empowering entrepreneurs and strengthening small businesses in America. Over the past five years, 57 percent of business loans made by credit unions were under $150,000, compared to 46 percent of loans under $150,000 for other lenders. NAFCU recognizes the need for smaller loans for small businesses, and that is why we have supported legislation such as the Member Business Loan Expansion Act, from the 117th Congress, which would make it easier for credit unions to offer smaller business loans under $100,000 by ensuring these loans do not count toward the arbitrary credit union member business lending (MBL) cap. We believe bipartisan approaches such as this legislation provide small businesses with an additional alternative to get the support they need in a timely manner.

By raising the definition of an MBL to exclude net aggregate loans less than $100,000, we would quickly see increased loan availability, reduced burdens on borrowers, and it would make it easier for federal credit unions (FCUs) to make these loans. This would benefit the communities credit unions serve as well as the U.S. economy as a whole. It would also help to meet an unmet need. Studies have shown that the majority of FCU member business lending is new lending that would not have occurred otherwise.

In particular, credit unions are an important resource for our nation's veterans in their small business and entrepreneurial endeavors. Service members develop broad expertise across many

disciplines while in the military, learning skills that can provide tremendous value to the economy. After great personal sacrifice, these Americans deserve every opportunity for success in their transition back to civilian life. One way Congress can help is to support legislation that would provide relief to barriers that stand in the way of veterans accessing credit for small businesses. NAFCU supports the Veterans Member Business Loan Act, introduced in the Senate by Sens. Dan Sullivan and Mazie Hirono as S. 539, which would exempt loans made to veterans from the MBL cap. NAFCU has encouraged the Senate to act on this bill and would also encourage the House Small Business Committee to support an introduction in the House.

We thank you for the opportunity to share our thoughts on the importance of improving access to capital for entrepreneurs and strengthen the American economy. Should you have any questions or require any additional information, please contact me or Amber Milenkevich, NAFCU's Senior Associate Director of Legislative Affairs, at amilenkevich@nafcu.org.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Small Business Committee