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OVERSIGHT OF THE SBA'S OFFICE OF ENTREPRENEURIAL DEVELOPMENT

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

HEARING HELD
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CONTENTS

OPENING STATEMENTS

	Page
Hon. Beth Van Duyne	1
Hon. Roger Williams	12
Hon. Nydia Velázquez	3

WITNESS

Mr. Mark Madrid, Associate Administrator, Office of Entrepreneurial Development, United States Small Business Administration, Washington, DC	4

APPENDIX

Prepared Statement:	
Mr. Mark Madrid, Associate Administrator, Office of Entrepreneurial Development, United States Small Business Administration, Washington, DC	25
Questions and Answers for the Record:	
Questions from Hon. Nydia Velázquez to Mr. Mark Madrid and Answers from Mr. Mark Madrid	30
Additional Material for the Record:	
Bipartisan Policy Center Action	39

OVERSIGHT OF THE SBA'S OFFICE OF ENTREPRENEURIAL DEVELOPMENT

TUESDAY, NOVEMBER 14, 2023

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

The Committee met, pursuant to call, at 10:03 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Stauber, Meuser, Van Duyne, Mann, Ellzey, Crane, Bean, LaLota, Velázquez, Golden, Landsman, McGarvey, Gluesenkamp Perez, Scholten, Thanedar, Davids, and Pappas.

Ms. VAN DUYNE. [Presiding.] We are going to go ahead and get started.

I recognize the gentleman from Florida, Aaron Bean, to lead us in the Pledge and a prayer.

Mr. BEAN. Thank you very much, Madam Chair.

A very good morning, Small Business Committee. Let's go to the Lord in prayer.

Heavenly Father, we are just truly grateful for the blessings of liberty and choosing our own way. We know, Lord, that it is not easy to have freedom, and we ask for wisdom and courage to do great things that we can just continue to live in a great country. We ask that those winds of freedom continue to blow around the world. We are with the people in Israel that are still suffering from just horrendous attacks, and so we are with them, and hostages and families. And we are grateful for those that help defend that freedom, and have defended that freedom, and will defend that freedom. So all this we ask in your name. Amen.

Join me in the Pledge, ladies and gentlemen. And here we go.

I pledge allegiance to the flag of the United States of America. And to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Ms. VAN DUYNE. I now call the Committee on Small Business to order. And without objection, the Chair is authorized to declare a recess of the Committee at any time.

I now recognize myself for an opening statement.

First, I want to thank our witness, Associate Administrator Madrid, for joining us today. I hope this hearing will continue a productive dialogue on how we can ensure SBA resources are being used to reach the largest amount of small businesses across our country.

Owning your own small business is one of the most rewarding careers in America. And you get to put your time and effort into something that you are passionate about and fulfill a need in the marketplace.

We all know that to be a successful small business owner you do not need government assistance. However, for some people that do not know where to begin their entrepreneurial journey the SBA can help. Through a network of resource partners, the SBA offers assistance to businesses in all stages of their life cycle. Whether it is a small business owner that is unsure about which lending product would be best suited for their business or someone looking to hire additional workers from local community colleges, the SBA has resources that can be utilized.

Since we are spending taxpayer dollars on providing these resources to entrepreneurs, it is our duty to make sure that these programs are operating effectively and efficiently. Unfortunately, we have seen the SBA stray away from the programs that have a known track record of success.

For example, in 2021, the Small Business Development Center assisted over 306,000 clients, costing roughly $400 per client. During the same period, the Community Navigator Program assisted 16,312 clients, costing more than $7,000 per business helped. The metrics of these two programs speak for themselves. One of these programs is simply not worth the money.

However, in President Biden's 2024 budget request, the SBA wants to take funds away from the SBDC and give it to the Community Navigator Program. As with any taxpayer-funded program, money should be allocated toward what we know works, and this Committee has focused on spotlighting duplicative or wasteful programs within the SBA.

Outside of just the Community Navigator Program, I hope today we can learn more about the general structure of many of the other entrepreneurial development programs offered by the agency. I want to know how the programming being offered by small business development centers, women's business centers, SCORE Program, and regional innovation clusters are serving different needs.

We see multiple OIG reports highlighting the duplicative nature of some of these programs, and it is our duty to evaluate how these resources could be best tailored to service our nation's small businesses.

Additionally, we must ensure that the services being offered to small businesses are relevant to their current needs. The last few years we have consistently heard from small businesses that inflation, regulations, and worker shortages have been a main concern, and I am eager to hear today how the SBA resource partners are advising our nation's small businesses on how to deal with those various challenges.

As a Committee, we remain focused on putting Main Street America first.

Associate Administrator Madrid, I want to thank you again for being here with us today. And I am looking forward to today's conversation.

With that, I yield to our distinguished Ranking Member from New York, Ms. Velázquez.

I now recognize the distinguished Ranking Member for her opening remarks.

Ms. VELAZQUEZ. Thank you, Madam Chair.

America's 33 million small businesses are the foundation of our nation's economy. They account for two-thirds of new jobs and have powered our post-pandemic recovery.

Launching a small business though 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. To assist entrepreneurs, SBA offers a range of free or low-cost entrepreneurial counseling and training services. The services are delivered through the small business development centers, women business centers, and SCORE. They counsel approximately 1 million small business owners every year.

Entrepreneurial development initiatives have proven to be a great return on investment. Studies have shown that small businesses receiving 3 or more hours of counseling have higher survival rates than firms that do not receive assistance.

Unfortunately, these services are only reaching a small fraction of our nation's small businesses and certain communities can be left behind.

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 and are well known. Only 5 percent of Blacks and 8 percent of Latino owned small businesses compare to more than 10 percent of non-Latino Whites. Moreover, Black and Latino owned businesses have lower average sales and hire fewer employees.

A well-known challenge for women, minority, and rural entrepreneurs is lack of access to capital and mentorship.

Today, I hope to learn what your office is doing to address these challenges and increase counseling to communities that need it most. I would also like to know what is working well and what needs to be improved at the Office of Entrepreneurial Development. It will be helpful to hear your views on the pending legislation such as the SBDC Improvements Act of 2023, the Women's Business Centers Improvement Act of 2023, and the SCORE for Small Business Act. These bills easily passed the House in each of the last two Congresses.

My democratic colleagues and I are fully committed to serving America's entrepreneurs and providing resources that put them in the best position to survive and thrive. My hope is that we will be able to reauthorize these programs and provide adequate levels of funding. With that said, we are days away from a potential republican government shutdown, and small businesses deserve to know that the SBA will be open for business.

Welcome, Mr. Madrid. I look forward to hearing your testimony.

And with that, Madam Chair, I yield back. Thank you.

Ms. VAN DUYNE. I will now introduce our witness, Mr. Mark Madrid.

Mr. Madrid is the associate administrator for the Office of Entrepreneurial Development at the Small Business Administration located here in Washington, D.C. The Office of Entrepreneurial Development helps educate entrepreneurs on how to start and grow

their businesses through a network of resource partners. Prior to serving at the SBA, Mr. Madrid served as the CEO of Latino Business Action Network, a national 501(c)(3) organization. He was named the 2019 Silicon Valley Nonprofit CEO of the Year by the Silicon Valley Business Journal. He also serves on the Board of Trustees for Scholarship America and is an honorary colonel of the U.S. Army and Jefferson Award recipient. Mr. Madrid attended the University of Texas at Austin for undergrad and later earned his master's degree in nonprofit administration from the University of Notre Dame.

Mr. Madrid, thank you for joining us today for this important hearing, and we look forward to the conversation ahead.

Mr. MADRID. Good morning, Madam Chair and——

Ms. VAN DUYNE. But before recognizing the witness I would like to remind you that you have got 5 minutes for your comments. And if you see the red light turn on it means that your 5 minutes have concluded and you just need to wrap up your testimony.

I now recognize Mr. Madrid for his 5 minute opening remarks.

STATEMENT OF MARK MADRID, ASSOCIATE ADMINISTRATOR, OFFICE OF ENTREPRENEURIAL DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION

Mr. MADRID. Good morning, Madam Chair, Ranking Member Velázquez, and distinguished Members of the Committee. Thank you for the invitation to discuss the SBA Office of Entrepreneurial Development (OED).

I came to the Small Business Administration from the private and nonprofit sectors, and I have seen firsthand the way that public-private sector partnerships can benefit our small businesses. Prior to SBA, I led the Stanford University Latino Entrepreneurship Initiative/Latino Business Action Network. And as a proud Texan and the son of a small business owner, I previously served as CEO of the Greater Austin Hispanic Chamber of Commerce and COO of the Houston Hispanic Chamber of Commerce. Since 2021, I have been privileged to lead the OED, the SBA's technical assistance arm on the ground that helps our small businesses access training, counseling, and other resources. Under Administrator Guzman's leadership, OED has made great progress in working to help small business owners grow through a customer-centric and technology-forward approach.

Our goal is to nurture long-term relationships enduring through respective business lifecycles.

The U.S. economy continues to experience a record small business boom with more than 14 million new small businesses applications since January 2021. More Americans are starting small businesses than ever before—acts of hope as President Biden called them in the State of the Union Address.

SBA OED leads the THRIVE Emerging Leaders Reimagined Program, which provides executive-level training designed to accelerate growth of small businesses. More than 8,000 small businesses have graduated from this initiative since 2008, supporting nearly $1 billion in new financing and over $4 billion in government contracting.

SBA amplifies its reach through a network of resource partners, the largest of which is the SBDC Program, which are affiliated with state universities, economic development agencies, and other partners, have notable reach via 63 Lead Centers and nearly 900 Service Centers. The SBDC network counseled over 306,000 clients in fiscal year 2022 and helped them start over 20,000 new small businesses and obtain over $7.8 billion in capital.

Our nation's record small business boom is being led by women, particularly women of color. In fiscal year 2022, WBCs, our women's business centers served more than 84,000 clients with a range of services from counseling, business planning, capital readiness, and government contracting. This led to more than 2,800 new business starts and over 8,350 loans. Under this administration we have tripled the number of WBCs at historically Black colleges and universities, Hispanic-serving institutions, and other MSIs.

Another critical partner during this record small business boom is SCORE. Celebrating its 60th anniversary next year, SCORE provides free mentoring, personalized coaching, and education to our small businesses from volunteer experts who have a demonstrated track record and distinguished knowledge. With more than 10,000 volunteers across 50 states, Puerto Rico, and U.S. territories, SCORE served more than 322,000 unique clients in fiscal year 2022 alone. Importantly, SCORE has also expanded their reach to ensure that underserved entrepreneurs have access to services.

And finally, I highlight the impact of Community Navigators. In the first 18 months of the program, Community Navigators served nearly 29,000 unique clients and helped them access $249 million in approved funding. More than 294,000 individuals attended a training session hosted by Community Navigators and service provided 175,000 hours of training and counseling services.

