AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 117–241

REVIEW OF SBA ENTREPRENEURIAL DEVELOPMENT PROGRAMS AND INITIATIVES

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

FEBRUARY 1, 2022

Printed for the Committee on Small Business and Entrepreneurship



Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
47–360 PDF WASHINGTON : 2022

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED SEVENTEENTH CONGRESS

BENJAMIN L. CARDIN, Maryland, *Chairman*
RAND PAUL, Kentucky, *Ranking Member*

MARIA CANTWELL, Washington	MARCO RUBIO, Florida
JEANNE SHAHEEN, New Hampshire	JAMES E. RISCH, Idaho
EDWARD J. MARKEY, Massachusetts	TIM SCOTT, South Carolina
CORY A. BOOKER, New Jersey	JONI ERNST, Iowa
CHRISTOPHER A. COONS, Delaware	JAMES M. INHOFE, Oklahoma
MAZIE HIRONO, Hawaii	TODD YOUNG, Indiana
TAMMY DUCKWORTH, Illinois	JOHN KENNEDY, Louisiana
JACKY ROSEN, Nevada	JOSH HAWLEY, Missouri
JOHN HICKENLOOPER, Colorado	ROGER MARSHALL, Kansas

SEAN MOORE, *Democratic Staff Director*
WILLIAM HENDERSON, *Republican Staff Director*

C O N T E N T S

OPENING STATEMENTS

	Page
Cardin, Hon. Benjamin L., Chairman, a U.S. Senator from Maryland	1
Paul, Hon. Rand, Ranking Member, a U.S. Senator from Kentucky	12

WITNESSES

Panel 1

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

Panel 2

Rowe, Mr. C.E. "Tee", President and CEO, America's SBDC, Burke, VA	26
Hendrix, Mr. Michael, Senior Fellow, Manhattan Institute, New York, NY	40
Hodges, Ms. Corinne, CEO, Association of Women's Business Centers, Washington DC	48
Edwards, Mr. Chris, Director of Tax Policy Studies, Cato Institute, Washington, DC	59
Weston, Ms. Bridget, CEO, SCORE, Herndon, VA	71
Cox, Ms. Hannah, Brand Ambassador, Foundation for Economic Education, Co-Founder and Host, BASEDPolitics, Atlanta, GA	85

ALPHABETICAL LISTING AND APPENDIX MATERIAL SUBMITTED

Cardin, Hon. Benjamin L.	
Opening statement	1
Cox, Ms. Hannah	
Testimony	85
Prepared statement	87
Edwards, Mr. Chris	
Testimony	59
Prepared statement	61
Hendrix, Mr. Michael	
Testimony	40
Prepared statement	42
Hodges, Ms. Corinne	
Testimony	48
Prepared statement	50
Responses to questions submitted by Senators Hirono, Hickenlooper, and Marshall	124
Madrid, Mr. Mark	
Testimony	4
Prepared statement	6
Responses to questions submitted by Chairman Cardin and Senators Hirono, Hickenlooper, Young, and Marshall	100
Paul, Hon. Rand	
Opening statement	12
Rowe, Mr. C.E. "Tee"	
Testimony	26
Prepared statement	29
Responses to questions submitted by Senators Hirono, Hickenlooper, and Marshall	114

Page

Weston, Ms. Bridget
Testimony 71
Prepared statement 73
Responses to questions submitted by Senator Marshall 128

REVIEW OF SBA ENTREPRENEURIAL DEVELOPMENT PROGRAMS AND INITIATIVES

TUESDAY, FEBRUARY 1, 2022

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 2:31 p.m., in Room SR–301, Russell Senate Office Building, Hon. Ben Cardin, Chairman of the Committee, presiding.

Present: Senators Cardin, Cantwell, Shaheen, Coons, Hirono, Rosen, Hickenlooper, Paul, Scott, Ernst, Inhofe, Young, Hawley, and Marshall.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, CHAIRMAN, A U.S. SENATOR FROM MARYLAND

Chairman CARDIN. The Small Business and Entrepreneurship Committee will come to order.

Senator Paul will be here shortly. He said it was okay for us to start the hearing.

We have two panels today, and there is currently a vote on the floor of the United States Senate, and there will be a second vote. So we will have some interruptions. We are going to try to keep the hearing moving throughout the process so that members will be floating in and out. So I hope everyone understands that.

This is a hearing to review the SBA's entrepreneurial development programs and initiatives, and it is a great pleasure to welcome the Associate Administrator, Office of Entrepreneurial Development in the Small Business Administration, Mark Madrid.

It is nice to have you with us today.

The programs that come under Mr. Madrid's administration are critical to the support of small businesses. We are talking about the Small Business Development Centers Program, which is one of the principal resources available to small business in our community. We are talking about the Women's Business Centers that are again critically important, particularly for underserved and disadvantaged women-owned small businesses. And then, the services that come under the Office of Entrepreneurship Education, which is an array of programs that all provide essential services to our small business, from the SCORE program, which is one of our mentoring programs that involve a lot of volunteers, to the brand new Community Navigator Pilot Program that was approved under the American Rescue Plan, the online learning centers, the Regional Innovation Clusters, and the Emerging Leaders Initiative. And the

list goes on and on and on. These are programs that help entrepreneurs start and grow successful businesses, and mentoring and training and access to resources otherwise difficult to obtain, and COVID–19 has really underscored the importance of all of these programs.

We know small businesses provide the greater innovation into our economy and the job growth that we need to grow our economy, but we also know that they operate on razor-thin margins. So they do not have the resources to hire high-priced business consultants to do their work as far as finding out what the right avenue is to get the help that they need. The resource partners come in here and fill the void, and that is why these programs were established. They are the lifeline.

And I think small—thank the Small Business Administration for new resource partners in the State of Maryland, the Veterans Business Outreach Center that opened during this past year and two new Women's Business Centers located in my State.

Let me just give you one example why these resource partners are critically important, and I will talk about the Small Business Development Centers. Last November, with the help of the Maryland Southern Region Small Business Development Center, operated by the College of Southern Maryland, the Salinas family opened a Hispanic grocery store in Waldorf, one of the fastest growing communities in our State. The SBDC helped them develop their brand, secured financing, and established their operations. The family wanted to create a store that genuinely connected with customers and catered to their needs, and they have done so successfully. For entrepreneurs like the Salinas family, access to these programs can be the difference between success and failure. The SBDC was critical to the startup of that company.

Data shows that small businesses created by entrepreneurs who receive at least three hours of SBA counseling have a higher survival rate than small businesses created by entrepreneurs who receive less counseling or not at all. Because of this strong record of success and impact, Senators Shaheen, Collins, Rubio, and I included a provision in the CARES Act to provide the SBA entrepreneurial development programs with $265 million to increase their capacity to serve more small businesses, and I hope we will have a chance during this hearing to learn how that $265 million has been allocated and what progress we have as a result of those additional funds. The funds help the programs deepen their expertise to help small businesses understand, prepare for, and mitigate the effects of the pandemic on supply chains, distribution, and overall business operations.

President Joe Biden's American Rescue Plan went even further than the CARES Act by establishing a Community Navigator Pilot Program that has created a holistic network to eliminate barriers entrepreneurs face in assessing the support they need. This is a new program, and again, we welcome your—this hearing where we have a chance to delve into how that program has worked. The program was launched on December 1st of last year, and I am looking forward to receiving the updates on the progress.

Thanks to the additional capacity, expertise, and connectivity the SBA has developed during the pandemic, it was able to support the

record-breaking surge of entrepreneurships that have occurred during the pandemic. This is an amazing success story. We have seen record numbers of new small businesses during this pandemic, again showing the creativity and innovation of small business owners.

The U.S. Census Bureau reports that 4.4 million new businesses created in 2020 is the highest total on record and represents a 24 percent increase from 2019 as well as a 51 percent increase above the annual average between 2010 and 2019.

Entrepreneurs in Black and Hispanic communities are driving the surge. They are outpacing the other businesses. So we are reaching the traditionally underserved. The data is showing a 38 percent increase in the number of new Black business owners between February 2020 and August 2021.

As we shift our focus to the years ahead and Building Back Better, the SBA must be well equipped to support these entrepreneurs and emerging markets. This is especially important in Maryland, which has the highest concentration of minority-owned businesses in the country as well as one of the strongest innovation sectors in the country due to the presence of SBA resource partners as well as many renowned public and private research institutions.

I am looking forward to learning more from all our witnesses about how we can build stronger partnerships between the SBA and underserved areas, especially with our Nation's Historically Black Colleges and Universities and minority serving institutions. HBCUs are a vital part of Maryland's entrepreneurial ecosystem, with Bowie State University hosting an innovation center and Morgan State University hosting one of the Women's Business Centers that opened during the pandemic. Our State has successfully leveraged these institutions' relationships with minority communities to get these critical services to entrepreneurs who would benefit from them the most.

As the American economy continues to recover, we must ensure that all communities are able to partake in the recovery, and it is clear that entrepreneurship will play a very large role in that effort. I hope to leave this hearing with a much better understanding of the best policies that we could put forward to maximize the opportunity and produce a truly inclusive recovery by supporting the SBA entrepreneurial development programs.

With that, we will start with our first panel, and let me now formally introduce the Associate Administrator of the Small Business Administration, Mark Madrid. Mark serves as the Associate Administrator for the Office of Entrepreneurial Development at the U.S. Small Business Administration. In this role, Mr. Madrid leads the OED, which is the SBA's technical assistance arm, with a national resource network including the Small Business Development Centers, Women's Business Centers, SCORE, and the Office of Entrepreneurship Education.

Mr. Madrid previously served as CEO of Latino Business Action Network at Stanford University and was named the 2019 Silicon Valley Nonprofit CEO of the Year by the Silicon Valley Business Journal. He is an Honorary Colonel of the United States Army and a Jefferson Award Recipient.

Mr. Madrid, it is a pleasure to have you here, and you may proceed. Your full testimony will be made part of our record.

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

Mr. MADRID. Great afternoon, Chairman Cardin, Ranking Member Paul, and distinguished members of the Committee. Thank you for the invitation to discuss the SBA's Office of Entrepreneurial Development (OED). I am energized to be here.

Our mission is to help small businesses start, grow, and expand by providing quality training, counseling, and access to resources. We achieve this through the Resource Partner Network, grants, the Community Navigator Pilot Program, and entrepreneurship education. We are honored to spearhead this portfolio under the exceptional and strong leadership of Administrator Isabella Casillas Guzman.

I am a product of entrepreneurship. Like many of our U.S. small business owners, my dad was unrelenting in changing the course of our family's destination as he built his welding business from the ground up in the Texas Panhandle. We are proud of my dad for his evolution from hoeing cotton in the cotton fields to being his own boss. Mi Papa (my dad) died from COVID–19. Thus, I consider supporting small businesses like my father's during this time the honor of a lifetime, and I have a proven track record of doing so on the ground.

The last two years have tested America's entrepreneurs. Yet, I am proud to report that entrepreneurship, as you mentioned, Senator Cardin, is booming in 2021; 5.4 million Americans took that courageous American step of starting a business in 2021. This record pace of new business creation is a credit to the thriving entrepreneurial spirit in this country, resilient in the face of a global pandemic. It is also thanks to the strong emergency support provided by Congress.

OED is honoring that investment through action. The millions of new businesses are as diverse as they are numerous and so is the range of their counseling needs. Some small businesses benefit most from women-specific counseling. Others need an experienced business mentor. Yet, others need technical assistance from a university setting or an organization with strong community ties.

OED's newest program, the Community Navigator Pilot Program, is designed to close resource gaps for small businesses in urban and rural America, including those owned by veterans, women, and socially and economically disadvantaged individuals. Funded by the American Rescue Plan, it provides $100 million in grants to 51 rigorously selected grantees that work with hundreds of community organizations to connect U.S. small businesses to SBA and Federal, State, and local resources.

SBA's resource partners are also ultimately critical. Small Business Development Centers have tremendous reach via 62 lead centers and over 900 service centers. SBDCs utilized $192 million in CARES Act funding to train over 818,000 clients and jumpstart over 26,000 new small businesses in 2021. One of those clients is Saskia Foley. She is the CEO of Radius Corporation in Kutztown,

Pennsylvania. I had the opportunity to visit Saskia. Radius makes sustainable toothbrushes. And because of the Kutztown SBDC, Saskia was able to access an Economic Injury Disaster Loan and two draws of PPP, enabling Saskia to retain her 29 employees and to compete with major brands on Walmart shelves.

Our network of Women's Business Centers also creates gateways for women entrepreneurs. The $48 million in CARES Act funding enabled WBCs to assist more than 87,000 small businesses and help start over 3,300 new small businesses in 2021.

SCORE is another resilient technical assistance pillar, with over 10,000 volunteer mentors working through 250 chapters. In 2021, SCORE mentored over 570,000 clients.

Through our Office of Entrepreneurship Education, we deliver an expansive e-learning and in-person training portfolio to small businesses, including the underserved, underrepresented, and underaccessed. OEE's portfolio includes the Emerging Leaders Initiative. In December, we graduated 759 small business owners from this intensive executive-style program, and multimonth, I may add. Collectively, these leaders, small business owners, account for over $1.2 billion in annual gross revenues. This program represents why we do what we do in OED.

Finally, we are proud to support small businesses in Indian Country through the Office of Native American Affairs.

America's small businesses are tenacious, and we admire their resilience and their optimism. We are honored, as you are, to support them as they recover, persist, and thrive. And we share your commitment to entrepreneurs and strengthening the support we provide them, collectively, particularly at this inflection point. I, and the strong team at OED and the SBA, look forward to further collaborating with you. Thank you.

[The prepared statement of Mr. Madrid follows:]



Testimony of Mark Madrid
Associate Administrator
Office of Entrepreneurial Development
U.S. Small Business Administration

before the
Senate Committee on Small Business & Entrepreneurship

February 1, 2022

Testimony of Mark Madrid
Associate Administrator
Office of Entrepreneurial Development
U.S. Small Business Administration

Good afternoon, Chairman Cardin, Ranking Member Paul, and distinguished members of the committee. Thank you for the invitation to discuss the SBA's Office of Entrepreneurial Development.

Our mission is to help small businesses start, grow, and expand by providing quality training, counseling, and access to resources. We achieve this mission through layering an expansive national Resource Partner network, grant programs, Community Navigator services, and entrepreneurship education. We spearhead this portfolio with Administrator Isabella Casillas Guzman's guiding north star of delivering a best-in-class customer experience, supporting new small business creation and job growth across the country, while significantly advancing equity and leaning into technology. We are honored to steward the technical resource and entrepreneurship education arms of the Agency under Administrator Guzman's results-driven leadership.

I am a product of entrepreneurship. Like many of our U.S. small business owners, my dad was unrelenting in changing the course of our family's destiny, as he built his welding business in the Texas Panhandle. We are proud of my dad for his evolution from the cotton fields to being his own boss. Mi Papa (my dad) died last year from Covid-19, and we almost lost my mom. We thank God that she survived. I consider supporting small businesses—like my dad's— the honor of a lifetime, and I have a proven track record of doing so on the ground.

Supporting small businesses like my dad's has given me the greatest sense of purpose in my life. Through my work leading Hispanic Chambers of Commerce in Texas, most recently serving as CEO of Stanford University Latino Entrepreneurship Initiative and Latino Business Action Network, and now at the SBA's Office of Entrepreneurial Development (OED), I have had the distinct honor of building a body of work and a seasoned track record based on listening to the unique needs of small business owners across the U.S. and truly empathizing with them. As a result, I am energized to lead this office.

A critical component of OED's footprint is the services delivered by our Resource Partners: our network of Small Business Development Centers (SBDCs), Women's Business Centers (WBCs) and SCORE. OED also spearheads the Community Navigator Pilot Program and our Strategic Learning Initiative. Additionally, OED's Office of Entrepreneurship Education (OEE) leads our Cybersecurity Grant Program and Regional Innovation Clusters.

Distinguished members of the committee, you know as well as anyone that the last two years have tested America's entrepreneurs in ways they could have never imagined. I am proud to report to you today that entrepreneurship in America is booming. In fact, in no year prior to 2021 did more Americans take that courageous, American step of starting a business. The data proves it. In 2021, Americans submitted 5.4 million applications for new businesses, the highest level ever recorded.[1] That 2021 level surpassed the previous record for new business applications by more than 1 million, and it was 53% higher than the average of the previous five years.

This burst in new businesses is pervasive across the economy. It is seen across goods and services sectors, in rural and urban states, and it includes what the Census calls high-propensity new businesses, those with a strong likelihood of hiring employees. In 2021, there were 1.8 million applications for these likely-to-hire businesses—36% higher than the previous five years' average.[2]

This record pace of new business creation is a credit to the thriving entrepreneurial spirit in this country, which has shown itself resilient even in the face of a global pandemic. It is also thanks to the strong emergency economic support provided by Congress, starting with the bipartisan CARES Act and continuing through President Biden's American Rescue Plan: stimulus checks and child tax credits that gave economic security to families; aid to state and local governments that prevented public sector layoffs; and, of course, the SBA's aid to small businesses, which reached $450 billion in 2021 alone, under the leadership of Administrator Guzman.

Recovery legislation has included $440 million for the SBA's entrepreneurial development programs. Today, I discuss how OED is honoring that investment through action, in support of the entrepreneurship wave sweeping the country. The millions of new businesses are as diverse as they are numerous, and so is the range of their counseling needs. Some entrepreneurs benefit most from women-specific counseling; others need an experienced business mentor; and still others need technical advice from a university-connected organization or one with strong ties to their local community. I will discuss how OED programs provide that much-needed, diverse range of small business support, starting with the Community Navigator Pilot Program.

This program is designed to reduce barriers that small businesses, including those owned by disadvantaged groups such as veterans, women, and those from rural communities and communities of color, often face in accessing critical support. Funded by the American Rescue Plan Act of 2021, it provides $100 million in grants to 51 organizations that work with hundreds of organizations and nonprofits to connect America's entrepreneurs to SBA and federal, state, and local resources so that they can recover and thrive.

This program is more critical than ever as many small businesses are facing headwinds from Omicron. It complements and bolsters the SBA's core counseling programs by leveraging a national network of Community Navigators, who, to use the words of Administrator Guzman, are "reaching those business owners who don't know that help is out there, or don't know how to access that help, and even those who may not think our programs are really for them."

In October, SBA announced the program's grantees that were selected through a rigorous review process. Diversity and inclusivity are at the core of this initiative, as illustrated by our eight Tier 1 grantees: National Urban League, U.S. Black Chambers, US Hispanic Chamber of Commerce, U.S. Pan Asian Chamber of Commerce, Syracuse's Institute for Veterans and Military Families, Oweesta Corporation (which has a special focus on serving small businesses in Indian country), Local Initiatives Support Corporation (which has a unique reach to women entrepreneurs), and International Rescue Committee.

After working on the ground for two months, our Navigators are well underway in supporting small businesses. For example, in December, Daughters of Zion in Memphis, Tennessee, a Tier 3 $1 million grantee, held a workshop to help walk more than 30 local entrepreneurs through how to complete applications for the Economic Injury Disaster (EIDL) loans, the Targeted EIDL Advance, and the Supplemental Targeted Advance before the December application deadlines for these programs.

In addition to Community Navigators, SBA's Resource Partners are a critical element of OED's service portfolio. Small Business Development Centers (SBDCs), which are supported by our Office of Small Business Development Centers, have tremendous reach via 62 state Lead Centers and over 900 Service Centers. Our SBDCs provide support to small business owners that is contextualized to the communities that they are serving. Their ongoing Building a Dream Team Series focuses on supporting SBDC leadership by delivering culturally competent success strategies to assist diverse business owners in realizing the American dream.

Our SBDCs' pandemic relief efforts have been bolstered by the $192 million in funding that they received through the CARES Act, which has enabled SBDCs to amplify their support for small businesses. In FY 2021, our network of SBDCs counseled and trained over 818,000 clients and helped them to start over 26,000 new small businesses.

Small business owners view SBA Resource Partners as a critical lifeline. One such example is Ms. Saskia Foley, the CEO of Radius Corporation in Kutztown, Pennsylvania, which I had the honor of visiting recently. Radius creates sustainable toothbrushes and other daily use household items. Saskia told me about how she took over as President from her father back in 2014 and has been partnering with the Kutztown SBDC over the past several years, particularly during Covid-19. Her SBDC mentors supported her through the process of applying for and receiving an SBA

Economic Injury Disaster Loan (EIDL) and two draws of SBA's Paycheck Protection Program (PPP). Both EIDL and PPP loans helped Radius retain its 29 employees and prevent layoffs. Notably, Saskia also told me about how she has leveraged export counseling.

Our network of Women's Business Centers, supported by the SBA's Office of Women's Business Ownership, also create gateways to opportunity for entrepreneurs. WBCs were bolstered by the $48 million in CARES Act funding in FY21 and that same year, Women's Business Centers assisted more than 87,000 small businesses and helped them start over 3,300 new small businesses.

Our WBCs are positioned across the country and reach into rural areas. They serve entrepreneurs like Adelle Starin who owns Baby's on Broadway in rural Little Falls, Minnesota. Adelle created Baby's on Broadway in 2013 and has received critical support from the SBA-powered Women's Business Alliance in Little Falls throughout her entrepreneurial journey. With assistance from an SBA lender, she expanded her business by acquiring a storefront and becoming a durable medical equipment supplier. Her local Women's Business Center provided mentorship and guidance to the resources she needed. To weather COVID's impact on her small business, her WBC helped her access the Paycheck Protection Program and secure an Economic Injury Disaster Loan. And now on a growth trajectory, Adelle has been accepted into Emerging Leaders. Adelle and Baby's on Broadway are a testament tothe layered support provided by SBA through our resource partners.

SCORE is another component of our technical assistance ecosystem, with over 10,000 volunteer mentors spread across a local footprint of over 250 chapters and a robust online platform. In FY 2021, SCORE mentors counseled and trained over 570,000 clients. Our Resource Partners' efforts have been further scaled by their new Centralized Hub for Covid-19 support. That hub is fully operational and has helped our Resource Partners create efficiencies by enabling them to rapidly train their network.

Through our Office of Entrepreneurship Education, we deliver an expansive e-learning and in-person training portfolio to all entrepreneurs including the underserved, unrepresented and under-accessed. This portfolio includes the Emerging Leaders initiative, an immersive, executive-style training program for maturing small business. In December, I had the honor of announcing the 759 Emerging Leaders graduates in 52 locations across 37 states, celebrating their completion of this rigorous, seven-month, executive-level program. Collectively, this group represents $1.2 billion in gross annual revenues and employs over 10,000.

Notably in this space of delivering to the underserved, OEE also leads Agency efforts in Cybersecurity and Regional Innovation Clusters (RICs). In 2021, SBA announced five new RICs: Acendian in Missouri, AgLaunch in Tennessee, Development Capital Networks in

Oklahoma, Unmanned Aerial Systems in California, and Startup Junkie Consulting in Arkansas. This new cohort brings the total number of RICs across the United States to 12.

America's small business owners are tenacious, and we admire their resilience. We are honored, as you are, to support them as they persist, recover, and thrive. We share your commitment to entrepreneurs and strengthening the support that we provide them, particularly at this inflection point. I look forward to continuing our collaboration.

Thank you for this opportunity to appear before you today.

---

[1] U.S. Census Bureau Business Formation Statistics, Seasonally Adjusted Business Applications, U.S. Total

[2] U.S. Census Bureau Business Formation Statistics, Seasonally Adjusted High-Propensity Business Applications, U.S. Total

Chairman CARDIN. Thank you, Mr. Madrid, for your testimony but more importantly for your service.

At this time, I will recognize the Ranking Member, Senator Paul, for any comments he may want to make.

OPENING STATEMENT OF HON. RAND PAUL, A U.S. SENATOR FROM KENTUCKY

Senator PAUL. As we review the tumultuous first year of the Biden SBA, some trends have emerged. Time and time again, the SBA has conducted itself in a manner to prefer one set of Americans over others. Whether it is the unconstitutional way the SBA tried to distribute Restaurant Revitalization Fund money through the use of racial and gender quotas, until they were struck down by the Judiciary, or it is the awarding of Community Navigator Program money to many organizations that overwhelmingly donate to Democrats and the Democratic Party, the SBA seems more focused on political virtue signaling rather than fulfilling its mission, helping American small business thrive. Such a focus is unconscionable when the Federal Government all but demanded the cessation of economic activity, putting the livelihoods of small business owners and their employees at risk.

While the SBA's mind was elsewhere, the Agency allowed much of the Office of Entrepreneurial Development's core function to rot from within. Emblematic of that rot is a recent report from the Inspector General. The report looked at what SBA did with $25 million allocated to develop a website for small businesses to learn about Federal COVID programs and to fund training on those programs for mentors. Turns out, less than 1 percent of small businesses accessed the website during 2020, and just 62 of 14,000 counselors received any training at all.

Simply put, as is so often the case, government is doing more harm than good. According to SBA's own polling of entrepreneurs' experiences, over two-thirds of entrepreneurs were unconvinced that the services they received from SBA resource partners benefited their bottom lines. The irony, that a government agency devoted to help small businesses thrive in the marketplace cannot satisfy its customers, should not be lost on anyone.

The SBA's resource partners can tout their aggregated, rather than their client-specific, data and anecdotal success stories, but the clients have spoken. The resource partners provided largely useless advice. For every three, quote unquote, success stories they cite, data suggest there are roughly seven stories of failure. Frankly, I am not surprised.

The idea that bureaucrats from a government that incessantly demands compliance with burdensome and costly regulations would then deign to educate the innovators and entrepreneurs of this country on how to run a business is, frankly, absurd. The best thing Federal, State, and local governments can do is get out of the way, lift the burdensome regulations creating barriers to entry for pre-venture and seed stage entrepreneurs, ease the cost of attempting to untangle the extensive web of compliance rules existing entrepreneurs face, and most of all, stop needlessly shutting down or restricting businesses through lockdowns and vaccine passports. Only then would government truly allow small business to thrive.

Chairman CARDIN. Let me thank Senator Paul for his cooperation in putting together this hearing.

We will now go to approximately five-minute rounds of questioning. As I have indicated earlier, there is a vote on, on the floor of the Senate. So members will need to come in and out, and we will try to keep the hearing moving forward. With that in mind, let me start the questioning.

Mr. Madrid, as I indicated, under the CARES Act, bipartisan support, the entrepreneurship programs were given several hundred millions of dollars of additional resources. Now, when I take a look at the results and see the significant increase in small business growth during the pandemic, that gives me a degree of confidence that we were helpful, particularly during a pandemic, when we know that the valuable help that the resource partners can give can help small businesses that otherwise would not have been able to get that type of assistance.

So I still believe we have a major need in regards to emerging markets, and I know that is an area of focus that you have within your division. There has been legislation and efforts by the administration, as well as members of Congress, to do an uplift program, to develop ways that we can work with the HBCUs and minority-serving institutions, in order to try to help emerging technologies and companies to be able to get the type of initial help that they need.

My question to you is: What additional support do you need in order to provide opportunities for traditionally underserved communities so that they can take advantage of the opportunities that are emerging in America?

Mr. MADRID. Thank you, Chairman Cardin. As a point of reference, just to look at the CARES Act funding results—and I am glad to see the resource partners here—between SCORE, the SBDCs, and the Women's Business Centers: With the SBDCs, during the period that we are taking about, particularly through the pandemic, over 800,000 clients served; 26,000 new businesses started. With the WBCs, 87,000 clients served; 3,300 new businesses. And with SCORE, over 570 clients mentored. And so that is extraordinary.

And I do echo your sentiment about the booming entrepreneurship, with over 5.4 million new applications and starts in 2021, which is a record by a million.

So these resources I—when you were asking your question, I wrote the name, Yaeli. Yaeli is a bread manufacturer in Miami, Florida, and she owns a company called Anny's Bread Factory, specializing in brioche rolls. And she—her goal a couple years ago was just to get—meet the $250,000, you know, annual gross revenue mark. And when she did, she turned to the local district office, and they told her about the Emerging Leaders Program which is under the purview of OED.

She took that program because she qualified, and in the process she met the Florida International University (FIU) SBDC. And I am glad that she did because she secured counseling and one-on-one coaching and she was able, through the pandemic, because of this support system, to access an EIDL loan. And under this administration, that loan carried to the $500,000 mark. And because

of that she was able to put bread on the shelves in the likes of Target and grocery chains quicker than the big brands and now she is developing protein bread.

So that is the spirit of entrepreneurship and why these resources are so critical. Think about 5.4 million new Yaelis across the country and Puerto Rico, and we need to support them with these resource partners and the Community Navigator Pilot Program.

Chairman CARDIN. Well, I appreciate that answer. I want to—the other area that additional resources were provided was for the Navigator program. This is new. We had not had this before. And the administration just recently announced the implementation of the Navigator program by using a hub-and-spoke system with three-tier participation.

And I have looked at the 51 hubs that have been selected and see a good variety of nonprofit-type entities that are marshaling the Federal funds and then reach out for partners in local communities, so sometimes as small as just one county, sometimes a State. In my State of Maryland, oh, I think we have somewhere around 10 spokes that are currently operating under 4 national hubs.

You have had now a little bit of time to assess how the program is working. It was originally conceived in order to direct small businesses to where they could get the help they needed with the tools that are available under—for small businesses, which sometimes would be SBA, but sometimes it is local government; sometimes it is private sector help. Can you share with us the initial assessment of how the Navigator program is operating?

Mr. MADRID. Thank you, Chairman Cardin. The boots are on the ground I am happy to report. And thank you for mentioning the coverage in Maryland. We have coverage in 50 states and Puerto Rico through the Navigators with the hub-and-spoke system. The 51 grantees represent not only geographic diversity but diversity in coverage and sectors served.

We have rural America covered through the likes of such like the Abilene Chamber of Commerce, for instance, and we have our diversity segments. We are so proud of that work. We have Tier 1 grantees with the National Urban League, with the United States Hispanic Chamber of Commerce, U.S. Black Chambers. We have the Institute of Veterans and Military Families out of Syracuse serving military, you know, veteran entrepreneurs and their spouses. We have the Oweesta Corporation serving small businesses in Indian Country, the U.S. Pan Asian American Chamber focusing on the AAPI community. Also, women entrepreneurs are being served, rural entrepreneurs. So we are very, very excited.

And I will give you an example with the Institute of Veterans and Military Families (IVMF) in Syracuse. All they are doing is scaling the support that they have given. One in particular, a veteran opened a business recently to help other veterans with benefits, and he turned to the IVMF to scale that business. And we are happy to report that it is working and that is the type of services that will be rendered by IVMF with multiple states.

And when you look at the State of Maryland, we are excited about the Disability Institute. Who does not want to serve disabled small business owners? And so that focus of the Disability Institute

in their mind, they issued to us and shared with us that until now disability small businesses felt invisible. So that is an example of the work that is being done on the ground.