In closing, I am energized to lead OED with our delivery of critical and timely services for our resilient and diverse U.S. small businesses. With Administrator Guzman's whole-of-SBA approach, we will continue to increase entrepreneurial and capital readiness support for America's small businesses. Just as my dad and mom built a Texas Panhandle welding business from the ground up in the Texas Panhandle, our nation's small businesses are building and serving as the backbone of our economy every single day. Personally, I have never met a more resilient group than our U.S. small business owners no matter how small they are, what they look like, where they come from, or where they operate. It is truly the highest honor imaginable serving them.

It is an honor to appear before you today and thank you very much.

Ms. VAN DUYNE. Thank you very much.

We will now move to the Member questions under the 5 minute rule, and I will recognize myself for 5 minutes.

Mr. Madrid, recently the Office of Small Business Development Centers published a final rule for the SBDC Program which allows private business data to be shared with the government. This rule also gives the SBA administrator the discretion to share data about companies who have sought assistance from an SBDC with other federal agencies and state governments.

Mr. Madrid, looking at the public comments for this rule there were about 50 for the proposed privacy change. Of the 50 comments received, how many SBDCs have expressed support for this expanded privacy regulation?

Mr. MADRID. Thank you, Madam Chair, for the question.

This is about oversight when it comes to privacy. We have clarified what this could mean in terms of a state or federal entity audit if they are doing business with the SBDCs, which is the case beyond the federal government working and the SBA working with the SBDCs. In terms of the public comments and the SBDC regs, over 75 percent of the comments were approved but there is this position on privacy.

Ms. VAN DUYNE. So for the 50 that had questions with privacy how many expressed concern of the 50 that you received?

Mr. MADRID. To be complete and accurate I would have to get back to you through our Office of SBDCs.

Ms. VAN DUYNE. About, percentagewise?

Mr. MADRID. About 75 percent of the comments from the SBDCs were approved.

Ms. VAN DUYNE. How many expressed concerns for the regulation?

Mr. MADRID. There were concerns about privacy as you mentioned. And we——

Ms. VAN DUYNE. Do you know what percentage——

Mr. MADRID. I don't know the percentage. I would have to get back to you on that——

Ms. VAN DUYNE. Okay. That would be great.

Mr. MADRID.—to be complete and accurate.

Ms. VAN DUYNE. So can you tell me which state government or federal agencies have ever requested information data from the SBA regrading companies that use its SBDC services?

Mr. MADRID. To my knowledge, I do not have any knowledge of that. This is more of oversight.

Ms. VAN DUYNE. So can you help me understand then, if we have never had a request, then what is the need for this rule? Because if it has never been asked for then why move forward with another burden when businesses are already struggling to stay afloat?

Mr. MADRID. Madam Chair, we share your views in terms of the importance of privacy, and we protect privacy voraciously in terms of FISMA standards and also encryption of data. In this case, we just wanted to improve actually the safeguards of privacy in the case of a federal or state agency auditing a center which we——

Ms. VAN DUYNE. But to your knowledge it has not happened, so why the need for the bill, for the additional regulation?

Mr. MADRID. We just want ot make sure that we are, you know, oversight is something that is important to the American taxpayer dollar, it is important to the public, so this is about oversight.

Ms. VAN DUYNE. Okay. So there are so many more things that we could be doing. It seems like you have a solution but there is no problem.

So how can the Committee be sure that the SBA will not share client data with other agencies or state governments as a tool to get around constitutional subpoena and warrant requirements?

Mr. MADRID. We take privacy seriously. As mentioned previously, we are FISMA compliant. We encrypt the data, whether it is at storage or rest. The SBDC regulations by the way have not been updated since 1995. So we are also bringing them up to code because we had temporary band-aids when it came to 2 CFR requirements which are, in layman's term, grantmaking requirements that have been updated 17 times since 1995. So that was also a measure to update this, to bring them up to code from the Small Business Act.

Ms. VAN DUYNE. So we are updating the tools that would be in place that could protect data from being taken by unauthorized users but we do not have it yet?

Mr. MADRID. Representative, what I was referring to was the 2 CFR guidelines. This aspect is one——

Ms. VAN DUYNE. Well, you just said that they are outdated.

Mr. MADRID. The regs are updated.

Ms. VAN DUYNE. But the technology is already in place and ready to go?

Mr. MADRID. I am sorry; I am not sure if I am understanding the question.

Ms. VAN DUYNE. What specific tools are you talking about that are in place to ensure that this data would not have unauthorized access?

Mr. MADRID. Sure. I am talking about encryption through our Office of CIO.

Ms. VAN DUYNE. Okay.

Mr. MADRID. And also our FISMA standard compliance.

Ms. VAN DUYNE. Okay. So all of that is already in place?

Mr. MADRID. Yes, Representative.

Ms. VAN DUYNE. So nothing needs to be updated?

Mr. MADRID. The technology to protect our data is in place, Representative.

Ms. VAN DUYNE. Have we had any issues with SBA and access being given when it is not supposed to be or information being sent out when it was not supposed to be?

Mr. MADRID. Madam Chair, I am not aware of a situation but I could get back to you.

Ms. VAN DUYNE. That would be great.

Mr. MADRID. I want to be complete and accurate.

Ms. VAN DUYNE. That would be great. We are aware of several situations where information has been shared when it was not supposed to be. And if you could find out more information I would really appreciate it.

Mr. MADRID. Absolutely.

Ms. VAN DUYNE. So I now recognize the Ranking Member for 5 minutes of questions.

Mr. MADRID. Thank you.

Ms. VELÁZQUEZ. Thank you, Madam Chair.

Mr. Madrid, resource partners provide training to 1 million small businesses every year, which is a small fraction of the 33 million small businesses nationwide. What steps have you taken to in-

crease the awareness of these services, particularly in underrepresented and rural communities?

Mr. MADRID. Ranking Member, thank you for the question.

There are several things that we have embarked upon. One was an ad campaign that generated almost $1.9 billion generated hits to our website, including 5.4 million new users. In addition, we have increased our multilingual services, so there are more pages that are translated in languages besides English, as well as with the Community Navigator Pilot Program, 70 percent of those clients said they have not done business with the SBA in the last 5 years.

And lastly, we have increased our WBC footprint in historically and Black universities, HBCUs and MSIs and HSIs. And SBDCs have increased their footprint over 10 percent with MSIs.

Ms. VELÁZQUEZ. Okay, thank you.

Well, I am glad to hear that you are conducting an outreach campaign, especially to underrepresented communities.

In your previous appearance before the Committee, you testified that SBA was migrating to EDMIS-Next Generation to increase its data collection capabilities. Can you update us on that progress?

Mr. MADRID. Thank you for the question.

Our updated and modernized technology goes live on November 20. It is Project Nexus. And what the system is going to do, it is going to be more accurate. It is going to cost less. And it is going to provide more capabilities both on the back end at the Office of Entrepreneurial Development, as well as with our stakeholders. And notably, they have been involved with us every step of the way. So America's SBDC, the Association of Women's Business Centers and SCORE, we have had over 25 meetings about this project.

Ms. VELÁZQUEZ. What can you tell us about this new system? How will the new system increase SBA reporting capabilities and allow the agency to better assess the quality of the counseling services?

Mr. MADRID. Well, the technology—thank you for the question—is going to improve the speed of information, the accuracy. The EDMIS system, although we appreciated it, we had to keep customizing it. We had to graduate from EDMIS to EDMIS-NG, Next Generation. So this provides more of a long-term solution that will sustain the reporting over time and the growing concern of the SBA, the agency.

Ms. VELÁZQUEZ. Can you share more information about SBA's creation of a data collection working group and how it has improved the process for collecting information with the updated system?

Mr. MADRID. Yes. In terms of Form 641, we had a data collection group. We met over 25 times. And that included our OED leadership. It included our IT manager and representation from the leadership of SBDCs, WBCs, and SCORE. So over 25 meetings in the spirit of collaboration, just like with the Nexus platform.

Ms. VELÁZQUEZ. Timely reimbursement for grant payments is vital for the resource partners, particularly women's business centers. Have you experienced any delays? And if yes, what were the

reasons for those delays and what steps have you taken to improve the process?

Mr. MADRID. Thank you for the question.

Payment reimbursement is very important to us. In full transparency, we have had some staff turnover in terms of grants management specialist staff. So what we are doing is we are in the final stages of interviewing a selection of grant management specialists. We are also excited in the deputy role that we have somebody that the room knows well, that has solid grant management experience. So we are looking forward to making sure that payments are reimbursed on a timely basis.

The other item of note is that we also are working with our women's business centers and the Association of Women's Business Centers in terms of training. So we had recently a training session called How to Submit an Error Free Financial Report. That is going to be important because WBCs of different sizes, new entrants, will need that training.

Ms. VELAZQUEZ. Okay. How would a potential government shutdown affect reimbursement for the resource partners?

Mr. MADRID. Thank you.

We would have furloughed staff. So the payments could be requested but could not be processed. And they would not be paid.

Ms. VELAZQUEZ. Thank you.

I yield back.

Ms. VAN DUYNE. Thank you, Ms. Velázquez.

I now recognize the gentleman from Pennsylvania, Mr. Meuser, for 5 minutes.

Mr. MEUSER. Thank you, Madam Chairwoman, very much.

And Mr. Madrid, thanks for being with us.

So somewhat succinctly, can you tell me what your office does for small business?

Mr. MADRID. Absolutely. So we have three major offices. The Office of SBDCs that oversees our small business development centers, Office of Women's Business Ownership that oversees our WBCs, our women's business centers; our Office of Entrepreneurship Education oversees SCORE, the Community Navigator Pilot Program; our online tools, as well as online components like Ascent and other government contracting curriculums; our THRIVE Program, which is our executive level series for small businesses across the country; and our efforts with Rural Affairs as well and cybersecurity.

Mr. MEUSER. Okay. And your background, you were in the financial sector, JPMorgan; is that correct?

Mr. MADRID. That is right. I was in the financial sector and then pivoted in 2009 in the middle of the Great Recession to supporting small businesses on the ground. That is where I have been ever since.

Mr. MEUSER. Right. With the Latino Bureau of Commerce?

Mr. MADRID. I was at the Greater Austin Hispanic Chamber of Commerce.

Mr. MEUSER. That is great. We work with them quite a bit.

So what challenges—you must talk with entrepreneurs quite a bit—what challenges over the last year or two have they expressed to you that is helpful for you to help them?

Mr. MADRID. Absolutely. Thank you for the question.

I am from a small business as mentioned. And from a rural place in the Texas Panhandle, Friona, Texas. So I have traveled over 30 states since I was appointed in February 2021. So here are the issues that I have been hearing from South Carolina to Texas to Florida to Boise, Idaho, and other places, Sioux Falls, South Dakota, is workforce development is an issue. Certainly, access to capital is an issue. People are trying to realize how to diversify their businesses in current environments.

Mr. MEUSER. They did not mention inflation and energy costs?

Mr. MADRID. Well, certainly global inflation is an issue.

Mr. MEUSER. How the guardians 29:18xx are being squeezed and how difficult it is to stay in business and how they are working far longer hours? Because I could go talk to 50 small businesses in my district because I am from the business world as well, and every single one of them will tell me that. It is just interesting that you do not mention that.

Mr. MADRID. Well, I hear a series of issues from our small business owners, and our office is here to support them. So I am fortunate to be with these networks that we oversee, including our educational programs.

Mr. MEUSER. Okay. Yeah, but we need reality. We do not need etiology; do you not agree?

So let me ask you this. The Congressional Budget Office, you are basically slashing SCORE and small business and the SBDCs which have proven effective by 40 percent cut to SCORE, 13 percent cut to SBDC, pretty sizable reductions and yet you are pouring it on for the Community Navigator Program, which is suspect for various reasons, particularly since the CBO has stated that it started less than 500 businesses, which is not bad but at a rate of $7,355 per client, while the SBDC assisted 306,000 clients at a cost of $457. So I would just think the ROI for one is far better than the idea that you just like one over the other. Or is there a business reason why you are making that decision?

Mr. MADRID. Representative, every American deserves a chance at small business, and I think we can all agree upon that. So if there was $249 million——

Mr. MEUSER. Every American does not deserve taxpayer dollars that get wasted.

Mr. MADRID. The small businesses supported by the likes of the Institute for Veterans and Military Families, the National Urban League, the U.S. Hispanic Chamber, the U.S. Black Chambers, they are mustard seeds. Seventy percent of the Community Navigator clients had not done business with the SBA in the last 5 years. So the evolving nature of entrepreneurship is changing and I should know. I have been supporting small businesses on the ground for the last 15 years.

Mr. MEUSER. You are in the position. You get to make the decisions but we get to provide the oversight and those numbers are accurate. So please just keep that in mind. Right? SBDCs throughout Pennsylvania anyway do very well and my understanding is the Community Navigator Program is not doing all that well and yet that is where you are allocating far more funds and actually removing them from an area that has proven effective. So that is

a concern to me. So I just want you to know that. And I think it is a concern to this Committee.

I have got limited time. Just on the women's business centers, I understand that there was a recommendation by the IG to recover more than 800,000 probably spent funds from the program. I am out of time so perhaps you can provide the Committee with a copy of the plan to recoup some of that funding if that is something you are working on.

I yield back, Madam Chair.

Ms. VAN DUYNE. Thank you very much, Mr. Meuser.

I now recognize the gentleman from Maine, Mr. Golden, for 5 minutes.

Mr. GOLDEN. Thank you.

I am going to stick with small business development centers for a little bit.

The Community Navigator Program was set up through I believe the American Rescue Plan and is a pilot program. My understanding was that the Committee never really viewed this as an effort to supplant our traditional programs like SBDCs or women-owned small business centers or the vet centers. But the budget request seems to suggest that is the way the administration looks at it. You are almost dollar for dollar cutting into SCORE and SBDCs in order to increase funding for the Navigator Program. Is there a reason why you have gone that route?

Mr. MADRID. First and foremost, condolences for Lewiston, and thank you for your leadership.

When it comes, Representative, to the Community Navigator Pilot Program, we do not look at it as a competition with the resource partners. In fact, some of the SBDCs are Community Navigators. Most notably, a week and a half ago we heard from the Springfield, Ohio SBDC and in their own words they said we have been able to expand our footprint and work with people beyond seeing them at galas and annual events. We are actually deepening and leveling the playing field here so the footprint is nonduplicative. And in terms of your question, we do not look at it as one in favor of the other. We look at supporting and wraparound services for the entire entrepreneurial community that includes underserved communities that we need to frankly support.

Mr. GOLDEN. Thank you.

I want to ask what the administration's position is on the SBDC Improvement Act of 2023, which would help SBDCs better market their services. I am sure you have heard plenty of testimony or seen data around the gaps around awareness of some of these programs and statutorily, SBDCs are not even allowed to market their existence to their potential clientele. So this bill would address that. Is that something the administration has taken a look at and is there a position of support or opposition?

Mr. MADRID. Representative, thank you for the question. We know you have been working on that for a while.

Our office of SBDC and leadership does not have a problem with the language per se on the marketing but there are some 2 CFR requirements that we need to look at. As well, we appreciate the collection working group portion of the bill so our commitment is

to continue to work with you on that. So thank you very much for your efforts.

Mr. GOLDEN. Thank you.

And let me just kind of put out there looking ahead to the next budget request, I personally would like to see full funding requested at the previous level for SBDCs and SCORE. I mean, SCORE in particular is, I think, a great program, a proven program that works and has a lot of uptake in Maine. So it would be a shame to see any reductions in funding or staffing in Maine and I am sure that is true elsewhere.

Mr. MADRID. I am thinking of that Maine retailer that I visited in Portland, Maine, that said she could not have done it without a SCORE mentor. So thank you very much for that reference.

Mr. GOLDEN. I yield back.

Ms. VAN DUYNE. Thank you very much, Mr. Golden.

Votes have been called so the Committee will now take a brief recess subject to the call of the Chair. We will resume shortly after votes conclude.

[Recess]

Chairman WILLIAMS. Okay. I now call the Committee on Small Business back to order.

And I recognize myself for 5 minutes.

Members on both sides of the aisle already expressed concerns regarding the duplication of the Community Navigator Program with SBDCs. However, the duplication does not stop there. The Office of Entrepreneurial Development is currently operating two online programs. One is called the Learning Center; the other called Ascent. Both of these platforms provide substantially similar information. In total, these two programs are funded at $13 million annually. This seems like a very high price to keep two online resources operational when they provide substantially similar information.

So again, Mr. Madrid, good to see you. Good to have a Texan looking at me.

Why does your office keep both of these websites active when it appears they could easily be combined to reduce costs and increase efficiency?

Mr. MADRID. Chairman Williams, great to be with you.

In terms of fiscal year 2024, $4.5 million is projected for the THRIVE Program, which is our executive style program that trains 800 entrepreneurs per year, and also our online content that you mentioned, Chairman Williams, which includes the online Learning Center, which is more about startups, and then the Ascent Program, which is a series of journeys that include government contracting curriculum. So that is $4.5 million that is projected for all those programs together.

Chairman WILLIAMS. On top of the $100 million originally authorized for the Community Navigator program, the SBA provided an additional $75 million to set up a call center so the program could conduct outreach. However, given the low performance of the Community Navigator Program, it seems again like this is another waste of taxpayer dollars.

So Mr. Madrid, how many calls did this call center receive? And was the $75 million used on anything else?

Mr. MADRID. Chairman Williams, thank you for the question.

So the $75 million was also used for an ad campaign that the Office of Entrepreneurial Development was responsible for. With that ad campaign there was 1.9 billion impressions and over 5.4 million new users to our website. And so I can account for the ad campaign that included also actual small business owners, not actors, that were seen all across the country.

Chairman WILLIAMS. Okay. In my time remaining, as a small business owner myself with 52 years—still am, it will be 53 next week—I understand the importance of showing up in person to work every day. Customer service depends on in-person interactions and working from home is not a reality for many small business owners who must decide between staying home or staying in business.

In September, the Biden administration announced a new policy requiring employees to only show up to the office 4 days during a pay period. This means the taxpayer dollars are going to waste as federal office buildings sit empty for more than half of the month. The SBA works for the American people and we need to ensure the agency is showing up for our nation's entrepreneurs.

So Mr. Madrid, quickly, how is the Office of Entrepreneurial Development complying with this new guidance? And how often is your staff in person?

Mr. MADRID. Chairman Williams, thank you for the question.

So right now, SBA leaders and managers are reporting to the office 5 days per pay period. And starting in January of 2024, all headquarter personnel will be reporting 4 days per pay period. So we are following that guidance. And part of that is because of union negotiations. I, myself, with 45 FTEs, over 50 percent are collective bargaining employees.

Chairman WILLIAMS. But why can they not work every day, like I do, like everybody does, comes to work? In my business, the car business, people work every single day. They have no choice to not come to work or not.

Mr. MADRID. Chairman Williams, our folks are working every day. I admire my SBA colleagues and so their work continues.

Chairman WILLIAMS. But if they are not there, you cannot see them working.

Mr. MADRID. We have meetings all the time, virtual meetings, and I value, by the way, an in-person experience. When I am not on the road I am in the office, and so we continue to follow the guidance set forth by the agency.

Chairman WILLIAMS. But let me ask you this. You grew up in an environment—I know where you are from—work is everything; right? You did not take days off; you took days on. Why can that not be the norm with the SBA? I mean, why cannot everybody just work?

Mr. MADRID. We are working every day. I can assure you of that. I see my employees regularly, whether it is in the office or remotely, so I look forward to seeing them in person following the guidance that we have.

Chairman WILLIAMS. But back home in your town people do not take 3 days. They do not work 3 days. They do not work 4 days.

They work every day. And it should be the same up here. So we will talk some more about that.

Next, I want to recognize Representative Davids from the great state of Kansas, for 5 minutes.

Ms. DAVIDS. Thank you, Chairman. And thank you, Associate Administrator Madrid, for appearing before the Committee today.

Mr. Madrid, in your opening testimony you touched on the importance of the Small Business Administration's Women's Business Center Program. And the success of, in my opinion, the success of the women's business centers and that program cannot be overstated. Across the country there are 160 women's business centers offering business counseling, training, technical assistance, mentoring, and so much more to our nation's entrepreneurs.

Each year these centers serve more than 80,000 clients. They help launch thousands of new businesses and leverage hundreds of millions of dollars in capital. And certainly, the Kansas City Women's Business Center is no different. It is headquartered in the Kansas Third District. I get to represent them and they reached more than 800 clients last year.

And I just want to kind of touch on that. With the help of the Association of Women's Business Centers, every single state has a small but committed staff that is dedicated to ensuring that the entrepreneurs that they serve can thrive no matter where they live. And I do think that it is time that Congress help unleash that program in a more robust way.

And to that end I have introduced the bipartisan Women's Business Centers Improvement Act multiple times since I came to Congress. And this is in my view a vital piece of legislation that has passed the House with overwhelming bipartisan support multiple times and it does a number of things including creating an accreditation process for the women's business centers; increases oversight of the program to ensure that we are not seeing waste, fraud, and abuse; and it also strengthens the SBA's relationship with the Association of Women's Business Centers.

And then maybe finally, we also would see a cap on the grants for women's business centers increased which has not been done since the program's creation.

So am curious if, Mr. Madrid, if you could, kind of speak to that, the support for women's business centers barely changing since the program's inception and what you think the importance of and reauthorization of this program can mean for our entrepreneurs across the country.

Mr. MADRID. Thank you, Representative, for the question and your strong support of women-owned businesses in your area, and of course, across the country.