We have other examples. Recently, I did travel to Abilene, Texas, and took a look at their footprint in terms of the spoke arrangement that they have with the Cisco Community College there, and they are looking specifically in that area as well to serve women-owned businesses and also the veterans at that base. And we were also delighted to have the Abilene Black Chamber of Commerce. That is the second oldest Black Chamber in the State of Texas.

Chairman CARDIN. So let me follow-up just briefly on this as far as how the accountability works. You mentioned National Disability Institute. They are one of the hub grantees. They have a spoke in Maryland, Griffin-Hammis Associates. How does that relationship work as far as the accountability to make sure the services are really going as intended?

Mr. MADRID. Absolutely. Thank you for the question, Senator Cardin. So we have a robust technology platform that is real-time that is between the spokes and the hubs. The hubs are the aggregator of the data that is reported back to our team at the Office of Entrepreneurship Education and grants management team there and our grants management specialists and supporting team. So this is real-time data that is being supported and aggregated through the hubs, and the hubs are submitting the data to us for evaluation. And that will be done every quarter, but we also have real-time acquisition of that data.

Chairman CARDIN. Thank you.

Senator Paul.

Senator PAUL. Do you believe the taxpayer has a right to know how you spend their money?

Mr. MADRID. Senator Dr. Paul, thank you for that question. We—in the Office of Entrepreneurial Development, our purview is helping our small businesses navigate through their taxes. We are not in tax policy.

Senator PAUL. No, no, we are not talking about tax policy. I am talking about the citizens. Do the citizens of the United States have a right to know how you are spending their money?

Mr. MADRID. Well, in our area, we are focused on developing entrepreneurs.

Senator PAUL. No, no. This is a transparency question. Do you think the citizens of the United States, through their representatives, have a right to get information from you and your department about how you are spending the money?

Mr. MADRID. We—my purview is to assist our resource partner network and the Community Navigator——

Senator PAUL. It is a sort of a "yes" or "no." I do not think you are getting the question. It is a real simple question. The answer is "yes, of course, the citizens do," but you cannot say that?

Mr. MADRID. I can attest to what we are doing at the Office of Entrepreneurial Development.

Senator PAUL. No. But, I mean, it is a more general question. Do the citizens of the United States have the right to know how you are spending their money?

Mr. MADRID. Dr. Paul, I can shine the light on what we are doing at OED and, you know, in terms of tax preparation, materials that we have——

Senator PAUL. This is a really general question just on transparency. Do the citizens of the United States, through their representative, have the right to ask questions about how you are spending their money?

Mr. MADRID. I am here to answer any questions that you have on the Office of Entrepreneurial Development.

Senator PAUL. It is a "yes" or "no." Can you acknowledge that, yes, citizens have a right and an expectation to know how their money is spent by organizations? That is why you come here. It is for oversight. It is a very general question. It is not accusing you of anything. It is just saying, do citizens have the right to know how you are spending their money?

Mr. MADRID. Dr. Paul, I would love to just shed some more light on the Office of Entrepreneurial Development.

Senator PAUL. But you cannot answer whether or not citizens have the right to know how you are spending the money?

Mr. MADRID. I would be happy to talk about our tax preparation classes with our resource partners.

Senator PAUL. But you cannot acknowledge, yes or no, whether citizens have the right and the expectation, through their representatives, Republicans and Democrats, to ask you for information on how money is spent? That is a yes-or-no question. It is about—it is a very basic question about transparency, but I am not hearing you answer a "yes" or "no."

Mr. MADRID. Dr. Paul, I would love to tell you more about what we are doing at the Office of Entrepreneurial Development. I am energized to be here and talk about our programs throughout the country.

Senator PAUL. But it sounds like you are obfuscating the issue and you are not willing to answer that there is sunlight and that you are open to any kind of scrutiny by representatives as to how you are spending the money. You do not believe that citizens have the right to understand how you are spending money and to ask questions through their representatives about how you spend the money?

Mr. MADRID. Dr. Paul, I am here to answer any questions that you have on——

Senator PAUL. But I am asking you, do citizens have the right to know that, and you are giving me some other answer that is not an answer to the question. This is a question: Do citizens have the right to expect you to answer questions about how your money is spent?

Mr. MADRID. Dr. Paul, I am here to answer any questions that you have on the fulfillment of our OED programs that include the resource partner footprint, the Community Navigator.

Senator PAUL. Let the record show that the witness is refusing to answer a very basic question about transparency.

The reason I ask this question is we sent you questions back in the beginning of the summer about the Community Navigator Program. These are not political questions that I know of. How many organizations applied for funds under the Community Navigators

Program? That question was asked in the beginning of last summer. We asked again in November, and we have not had answers. I think your staff decided to send us some piece of paper today or yesterday still not answering that question.

What is the geographic distribution of states and localities covered by each grantee?

These are not even politically charged questions that we sometimes encounter, but you cannot even answer whether or not citizens have an expectation to get answers from you, and then when we ask questions you do not answer them. That, to me, is serious breach of your duty as a civil servant.

You cannot answer a question on sunlight, and then when we send you written questions of an objective nature you refuse to answer the question. You do not even respond to us. I mean, that is utterly contemptuous and disregarding of representative government.

Mr. MADRID. Dr. Paul, we did answer your letter. So I would be happy to answer——

Senator PAUL. When was the answer? When were the questions answered?

Mr. MADRID. We will get back to your office, but I know that we answered.

Senator PAUL. No. The questions that I just asked you, the two questions. We got something yesterday or today from your office, when you knew you were going to be here and have to answer some questions. You resisted for months sending any answer, but you still have not answered the two questions I just outlined. I do not believe we have got an answer for either one of those questions.

Mr. MADRID. Well, Dr. Paul, we believe in transparency, and we did respond to your question.

Senator PAUL. No more questions.

Chairman CARDIN. Let me point out I believe the Community Navigator Program started in December. So it is a relatively new program. So the information is just, I think, becoming available in a way that it is going to be meaningful for us to be able to obtain the type of information that Senator Paul has requested.

Senator Hickenlooper.

Senator HICKENLOOPER. There. Great. Thank you, Mr. Madrid, for appearing today but also for your extensive public service. And I think your father's story is obviously an inspiration to you but I think can be an inspiration to all of us.

We saw, somewhat surprisingly, a dramatic increase in entrepreneurship during COVID, almost 24 percent. How are the entrepreneurial development programs—how are they handling that, and how is—how are they supporting these new businesses?

Mr. MADRID. Well, thank you, Senator, for your question. I mean, it is an entrepreneurship boom for sure, 5.4 million new businesses applications. And when you think about that ecosystem in conjunction with the repeat customers of the SBA, those that were going to our resource partners, our SCORE chapters, our SBDCs and Women's Business Centers, and then you think about the customers that came to the SBA for the first time during the pandemic, so you have three ecosystems that were supported. And they

need to be served just like I was mentioning the Yaelis of the world.

And we have so many examples that small businesses—we all know that 20 percent of small businesses that are formed die in the first year. That is a fact. That data supports it. So we all need to work together to support them. After all, they do create almost half of our jobs, and that is just a resounding tick of new entrepreneurship in the midst of a global pandemic. So we look forward to supporting them through the networks that I have described.

Senator HICKENLOOPER. Great. And I want to just kind of follow-up on that because I do know as a small business person myself. I spent 20 years in small business and did avail myself of an SBA 504 loan and went through that whole process after, I guess, I had been in business three or four years. The thing that most surprised me—and I was tremendously, and unto this day, appreciative—was the counseling, that in the process of applying for a loan how much small business advice I got.

My dad died when I was a little kid. I did not have any family members who were in business. I was really kind of—I mean, I had to go to the library on how to write a business plan. I did not—honestly, I was a geologist. I did not know what the word "pro forma" meant.

And the staff at the Small Business Administration really bent over backward to make sure that not only did I understand the programs but that I thought, you know, they had concrete suggestions on how I might think about marketing and how I might think about expanding my business, which were invaluable. Part of their advice was about staffing, hiring personnel, and I think certainly when I—I opened in an abandoned part of downtown Denver, and we had a very diverse workforce.

And I think today we see more and more women-owned businesses, more and more minority-owned businesses also dealing with a diverse workforce and right now with real trouble, real challenges in terms of their hiring. And one of those issues that I experienced back then, and I think people are experiencing today, is the skills gap. And how do your entrepreneurial development programs address—or, how can we do a better job of addressing—the issue of reskilling? And how do we help people get those skills that allow you to upskill existing employees but actually make sure that incoming employees have the necessary skills?

Mr. MADRID. Thank you, Senator, for that question. And I chuckled at "pro forma" because I was also a business owner many years ago and I did not know what that meant either until I learned from going to one of these Small Business Development Centers.

Upskilling and workforce development is critical. I was visiting with a small business owner in the Lehigh Valley area of Pennsylvania, in Reading, Pennsylvania, Johanny Cepeda, the owner of Mi Casa Su Casa. And she said: "Mark, when the COVID–19 happened and lockdown happened, I had no idea how to transform my restaurant business into a digital business, whether I should go with one of the DoorDashes of the world. And that required education. That required technology."

And so she talked about taking care of her workforce, keeping them safe. She talked about quality childcare and access to re-

sources and also education. So all those buckets we fulfill at OED, whether it is the resource partners that pivoted to be virtual. Also, that is a rural area. So she was able to lean into the district office and the SBDC and that whole network, and now she is leaning into Community Navigators as well that will be servicing that service portfolio in that particular area.

Senator HICKENLOOPER. Great. Thank you very much and thanks for all your work.

Mr. MADRID. Thank you.

Senator HICKENLOOPER. Back to the Chair or the Ranking Member.

Senator PAUL [presiding]. Senator Marshall is no longer here. Senator Ernst?

Senator ERNST. Yes, thank you so much. First off, I just want to say that I really do appreciate the Small Business Administration's programs, especially in the area of entrepreneurship, whether that is for our veterans or women that are looking for opportunities.

But I do want to say I am a little dismayed at the lack of an answer to our Ranking Member, Mr. Madrid. We are accountable to our constituents. They provide taxpayer dollars for many of the programs, most of the programs at SBA. And it should be easy for us to state back to them that we believe in transparency and, yes, they should have the ability to know how their taxpayer dollars are being spent. I think it is incredibly important that we provide transparency to those folks so that we know we are watching out for their dollars at every opportunity.

So over the last couple of weeks, I have been in Iowa and doing a 99-county tour that I do every single year. And many of those constituents are telling me that their small businesses are really struggling under the impact of inflation in their businesses, they are struggling with supply chain issues, this is hurting them, it is hurting their employees, it is hurting their families.

So on February 10th, I will be introducing the PRICE Act, and that would require all proposed spending to include a report detailing the impact on inflation and household incomes to provide American families the economic stability they need against this administration's reckless spending. So again, this is a transparency measure. We want people to know and understand how those taxpayer dollars are being spent.

So what is the SBA doing to help these small businesses navigate these escalating prices and to prevent those costs from being passed along to consumers? How can the administration help us respond to inflation to help struggling small businesses?

Mr. MADRID. Thank you for your question, Senator. And I did invest some time in Fort Dodge, Iowa, visiting with the Iowa SBDC when they launched their Inclusivity for All Challenge, and it was an unbelievable honor to be there in the Des Moines area, in Fort Dodge, and visiting with those rural entrepreneurs.

What I would say is our resource partner footprint, specifically some of the SBDCs on the ground are looking at prices, specifically through supply chain education. For example, we have an SBDC at Rutgers University that is looking at inventory management and making sure that the supply chain, along with the Made in America Initiative, is driving down cost. And so we are excited about

that work that is being done across our footprint, and that includes the Women's Business Centers as well.

Senator ERNST. And, thank you. And I think there is a lot of other ideas that we can come up as well. So we will continue working on that.

And so you did mention kind of Made in the USA. So maybe talk a little bit more about any assistance for helping those small businesses source domestically produced alternatives as we are going through the supply chain issue?

Mr. MADRID. Absolutely. Under President Biden's leadership, we are looking at opening more ports and getting more inputs on the ground, specifically with our small business owners. And so that training that I talked about with the SBDCs are Rutgers University is looking exactly at that, using—there is a motto: Get business for each other and do business with each other right here in the U.S.A. And so they are looking at, you know, peer-to-peer management systems where they can drive down those costs. So that is an example of one of the efforts that is happening on the ground.

Senator ERNST. One of the issues that I heard while I was in Iowa visiting a furniture manufacturer was the issue with the ports, and so I do think we have to have greater capacity at the ports. So while it is getting those ships in, unloading them, getting that cargo stored in containers there at those port yards—but what I am also hearing is the shortage of CDL drivers and then the ability of drivers to go into those ports when they are nonunion drivers. Is that something that the SBA could be pushing with the Administration? Opening up those ports to all drivers.

If you have a CDL, you have passed the requirements. So the excuse that we had heard through this business, what they had been told is that nonunion drivers were not considered safe. So some of those ports were not allowing nonunion drivers to come in and pick up containers, which is exacerbating the supply chain issue.

So I am a little concerned that this Administration needs to find other avenues of opening up the flow of goods to help our small businesses. Is that something that the SBA can communicate to the Administration?

Mr. MADRID. We look forward to continuing to help our small businesses. We would love to hear from your office on this issue.

Senator ERNST. Thank you. That is all I have.

Senator PAUL. Senator Rosen by Zoom.

Senator ROSEN. Yes, yes. Thank you, Ranking Member Paul. Appreciate you calling on me. Thank you for holding this important hearing to review the SBA's entrepreneurial development programs and its initiatives, and I want to thank the witnesses here for the testimony today.

I want to talk a little bit about support for startups because Nevada is home to more than 280,000 small businesses, which actually make up over 99 percent of businesses in our State. Over the past two years, Nevada has seen a spike in new startups, creating jobs, of course, and great new economic opportunities. And according to the Economic Development Authority of Western Nevada, the Reno-Sparks Metro Area alone, nearly 100 startups have launched since the beginning of the pandemic.

Startups, we know, are an integral part of the American economy, and they are increasingly becoming part of Nevada's economic resurgence from the pandemic. And as a strong advocate for entrepreneurship, I want to ensure that this surge continues. So, Mr. Madrid, how is SBA encouraging new startups in the midst of the pandemic, and how can Congress help you improve the startup ecosystem, particularly in the emerging startup markets beyond Silicon Valley, markets like Las Vegas and Reno?

Mr. MADRID. Thank you, Senator, for the question. I am happy to report that one of Administrator Guzman's charges is to focus on innovative startups. So thank you for your question.

Innovative startups. Given that stat of 5.4 new business applications in 2021, which is 1 million more than the previous year and a record, this is absolutely essential when we look at the job creation potential and also considering that 20 percent of new businesses die in the first year. So we are excited.

I am glad you mentioned, you know, Nevada there. We recently visited with an entrepreneur there that is in utilities. It is Live Electric. And she was a graduate of our Emerging Leaders Program, and she talked about her startup phase and the journey of becoming a woman-owned certified business and her journey in terms of procuring with the utilities companies. And she would not have been able to do it as quickly or as efficiently without the support of the resource partners.

And so we are excited to continue that storyline and the storyline that I mentioned with the 5.4 million potentially Yaelis of the world and their startup phase because we do not want one to fail, much less 20 percent.

Senator ROSEN. Thank you. I want to move on and talk about expanding our program eligibility because, you know, there has been a lot of economic challenges brought on by the pandemic. It has been devastating for small businesses, of course, not just in Nevada but everywhere. But Nevada, we still have the second highest unemployment rate in the Nation. So for some of my constituents, without additional relief or at least access to the SBA's traditional support programs, their businesses could end up closing their doors.