The small business boom that we are experiencing with 14 million new business applications is being powered by women. And so certainly we look forward to continuing to work with you on that. Certainly, the accreditation items, the work with the Association of Women's Business Centers. And thank you to Corinne and her team working together. I mean, we are working together at the bill capacity to also look at exporting opportunities for the women's business center network. Certainly, the reporting requirements and

increasing the capacity we are all in favor of. So we look forward to continuing to work with you on this.

Ms. DAVIDS. Yeah, of course, I want to continue to be supportive and not only increase the level of funding because it has a significant return on investment, but I am also wondering if you could speak to a different portion of the bill that I have reintroduced. It creates a standardized process for establishing women's business centers and helps ensure important oversight measures are included.

In 2021, the program was audited and the SBA was given 10 recommendations about how to improve the WBC program operation. And I am curious if you could speak to the progress on those recommendations, where you are at, and if any are outstanding maybe a timeline on what that looks like.

Mr. MADRID. Thank you, Representative.

So we have eight outstanding recommendations. There are five that involve oversight and the completion of a SOP, a standard operating procedure. We are excited that we have a deputy that has deep grant management experience across the OED footprint. So we look forward to closing these recommendations near the front end of the calendar year of fiscal year 2024.

The three remaining recommendations have a timeline to be satisfied or closed by the fall of 2024 that include recoupment of funds. So we look forward to working with the IG, our internal IG, and of course, the women's business center network in closing them in fiscal year 2024.

Ms. DAVIDS. Okay. Thank you. That is really helpful. And my office will follow up about the timeline and make sure we are all on the same page.

Thanks so much and I yield back, Chairman.

Mr. MADRID. Thank you.

Chairman WILLIAMS. The gentlelady yields back.

I now call on Representative Crane from the great state of Arizona for 5 minutes.

Mr. CRANE. Thank you, Mr. Chairman. Thank you, Mr. Madrid, for coming today.

I was looking over some of the requests from your organization. Is it true that you all are seeking $10.2 million for SCORE in fiscal year 2024, $121 million for SBDC, $27 million for WBC, $44.5 million for other initiatives; is that correct?

Mr. MADRID. Representative, the values are correct for the SBDC, the WBDCs and SCORE. That $44 million includes Community Navigators and our educational programs like THRIVE and our online educational content.

Mr. CRANE. So that is about $200 million; right?

Mr. MADRID. That is correct.

Mr. CRANE. All right. And where does that $200 million come from?

Mr. MADRID. Where does that come from?

Mr. CRANE. Yeah. Who pays for it?

Mr. MADRID. Well, the American taxpayers pay for it and we are excited about we have a lot of work to do to address the needs of our evolving ecosystem of entrepreneurs.

Mr. CRANE. I understand. Hold on a second.

So $200 million that comes from the American taxpayer for these programs right here.

Sir, do you have any idea how much national debt we have right now?

Mr. MADRID. Representative, what I can tell you is the support that we give for our small businesses that are——

Mr. CRANE. That is not what I asked.

Do you know what the national debt is right now?

Mr. MADRID. Sir, with all due respect, I know that there is debt. What I am here to talk about is we are supporting our small business owners through this footprint, through the $200 million that you described.

Mr. CRANE. Okay. All right. So we have about $33 trillion in national debt right now. Any idea what the annual deficit is right now? How much more money we are spending than we are taking in annually?

Mr. MADRID. Well, I can tell you how we are supporting the small businesses with this footprint.

Mr. CRANE. Okay.

Mr. MADRID. I would like to talk about that.

Mr. CRANE. All right. Now, I noticed you came in here and you were championing the Biden economy. I am just going to give you some stats on the Biden economy.

Real disposable income is down 8.3 percent. Homeownership affordability down a whopping 35.2 percent. Credit card debt is up 35.5 percent. Monthly savings is down 81.7 percent. And some of my other colleagues have also talked about some of the burdens that small business owners are dealing with including inflation and also worker shortage.

So I notice that you were not talking about any of those issues when you were touting the Biden economy right now. Is there a reason that you were not talking about any of those and how those are impacting small business?

Mr. MADRID. Well, I did talk about—thank you for the question, Representative. I did talk about how I visited over 30 states in the last 3 years, and I did talk about how some small businesses have talked to me about the rising prices, as well as supply chain vulnerabilities, workforce development. I can go on and on about the different businesses that I visited on the ground.

Mr. CRANE. Mr. Madrid, what do you think are the causes of the rising inflation?

Mr. MADRID. I am not an economist so I cannot get very specific. I can tell you what the small businesses are telling me about inflation and what we are doing to support them in terms of diversifying their product lines, their revenue streams, their bottom lines. We are looking into exporting, digitizing, government contracting.

Mr. CRANE. Do you think you need to be an economist, Mr. Madrid, to understand what the rising inflation and some of these economic pressures are? Do you think it has anything to do with this country and this government continuing to print more and more money that we do not even have?

Mr. MADRID. Well, Representative, I am rooted in small business like I am grounded in these boots. I grew up in a small busi-

ness in the rural country, in the rural part of the country in the Texas Panhandle, and I hear their concerns every single day. I have been supporting them for the last 15 years and will continue to support them with the wonderful support that we have including with people in this room and you all. We share that passion.

Mr. CRANE. Yeah. I am rooted in small business myself. I do not need to be an economist to know that if you continually print money that you do not have and then flood the economy with that money it always increases inflation. And that is one of the biggest drivers of inflation. It is one of the reasons that our small businesses are getting hammered.

So maybe if we care so much about small business we can actually look at the reality of the situation, quit being partisans, and do something to help small businesses. And I know you guys are trying to do something to help small business, but if you are not even willing and able to look at some of the root causes of inflation and some of the things that are crushing small business, the chances of you guys solving and really helping on this issue, it is pretty farfetched.

Thank you. I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Gluesenkamp from the great state of Washington for 5 minutes.

Ms. GLUESENKAMP PEREZ. Thank you, Mr. Chairman.

Mr. Madrid, thank you for being here with the Committee today, and thank you for the work that you do.

So this Committee spends a lot of time talking about ways that we can improve SBA programs, especially access to capital to make them work better for real people trying to start or grow their own businesses.

So I actually, before coming to Congress, applied for an SBA 504 loan for my auto repair shop, and it took a year to navigate that. I actually do have a degree in economics and English is my first language. And that entire year that I was applying for the 504 loan, I was watching commercial properties get snapped up, industrial spaces getting turned into coffee shops and tattoo parlors and things that, I mean, I like coffee, I like tattoos, but those are not often durable family wage jobs. And I actually did find SCORE to be helpful in navigating that process.

But the thing that I was thinking about was that people working in SCORE and your partner organizations, like they are kind of the boots on the ground of seeing what the hangups are, what the difficulties are, what is preventing small businesses from accessing these programs effectively and efficiently. And I am wondering how they are mutually informative. Like, are you getting information back from your partner organizations about where the hangups are, what the biggest challenges are? And how is that informing and refining your processes?

Mr. MADRID. Thank you for the question and mentioning the 504 Program.

So some of the feedback that we have received is that our small business owners need to know more about eligibility, whether it is a microloan, their efforts with CDFIs, whether it is 7(a) or 504. Sometimes we have to use repeat messaging as our friend in terms

of talking to some small business owners about the changes that we have had with the 504. We do not want it to take a year is the bottom line.

I just talked to a small business owner that has been in operation 30 years with some major bulk printing business out of Los Angeles, a woman-owned business. And she said that the 504 loan transformed not only her business but her family and her community. But she had the wraparound support of going to our district office.

Ms. GLUESENKAMP PEREZ. So do you have a mechanism in place for your SCORE people, for them to come back and say to you like here is a problem that we are seeing repeatedly?

Mr. MADRID. Yes. Absolutely. So we meet with all of our associations regularly in terms of the OED leadership. I do as well. So I meet with Bridget Weston. I meet with the America's SBDC Board, with the Association of Women's Business Centers. So there is that feedback loop.

Ms. GLUESENKAMP PEREZ. Okay. So what kinds of reforms have come out of that feedback?

Mr. MADRID. With SCORE, for instance, I will talk about a current example. In Hawaii, with Lahaina and what is happening with our whole of SBA disaster recovery approach, SCORE came back and said we are here on the ground. Kat Shepherd, who leads our SCORE chapter, these are all volunteers in the West Coast. She is based out of California. She said I am here on the ground and I am ready to help.

We have got an enterprise system where mentors are available nationwide. We learned what we could do in Vermont with the Vermont floods, and we are ready to scale. So that was the feedback that we received from them in terms of wanting to be involved and taking it to the next level.

With the SBDCs, with cybersecurity, we have teamed up in terms of making sure that our small businesses understand the navigation of AI, which is very difficult. What does that mean beyond a trending term? And with the WBCs and working with the Association of Women's Business Centers we learned we want to do some more exporting. We actually want to understand not only procurement readiness but also certification readiness which I have procurement of bone marrow in terms of all that that takes sometimes and the support needed to get ready.

Ms. GLUESENKAMP PEREZ. So I represent southwest Washington, and we actually do not have a women's business center in my district. The nearest one is across the river in Portland and they are shutting down. And you know, you guys are looking for the next home. But I am wondering, in this time when my constituents are left without this service, how does your office prioritize where those centers will be located? For instance, rural communities where we are often underserved and we are losing a lot of our small businesses, how do you prioritize reaching into those communities and establishing services there?

Mr. MADRID. Well, we go through a formal notice of finding opportunity process. In terms of rural America, I am from a rural part of the country and grew up in a small business so rural affairs and what we are doing at OED, I look forward to sharing with the

Committee what we are doing there in terms of with the USDA. Also, financial literacy and FDIC and other endeavors that we have planned.

Ms. GLUESENKAMP PEREZ. Okay. Thank you.

Mr. MADRID. Thank you.

Ms. GLUESENKAMP PEREZ. Mr. Chairman, I yield back.

Chairman WILLIAMS. Thank you.

I now recognize Rep. Stauber from Minnesota for 5 minutes.

Mr. STAUBER. Thank you very much. Thank you, Chairman, Ranking Member, for holding the hearing today. And thank you to Associate Administrator Madrid for taking time to help shed light on this important topic.

My home state of Minnesota, rural, has a rich history of entrepreneurship from the industries that established a foundation of lumber and mining to emerging industries of technology and healthcare. Minnesotans have always been known for their ingenuity and their willingness to take risks.

Entrepreneurs are the backbone of our economy as you know. They are the innovators, job creators, and the driving force behind economic growth. In Minnesota, small businesses account for over 99 percent of all businesses and employ over half of the workforce. It is no exaggeration to say that the success of our economy is tied to the success of our small business entrepreneurs.

The SBA OED has the opportunity to play a vital role in the development of small businesses across the country by providing a range of resources and programs necessary to grow. But in recent years, many have said the programs offered are not effective and waste taxpayer dollars.