It is why I have made a priority to expand SBA program eligibility to all small businesses in Nevada and nationwide. And last year, Senator Ernst, who was just before me, she and I have bipartisan legislation to allow nonprofit, small-business childcare providers to participate in all SBA programs. I have also advocated for state-legal cannabis small businesses to receive equal support from the SBA.

So again, Mr. Madrid, as the U.S. faces a childcare crisis, what can the SBA do to ensure that nonprofit childcare providers get the entrepreneurial development support that they need? And separately, in Nevada and so many other states, we do have legalized marijuana, and what can we do to ensure that legal businesses, including state-legal cannabis business, small businesses, can take advantage of these entrepreneurial programs as well?

Mr. MADRID. Thank you, Senator, and thank you for mentioning the criticality of childcare. We are very interested at the agency level to help small business and invest in working small businesses

so that they can have quality and affordable childcare. Thank you for your efforts with childcare businesses specifically in Nevada. And we will continue to look at that. We would love to work with your office, of course.

So thank you for mentioning that and overall just about your sentiments on startups and specifically taking a look at the coalition building that is taking place in Nevada. We feel that the resource partners, with their nuanced specialty programs and building coalitions together and creating a cross referral network, including the Community Navigators, is going to be essential. It is going to be essential in Nevada as well.

Senator ROSEN. Thank you.

I see my time is just about 10 seconds. So, Mr. Chair, I will yield back.

Chairman CARDIN [presiding]. Senator Hawley.

Senator HAWLEY. Thank you very much, Mr. Chairman.

Thanks for being here, Mr. Madrid. Before I start, I do want to come back to I am flummoxed by your exchange with Senator Paul. I cannot understand your position on this. Why is it that you think that taxpayers should not be able to have an accounting of how you are spending money?

Mr. MADRID. Senator Hawley, great to see you. We do believe in accountability and transparency.

Senator HAWLEY. But that is not my question. My question is: Why don't you think they should be able to see how you are spending the money? It is their money, not your money. And I just do not understand. Why is it you think they should not receive an accounting of how your office is spending the money, how SBA is spending its money?

What is the—there must be some philosophical objection here. I just do not understand what it is.

Mr. MADRID. You should be able to see everything that we report and through our public reporting. So we do believe in accountability and transparency.

Senator HAWLEY. Oh, so you do think then that the public should be able to see what you spend and what you do. Is that right?

Mr. MADRID. I am replying in terms of our footprint at OED and our public reporting on our resource partners.

Senator HAWLEY. So, okay, I got it. So the locus of your disagreement with Senator Paul is you just do not want to answer the questions he asked you. That is the real answer. Is that right?

Mr. MADRID. Senator, thank you for your question. I am here to—you know, I am here to report on the Office of Entrepreneurial Development and my purview, and so that is what I will continue to do.

Senator HAWLEY. Yes, the reason I think it is so irritating, frankly, is because this administration and this SBA has repeatedly and consistently stonewalled this Committee, and in particular the Republicans on this Committee, for going on a solid year now. It is really extraordinary. So to have you come in here and say that you do not think that you ought to have to give an accounting for taxpayer money is really extraordinary.

So I just want the record to reflect that, that I completely agree with Senator Paul and Senator Ernst that your position on this,

this administration's position on this, is just really frankly unbelievable, and I am startled that you are taking the positions you are.

Let me ask you about some other accountability. For this fiscal year, fiscal year 2022 I should say, SBA submitted budget justifications that request funding increases for most of the programs and initiatives that we are here to discuss. I want to know about some of the data, however, that has been published about how effective these various programs are.

For example, Small Business Development Centers, according to data collected by the SBA's Office of Entrepreneurial Development in their annual studies from 2003 to 2012, only 20 percent of program participants reported that the services they received enabled them to retain current staff, only 16 percent reported that services received enabled them to hire new staff, and only 29 percent of participants said that the services they received had a positive impact on their profit margin. So let me just ask you, Mr. Madrid, does the Office of Entrepreneurial Development continue to conduct annual studies of program participants to assess the impact and effectiveness of these programs?

Mr. MADRID. We report on our outcomes and our goals, and that is standard per the statute. So we report on the metrics and the goals annually, and those are publicly available.

Senator HAWLEY. But do you do studies to assess the impact of the programs? I mean, we know that SBA did from 2003 to 2012. My staff has not been able to find any reports published, I think, past 2012. So this is just a factual question. Do you conduct annual studies of your program participants to assess the impact or no?

Mr. MADRID. Senator, we issue public reports. So we would be happy to work with your office on the data that we do have and the reporting that we do have.

Senator HAWLEY. But do you conduct annual studies of program participants? That is my question.

Mr. MADRID. We report on the data that is aggregated from our resource partners.

Senator HAWLEY. So that is a "yes" or that is a "no?"

Mr. MADRID. We can report on the——

Senator HAWLEY. When was the last time you published an annual study?

Mr. MADRID. We can work with your office to give you our reporting that we have on our——

Mr. MADRID. But when was the last time you published an annual—I am just trying—these are not gotcha questions. I am just trying to establish some basic questions—some basic facts so I can ask you some questions about them. So either you are not prepared or you are not here to answer my questions, which goes back to what we talked about earlier.

So let us try again. When was the last time you published an annual report? And you can read the memo your staff keeps giving. Maybe we should have the staffer come testify. He seems to be the one who is giving you the answers. We could probably make room at the table. If somebody is willing to answer questions, I would love to hear from them. Go ahead.

Mr. MADRID. Senator, thank you for your question. We report publicly, annually, on the metrics that are per the statute, and we would be happy to work with your office to supply them, the most recent ones.

Senator HAWLEY. Okay. So those are—you survey the participants of the program annually?

Mr. MADRID. This is the data that we receive through our resource partners, like capital infusion, unique clients served, et cetera. We would be happy to work with your office——

Senator HAWLEY. Well, have the performance metrics that you have seen, have they improved since the publication of the 2013 report?

Mr. MADRID. I am sorry?

Senator HAWLEY. Have the performance metrics that you have seen—you say that you collect performance metrics.

Mr. MADRID. Yes, they have. There are some of the metrics that have improved, and I would be happy to supply them to your office.

Senator HAWLEY. Give me—well, give them to me. I mean, what—so in 2012, only 20 percent of program participants said that the services they received helped them retain current staff. So what is the number now?

Mr. MADRID. I can give you what we do have in terms of the capital infusion, and I would be happy to work with your office.

Senator HAWLEY. Okay. I wish I could say this was productive, but it is manifestly not. And I do not know what to say, Mr. Chairman, other than that we will give you a bunch of questions for the record.

But if we are going to have these hearings and be able to do any kind of oversight, you are going to have to prepare and you are going to have to come prepared to answer questions. And this performance today, frankly, is just ridiculous.

Thank you, Mr. Chairman.

Chairman CARDIN. Let me just reinforce a couple comments that have been made. First, every member of this Committee is entitled to as much information as we can get for oversight. We do believe in transparency, as Mr. Madrid has said, and we want to make sure that every member has access, as well as the taxpayers have access, as to how the programs at any Federal agency, including the Small Business Administration, is handled.

I am aware of several requests that were made by the Minority for information from the Small Business Administration, and I am also aware of that information being made available to the Minority members. Whenever I have been asked by the Minority for information, I have tried to facilitate that information being made available, and I think we have been successful in getting that information to the Minority. So I just want to go on record to indicate that we have had cooperation from the Small Business Administration in providing members of this Committee detailed information.

Now admittedly, a lot of this is not involved in the entrepreneurship programs. This is other areas that have been more of interest to the Republican members. But in regards to the entrepreneurship programs, many of these are, as I said particularly on the Navigator program, a new program. And we do really want to oversight that, so we do want to make sure that we get timely information.

And let me just reinforce one of the messages from my Republican colleagues. During the last administration, we had significant challenges in getting information as to how the new programs set up under the CARES Act were being administered, and we needed that information as we were adjusting the policy and deciding whether to replenish the funds. And we could not get that information. We knew there was something needed to be adjusted, but we did not have the specific information in order to do it even though we were certain that the SBA had that information. It just was not making it available to us. So as an effort to try to correct that, we actually put language in the statute to require timely information to Congress so that we could adjust policies.

So this has been a constant challenge in regards to those who administer the programs and getting information to Congress, and it is critically important that we get timely information so that if resources are needed or adjustments in policies are needed or something is not going right, we can work together to make sure that the funds are used in a most cost-effective way.

Let us be pretty clear about this. The SBA was charged during COVID–19 with an unprecedented amount of responsibilities. Over a trillion dollars of assistance was given out under the umbrella of the SBA. They had never before come anywhere close to that amount of money being allocated over multiple years. So this was a new challenge, and I think by and large we were very proud of the manner in which these programs were stood up, the amount of extraordinary work the staff put in to make sure these timely aids could be gotten.

So I just really want to make it clear that despite some of the questions and the tone of the questions I do believe we have had cooperation from the SBA. I would like to see more timely information made available to us so that we can do our responsibility and would urge the administration to be sensitive not just to the Inspector General but to Congress to make sure that we get timely information in order to properly be able to review programs.

With that, Mr. Madrid, thank you very much for your testimony, and we are going to turn now to the second panel.

Mr. MADRID. Thank you very much.

Chairman CARDIN. As I explained at the beginning of this hearing, there are votes going on, on the floor of the United States Senate. So Senator Paul was kind enough to stay here so I could cast my vote. He is now back voting on the Senate floor.

We have six witnesses on the second panel. I believe Senator Paul may wish to make some additional comments in regard to three of these witnesses that were invited at his request. So what I will do is give brief introductions for all six but recognize that Senator Paul may very well wish to supplement that in regards to the three witnesses that he invited to the panel.

So let me welcome all six of our witnesses. What I will do is try to introduce this, if I can, in the order in which we will be asking you to speak.

Our first witness will be "Tee" Rowe, who is the President and CEO of America's Small Business Development Centers. Mr. Rowe has a long history of legislative and advocacy experience on behalf of the small business community. Prior to joining America's SBDC,

he served as the Associate Administrator for Congressional Legislative Affairs for the United States Small Business Administration from 2005 to 2009.

Next would be Mr. Michael Hendrix, who is a senior fellow and Director of State and Local Policy at the Manhattan Institute. His writings have appeared in various national publications, including the National Review, the City Journal, and National Affairs. He holds a master's degree in international relations from the University of St. Andrews.

Our third witness would be Corinne Hodges, who joined the Association of Women's Business Centers as CEO in January 2019 and is charged with bringing about enhanced sustainability and increased capacity to the Association and its members. Her immediate priority is the modernization and reauthorization—an issue I want to talk about—of the Women's Business Center Program while building capacity throughout their growing network of 135 Women's Business Centers. She resides in beautiful Brunswick, Maryland, with her husband of 16 years and her 14 year old child.

Our fourth witness is Chris Edwards. Chris Edwards is the Director of Tax Policy Studies at CATO Institute and serves as a member of the Fiscal Future Commission of the National Academy of Sciences. Prior to joining CATO, he served as a senior economist at the Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. He holds a bachelor's in economics from the University of Waterloo and a master's in economics from George Mason.

Our fifth witness is Bridget Weston. Bridget Weston is the CEO of the SCORE Association, where she provides executive leadership and works directly and collaboratively with the board of directors to establish the vision and direction of SCORE. Additionally, she has served as a member of the Futures Task Force that created SCORE's vision for 2025 and has been a leader in the fiscal year 2020 tactical plan for SCORE.

And rounding out the panel is Hannah Cox, Content Manager and Brand Ambassador for the Foundation for Economic Education and the host of the podcast BASEDPolitics. Her work revolves around the defense of free markets, individual liberty, and limited government.

Before turning to the witnesses, let me recognize the Ranking Member, Senator Paul, if he wants to make any comments in regards to these—he is fine, okay.

I hope I did a good job introducing your witnesses. I did the best I could.

We will start off with Mr. Rowe.

STATEMENT OF C.E. "TEE" ROWE, PRESIDENT AND CEO, AMERICA'S SBDC, BURKE, VA

Mr. ROWE. Thank you, Chairman Cardin.

Chairman CARDIN. I should point out, without objection, your full written testimony is being made part of the record. You may proceed as you wish.

Mr. ROWE. Thank you, Chairman Cardin, Ranking Member Paul, Senators. Thank you for inviting me to testify.

I am the President of America's SBDC, the association of Small Business Development Centers. For over 40 years, SBDCs have been providing services to small business owners throughout the Nation. We operate out of our host institutions and operate statewide. But while SBDCs may be headquartered at colleges and universities, our centers are in the communities. That is why you will find SBDCs at the St. Mary's County Economic Development Office, the city hall in Berea, Kentucky, or the Boulder Public Library.

SBDCs help all small businesses at all stages. Roughly 50 percent of our clients are women, 10 percent of our clients are veterans, and minority clients comprise about 38 percent of our client base. In an average year, we provide over 1.5 million hours of counseling and training to over 500,000 small business owners and their employees, and that assistance has generated results. From 1990 to 2020, our clients accessed $82 billion in capital, increased their sales by $144 billion, and created 4 million jobs, and that helped generate over $11 billion in tax revenue.

And as I laid out in my written statement, we offer a wide variety of assistance. So I would really like to just focus on a few things.

First, our COVID pandemic response. Over the last year and a half, SBDCs have done over three years' worth of work. We participated in over 3,500 webinars and assisted over 315,000 people just in the first few months of the pandemic. Our networks opened new centers, like the nine in Pennsylvania, hired new advisors, and pivoted to provide specific services aimed at helping small businesses weather the pandemic. We assisted them with billions in financing through PPP, EIDL, SVOG, and Restaurant Revitalization.

And now, hopefully coming out, our client surveys show us that the most urgent need is finding new customers, which was also their most frequent challenge during the pandemic. Of course, they also still need help with strategic planning, digital marketing, supply chain flexibility, and employee retention.

Going forward, we see small businesses increasingly reliant on technology. That is why we teach cybersecurity as well as social media. We have based our cybersecurity program on the DOD Cybersecurity Maturity Model. The Delaware SBDC's DatAssured Program covers all facets of that DOD guidance, to provide basic education for small businesses, and it was nationally recognized by the Department of Homeland Security and has been adopted by over a dozen SBDC networks.

Now these changes are going to present significant challenges in communities, underserved communities, particularly with limited broadband access, and those are both urban and rural communities. And to overcome that, SBDCs are increasing our outreach, working with Urban League chapters, Black and Hispanic Chambers, to ensure that we are reaching everyone. And we have centers at 21 Historically Black Colleges and Universities.

And to further that effort, we have begun the Inclusivity Challenge based on our Northern California SBDC's Inclusivity Project. The Inclusivity Challenge is all about helping all entrepreneurs overcome impediments to their success. That effort is complemen-

tary, we believe, to the Community Navigators Program. In fact, several SBDCs are already engaged in Community Navigators.

We are dedicated to finding the most effective ways to deliver services to small business, and to that end we strongly support reauthorization of the entrepreneurial development programs. We think it is time to review and renew the commitment to assisting small business.

I have one final item, and that is the need for collaboration and cooperation between all small business programs. Now our three programs work well together, but there are so many more across the Federal Government. And frankly, we need to integrate all those activities so we can all be more effective and cut out what I consider to be unnecessary friction and siloes.

That concludes my testimony. I look forward to any questions you all might have. Thank you.

[The prepared statement of Mr. Rowe follows:]



Testimony

of

C. E. “Tee” Rowe

President/CEO

February 1, 2022

Committee on Small Business

and Entrepreneurship

United States Senate

“Review of SBA Entrepreneurial Development

Programs and Initiatives”

Chairman Cardin, Ranking Member Paul,

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

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

HOW AND WHERE SBDCs WORK

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

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

SBDCs provide services to small businesses at all stages of development. The mix of businesses usually varies depending on the region and their unique characteristics. A good rule of thumb is that we have a range of about a 60/40 mix of existing and nascent (start-up) entrepreneurs. Annually, these ratios vary due to economic conditions and external factors such as disasters or market conditions. Roughly 50% of our clients are women, and roughly 10% of our clients are veterans. Every year we provide over one and a half million hours of counseling and training to over 500,000 small business owners and their employees.

SBDCs focus on providing free one-on-one consulting and mentoring on how to improve, finance, market, and manage their businesses. The services SBDCs provide tend to be more in-depth, and our relationships often span several years. The services will change as the business grows and its needs shift. SBDCs offer assistance in finance, marketing, procurement, rural tourism, energy conservation, and international trade among many other areas. We are always expanding and improving our services to support the growing needs of the small business sector and to adapt to a changing business environment.

SBDC assistance produces significant results. From 2012 to 2019 SBDCs helped their small business clients obtain over $36 billion in capital, increase their sales by over $47 billion and helped them create over 629,000 new jobs. In 2020 alone SBDCs helped small businesses access $6 billion in capital, increase sales by $7.6 billion and create 71,399 jobs.

ACCREDITATION

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

VETERANS

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

UNDERSERVED COMMUNITIES

The SBDC outreach to minority and underserved communities is significant. Our minority clientele comprises over 38% of our client base nationwide and our members support targeted outreach programs across the country. In New York for example, the SBDC network hosts the Organization for Latino Entrepreneurs (Ole) and in Maryland the SBDC network supports the Branch Avenue project, an inner-city business restoration program, as well as operating a Hispanic Business Center. Two SBDC networks (DC, USVI) are hosted by Historically Black Colleges and Universities, and we have centers at 21 HBCUs in 14 states. However, as I will discuss later, our efforts to reach all communities are not stopping there.

RURAL OUTREACH

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

EXPORTS

Nationwide SBDC have over 500 certified export assistance counselors to help small businesses reach the markets outside the US, where 95% of the world's markets reside. We partner with the US Census Bureau to provide training in US export regulations and in Massachusetts and Illinois, as well as other states, the SBDC network is one of the key components of the state's export outreach program. The Minnesota SBDC was a charter member and supporter of the NASBITE Trade Passport system enabling small businesses to access export regulation and finance information training and assistance online. Recently the Ohio SBDC partnered with the State of Ohio Office of International Engagement to launch a new program focused on identifying businesses with export potential across Appalachian Ohio. Businesses work with SBDC Export Assistance Advisers to develop comprehensive and in-depth export plans, and have access to a combination of SBDC services, access to state-produced market research, specially trained interns and enhanced STEP funding to offset costs.

We are also involved in an ambitious effort to spread the SBDC model to other countries. Working with the Department of State SBDCs have been helping establish small business support organizations throughout South and Central America, an initiative called the Small Business Network of the Americas. We consider this effort to have a vital role both in building markets and export relationships for our small business clients. As a result of our efforts, particularly through the Southwest Texas Border SBDC at UTSA we have helped establish small business development organizations in Mexico, Honduras, Colombia, Chile, Costa Rica, Belize, Guatemala and Panama. Our latest effort is bringing the SBDC model to Kenya through a project with USAID and Kenyan Ministry of Industrialization, Trade and Enterprise Development.

TECHNOLOGY

SBDCs are significant providers of assistance for the SBIR and STTR programs. SBDCs across the country work with small technology firms and assist them in applying for and winning grants to develop technology for federal R&D priorities and commercialize them.

These small businesses are dealing with some of the Nation's biggest problems. The Arkansas SBDC helped their client, Truckish, access DOT funding to development a new platform called "Relay" that enables drivers to sleep at home while reducing shipment delivery and truck idling times. The proposed platform incorporates algorithms for changing long-haul trucking from the conventional point-to-point model to a relay model. This enables drivers to meet and switch trailers along interstates and return home daily while the trucks and cargo continue to move towards their respective destinations. In addition, Relay's decoupling of tractors and drivers from trailers and cargo could cut delivery times in half, minimizing loss and saving on truck refrigeration costs.

CYBERSECURITY

Over the past year the national SBDC network has developed a cybersecurity training program based on the Department of Defense Cybersecurity Maturity Model Certification Program. The Delaware SBDC's DatAssured™ Cybersecurity Program was nationally recognized by the U.S. Department of Homeland Security and received a national training award from the Federal Information Security Educators (FISSEA). The program is a leading resource at the state level and used as a centerpiece for the state's Secure Delaware Cyber Security Conference. Lastly, DataAssured has been adopted by over a dozen other state SBDC networks across the country. The platform encompasses all facets of the DoD, NIST and Homeland Security guidance in order to provide the ability for SBDCs to provide basic security for small business owners and help them access higher level services when needed.

PROCUREMENT

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

COVID PANDEMIC RESPONSE

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

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

We have assisted small businesses with billions in financings through PPP, EIDL, SVOG and now the Restaurant Revitalization Fund. Throughout the pandemic the biggest problem SBDCs and their clients faced was conflicting information. We tried hard to help small business, but our efforts were occasionally hindered by information that came out in fits and starts. We worked hard to assist small businesses get applications in and get them the help they needed.

Sadly, a lot of conflicting and sometimes downright bad information came out and that made our work harder. Motivated by the best of intentions a lot of parties tried to rush information out in advance of agency guidance. That, compounded by concern, drove a lot of small businesses to make mistakes and that was compounded by a shortage of actual guidance from the agencies.

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

To respond to the pandemic and the unique problems SBDCs responded in a variety of ways. An example is our Pennsylvania SBDC network. The PASBDC responded to the pandemic by launching 9 centers of excellence with specialty services. Within 2 months of receiving the Cares Act funding these COEs were open to serve clients across the Commonwealth with new services aimed specifically at helping clients weather the pandemic. Those services included e-commerce, SEO, life science, agriculture, and hospitality sector focused specialized services, including a bilingual (Latino) center of excellence to help the community access the various special loan programs. In our Los Angeles and Hawaii networks SBDCs not only supplied advice but also critical PPE to help businesses protect their staff and their customers and keep their doors open.

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

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

GOING FORWARD

Based on these results, for the immediate future we see small business as increasingly reliant on technology to both serve and find customers. As the pandemic recedes, we hope that people will return to their prior retail habits but it is not improbable that consumer habits learned during the pandemic will linger. Our concern is how to meet those small business needs and help small businesses re-establish those customer bases, customer confidence, and regain lost ground. We are also challenged by the "great resignation". In many ways we were pleasantly surprised by the number of new businesses that sprang up during the last two years. More people than ever have investigated, whether driven by layoffs or just dissatisfaction, and taken the step into business ownership.

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

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

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

The challenge is simple – ***"Do More"***. Based on the assessments of each SBDC's local needs they will reach out to more communities and establish more connections and provide more services. Each SBDC participating in *The Inclusivity Challenge* begins by critically examining communities within the SBDC service region that are underserved, or face barriers or limitations to building

sustainable businesses. *The Inclusivity Challenge* is not just about targeting demographic groups. It's about helping all entrepreneurs overcome impediments to their success. Those can include language, culture, geography, disability, past life experiences (drug addiction, prison records), etc.

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

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

THE FUTURE OF SMALL BUSINESS

I also want to mention our ongoing effort to encourage entrepreneurship. SBDCs are intensely involved in programs to engage students as volunteers and interns, and in addition, we regularly host events promoting entrepreneurship amongst students of all ages. From Lemonade Day in Alaska that teaches K-12 children how to plan and launch a business to the Student Link Initiative in Delaware, the Senior Consulting Projects in Illinois, Youth Entrepreneurship Service (YES) in New York or the Entrepreneurial Families program in New Hampshire, SBDCs are constantly spreading the spirit of entrepreneurship.

COLLABORATION ACROSS AGENCIES AND PROGRAMS

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

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

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

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

REAUTHORIZATION

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

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

1. Clarify and strengthen the SBA/SBDC partnership through clear negotiation and collaboration.
2. Clarify SBDC marketing and co-sponsorship abilities.
3. Set forth priorities and goals for the entrepreneurial development programs that reflect 21st century economics and opportunities.
4. Strengthen the ability for all federal agencies, and entrepreneurial development programs to serve all counties. Rural and inner city alike.
5. Breakdown the silos that isolate program access and capacity.
6. Recognize the variety and scope of the entrepreneurial development programs and focus on broadening outreach rather than worrying about overlap.
7. Increase the SBDC authorization level to $200 million, and our partners accordingly.
8. Involve SBA's ED programs in workforce development, and apprenticeships.
9. Support increases in ED program appropriations to build this capacity.

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

Chairman CARDIN. Thank you.
Michael Hendrix.

STATEMENT OF MICHAEL HENDRIX, SENIOR FELLOW, MANHATTAN INSTITUTE, NEW YORK, NY

Mr. HENDRIX. Chairman Cardin, Ranking Member Paul, members of the Committee, thank you for the honor of participating in today's hearing.

My name is Michael Hendrix, and I serve at the Manhattan Institute. And today, I want to be clear at the outset. Entrepreneurial success makes the American dream a reality. New businesses create jobs, foster opportunity, help build vibrant communities, and empower marginalized Americans. And the SBA, through its resource partners, has committed to assisting these entrepreneurs, and they should be applauded for their worthy mission.

But my message today is also simple. The SBA's entrepreneurial development programs and initiatives are too often opaque, ineffective, and duplicative. We must find a better way to serve America's entrepreneurs.

First of all, the track record and oversight of the SBA's entrepreneurial development program is spotty at best. If these programs helping small businesses were small businesses themselves, they would have failed.

I have visited these offices before. At one, at a startup hub, I was told my first step as a technology entrepreneur was to visit the library to learn Microsoft Word and after that to write a business plan which I could design with MS Paint and clip art. Not only was this advice clearly out of date; it was also out of context.

Worse yet, the SBA and their partners are barely keeping track of whether their work actually works. The SBA's Inspector General has found again and again the Agency has poor oversight over its resource partners and the taxpayer dollars they are spending. For instance, they were not accurately measuring or reporting whether SCORE was achieving any goals or, quote, assessing whether the program achieved its intended purpose. I cannot imagine they would advise their clients to do the same, nor would I hope that they would recommend their own management practices.

The SBA's recent multimillion-dollar hub for educating small businesses during the COVID–19 pandemic ended up helping just 1 percent of the businesses it was intended to serve. And out of 14,000 resource partner counselors, only 62 completed any of the training intended to help them help businesses. Just 62 out of 14,000.

The SBA's resource partner network is also duplicative, plain and simple. When the SBA program and programs like SCORE were launched, there were not many resources like them available, but there are now. Today, if you would like a free business plan, Google gives you 3.5 billion results. The Harvard Business Review will show you "How to Write a Winning Business Plan" alongside Google's 57 million video results answering the same question. If you are in need of mentoring, there is a long list of organizations now ready to help. We see programs in the private sector helping entrepreneurs without the need for government subsidies.

Meanwhile, the Agency's Small Business Development Centers, Women's Business Centers, Veterans Centers, SCORE chapters, they all provide similar services, and that is according to the SBA's own Inspector General. Many of these facilities are also located close to one another. For instance, 95 percent of Women's Business Centers are within 25 miles or less of an SBDC or SCORE office. When the SBA's own Inspector General came before this Committee in 2011, she had a simple message, reduce this duplicative business counseling, and that is a quote.

For nearly 60 years, the SBA's entrepreneurial development program has yielded questionable results and mounting inefficiencies. During this same time, new business formation has plummeted, not risen. Yet, every new decade has brought new initiatives, new requests for new funding. The folks in these organizations are well-intentioned. They have a worthy mission. They are good people. But ideally, groups like SCORE and others should be able to stand on their own two feet without tens of millions of dollars in Federal subsidy. They should compete just as their clients must.

Of course, ultimately, we must ask: Is the Federal Government best placed to offer entrepreneurs advice?

Thank you.

[The prepared statement of Mr. Hendrix follows:]

MI

Michael Hendrix
SENIOR FELLOW AND DIRECTOR, STATE AND LOCAL POLICY

Testimony of:

Michael Hendrix

Senior Fellow and Director, State and Local Policy, Manhattan Institute

Hearing for:

Review of SBA Entrepreneurial Development Programs and Initiatives

U.S. Senate Committee on Small Business & Entrepreneurship

February 1, 2022

Chairman Cardin, Ranking Member Paul, and Members of the Committee, thank you for the honor of participating in today's hearing. My name is Michael Hendrix, and I serve as a senior fellow and director of state and local policy at the Manhattan Institute. Along with my colleagues, we seek to advance freedom and opportunity across America's communities.

Entrepreneurial success makes the American Dream a reality. New businesses create jobs and foster opportunity, help build vibrant communities and empower marginalized Americans. The Small Business Administration through its 14,000 resource partners has committed to assisting these entrepreneurs, and they should be applauded for their worthy mission.

But my message today is simple: The Small Business Administration's (SBA) entrepreneurial development programs and initiatives are too often ineffective and duplicative. We must find a better way to serve America's entrepreneurs.

INEFFECTIVE

The track record and oversight of the SBA's entrepreneurial development program is spotty at best. If these programs helping small businesses were small businesses themselves, they would have failed. And there's too much failure to launch as it is: The rate of new business formation has fallen by nearly half in the four-plus decades since the SBA's establishment of its Small Business Development Centers (SBDCs).[1]

[1] *Business Dynamics Statistics*. Census.gov. https://www.census.gov/programs-surveys/bds.html

The bill for the SBA's resource partners is north of $180 million, a figure that's been rising faster than inflation, not including the $175 million for Covid-19 assistance and outreach and much more spent on aid. Altogether, the SBA's Office of Entrepreneurial Development spent a half-billion dollars in FY2020 and another $300 million in FY2021 on training and counseling small businesses. They claim a million entrepreneurs and owners being trained yearly through the Small Business Development Centers, the SCORE mentoring network, Women's Business Centers (WBCs), and Veterans Business Outreach Centers (VBOCs), among others.

I've visited these offices. At one, located in a Colorado-based startup hub, I was told my first step as a technology entrepreneur was to visit the library to learn Microsoft Word. And after that to write a business plan, which I could design with Microsoft Paint and clip art. Not only was this advice clearly out of date, but it was also out of context. Even the notion of drafting business plans, which feature prominently in the SBA's material, risks becoming "an old economy relic," as *The New York Times* observed seven years ago.[2]

Still, a 2012 survey of partner clients found the advice was generally useful.[3] But when they were asked if that same assistance meant, say, increasing profit margins or hiring and retaining new staff, the positive results suddenly vanished—few could say that. In fact, Women's Business Center clients actually lost staff. And of SCORE's 195,000 unique clients, only 480 became new businesses.[4]

What makes these results worrisome is not simply that a study or two showed mixed results from the SBA's resource partners. It's that there's not much more than a study or two. The SBA and their partners are barely keeping track of whether their work actually works. The SBA's inspector general found that the agency does not "accurately measure or report SCORE's program goal achievements" and had a limited ability to "assess whether the program achieved its intended purpose."[5] As of a few years ago, they weren't even tracking customer feedback (as they're supposed to).[6] I can't imagine they'd advise their clients to do the same.