Today we are here to talk about these duplicative programs and the policies that further make the SBA inefficient.

The SBDC Program has proven to be successful in counseling and training small businesses across the country. Yet, despite the success, the Biden administration created the Community Navigator Program to do the same thing. What is worse is this duplicative program is lower performing and more inefficient. This is just one example, Mr. Madrid, but investments in unneeded, wasteful, and ineffective programs are a pattern with this administration.

So my question is, what is the need the SBA OED sees in extending the Community Navigator Program where we have SBDCs and women business centers, SCORE?

Mr. MADRID. Thank you, Representative, for the question.

First and foremost, we value the work of all of our resource partners, the SBDCs, women's business centers, and SCORE. In terms of Community Navigator Pilot Program, 70 percent of the clients said that they had not done business with the SBA in the last 5 years. We consider these mustard seeds. Some of them are not ready. They do not know what an SBDC is or women's business center.

We have seen nonduplication in terms of the SBDCs themselves, in the women's business centers that are either hubs or spokes.

Mr. STAUBER. Excuse me. You made me think of a question.

So if many of these businesses, you said 70 percent do not know what SBDCs and WBCs. Whose fault is that?

Mr. MADRID. Thank you for the question.

I have been serving small businesses for the last 15 years and as a chamber of commerce CEO, I was a spoke. And so learning the small businesses, whether they were producing ties or restaurants, owners, whatever the case might be, they did not know that there was a resource available. So it is not really anybody's fault. In some cases, people just do not know. They start enlivening a passion. They want to open a small business like my father did. But my father did not know that there was an SBA district office or a resource partner. And what my father ended up doing was creating jobs there in the Abilene area. Also, San Angelo and the Texas Panhandle. So these are mustard seeds that if they are nurtured grow into big, large trees. And the likes of businesses served by the Institute of Veterans and Military Families, the National Urban League, the U.S. Black Chambers, the U.S. Hispanic Chambers, we should not turn our back on them because they are going to reap reward not only with the $249 million of approved funding.

Mr. STAUBER. Mr. Madrid, I agree with you. We cannot turn our back on the entrepreneurs and that is why I talk almost on a weekly basis of the $320 billion of additional regulations put on American small businesses. You cannot agree with that, can you?

Mr. MADRID. Can you be more specific?

Mr. STAUBER. Do you agree with an additional $320 billion on American small businesses over the last 3 years under this administration? And by the way, these are not my numbers. These are the administration's numbers.

Mr. MADRID. Well, Representative, we believe in common sense regulations. We work with our Office of Advocacy.

Mr. STAUBER. Mr. Madrid, this is a real simple question. Your father as a small business owner. I was a small business owner for almost 30 years. I just asked you a simple question. Three hundred twenty billion. That is with a B. Three hundred twenty billion additional dollars on American small businesses in the last 3 years. These are not my numbers. These are the administration's. As the deputy administrator, you cannot agree with that, can you? Do you agree with punishing our small businesses, especially coming out of COVID?

Mr. MADRID. Representative, none of us believe in punishing small businesses. So we continue to work with our Office of Advocacy.

Mr. STAUBER. But here is the question. Mr. Madrid, I have a few seconds. Can you answer the question? Is it good for American small businesses to have $320 billion—that is with a B—additional dollars put on them? Yes or no?

Mr. MADRID. Representative, we look forward to common sense regulations and continue to work with our Office of Advocacy.

Mr. STAUBER. Mr. Madrid, I appreciate the political answer. I will answer it for you. It is not good for American small businesses to have $320 billion of additional regulations put on them. It is not right. It is not fair. And I yield back.

Chairman WILLIAMS. The Chair now recognizes Rep. Scholten from Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you, Mr. Chair.

And Mr. Madrid, if you needed an additional 30 seconds or so to respond I am happy to give that to you.

Mr. MADRID. Well, thank you, Representative. I just want to speak to the fact that our—and I have lived this the last 15 years—our entrepreneurship landscape is changing every single day. And with the small business boom and 14 million new applications, we need as much support as possible. And we want to create lifelong customers at the SBA.

And I will close with this. A veteran from Upstate New York created 10 jobs in East Syracuse. A business was closing down. And he said, "I needed everything. I needed the district office, I needed my SCORE mentor, and I needed my Navigator and my SBDC because they each provided me something different." And he created 10 jobs.

Ms. SCHOLTEN. Yeah. Absolutely. We could not agree more. I want to be on the record as saying we know that you are not out to hurt small businesses and we are here to ensure that your agency has the tools and resources to provide those supports in the most efficient and effective way possible.

I had the honor of welcoming the SBA administrator to my district earlier this summer. We toured the Michigan Small Business Development Center headquartered in my district at Grand Valley State University, a real source of pride for us. She got to meet the amazing staff that makes this incredible work possible.

We also had the opportunity to hear from SBDC clients that shared the challenges that they are facing as business owners. Truly a wide array of small businesses. Whether it was a Mexican takeout restaurant, home healthcare service providers, or an energy-efficiency technology company, the message was the same. The services that the SBDC provides are crucial.

My question for you is, knowing this importance, the fiscal year 2024 SBA budget requests funding cuts to the SBDC Program by approximately 14 percent. Can you explain why the Biden administration proposed to reduce funding for the SBDC Program? And will you commit to supporting full funding for this important entrepreneurial development program?

Mr. MADRID. Well, Representative, thank you for the question. And certainly it is a great SBDC there in the state of Michigan through their lead center and service centers.

This is not a competition between the SBDCs and the Navigators or the SBDCs and the WBCs or SCORE. We look forward to you all making your appropriations decisions and funding your priorities. But I come back to the fact that we need as many resources as possible for our small businesses that have different needs.

So I could share so many stories and I do not need a binder or index cards or anything to tell you about how each one of these partners has serviced a particular lane. And more broadly, how the SBDCs themselves who are Navigators, including our Navigator, the Florida International University SBDC, who happens to be our Service Center of the Year, how they, themselves, have said that this program has deepened their reach into their communities.

Ms. SCHOLTEN. Well, we agree that there are a wide array of services needed, but in particular the 14 percent cut to the SBDC is of particular note to a district like mine. And I am wondering if you could just shed any more light on why the cut is there as

opposed to other areas. And if those are needed, why that was suggested.

Mr. MADRID. Thank you, Representative.

We were looking at the entire ecosystem and making sure that there is wraparound support for including the smallest of the small businesses. As previously stated, some of the Community Navigator is served by the U.S. Black Chambers and the National Urban League, U.S. Hispanic Chamber, the Local Initiative Support Corporation. Some of those businesses and the U.S. Pan-American Chamber of Commerce as well, some of those businesses had not been served by the ecosystem. And it was not somebody's fault. It is just that we need to put a focus on those businesses as well. They should not be left behind. People with disabilities served by the National Disability Institute as well.

Ms. SCHOLTEN. I could not agree with you more on that.

In my remaining time I want to just note one thing in particular the SBDC is doing is a competition called Pitch Black, which is a pitch competition for Black-owned businesses in West Michigan. Supporting these minority entrepreneurs is a high priority of mine as it is for the SBDC. What is your office doing ot make sure that there is awareness of these types of programs that SBDCs in particular are providing?

Mr. MADRID. Absolutely. We love to share success stories from the SBDCs, including their expanded footprint and MSIs and will continue to do so. I have had the fortune of working for small businesses on the ground the last 15 years. And when I was in essence a spoke, as the CEO of the Chamber of Commerce, depending on the situation, I would refer people to the SBDC and other cases to WBCs, but we will continue to share the impact of SBDCs proudly.

Ms. SCHOLTEN. We would appreciate that very much. Thank you.

Mr. MADRID. Thank you.

Ms. SCHOLTEN. Mr. Chair, I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Representative Pappas from the great state of New Hampshire for 5 minutes.

Mr. PAPPAS. Thank you very much, Mr. Chairman. And Mr. Madrid, thanks very much for your leadership and your comments here today about entrepreneurial development.

And I also want to explore some issues with SBDC and some concerns that I have been hearing from my district.

One of the hallmarks of working with an SBDC is that every client session is confidential. And client privacy is an SBA requirement. It is set in statute. It is something that our SBDC takes very seriously in New Hampshire, and I hear about it from member businesses that are working directly with them.

So privacy requirements help create a higher level of trust between the small businesses and the advisors. At SBDC, businesses share detailed information obviously about their finances, their growth strategies, new product or service ideas. They also share demographic and business information with the SBDCs such as gender, race, location, veteran and disability status. So protecting this data is critically important now and will be more so in the future as we see growing issues around cybersecurity.

So an issue of concern that I have heard recently is that protecting this client confidentiality may be in question. It is my understanding that there will be some new information that SBDCs are required to upload through the new Nexus platform. There is a concern that this information is paired with existing uploaded information and it could increase the likelihood that a client could be identified. It is an issue that I am hearing about from businesses in rural communities like mine in New Hampshire. So clients who up until now have had the option to opt in to sharing data may not want to sign up for advising if they are worried about their privacy being in question and not being protected.

So I am wondering if you could discuss this topic. I know it has been addressed earlier in this session about protecting SBDC client data in more detail and under what circumstances could the administrator be allowed to share client data more broadly?

Mr. MADRID. Well, thank you for the question, Representative.

We take privacy seriously. In terms of the form dynamics that you were talking about, we had over 25 meetings with our stakeholders, including America's SBDC leadership, the Association of Women's Business Centers and SCORE. When it comes to the demographic information on the form they were a part of these meetings. This is optional information so you could prefer not to state. But what we have done is we have added demographic information in terms of if you are a person with disabilities, if you are a veteran or military spouse. Where I come from on the ground it is important to know thy audience. But that is optional.

I was at Gallaudet University recently with deaf and blind entrepreneurs. And if you have not had a chance to go there I would recommend that you do. And those entrepreneurs said we want to be heard. We will gladly state wherever we can that we have disabilities because we do not want to be left behind. We do not want to be turned away from any opportunity and we are creating jobs for this country.

In terms of the specific times when we would be privy to PII or privacy data they are very specific. It would be a court order. It would be a case where an audit would be taking place for a federal or state agency that is auditing the work of a center, so we believe strongly in oversight so it is more about oversight than anything else. So I hope I have addressed your questions about privacy.

Mr. PAPPAS. Well, I know that the statue states that under an audit or a court order that SBDC can give up client data but I know that the new rule allows the administrator to "consider such disclosures necessary on a case by case basis."

So I am wondering if you can help us understand what that means in terms of the administrator's discretion here.

Mr. MADRID. Absolutely. The case by case basis is tied to the audit of federal and state entities. So that is clearly defined in that section when it comes to the audit.

Mr. PAPPAS. Well, I also want to add my voice to what Representative Scholten said earlier about funding cuts that were proposed to small business development centers. I want to reiterate how important all the entrepreneurial development programs are to small businesses in New Hampshire, including SBDC, which supports thousands of businesses, helped them access tens of mil-

lions of dollars in capital with an overall economic impact in the hundreds of millions of dollars, which makes a big difference in an economy like ours.

Over the years, we have asked our small business development centers to do more for their clients and communities, particularly over the last few years. And given the pressures that our small businesses face right now it just does not seem like the opportune time to be cutting back or scaling back support for this critical program. And so I am hoping that you will reassess this as we think about funding for SBA moving forward and some of its programs. I hope that SBDC will be funded at a very robust level.

I see my time is almost up. So thank you very much for your comments here today. I look forward to working together to support all of our small businesses. And with that I yield back.

Chairman WILLIAMS. Thank you. The gentleman yields back.

And I would like to thank our witness today for being here. God bless Texas. I want to add that. And I want to thank you for your testimony.

And without objection, Members have 5 legislative days to submit additional materials and written questions for the witness to the Chair which will be forwarded to the witnesses. I would like to ask the witness to please respond promptly if that happens. Okay?

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

[Whereupon, at 11:57 a.m., the committee was adjourned.]

APPENDIX



Testimony of Mark Madrid
Associate Administrator
Office of Entrepreneurial Development
US Small Business Administration

Before the
House Committee on Small Business

Hearing on

"Oversight Over the SBA's Office of Entrepreneurial Development"
November 14, 2023

Good morning, Chairman Williams, Ranking Member Velázquez, and distinguished members of the committee. Thank you for the invitation to discuss our SBA Office of Entrepreneurial Development (OED).

I came to the Small Business Administration (SBA) from the private and nonprofit sector, and I have seen firsthand the way that public-private sector partnerships can benefit our small businesses. Prior to SBA, I led the Stanford University Latino Entrepreneur Initiative/Latino Business Action Network. As a proud Texan and the son of a small business owner, I previously served as CEO of the Greater Austin Hispanic Chamber of Commerce and COO of the Houston Hispanic Chamber of Commerce.

Since 2021, I have been privileged to lead the OED, the SBA's technical assistance arm on the ground that helps our small businesses access training, counseling, and other resources. Under Administrator Guzman's leadership, OED has made great progress in working to help small business owners grow through a customer-centric and technology-forward approach.

The U.S. economy continues to experience a record small business boom. More Americans are starting small businesses than ever before – "act[s] of hope," as President Biden called them in his State of the Union address. More than 14 million small businesses have started since January 2021, including nearly 473,000 in September.

SBA is focused on providing the critical technical assistance that America's 33 million small businesses need, whether they are a new business or an established small business seeking to grow their revenue or market share. Our goal is to create a long-term relationship that can last throughout the business lifecycle, so that small businesses can thrive in the entrepreneurial ecosystem. SBA's Resource Partners and networks, including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, and Community Navigators, have demonstrated a significant impact in empowering small businesses.

The SBA OED leads the Train. Hope. Rise. Innovate. Venture. Elevate. (THRIVE) Emerging Leaders Reimagined program, which provides executive-level training designed to accelerate growth of small businesses. More than 8,000 small businesses have graduated from this initiative since 2008, supporting nearly $1 billion in new financing and more than $4 billion in government contracting. The 2023 THRIVE cohort has over 850 participants in more than 50 locations across the Nation, priming our graduates to scale their businesses and create jobs.

I've seen the impact of the THRIVE program firsthand when I visited with Stephanie Johnson, a Certified Public Accountant who completed the THRIVE program last year. She is the founder of Simmons-Johnson Consulting in Houston, a woman-led 8(a) firm focused on project management and disaster recovery. Her first exposure to contracting began in 2018 when she was awarded a contract to help the Federal Emergency Management Agency (FEMA) with the recovery after Hurricane Harvey. She credits the THRIVE program for helping her develop the skills to take on more complex contracts and hire additional employees.

There are scores of entrepreneurs just like Stephanie who utilize one service in the small business ecosystem such as becoming certified in the 8(a) program, and then take another step to obtaining additional training with THRIVE or another program.

SBA seeks to meet our entrepreneurs wherever they are in their business journey with the right set of tools and resources. SBA amplifies its reach through a network of resource partners, the largest of which is the SBDC program. SBDCs, which are affiliated with state universities, economic development agencies, and other partners, have notable reach via 63 Lead Centers and nearly 900 Service Centers. The SBDC network counseled over 306,000 clients in Fiscal Year (FY) 2022 and helped them start over 20,000 new small businesses and obtain over $7.8 billion in capital. The number of SBDCs at Minority Serving Institutions (MSIs) has increased more than 10 percent from Program Year 2022 to 2023. In FY 2023, MSIs hosted lead centers in 18 states and territories and over 125 MSI-hosted SBDC Service Centers.

SBA's Office of Small Business Development Centers provides critical oversight to ensure that taxpayer funding is utilized effectively and in accordance with applicable laws and guidance. Accordingly, we conduct annual site visits, audits, and measure performance goals, and data sharing between SBA and SBDCs. SBA is committed to protecting taxpayer dollars and the private information of every small business that seeks assistance from the agency, SBDCs, and other SBA Resource Partners. SBA has strong information security protocols, encryption, and other measures to protect client privacy and prevent any personally identifiable information (PII) from being disclosed. SBA is currently reviewing comments on a proposed rule that would provide even greater protection for individual client privacy and confidentiality while maintaining SBA's ability to provide effective award oversight.

SBA and SBDCs also work together to bolster cybersecurity for small businesses. There are growing threats to small businesses from sophisticated cyber criminals and small businesses are targets because they do not have the resources of large corporations. According to the Federal Bureau of Investigation's Internet Crime Complaint Center, there were nearly $10.3 billion in losses from cyberattacks and malicious activity in 2022. SBA is focused on equipping small businesses with security solutions and tools to protect against these targeted attacks.

October is National Cybersecurity Awareness Month, and I am proud that the SBA is hosting our second annual SBA Cyber Summit this month to share insights from leading experts in this field. We are hosting educational sessions and will share expert strategies with over 2,500 participants to empower small business owners with knowledge and tools to protect their businesses from evolving digital risks. Additionally, SBA established competitive grants for states under the Cybersecurity for Small Business Pilot Program to provide training and other critical assistance. In August, we awarded $6 million in funding to six state grantees from Colorado, Indiana, Ohio, Virginia, Hawaii and Wyoming.

In nearly every state in the country, our Nation's record small business boom is being led by women, particularly women of color. For the first time, the SBA's network of WBCs has expanded to all 50 states, the District of Columbia, and Puerto Rico. Under this Administration, we have tripled the number of WBCs at Historically Black Colleges and Universities (HBCUs), Hispanic-Serving Institutions (HSIs), and other MSIs.

In FY 2022, WBCs served more than 84,000 clients with a range of services from counseling, business planning, capital readiness, and government contracting. This led to more than 2,800 new business starts and 8,350 loans that helped women-owned firms create jobs in their communities.

Another critical partner during this record small business boom is SCORE. Celebrating its 60th anniversary next year, SCORE provides free mentoring, resources, personalized coaching, and education to our small businesses from volunteer experts who have a demonstrated track record and distinguished knowledge in business. With more than 10,000 volunteers across all 50 states, Puerto Rico, and U.S. territories, SCORE served more than 322,000 unique clients in FY2022 alone.

Importantly, SCORE has also expanded their reach to ensure that underserved entrepreneurs have access to services. SCORE established specific Hubs for Women Entrepreneurs, Black Entrepreneurs, Hispanic Entrepreneurs, Asian-American, Native Hawaiian and Pacific Islanders Entrepreneurs, Veteran Entrepreneurs, and Rural Entrepreneurs across the country.

Finally, I'd like to highlight the success of the Community Navigators program. Congress established Community Navigators as a pilot in the American Rescue Plan to ensure that the economic recovery would reach our smallest of the small businesses and underserved entrepreneurs–building bridges with hyperlocal and culturally competent content from trusted partners. Today, I report that the Community Navigators program achieved Congress' vision of reaching more small businesses and providing them with resources to start and grow.

SBA utilized a Hub and Spoke model, where mobilized Hubs could collaborate with local service providers, including SBA Resource Partners and SBA District Offices, to expand the reach of our services and fill gaps in the ecosystem. We partnered with a total of 51 grantees, from large organizations, like the National Urban League and the Syracuse University Institute for Veterans & Military Families (IVMF), to smaller Hubs, like the Dallas Entrepreneur Center and the Southern Alleghenies Planning Commission.

In the first 18 months of the program, Community Navigators provided customized, hands-on counseling to nearly 29,000 individuals and helped them access $249,000,000 in funding. More than 294,000 individuals attended a training session hosted by Community Navigators and the service provided 175,000 hours of training and counseling services. These services were accessed by multiple demographics, including rural Americans, women, communities of color, small businesses in Indian Country, entrepreneurs with disabilities, and Veterans.

A Veteran Owned Small Business that benefited from Community Navigators is Michael Bower, the President of Eagle Metalcraft in Syracuse, New York. After serving in the Marine Corps, Michael wanted to create a manufacturing business and utilized a SCORE mentor and his local SBDC to build his business fabricating metal for the semiconductor market. But Michael told me that it was the support of the Community Navigators program that allowed him to scale with support from IVMF. IVMF, an SBA Community Navigator grantee, provided direct connections to sophisticated accounting assistance from a CPA firm spoke to help Michael navigate his payroll and capital acquisition. Michael also wanted to compete for government contracts, and it was Community Navigators that provided the connections to procurement

specialists so that he could scale his business. As a result of the support he received, Michael hired ten employees in the last year.

Michael and Eagle Metalcraft is just one enduring example of Community Navigators. The data illustrates that Community Navigators complemented the entrepreneurial ecosystem by allowing affinity groups for underserved entrepreneurs to dive deep with trusted advisors for additional support. Seven SBDCs in Arkansas, Delaware, Florida, Vermont, Wyoming, Illinois, and Indiana were Community Navigator program grantees. Six other SBDCs in Hawaii, New Hampshire, South Carolina, South Dakota, Colorado, and Pennsylvania served as Spokes.

The President's 2024 Budget requested funding for Community Navigators. SBA looks forward to continuing the discussion with Congress on supporting this impactful program through the annual appropriations process.

In closing, I am energized to lead OED with our delivery of critical, timely, and relevant services for our diverse and resilient small business owners across America. With Administrator Guzman's whole-of-SBA approach, we will continue to increase and advance entrepreneurial and capital readiness support for America's small businesses. Just as my dad and mom built a Texas Panhandle welding business from the ground up, our nation's small businesses are building and serving as the backbone of our economy every single day.

I appreciate the opportunity to appear before you today to share stories of the way SBA's entrepreneurial ecosystem is benefiting Main Street entrepreneurs in our communities. I look forward to your questions.