Nor would I hope they would recommend their own management practices. Consider the recent multi-million-dollar grant awarded by the SBA for a hub educating small businesses on federal

---

[2] Zimmerman, E. (2014, December 3). *As start-up strategies evolve, so does role of a business plan*. The New York Times. https://www.nytimes.com/2014/12/04/business/smallbusiness/business-plans-for-start-ups.html
[3] U.S. Small Business Administration. (2012, September). *Impact Study of Entrepreneurial Dynamics: Office of Entrepreneurial Development Resource Partners' Face-to-Face Counseling*. https://www.sba.gov/sites/default/files/aboutsbaarticle/Impact_Study_of_Entrepreneurial_Development_Resources_2012_09.pdf
[4] Congressional Research Service. (2021, January 14). *Small Business Management and Technical Assistance Training Programs*. https://crsreports.congress.gov/product/pdf/R/R41352/73
[5] Office of the Inspector General. (2019, April 25). *Audit of the SBA's Oversight of the SCORE Association*. https://www.sba.gov/sites/default/files/2019-07/SBA-OIG-Report-19-12.pdf
[6] Office of the Inspector General. (2018, December 19). *SBA's District Offices' Customer Service*. https://www.oversight.gov/sites/default/files/oig-reports/SBA-OIG-Report-19-06.pdf

resources available during the Covid-19 pandemic. This hub ended up helping just one percent of the businesses it was intended to serve.[7] And out of 14,000 resource partner counselors, only 62 completed any of the training intended to help them help businesses in a time of crisis.

The SBA's inspector general has found again and again that the agency has poor oversight over its resource partners and the taxpayer dollars they're spending. We saw this in 2018 with the "systemic issues with the SBA's financial and performance oversight of multiple grant programs," including its resource partners.[8] And in 2019, when "program officials did not effectively oversee SCORE's use of federal funds."[9] And again in 2021, when the "SBA did not provide effective oversight over the WBC program."[10] Again and again, we see systemic failures in oversight and administration on the part of the SBA and its resource partners.

Consider the example of SCORE. The inspector general found the program was susceptible to "fraud, waste, and abuse."[11] SCORE "inappropriately solicited donations for mentoring services," charged for publications they should've been providing for free, and generally bungled funds for a laundry list of activities. A sample of expenses found thousands of dollars being illegally spent on booze. Worse yet, the SBA admitted that it didn't even know how much SCORE cost to run. The SBA promised to do better, while at the same time boasting that SCORE had been a resource partner for more than 50 years. Why then has it taken so long to hold SCORE and programs like it accountable?

DUPLICATIVE

The SBA's resource partner network is duplicative, plain and simple. When the SBA and programs like SCORE were launched, there weren't many resources like them available—but there are now. We see programs in the private sector helping entrepreneurs without the need for government subsidies, similar services being provided at the state and local level, and even the same offerings being delivered by other federal resource partners in the same neighborhood.

---

[7] Office of the Inspector General. (2022, January 18). *SBA's Oversight of the Grant Recipient's Implementation of the Cares Act Resource Partners Training Portal*. https://www.sba.gov/sites/default/files/2022-01/SBA%20OIG%20Report%2022-07.pdf

[8] Office of the Inspector General. (2021, March 30). *Evaluation of SBA's Award Procedures for the Coronavirus Aid, Relief, and Economic Security Act Entrepreneurial Development Cooperative Agreements*. https://www.oversight.gov/sites/default/files/oig-reports/SBA/SBA-OIG-Report-21-11.pdf

[9] Office of the Inspector General. (2019, April 25). *Audit of the SBA's Oversight of the SCORE Association*. https://www.sba.gov/sites/default/files/2019-07/SBA-OIG-Report-19-12.pdf

[10] Office of the Inspector General. (2021, May 4). *Audit of SBA's Oversight of Women's Business Centers' Compliance with Cooperative Agreement Financial Requirements*. https://www.sba.gov/sites/default/files/2021-05/SBA%20OIG%20%20Report%2021-14.pdf

[11] Office of the Inspector General. (2019, April 25). *Audit of the SBA's Oversight of the SCORE Association*. https://www.sba.gov/sites/default/files/2019-07/SBA-OIG-Report-19-12.pdf

Today, if you'd like to find a free business plan, Google gives you 3.5 billion results. The *Harvard Business Review* will show you "How to Write a Winning Business Plan" alongside Google's 57 million video results answering the same question. The Kauffman Foundation's FastTrac program will teach you the steps to entrepreneurial success. If you're in need of mentoring, there's the Young Entrepreneurs Council, Goldman Sachs's 10,000 Small Businesses program, Ashoka for social entrepreneurs, 37 Angels for women entrepreneurs, and so on. This doesn't include the entire ecosystem of incubators and accelerators for new and small businesses of all stripes. The SBA and its resource partners are simply not competitive with the private sector; the Small Business Administration has been outcompeted by small businesses.

They are also facing competition from state and local governments. In New York City, where the Manhattan Institute is based, there's the Small Business Services agency and the Economic Development Corporation—each with their own initiatives helping women, minority, and veteran-owned businesses. Then there's the city council-backed Made in NYC effort helping manufacturers and even the New York Public Library's Small Business Resource Centers. And I haven't even scratched the surface of the city's partnerships with outside groups, such as in creating the NYC Small Business Resource Network during the Covid-19 pandemic. What innovation might we see if entrepreneurial support came from the states and localities closer to entrepreneurs themselves rather than from Washington? Even so, *all* government entrepreneurship programs should be subject to rigorous scrutiny and regular client feedback, at the very least.

When the SBA's inspector general came before this committee in 2011, she had a simple message: "Reduce duplicative business counseling."[12] The agency's Small Business Development Centers, Women's Business Centers, Veteran's Centers, SCORE Chapters—they all provide similar services, she concluded. [13] Their websites and counselors also offer much of the same information.[14] And that's before considering that the Commerce Department has its own Minority Business Development Agency (MBDA) Business Development Centers, also offering the same advice. Many

---

[12] *Statement of Peggy E. Gustafson, Inspector General, U.S. Small Business Administration*. https://www.sbc.senate.gov/public/_cache/files/c/5/c52363d2-56b9-4763-ad54-1467200995da/0EEF09BAC155FEDF6BF6A480CA3D1435.gustafson-testimony.pdf (2011, June 16). https://www.sbc.senate.gov/public/_cache/files/c/5/c52363d2-56b9-4763-ad54-1467200995da/0EEF09BAC155FEDF6BF6A480CA3D1435.gustafson-testimony.pdf

[13] The SBA's Entrepreneurial Development Program also funds, for instance, the Microloan Technical Assistance effort, the Program for Investment in Microentrepreneurs, Native American Outreach, Entrepreneurial Development Initiative, Entrepreneurship Education Initiative, Growth Accelerators Initiative, HUBZone, National Women's Business Council, Step Trade and Export Promotion, Cybersecurity for Small Business, and the FAST Partnership Program, among others.

[14] In 2007, the Government Accountability Office (GAO) found the SBA pushing for a duplication of efforts: "We also found that on some occasions SBA encouraged WBCs to provide services that were similar to services already provided by SBDCs in their district."

United States Government Accountability Office. (2007, November 16). *Opportunities Exist to Improve Oversight of Women's Business Centers and Coordination among SBA's Business Assistance Programs*. https://www.gao.gov/products/gao-08-49

of these facilities are located close to each other; for instance, 95 percent of Women's Business Centers are within 25 miles or less of an SBDC or SCORE office.[15]

BETTER WAY

Nearly 60 years of the SBA's entrepreneurial development program has yielded questionable results and mounting inefficiencies.[16] Every new decade has brought new initiatives and new requests for more funding, all without asking a fundamental question: is this really what entrepreneurs need?[17]

What America's entrepreneurs need is less bureaucracy, for one thing. If government wants to help, start by cutting red tape. Having fewer top-down dictates and more local innovation. It's in communities across this country, after all, where we see neighbors linking and leveraging assets into an entrepreneurial ecosystem.

This is not to say that SBDCs, SCOREs, WBCs, Veterans Business Outreach Centers, and the whole universe of SBA programs are not impacting some entrepreneurs somewhere, or that they do not have dedicated staff and mentors who want to help. But we should question just how much duplication is going on and hold them accountable. Numerous voices over the years, including the Government Accountability office, have called for merging the agency's duplicative programs for entrepreneurs.[18] Ideally, groups like SCORE should be able to stand on their own feet without tens of millions of dollars in federal subsidy; they should compete, just as their clients must. Ultimately, we must ask: is the federal government best placed to offer entrepreneurs advice?

---

[15] And all 41 MBDA Business Development Centers are located within 25 miles or less of an SBA funded SBDC or SCORE Chapter (or both). See: *Gustafson Testimony*.

[16] Or, to quote a representative of the U.S. Women's Chamber of Commerce, "Over the last 50 years, the SBA entrepreneurial development system has grown into a fragmented array of programs, which has resulted in a disorganized, overlapping, and [in]efficient delivery of service through a system that is ill-prepared to effectively address the challenges of our economy."
Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and their Role in Promoting an Economic Recovery (2009, February 11). Committee on Small Business, United States House of Representatives.
https://www.govinfo.gov/content/pkg/CHRG-111hhrg47055/html/CHRG-111hhrg47055.htm

[17] As Rep. Sam Graves noted, "The SBA has increasingly spawned its own entrepreneurial development initiatives. In doing so, the SBA has repeatedly requested increased funding for its own initiatives while allowing funding for statutorily authorized programs, such as SBDCs, to remain static.... I continue to question the necessity of these initiatives given the potential overlap with both private and public sector efforts already in existence."

SBA-Created Initiatives: Necessary or Redundant Spending? (2014, April 30). Committee on Small Business, United States House of Representatives.
https://www.govinfo.gov/content/pkg/%20CHRG-113hhrg87751/html/CHRG-113hhrg87751.htm

[18] Dilger, R. J. (2014, May 7). *Small Business Management and Technical Assistance Training Programs*.
https://www.hsdl.org/?view&did=754089

While some are here today to praise the hard work of the Small Business Administration and its partners, I believe we must reserve our highest praise for America's small businesses and seek to serve the entrepreneurs at their helm.

Thank you.

Chairman CARDIN. Thank you for your testimony.
We will now hear from Corinne Hodges.

STATEMENT OF CORINNE HODGES, CEO, ASSOCIATION OF WOMEN'S BUSINESS CENTERS, WASHINGTON, DC

Ms. HODGES. Thank you, Chair Cardin, Ranking Member Paul, and members of the Committee for convening today's hearing. On behalf of 140 Women's Business Center grantees and nearly 100,000 entrepreneurs served by our network, I appreciate the opportunity to share the ongoing efforts and benefits of our program in catalyzing women's business ownership.

The Committee needs no reminding that the success of the American economy depends on a robust entrepreneurial system. By any metric—net new jobs, GDP, share of innovation—it is dynamic small businesses that drive economic growth, and women have contributed heavily to that growth for the past several decades.

Since today's hearing is intended to review the government support of this sector and technical assistance, I am here to say that investing in women business owners through the Women's Business Center Program is delivering well worth the return on investment. Even with the COVID crisis, every Federal dollar invested in the Women's Business Center Program in 2020, at least $2.28 flowed back into the economy from $61,769,695 in business revenue generated by those served. As the front line of technical assistance for our Nation's 13 million women business owners, we help start and grow their businesses by providing counseling, training, mentoring, networking opportunities, as well as access to capital.

In years past, policymakers questioned investment of taxpayer dollars into the programs represented today. Indeed, one of my colleagues on this panel suggests there is little need for our program thanks to other actors like philanthropy and State governments, which is helpful albeit inconsistent.

So why should the government be involved in supporting business creation and growth? Well, simply put, it is the greatest economic imperative our country has. It is why entrepreneurship, commerce, and intellectual property are cemented in the U.S. Constitution. Now, in this defining moment of crisis and resilience, we should be doubling down on our investment, not shortchanging it.

The critical support of Women's Business Centers in the CARES Act, for which we are grateful to this Committee, was a perfect experiment. With additional funding, Women's Business Centers' impact skyrocketed across every metric, including a 36 percent increase in the number of clients served, despite the challenges that were presented to them in remote work. But beyond the macroeconomic imperative, entrepreneurship is one of the most effective ways to close the wealth gap and produce longstanding generational wealth among women, minority groups, and veterans. So this dual benefit of the program far outweighs the relatively small investment in the context of the Federal budget.

We must not overlook the importance of consistency that our program provides as a reliable source of counseling and support, no matter the circumstances. To best serve their communities, Women's Business Centers' doors must remain open in the good times along with the bad.

But that is not to say that programs should be etched in stone. Indeed, we are pleading for this Committee to modernize it. In the last Congress, legislation that would have better prepared Women's Business Centers for COVID–19 passed the House, but it stalled in the Senate.

We hope this Committee and its counterpart across the Capitol can address statutory anachronisms and flaws and bring our program literally into the 21st century. I urge this Committee to consider introduction of complementary legislation to the bipartisan bill recently introduced in the House of Representatives, H.R. 6441, the Women's Business Centers Improvement Act of 2022, which addresses longstanding requests of Women's Business Centers, of this Committee, and of SBA. It increases the grant cap and indexes it to inflation and, finally, reauthorizes the program for fiscal years 2022 through 2025.

The bill addresses several deficiencies cited in OIG reports by strengthening coordination between AWBC and SBA and, most critically, creating an accreditation program to ensure uniform standards across the program. Notably, this is something our peer resource partner has; yet, it continues to be a disparity for women entrepreneurs.

Women's Business Centers not only survived the last two years but brought forward more than 170,000 women entrepreneurs and helped them leverage well over three-quarters of a billion dollars in capital, a significant contribution to the small business ecosystem and the American economy. We are proud of our achievements, and we urge Congress and this administration to continue to entrust us with this vital work. We stand ready to work with this Committee and pass much needed legislation to modernize the program.

Thank you so much for this opportunity to testify, and I am happy to answer questions.

[The prepared statement of Ms. Hodges follows:]



Testimony of

Corinne Hodges

On behalf of the

Association of Women's Business Centers

to the

U.S. Senate

Committee on Small Business & Entrepreneurship:

Review of SBA Entrepreneurial Development Programs and Initiatives

February 1, 2022

Thank you, Chair Cardin, Ranking Member Paul, and distinguished Members of the Committee for the opportunity to share this testimony with you. My name is Corinne Hodges, and I serve as the CEO of the Association of Women's Business Centers.

Introduction and Overview of Women's Business Center Program

About the Association of Women's Business Centers

The Association of Women's Business Centers (AWBC) works diligently to secure economic empowerment and entrepreneurial opportunities for women by supporting and sustaining a national network of women entrepreneurs and program staff for 140 Women's Business Centers (WBCs). WBCs help women start and grow their businesses by providing counseling, training, mentoring, networking opportunities, and access to capital.[1]

As an advocate for women entrepreneurs and the Women's Business Center program, I am honored to be here today.

What is a Women's Business Center?

The Women's Business Center program is a public-private partnership with 34 years of success in providing training, counseling, mentoring, networking opportunities and access to capital to women entrepreneurs across the country.

The 140 WBCs that make up the national network are hosted by a myriad of non-profit entrepreneurial development organizations and community lenders that serve economically and socially disadvantaged clients, in as many as 38 languages.

While each WBC operates out of a brick-and-mortar location, many have opened additional satellite locations and all of them offer virtual services. And, when disaster strikes, whether it is earthquakes in Puerto Rico, fires in California or a global health pandemic, Women's Business Centers provide real time support to small businesses affected. WBCs help prepare clients for unforeseen circumstances, support them through their challenges, and help them rebuild and grow.