House Committee on Small Business Hearing
"Oversight of the SBA's Office of Entrepreneurial Development"
November 14, 2023
SBA Responses to Questions for the Record

1. **How does your office work with the Office of Rural Affairs?**

The Office of Rural Affairs is housed in the Office of Entrepreneurial Development (OED) and works closely with OED program offices, as well as the SBA Resource Partner networks (Small Business Development Centers, Women Business Centers, SCORE) and our national network of SBA District Offices, to serve rural small businesses across the country.

2. **Your office oversees the counseling and training programs within the SBA, except for the Veteran Business Opportunity Centers (VBOC). Should VBOCs be moved within the Office of Entrepreneurial Development (OED) for better organization and collaboration?**

The Veteran Business Outreach Centers are a critical entity to our SBA Resource Partner network and our connection to our Veteran small business owners. Under Administrator Guzman's leadership, OED has continued to work closely with our Office of Veterans Business Development (OVBD) to serve our Veteran entrepreneurs by connecting them to resource partners, contracting opportunities, and programs. We will continue in alignment and wraparound services with OVBD to meet the needs of our Veterans and military spouses. Additionally, OED and OVBD will continue to work with the SBA Office of Government Contracting and Business Development (GCBD) on Veteran certification and procurement.

3. **SBA reported that 334,742 clients were trained using the Learning Center and Ascent websites. How long does someone need to be on the website to be considered a client?**

There is no minimum access time requirement. A user is registered as a unique client when visiting the Learning Center/Ascent one or more times and accessing at least one of the learning assets.

4. **The Resource Partners have traditionally used Form 641 to collect information relating to counseling. Why did the SBA create Form 3516 to collect information specifically for Community Navigators?**

The Community Navigator Pilot Program (CNPP) is a pilot initiative to reach underserved communities and the smallest of the small businesses with hyperlocal, trusted partners. As part of

the pilot, SBA collected a more comprehensive set of data than it has received from its technical assistance providers in the past. Form 3516, while similar to Form 641 and Form 888, has additional questions to help SBA determine which underserved groups were supported by the program.

5. **We have heard the data collection software for Community Navigators overinflated the number of clients it processed. Why was the decision made to use a different data collection system rather than the existing Resource Partners system (EDMIS-NG), and what has been done to address the inflated data?**

This claim is false. COMNAVS was built using the Agile development methodology in collaboration with a broad group of stakeholders, both internal and external to SBA. Our team members work with grantees to monitor COMNAVS to provide the most accurate and complete version of the data. Based on our internal analyses, the occurrence of duplicate clients in the system is minimal and does not yield a significant change to the unique clients served metrics reported.

6. **The form used to collect information for the Community Navigator Program asks individuals their gender identity including intersex, transgender, non-binary, bisexual, gay/lesbian, etc. Why does SBA need to collect this personal information to help businesses?**

SBA collects demographic information through our forms to ensure that we are effectively reaching all of America's small business owners. Demographic data helps inform and identify gaps in the marketplace so that we can effectively serve small business communities across the country and tailor our outreach and programs to address the needs of all small business owners.

7. **The Community Navigator Program's selection process for Navigators was done by a panel of reviewers, then "geographical dispersion" was considered in the final selection process. Who determined the geographical dispersion of Navigators?**

The final award panel of reviewers used geographic dispersion in the final selection process, along with reviewing the applications and Technical Evaluation Panel score cards for applicants. These decisions were made collaboratively through an extensive, data-driven review process by senior leaders on the Technical Evaluation Panel. We briefed the Committee staff on the CNPP program including the operation of the Technical Evaluation Panel on April 13, 2023.

8. **In reviewing the scoring documents provided to the Committee, several high scoring applicants for the Community Navigator program were not selected. Please provide explanations for each of the applicants that were not selected but scored higher than accepted applicants.**

The Community Navigator Pilot Program was a competitive grant program. SBA received far more high-scoring and qualifying applications than there were available dollars to disburse in the pilot program. Technical Evaluation Panel members reviewed each application thoroughly and data-driven decisions were made to admit applicants into the CNPP.

9. **Has your office conducted a financial examination or audit of the Community Navigator program? If so, please provide the Committee with a copy of the examination.**

The Community Navigator Pilot Program is currently undergoing an audit by the SBA's Office of Inspector General (OIG). SBA OIG will release their report when it is completed in 2024.

10. **In addition to the $100 million originally authorized for the Community Navigator program, the SBA provided an additional $75 million dollars to set up a call center for the program to conduct outreach. When was the call center established, and how many calls did it receive?**

Through the Community Navigator Pilot Program, SBA looked to streamline its call centers and apply best practices. SBA has handled thousands of calls from small businesses and assisted them in their endeavors. Partnering with the GSA's Contact Center and Customer Experience Centers of Excellence, the SBA continues to build out a robust call center structure.

11. **Please provide a detailed breakdown of the expenditures of the $75 million dollars allocated for the call center and marketing of the program.**

SBA executed a marketing contract for a mixed media marketing campaign. The $75M was appropriated to support promotion of the CNPP, Call Center support for all SBA/Federal programs, and outreach for CNPP and other applicable SBA/federal programs via translation services, website improvement, and advertising education campaign.

See below expenditure breakdown:

CN Outreach and Education Efforts	Total Spend ($M)
Marketing, Advertising, and outreach	$34.7
Translation Services	$0.5
Call Center Help/Answer Desk Support	$25.0
Call Center Consolidation Study	$1.3
IT investments to streamline and improve program CX	$10.5

Total	$72.0

12. Of the $100 million Congress appropriated for the Community Navigator program, how much of the funds remain unspent?

The period of performance concluded on November 30, 2023 and SBA offered a no-cost extension of performance until May 31, 2024 We expect final obligation data will be reported this summer. Current analysis projects that the program will close with less than 5% in unspent funds by grantees.

13. The SBA Emerging Leaders program recently rebranded as T.H.R.I.V.E. Emerging Leaders. How much has program participation increased due to this rebranding?

Program participation has remained consistent. Several improvements have been made to the program, including increasing program access to new areas using an innovative hybrid model, blending in-person and virtual engagement. The new format promotes an ecosystem of business connections among business peers, government leaders, and the financial community, helping build sustainable businesses that promote economic development within their communities.

14. Currently the private sector provides a reasonably priced program similar to the T.H.R.I.V.E Emerging Leaders Program called Interise Streetwise MBA. If the private sector is already providing this type of program, why should the federal government continue to fund SBA's version of it?

T.H.R.I.V.E. *Emerging Leaders Reimagined* offers a unique combination of virtual, national, uniform asynchronous learning that provides a foundation for all participants, and in-person discussions between CEO- and other executive-level participants, their local professional business coaches, and local SBA staff. Unlike the private sector, this training and professional network is provided at no cost to participants. A distinctive feature is the close collaboration with the SBA Office of Field Operations and our national network of SBA District Offices. Since its inception in 2008, the T.H.R.I.V.E. Emerging Leaders Program has trained over 8,000 small business owners, creating over 11,000 jobs, generating nearly $1 billion in new financing, and securing over $4 billion in Federal government contracts.

15. The Office of Entrepreneurial Development has long been plagued by a failure to provide proper oversight of taxpayer dollars. What changes have been implemented in the last 12 months to ensure that this improves?

Oversight is a priority for SBA. OED has internal controls and standard operating procedures in place to adjust resourcing and manage taxpayer dollars efficiently. For example, the SBDC

Program uses comprehensive metrics and reporting requirements to ensure SBDCs are delivering a cadre of services measured by indicators, such as unique clients served, new business starts, and capital infusion. The SBA reserves the right to terminate non-performing recipient organizations. SBDCs have programmatic reviews every two years, financial reviews every two years, a District Office review annually and accreditation every five years. In the last 12 months we have streamlined the SBA Notice of Funding Opportunity and strengthened Program Terms and Conditions for better guidance to SBDCs to reduce the number of errors they make on payment request documentation. Overall, OED has fully transitioned to GrantSolutions as our official system of record and grants management platform, the Agency's official grants management system. In FY 2023, SBDC Grants Management and Program Management staff launched "Office Hours" sessions with SBDCs to address areas common errors in Payment Request and other frequently asked questions related to Program policy and procedures. In the past year, we have also enhanced SBDC Payments monitoring and tracking systems that increase our visibility and enable better staff communication and outreach to the Networks to address payment request deficiencies, reducing processing times. OSBDC also supported substantial and specialized training for staff to ensure current warrant and certification requirements as well as up-to-date knowledge for job-specific requirements. In cases where we have an oversight challenge with a grantee, we work with our internal fraud risk and oversight team to develop a plan to address the challenge effectively and quickly. OED maintains continuous program management oversight through weekly meetings between the SCORE resource partners and OED.

16. The Office of Inspector General recently reopened a finding about inconsistences in the data collection from SCORE that was closed during the Trump Administration. What actions led to SBA reopening this finding? Follow-up: Why did your office end a best practice that the previous administration implemented to assist with this issue?

SBA disagrees with the Office of Inspector General's finding about inconsistences in the data collection. SBA is currently working with the Office of Inspector General to implement a corrective action plan to improve the data collection from SCORE.

17. You oversee SBDCs, WBCs, and SCORE. Approximately what percentage of the Resource Partners have returned to their offices for in-person work?

Each resource partner grant agreement with the SBA provides the flexibility for the resource partner to make the determination of operation needs as it relates to teleworking vs in-person work. For example, SCORE's operating model is to serve clients virtually and in-person. SCORE volunteer mentors have been mentoring and training clients throughout the pandemic and post pandemic. SBA also has a cooperative agreement with 63 SBDC Lead Centers, which establish

the contractual agreements with each of their respective service centers. SBDCs must follow guidance from their host institutions for in-person work and the guidance of state and local requirements. Many SBDCs operated using a hybrid model prior to the pandemic, and continue to do so to, serve clients most effectively and meet the small businesses where they are. SBDCs often have satellite locations to better facilitate connecting with the small businesses they serve. Similarly, WBC staff at each WBC are subject to their host institution's policies regarding telework practices.

18. What percentage of your staff is currently coming into the office at least 4 days a pay period and how is that enforced or tracked?

In alignment with the Office of Management and Budget guidance, effective September 25, 2023, all executives (SES/SLs) have been required to report onsite to the physical office a minimum of 5 days per biweekly pay period. Effective January 2, 2024, all remaining telework-eligible SBA employees assigned to headquarters in Washington, DC are required to report to the physical office a minimum of four (4) days per biweekly pay period. With respect to tracking in-person attendance for SBA Headquarters, individual unique user entries are isolated based on the first credential use of the day for each PIV cardholder to eliminate any impact from multiple entries to multiple spaces over the course of the day.

19. The Office of Inspector General made the recommendation to remedy or recover the more than $800,000 of improperly spent funds from the WBC program. The SBA stated this would be accomplished by September 2024. How much money has been recovered so far, and is the SBA still on track to recover all the funds by September next year? Follow-up: Can you provide the Committee a copy of the accounting showing these recovered funds and where they are? Follow-up: Can you provide the Committee with a copy of the plan to recoup the remaining funds?

OIG Report 21-14 audited ten awards received by seven Non-Federal Entities (NFEs). One NFE was issued two awards; another NFE was issued three awards. The remaining NFEs were issue one award each.

SBA contacted all seven NFEs seeking repayment of funds associated with questioned costs identified in Report 21-14 and we have recouped funds from three of the seven NFEs.

1. The University of Hartford: $35,416.32 received for award SBAHQ-15-W-0012
2. Rockville Economic Development: $29,543.95 received for award SBAHQ-13-W-0048
3. Women's Business Development Council: $10,405.29
   - Southeastern Connecticut: $1,148.01 received for award SBAHQ-15-W-0015
   - Naugatuck Valley: $4,37.28 received for award SBAHQ-15-W-0004
   - Southwest Connecticut: $4,620.00 received for award SBAHQ-18-W-0004

SBA expects to receive repayments from two additional NFEs in the coming months.

1. Women's Enterprise Development Center, Inc: $28,064.70 due by 02/01/2024 for award SBAHQ-17-W-0021
2. Urban League of Greater New Orleans: $37,914.76 due by 02/01/2024 for award SBAHQ-17-W-0009.

SBA is continuing to work with the remaining two NFEs to receive repayment by the deadline.

Additionally, SBA has closed out more than half of the recommendations and is on track to complete all recommendations. We currently have 8 outstanding recommendations that will be addressed, five of which will be addressed by January 2024 and the remaining recommendations will be closed out by September 2024.

20. In previous years, the SBA set performance metrics on population size for the SBDC program. Recently, SBA reversed that decision, allowing the SBDCs to set their own performance targets. How is SBA ensuring that the SBDCs are setting realistic targets to expand services and not lowering their goals in order to look good?

In coordination with America's SBDC (ASBDC), OED, through its Office of Small Business Development Centers (OSBDC), established a SBDC Program Goals Working Group. OSBDC and ASBDC jointly established the program's performance measures and requested SBDCs to submit proposed goals through a data-driven approach. The SBDC's performance target goals are based on the SBDC's historical performance and local economic conditions and include a justification for those goals as part of their annual SBDC Program proposal submission.

21. Out of the 50 comments received on the data privacy rule, how many SBDCs have expressed support for this expanded privacy regulation? How many SBDCs expressed opposition for it?

There were approximately 350 comments on the SBDC Program Regulation, 75% of which were accepted. Of the 50 comments related to data privacy, there were approximately 20 unique commenters that expressed concern or need for clarification on the various aspects of privacy.

22. The WBC program has consistently struggled to get payments out to the centers on time. How can Congress help address this challenge?

The SBA Office of Women's Business Ownership (OWBO) is currently undergoing a formal workload analysis directed by the SBA Office of Human Resource Solutions. Further, we have integrated technology improvements in grant administration and centralized training and online coursework for grantees in compliance best practices.

23. The original intent of the WBC pilot program was for it to become self-sustaining and not need government funding. What went wrong in trying to accomplish that? When will it be self-sustaining?

The original design behind the enactment of the WBC program in 1991 called for the SBA to make WBC grants for a term of 5 years only was quickly proved unrealistic. WBC grantees tend to be very small, private nonprofits which are challenged to find sufficient funding to stay in operation. Recognizing that fact, Congress first enacted the WBC Sustainability Pilot Program in 1999 to extend the period of program eligibility for an additional 5 years. In 2007 Congress again amended the WBC legislation to allow for open-ended participation in the WBC program under the new sustainability program. Currently, there is not a plan in place to drive WBCs to become self-sustaining, but rather continue to empower them SBA's entrepreneurial assistance programs and network. This is the consistent model for other SBA Resource Partners including SBDCs, SCORE, and VBOCs.

24. How frequently does the SBA assess the services of WBCs?

SBA's District Office Technical Representatives (DOTRs) conduct compliance assessments of the WBCs annually. The WBCs are required to submit annual reports to the SBA OWBO to fulfill the terms of the WBC grant award. Nearly 100 percent of reporting WBCs were assessed either virtually or in-person by their SBA DOTR in 2022-23. In 2023-2024 the compliance assessments will all be conducted in-person.

25. How frequently does the SBA remove underperforming WBC's?

In extremely rare circumstances, WBCs have been suspended for underperformance. If a WBC is found to be underperforming because of an assessment, OWBO meets with the WBC to understand their specific challenges. The WBC may be placed on a Performance Improvement Plan (PIP), which would provide the WBC with the opportunity to address the issues with OWBO staff support. OWBO continually strives to provide needed technical assistance to its WBCs to ensure compliance and oversight for the WBC and their clients.

Under this Administration, it has not been necessary for SBA to suspend a WBC for performance. Several underperforming WBCs have self-selected to resign from the program. In 2022-2023, ten WBCs chose to leave the grant program.

26. How can the Committee be sure that the SBA will not share client data with other agencies or state governments as a tool to get around constitutional subpoena and warrant requirements?

SBA is committed to protecting taxpayer dollars and the private information of every small business that seeks assistance from the agency. SBA has strict policies, encryption standards and practices, and processes in place to safeguard the data privacy of our clients. SBA will continue to strictly safeguard, client data with other federal agencies or state governments.

27. In its updated SBDC rule, the SBA added a clause to its rule that does not exist in the statute. Specifically, the SBA's rule states that for the purposes of conducting a financial audit, the Administrator has the discretion to make audit information available for Federal and State Audits of SBDC's "as determined on a case-by-case basis when formal requests are made by a Federal or state agency." The Small Business Act only allows for sharing this information with Federal and State agencies when ordered by a court, it does not discuss external disclosures for the purposes of conducting a financial audit. For what reason was this language added, and under what authority?

SBA is authorized by Section 21 of the Small Business Act (15 USC 648) to carry out the SBDC Program and conduct rulemaking action for this program. Currently, most SBDCs receive other funds from State and local agencies that may be used to comply with the SBDC Program match funding requirements. Also, SBDCs obtain other federal funds to administer programs, such as the Department of Treasury's State Small Business Credit Initiative. If the other federal or state agency conducts an audit of an SBDC, they may ask for SBDC client information. While these regulations cover the SBDC Program—and not any other program—this language would strengthen the requirement for a state or federal agency to make a formal request to SBA to obtain SBDC client information, further limiting the availability of the client data rather than expanding it.

Bipartisan Policy Center Action

November 14, 2023

The Honorable Roger Williams
Chairman
U.S. House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
U.S. House Committee on Small Business
2069 Rayburn House Office Building
Washington, DC 20515

Letter for the Record: House Small Business Committee hearing, "Oversight of the SBA's Office of Entrepreneurial Development."

Dear Chairman Williams and Ranking Member Velázquez,

Interest in starting a business is at an all-time high. Since 2020, Americans have been starting new businesses at an extraordinary pace. In 2021 alone, close to 5.4 million new business applications were filed, marking a historical high. Even in 2023, the momentum continues, as new business applications remain at elevated levels, with the total filed applications approaching the high set in 2021.

These new businesses and the entrepreneurs behind them represent potential "customers" for the Small Business Administration's entrepreneurial development programs. SBA and its resource partners must be ready and able to meet the educational, training, and technical assistance needs of these new business owners.

BPC Action commends the committee for holding its second hearing this year on entrepreneurial development as Congress looks to reauthorize SBA for the first time in nearly 23 years.

Earlier this year, the Bipartisan Policy Center published a report on SBA modernization. One key finding from that report highlights the overwhelming support among small business owners for modernizing entrepreneurial development programs. According to a survey conducted by Goldman Sachs *10,000 Small Businesses Voices*, a striking 95% of small business owners expressed support for modernizing SBA's technical assistance and entrepreneurial development programs to better reflect today's technology.

Another notable finding is the varied perspectives expressed by entrepreneurs, small business owners, SBA resource partners, and former SBA officials regarding the effectiveness of SBA's entrepreneurial development programs. While some lauded their "helpful" or "fantastic" experiences with a Small Business Development Center or SCORE mentor, others conveyed less favorable sentiments such as "not helpful," "waste of time," "not applicable." A notable concern raised by various individuals, including both small business owners and policymakers interviewed by BPC, centered on a lack of diversity among mentors within the SCORE program.

Bipartisan Policy Center Action
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bpcaction.org



The committee and its counterpart in the Senate have an opportunity to build upon the strengths of SBA's entrepreneurial development programs and act on small business owners' feedback to improve these programs to better support all entrepreneurs and small businesses seeking assistance. BPC Action supports modernizing entrepreneurial development programs, increasing the effectiveness of these programs, and enhancing data collection.

Modernize Entrepreneurial Development Programs

Entrepreneurs and small business owners expect SBA and its resource partners to reflect and acknowledge their own realities. That means injecting a bit of entrepreneurial innovation into the delivery of technical assistance and education. Specifically, BPC Action supports:

- exploring the feasibility of adding skillset-based counseling instead of, or in addition to, geographic-based assistance;
- improving the gender and racial diversity of SBA resource partners on the frontlines of helping small business owners;
- considering how SCORE might adopt elements of a coaching model in addition to mentoring;
- expanding the scope of technical assistance offered by SBA resource partners, which includes introducing specialized assistance for older entrepreneurs and aiding graduates of career and technical education programs; and
- bolstering technical assistance for small businesses looking to adopt and utilize digital tools that can help their businesses grow.

Prioritize Entrepreneurial Development Effectiveness

Successful entrepreneurs and small business owners are constantly looking for ways to enhance efficiency and profitability, learning from past experiences to improve their ventures. That same spirit of continuous improvement should exist within SBA and its resource partners. To that end, BPC Action supports:

- improving linkages between SBA resource partners and lenders;
- identifying and sharing lessons learned among resource partners on the most effective ways to support entrepreneurs and small business owners.
- evaluating programs and interventions to better understand what is effective and scaling interventions that have proven to positively impact small businesses; and
- positioning SBA entrepreneurial development programs in market gaps where other service providers are not be reaching or effectively addressing needs.

Enhance Data Collection

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BPC Action recognizes that there are several challenges associated with SBA resource partner data collection and sharing, as well as an interest in protecting small business owners' privacy. BPC Action encourages the committee to work toward resolving these issues, as better data can help small businesses receive higher quality service and ensure taxpayers receive a favorable return on their investment. In doing so, BPC Action encourages prioritization of improved data on:

- small businesses that seek and receive support from resource partners;
- small business owners served by demographic group and region; and
- the performance and outcomes of those businesses served by resource partners.

Modern, high-performing, and data-driven small business support has the potential to propel Americans' entrepreneurial spirit to new heights, paving the way for increased economic growth, job creation, and prosperity across our nation. Thank you for your commitment to supporting entrepreneurs and small business owners. Please consider BPC Action and BPC resources in your ongoing and vital work.

Sincerely,



Michelle Stockwell
President

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