For instance, Tammy Walker, founder of Tammy's Sweet Tasty Treats,' did not know where to go for help when starting her business. Through a Ladypreneur's meeting in Lexington, Kentucky, Tammy found the Women's Business Center of Kentucky, where she gives Phyllis Alcorn and her team credit for helping her "make her business make money." Tammy commended the WBC of Kentucky, who was available and responsive to her when she needed it; now Tammy's treats are selling in 6 local markets and continuing to grow.

Rapid Expansion of Women's Business Centers

Within the past year, the Women's Business Center network has expanded by 24 locations – totaling 140 WBCs nationwide.

At the start of 2021, the Small Business Administration (SBA) announced grant awards for 20 new WBCs across the United States, spanning urban, rural, and underserved communities.[2] This marked the largest single expansion of the program, and we are grateful to Congress for ensuring the program had additional funding in recent years to bring WBC resources to more communities. Since then, an additional four announcements for new WBCs have been made in Rochester, NY, Tulsa, OK, and Puerto Rico.

Collectively in the past year, new WBCs have been launched in Alabama, Arizona, California, Georgia, Maine, Mississippi, Missouri, Montana, Nebraska, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Tennessee, South Carolina, South Dakota, Texas, Virginia, and Wisconsin. Of these new additions, two WBCs (in North Carolina and Mississippi) are located in underserved and rural markets, widening the footprint and partnership with Historically Black Colleges and Universities (HBCUs).[1]

The AWBC network has grown to include:

1. Regional Economic Assistance for Communicating Hope (REACH) Catalyst Women's Business Center – *Clanton, Alabama*
2. Chicanos Pro La Causa, Inc. (CPLC's) Women's Business Center - *Phoenix, Arizona*
3. El Pájaro Regional Women's Business Center – *Monterey, California*
4. Mission Community Women's Business Center serving Kern County – *Bakersfield, California*
5. Access to Capital for Entrepreneurs (ACE) Savannah Women's Business Center – *Savannah, Georgia*
6. Coastal Enterprises, Inc. (CEI) WBC South – *Portland, Maine*
7. Women's Business Center at Jackson State University (**HBCU**) – *Jackson, Mississippi*
8. New Growth Women's Business Center, West Central – *Springfield, Missouri*
9. Missoula Women's Business Center – *Missoula, Montana*
10. GROW Nebraska Women's Business Center (GNWBC) – *Omaha, Nebraska*
11. Women's Enterprise and Development, Mid-Hudson – *Hudson, New York*
12. Winston Salem State University (WSSU) Women's Business Center (**HBCU**) - *Winston Salem, North Carolina*
13. Women's Business Center of Central Appalachia – *Portsmouth, Ohio*
14. Women's eBusiness Center of Excellence – *Erie, Pennsylvania*
15. The Women's Business Center South – *Memphis, Tennessee*
16. South Carolina Women's Business Center – *Charleston, South Carolina*
17. South Dakota Women's Business Center (East) – *Sioux Falls, South Dakota*
18. Women's Business Center of Montgomery County, East Harris County, and West Chambers County – *Houston, Texas*
19. Women's Business Center of Richmond – Richmond, Virginia
20. Wisconsin Women's Business Initiative Corporation Southwest – La Crosse, Wisconsin

---

[1] SBA Launches Largest Expansion of Women's Business Centers in 30 Years.
https://www.sba.gov/article/2021/jan/04/sba-launches-largest-expansion-womens-business-centers-30-years

21. The Roc Women's Business Center (RWBC) – *Rochester, NY*[2]
22. Greenwood Women's Business Center (WBC)[3] - *Tulsa, OK*
23. A Women's Business Centers (WBC) will be hosted by Ana G. Méndez University, Gurabo Campus (UAGM-Gurabo) – *Puerto Rico*[4]
24. A Women's Business Centers (WBC) will be hosted by the Friends of Puerto Rico – *Puerto Rico*

As the newest WBCs establish and build out their operations, AWBC is committed to working with them to get them up to speed on the program and how to best assist their respective clientele. In our experience the first years of a WBC operation can be the most challenging. We ask Congress to consider how to best support new centers, and all 140 WBCs, as part of a program re-authorization.

Women Experience During the COVID-19 Pandemic

As you are aware, women were disproportionately impacted over the course of this pandemic and continue to struggle. Industries that are predominately women-led, like beauty, childcare, food, and other service industries and rely on in-person servicing, have been significantly impacted by the closures due to COVID restrictions. Hardships experienced by this sector, in turn, have been exacerbated by the national workforce crisis that we currently find ourselves in.

Childcare

Often, still the caretakers within the family, women faced challenges around childcare as these services and schools closed. Parents were left with the responsibility of maintaining their child's education and homeschooling to keep them on track. Now, many women have had to unexpectedly take on multiple roles: childcare, teacher, and their day job. Having to balance these conflicting duties, women entrepreneurs' businesses took a disproportional hit.

Capital Access

Furthermore, women-led small businesses faced disproportionate strain in obtaining loans and other types of funding. These business owners, typically, do not hold the same longstanding relationships with traditional lending institutions, as their male counterparts. As a result, those that reached out to traditional banks during the initial rollout of the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL) did not have the benefit of established relationships to receive prompt responses and ultimately, access to the loans in a timely matter, despite Congress' intention of targeting traditionally underbanked groups.

---

[2] SBA Administrator Guzman Announces New Women's Business Center in Rochester, New York. https://www.sba.gov/article/2021/oct/27/sba-administrator-guzman-announces-new-womens-business-center-rochester-new-york

[3] SBA Administrator Announces New Women's Business Center in Tulsa, Oklahoma. https://www.sba.gov/article/2021/oct/13/sba-administrator-announces-new-womens-business-center-tulsa-oklahoma

[4] SBA Announces Awardees for Two New Women's Business Centers in Puerto Rico. https://www.sba.gov/article/2021/sep/13/sba-announces-awardees-two-new-womens-business-centers-puerto-rico

In addition, many women-owned small businesses (WOSBs) were also unable to rapidly produce financial information and other necessary documentation to apply for these loans.

Need for Digital Tools

Finally, many women-led businesses were not prepared for the quick digital transition needed to adapt and survive. During the first year of the pandemic, WOSBs underwent significant overhauls to update their servicing to compete with other businesses that already had digital mechanisms in place. These businesses had to rapidly increase their digital literacy, through avenues like transitioning to an online delivery model or building out a website, to pivot their services. Those that could not adapt, like hair salons or gyms, were often forced to close their doors.

WBC Experience During the COVID-19 Pandemic

WBCs received a sudden and urgent surge of demand from small businesses (new and existing clients) affected by the lockdowns. While pivoting their own services to remote formats, they were often an economic first-responder. The demands on some WBCs surged as much as 10x during peak periods, most saw peaks of 2x previous volume levels. To meet the demand, WBCs added staff and technology while developing new programming to address the rapidly changing needs of the small business ecosystem.

The CARES Act provided supplemental funding to the WBC program, amounting to $420,000 per Women's Business Center. As a result, the COVID pandemic proved that WBCs can and will do more with more funding and resources. Despite their own internal challenges presented by the pandemic environment, WBCs served a record number of small businesses. According to data gathered by the Office of Women s Business Ownership (OWBO), WBCs served 87,852 unique clients in 2021 – an increase of 6.5% from the 82,466 unique clients served in 2020 and an even greater increase of 36% compared to the 64,527 served in 2019.[5][6] Furthermore, in 2020, the network of WBCs leveraged more than $361,000,000 in support of their clients. Not only did WBCs serve more entrepreneurs and leverage more capital, but they saw an increase in returning clientele for continued and additional services – a testament to the quality of WBC offerings.

WBCs Pivot to Digital

Responding with urgency, WBCs have pivoted to providing many of their services and training virtually, and in doing so found that their reach has been able to scale beyond the brick and mortar. WBC virtual trainings provide assistance to more entrepreneurs based in diverse locations, many of whom would not have been able to attend the traditional in-person sessions.

Workforce Strain

In addition, WBC advisors became subject matter experts of highly technical and frequently changing information, especially as guidance evolved for various small business loan programs, like in the cases of the PPP and EIDL. WOSBs look to WBCs for business guidance, so advisors

[5] Management Impact FY 2021 All WBCs, EDMIS data.
[6] AWBC Data from OED 2.3.21

continuously seek and decipher the most up-to-date information to properly counsel their clientele. Further burdening WBCs, workforce shortages and limited availability of the skills needed put pressure on the small staff. In turn, WBCs experienced capacity and staffing issues when counseling WOSBs. Few individuals had the correct skillset and program knowledge to effectively do this job and WBCs were strained on payroll for the increase in employees needed to handle the unprecedented demand.

A tight labor market, childcare difficulties, and physical restrictions due to COVID restrictions, among other drivers, have led to a significant influx in WOSBs turning to WBC centers for guidance. As a result, the demand has put a strain on WBC centers and their employees. In 2021 alone, WBCs provided a total of 169,303 counselling hours and 43,744 training hours, totaling about 213,047 hours of counseling and training support for clients.[7]

Federal Funding for Small Businesses

I thank the Committee for your role in passing the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The SBA's Office of Entrepreneurial Development (OED) provided data that 69,550 jobs were supported by WBCs in FY20, which in large part was realized by this legislation.

The leadership of this Committee was monumental in our work, so allow me the opportunity to say thank you to this group of Members and their diligent staff. The designated additional WBC funding and waiver of the matching requirement in the CARES Act and Consolidated Appropriations Act, 2021, in the 116th Congress, allowed WBCs the resources they needed to respond to the influx of demand from the small business community.

One example of the WBC impact is exemplified in Jennie Lennick's, owner of Jenny Lemons, a small-batch retail shop and clothing line, experience San Francisco-based Renaissance Women's Business Center when the hardships of COVID-19 hit. Renaissance Women's Business Center connected Jeannie with a resiliency coach who helped her create a plan to diversify her products by using fabric scraps from her shop to host a free online class on making fabric face masks.

I frequently meet with entrepreneurs that have stories like Jennie's, those who say their businesses would have failed except for their local WBC. WBCs like Renaissance continue to help their clients access necessary capital, execute tactical business pivots, ensure business resiliency, and more.

The additional funding allocated through the CARES Act helped temporarily expand the capacity of WBCs, but unfortunately these resources have run dry. With the expiration of these funds, WBCs have had to downsize to their pre-pandemic operations and scale back on technology that enabled virtual service delivery. And yet, the demand from the business community has remained strong and is growing. Therefore, without demand-appropriate federal funding, WBCs are struggling to serve the ever-increasing demand. As the negative economic effects and uncertainty around the pandemic continues, additional funding for the WBC program would ensure that centers are properly equipped and have enough staff to help their clients recover and thrive.

---

[7] Management Impact FY 2021 All WBCs, EDMIS data.

AWBC's Work Supporting Entrepreneurs with Significant Need

The WBC program delivers on its mandate to be inclusive - to serve all aspiring entrepreneurs in need. Of the individuals WBCs served in 2020, 70% were women and 56% were people of color. Of those served in 2020 who identified as people of color in one or more race/ethnicity, 51% were African American, 33% were Latinx, 10% were Asian, 2.7% were Native American/Alaska Native, 1.2% were Native Hawaiian, Pacific Islander or other, and 1.7% were multi-racial.

Recently, notices of award for the newest WBCs reflect the program's active intent to better reach communities of color, including awards to host organizations that operate as minority chambers of commerce and Historically Black Colleges and Universities.

AWBC has and continues to prioritize efforts towards an equitable workforce. In the outset of COVID legislation implementation, AWBC was a founding member of the Page 30 Coalition, which was created to call attention to, and champion the underserved and rural communities identified in CARES legislation and beyond.[8] Despite Congress' intention, billions of COVID relief dollars were deployed without an operational prioritization of these communities. Page 30 works with partners around the country to ensure the critical constituencies recognized on Page 30 of the CARES Act receive the prioritization Congress intended.

AWBC joined the Small Business Roundtable (SBR), a coalition of leading small business and entrepreneurship organizations, dedicated to advancing policy, securing access, and promoting inclusion to benefit the businesses at the heart of the American economy.[9] During Women's History Month, AWBC co-hosted an event celebrating women's entrepreneurship coordinated by SBR to discuss how women-owned small businesses are navigating the pandemic, have removed market and supply chain barriers, and additional options for capital access and opportunities to help women entrepreneurs thrive in 2021.[10]

In 2019, AWBC partnered with National ACE signing a memorandum of understanding in solidarity with Asian communities across the country seeking greater access to entrepreneurial opportunity.

AWBC is committed to improving its outreach to these communities and has undertaken internal and external steps to further build on our leadership in this regard. This begins at the top, where today, half of the AWBC board members are women of color.

Recommendations for the Committee

We ask this Committee, and the 117th Congress more broadly, to take the following actions to support WBCs and the broader women-owned business community.

---

[8] Page 30 Coalition. http://www.page30coalition.org/.
[9] Small Business Roundtable. http://www.smallbusinessroundtable.org/.
[10] Small Business Roundtable. (2021). *A Celebration of Women's Entrepreneurship: Recognizing the Resiliency of Women-Owned Businesses. YouTube*. https://www.youtube.com/watch?v=qZjvgltJcnU&t=6s.

The current WBC Program outlined in statute is antiquated. We ask that the Committee consider introducing complimentary legislation to the bipartisan bill recently introduced in the House of Representatives, H.R. 6441, the Women's Business Centers Improvement Act of 2022, cosponsored by Congresswomen Sharice Davids (D-KS) and Claudia Tenney (R-NY).[11][12]

The WBC program was established by the Women's Business Ownership Act of 1988 (Public Law No. 100-533) and has been operating under the same requirements since its permanency in 20007. Regulatory and grant compliance inconsistencies and inefficiencies can create challenges for even the highest performing WBCs. The recent OIG (Office of Inspector General) report identified specific findings that we see would be remedied by a modern re-design of the WBC program. Working with our agency partner, SBA, we would seek to establish a structured accreditation process that ensures accountability to national standards for client service, including management and operational aspects.

Reauthorization

Through our experience during the pandemic, WBCs have proven that with increased resources, more small businesses can be served. Reauthorization of the WBC Program would recognize the program in statute and bring the program serving up to date. In addition, a formalized accreditation process would ensure that WBCs have a uniform set of standards across the country, thus increasing WBC effectiveness in aiding local WOSBs.

An increased grant cap for individual WBCs from $150,000 to $300,000 would significantly increase WBCs capacity to support entrepreneurs and expand their reach to more women entrepreneurs in need. If the original cap of $150,000 were indexed for inflation, the grant amount would be approximately $325,000 today. Also, extending the term for continuation grants to 5 years would help alleviate some of the administrative and compliance burdens experienced by WBCs.

We also expect that the $31.5 million for the WBC program from FY22-FY25, as called for in the legislation, would enable WBCs to maintain their staff and capacity supporting the WOSBs as small businesses continue to struggle. We ask the Committee to consider the following provisions outlined in H.R. 6441:

- Increase program cap from $150,000 to $300,000
- Create an accreditation program to strengthen and standardize WBCs across the country
- Call for $31,500,000 for FY2022-2025

Increased role for AWBC

---

[11] Davids Introduces Bipartisan Legislation to Support Women Business Owners. https://davids.house.gov/media/press-releases/davids-introduces-bipartisan-legislation-support-women-business-owners

[12] Congresswoman Tenney Joins Colleague in Introducing Women's Business Centers Improvement Act. https://tenney.house.gov/media/press-releases/congresswoman-tenney-joins-colleague-introducing-womens-business-centers

Recognizing the Association of Women's Business Centers in statute would strengthen coordination between the Association and SBA, thus encouraging program transparency and the greatest support for WOSBs. We support the House legislation, which would require recognition and coordination with the AWBC on implementation and policy recommendations under Sec. 29 of the Small Business Act. In addition, we agree that an annual WBC conference, as outlined, would be beneficial for the WBC community's professional development and to share best practices.

We ask the Committee to consider the following provisions outlined in H.R. 6441:

- Recognize the Association of Women's Business Centers and strengthen coordination between the Association and SBA
- Provide funding for a national WBC conference to be led by the AWBC ($50,000)

Additional Programmatic Guidelines

Since the program's permanence was established in 2007, WBCs have experienced some confusion around various aspects of the program. Additional programmatic guidelines would clarify points of misunderstanding. We ask the Committee to consider the following provisions outlined in H.R. 6441:

- Provide guidance around carryover matching funds requirements and waivers
- Create a review and appeal process for WBC applications
- Incorporate accounting and reporting requirements for Office of Management and Budget
- Create additional backstops for grant/programmatic enforcement
- Provide guidance on terms and conditions in continuing grants

As always, please consider AWBC a resource and supporter in the development of these proposals.

Conclusion

WBCs help entrepreneurs transform ideas into businesses, scale businesses, pivot in pursuit of business resiliency, and more. It is commonly said that small businesses are the backbone of our economy, and I would say that WBCs are the vertebrae that help provide support.

The WBC program is an effective program at offering assistance for thousands of women entrepreneurs nationwide, and more every day. The program is a productive public-private partnership and an effective resource partner to fill the growing need for entrepreneurial training.

We look forward to working with Congress to help minority and women entrepreneurs reach their full potential through business ownership. Thank you for the opportunity to testify and I am happy to answer any questions.

Chairman CARDIN. Thank you for your testimony.
We will now go to Chris Edwards.

STATEMENT OF CHRIS EDWARDS, DIRECTOR OF TAX POLICY STUDIES, CATO INSTITUTE, WASHINGTON, DC

Mr. EDWARDS. Thank you very much, Chairman Cardin and Ranking Member Paul.

The Chairman is right that entrepreneurship is a bright spot in the economy. Since the summer of 2020, the number of U.S. business startups has soared. However, I am worried that rising inflation, possible tax and regulatory increases, could undermine this startup boom.

Startups are crucial to the economy. They add competition. They drive innovation. And we are all agreed on that.

I am skeptical that governments need to fund entrepreneurial development, however. Many private institutions, as Michael was talking about, fill similar functions as SBA's entrepreneur programs. For example, America has 335,000 angel investors, who are wealthy people that invest in startup businesses. Angels are in every city and town in the Nation, and they provide advice and guidance to entrepreneurs. So government can spur entrepreneurship with policies favorable to angel investment, and as I have written, low capital gains taxes are crucial to angel investors.

Many private foundations fund entrepreneurship programs. The Kauffman Foundation spends $100 million a year on training for entrepreneurs. I noticed recently that the PNC Foundation, the banking company, recently gave $16 million to create the National Center for Entrepreneurship at Howard University, supporting Black entrepreneurship. The Blackstone Charitable Foundation, the Coleman Foundation, and many others spend millions of dollars a year on entrepreneurship programs focusing on disadvantaged communities. The National Foundation for Teaching Entrepreneurship says that it reaches 100,000 students a year. Entrepreneurship degrees and certificates are offered at over 500 colleges today. And as Michael touched on, there is a huge array of free entrepreneurship courses online and on YouTube. So these growing efforts for entrepreneurial development cast doubt on the need for Federal involvement, I think.

Let me switch over to regulations for a few minutes. Efforts to boost entrepreneurship, either by SBA or by the private sector, are undermined by barriers to startup. Economists generally agree that the regulatory barrier on small businesses is much larger relatively than on large businesses. Regular surveys of small business by CNBC, the NFIB, and others find that regulation is a major concern of small businesses although recently inflation has risen to the top concern of small businesses.

I recently conducted a study on State and local regulations on startups, and I will give you a few examples of how regulations really undermine—can really undermine startups at the State and local levels.

Occupational licensing. Most of us are aware of this issue. The share of U.S. jobs requiring an occupational license has risen from just 5 percent a few decades ago to over 20 percent today. Licenses cost time and money that young people with modest incomes may

not be able to afford. So occupational licensing restrictions are restrictions on startup businesses.

Alcohol licensing. This is a really surprisingly big issue. Alcohol licensing is a big hurdle to restaurants startups. In my study, I found 18 states that strictly cap the number of liquor licenses in towns and cities. The caps can make restaurant startups very costly or block them entirely. In these 18 states, entrepreneurs may have to pay literally hundreds of thousands of dollars to get a liquor license. Those high costs favor corporate restaurant chains over independent and moderate-income entrepreneurs. Cities with tight alcohol license caps can strangle economic development, particularly in poorer neighborhoods because in those neighborhoods the entrepreneurs cannot afford these expensive licenses. This is a big problem in New Jersey; it is a big problem in Massachusetts.

There is, interestingly, a similar problem in some of the states that have legalized marijuana. California has tightly restricted its marijuana licenses. So if you do not have a lot of money or inside political connections, it is very hard to get a legal license for marijuana in California.

Home-based businesses are another issue. Millions of Americans run businesses out of their homes: daycare providers, small-scale food producers, artists, yoga teachers, many, many others. But local governments impose zoning rules that ban, restrict, or raise costs for home businesses. This is a particular problem for lower-income entrepreneurs because for them home businesses allow them to run a business and saving the cost from commuting, from rental commercial space, from getting childcare, and that sort of thing. So reforming local zoning laws to allow more home-based businesses would be a way to expand entrepreneurship.

Finally, the connection between deregulation and entrepreneurship can be seen with the huge success of the craft beer industry in recent decades. And I note one of the members of your panel here, Senator Hickenlooper, of course, is a pioneer in the craft brew industry. President Jimmy Carter signed legislation in 1978 legalizing home brewing. That was followed by many states deregulating the rules for brew pubs and allowing small, independent brewers to self-distribute to retailers. The number of breweries in America exploded from 100 in 1980 to more than 8,000 today. So, from nothing, the craft beer industry is now a $22 billion industry, thriving with entrepreneurship, and so that was a pro-entrepreneur, deregulatory success.

Thank you very much.

[The prepared statement of Mr. Edwards follows:]

The Small Business Administration and Policies for Entrepreneurship

Statement of

Chris Edwards
Director of Tax Policy Studies
Cato Institute

before the

U.S. Senate Committee on Small Business and Entrepreneurship

February 1, 2022

Cato Institute • 1000 Massachusetts Ave., N.W. • Washington, D.C. 20001 • (202) 842-0200
Fax: (202) 842-3490 • www.cato.org

Chairman Cardin, Ranking Member Paul, and members of the committee, thank you for inviting me to testify at today's hearing, "Review of SBA Entrepreneurial Development Programs and Initiatives."

The hearing comes in the midst of mixed economic news. Businesses and consumers are facing supply chain bottlenecks and high inflation, but the nation is enjoying solid economic growth. Another bright spot is entrepreneurship. Since the summer of 2020, the number of U.S. business startups has soared.

There is bipartisan support for many of the activities of the Small Business Administration. However, Congress should be looking for places to trim the budget given today's large deficits. Policymakers should consider handing over the SBA's entrepreneurial development programs to the states or the private sector. State governments are in better financial shape than the federal government, and many SBA activities appear to duplicate activities provided in markets and the nonprofit sector.

The SBA entrepreneurial development activities aim to generate broad-based opportunities and prosperity. This is a laudable goal, but a better approach would be for governments to repeal regulatory barriers to startups, some of which are identified in this testimony.

Good News About Entrepreneurship

Business startups plunged in early 2020, but then reversed course and have since risen to levels not seen in more than a decade. Census Bureau estimates show that the number of startups jumped 21 percent between December 2019 and December 2021.[1] The jump was 29 percent in the South, 20 percent in the Midwest, 16 percent in the Northeast, and 15 percent in the West.

There are probably numerous factors behind the increases. People laid-off during downturns may turn to entrepreneurship to earn income, and when downturns cause some businesses to close, it creates space for new businesses to fill the voids. Another factor is that fast-changing conditions create opportunities for startups to meet new demands. The pandemic created new needs in many industries. Economist John Haltiwanger notes that the startup spike has been strong in nonstore retail, personal and business services, trucking, and food services.[2]

How can we keep the startup boom going? Policymakers should avoid increases in taxes and regulations that may cause entrepreneurs to shelve their startup plans. And policymakers and the central bank should support price stability to enable entrepreneurs to better plan their operations and investments.

The SBA's Role in Entrepreneurship

Entrepreneurship is crucial to the American economy. Startups create most net new jobs and they revitalize cities by creating jobs for people displaced by older, shrinking businesses. Some startups grow to become large corporations that propel the overall U.S. economy. Also, startup activity fuels income growth because "newly established businesses are typically more productive than the firms that preceded them," noted the Congressional Budget Office.[3]

Startups are crucial for generating innovation and competition. Economist Clayton Christensen and others have observed that major innovations are usually pioneered by new companies, not established ones.[4] The personal computer industry, for example, was pioneered in the 1970s by startups such as Apple, not established firms such as IBM.

At first blush, it may seem useful for the government to fund activities that support startups. However, in an era of large budget deficits, Congress should be looking to restrain spending, and policymakers should explore whether SBA's functions could be handled by the states and private sector, including its entrepreneurial development programs.

The SBA's entrepreneurial development programs include Small Business Development Centers, SCORE, Women's Business Centers, entrepreneurial education, and other activities. Total spending on entrepreneurship programs was $461 million in 2020 and $369 million in 2021.[5] The SBA generally administers these programs through grants and cooperative agreements.[6] The largest spending activity is the SBDCs.

There are hundreds of SBDC locations across the nation, which are hosted by colleges and state development agencies. Let's consider Florida's SBDC network.[7] It had a budget of $20 million in 2020, funded 43 percent by the SBA and 57 percent by state-local agencies and local businesses.[8] The Florida SBDC network claims that every $1 it spends generates $60 in higher state taxes, and that its activities generate $3.9 billion in annual output.[9] Those figures are hard to believe, but if true, then the Florida government would have a huge incentive to fund these activities by itself.

SBDCs are located in colleges and state agencies and are aimed at benefiting state economies—so why don't we let the states fund them? The federal government is running huge deficits, but most state governments are running surpluses. State and local tax revenues are 14 percent higher today than before the pandemic began in early 2020.[10]

Federal audits have found substantial weaknesses in SBA's entrepreneurial development programs. A 2021 audit found that the "SBA did not provide effective oversight over the WBC program."[11] WBCs suffer from accounting deficiencies and improper payments that the SBA is not adequately policing. Other audits of entrepreneurial development programs have found "systemic issues with SBA's financial and performance oversight."[12] There are also concerns about duplication between the SBA's various entrepreneur programs.[13] These programs would likely enjoy better management and oversight if transferred to the states. State-funded programs tend to be less bureaucratic than federal ones and can be better tailored to meet local needs.

However, I am skeptical that governments need to fund entrepreneurial development at all. Angel investors, foundations, universities, free online media, and other private institutions provide education, training, and mentoring for entrepreneurs. The following paragraphs discuss some of these private-sector activities.

America has 335,000 "angel investors" who are wealthy people that invest equity in startups.[14] Angels are in every town and city in the nation and usually invest in startups close to home so that they can advise entrepreneurs.[15] Angels often have a strong desire to mentor young

entrepreneurs, and they usually wait 5 to 10 years to see any return on their investments. Angels provide entrepreneurs not just with funding, but also with guidance and networking. One way for governments to generate more entrepreneurship is to pursue policies favorable to angel investment.

Private foundations are another source of guidance and education for new entrepreneurs. The Kauffman Foundation spends about $100 million a year on programs for entrepreneur-focused economic development.[16] The foundation aims at generating equitable and inclusive prosperity through entrepreneurship.

PNC Foundation recently announced a $16.8 million grant to create the National Center for Entrepreneurship at Howard University.[17] The center will support expanded opportunities for black entrepreneurship with education and access to capital in low-income communities nationwide.

The Blackstone Charitable Foundation runs numerous entrepreneur initiatives including Launchpad, which they say has participation of more than 10,000 students a year.[18] The program provides education, connections, and expertise for students interested in entrepreneurship, with numerous initiatives for underserved communities.

In Chicago, the Coleman Foundation has been investing millions of dollars in entrepreneurial education and training for years, with a focus on low-income neighborhoods.[19] Meanwhile, in Ohio, the Young Entrepreneurs Institute provides education and experience in entrepreneurship for thousands of students. It was founded by a serial entrepreneur and funded by corporations and private foundations.[20]

The National Foundation for Teaching Entrepreneurship says that it reaches 100,000 students a year with educational programs and interactions with business mentors.[21] One of the organization's slogans is, "Inclusive entrepreneurship education. Equitable access to economic opportunity."

Another development is the growing focus on entrepreneurship in America's colleges and universities. By one estimate, "formal programs (majors, minors and certificates) in entrepreneurship have more than quadrupled, from 104 in 1975 to more than 500 in 2006."[22]

In addition, there has been a proliferation of free courses on all aspects of entrepreneurship online, on YouTube and elsewhere. Many major universities appear to allow individuals to audit courses in entrepreneurship for free.[23]

All these private initiatives and free resources are fantastic, and there appears to be many others like them. The growing private efforts and resources for entrepreneurial development casts doubt on the need for federal involvement.

Regulations Impede Entrepreneurship

There is broad agreement that entrepreneurship is a great path to inclusive growth in the economy. But rather than spending programs, policymakers should boost entrepreneurship by reducing excessive federal, state, and local regulations on startups.

Surveys by the National Federation of Independent Business have long found that regulations are one of the "most important problems" faced by small businesses, although that concern is eclipsed today by inflation.[24] Similarly, a recent CNBC poll found that "60% of small business owners now expect government regulations to have a negative effect on their business in the next 12 months," although inflation is an even larger concern.[25]

The volume of federal regulations has increased over the decades. Regulations now span 186,000 pages, up from just 71,000 in 1975.[26] The federal government has about 260 agencies that impose regulations, with the burdens often landing on businesses.[27]

Regulatory burdens tend to fall more heavily on smaller firms than larger firms. In larger firms, the fixed costs of regulatory compliance can be spread over more revenues. Also, economist Steve Davis notes, "compared to smaller, newer and would-be competitors, larger and incumbent firms have greater capacity and incentive to lobby for legislative exemptions, administrative waivers, and favorable regulatory treatment."[28]

Congress has long recognized these problems, and the Regulatory Flexibility Act of 1980 and subsequent statutes and executive orders require federal agencies to assess the effects of proposed rules on small businesses. Entrepreneurs are in a struggle to survive since about half of all new businesses fail by the fifth year. So excessive regulations that divert their focus from the marketplace can have a high cost.

Today's hearing concerns federal policies, but federal policymakers should be aware that efforts to boost entrepreneurship can be undermined by state and local regulations, which I examined in a recent study.[29] The following are examples of how the states can create barriers to entrepreneurship, often for entrepreneurs from disadvantaged backgrounds.

Occupational Licensing

State governments define the education, training, and testing for entry into many occupations—not just for doctors, but in some states for travel agents, florists, makeup artists, tour guides, animal trainers, hair braiders, manicurists, bartenders, auctioneers, massage therapists, and others. Many licensed occupations are populated by small businesses, so licensing restrictions are restrictions on entrepreneurship.

The share of U.S. jobs requiring an occupational license increased from 5 percent in the 1950s to 22 percent in 2020.[30] The rationale for licensing is that it protects health and safety, but a report by the Obama administration found that "most research does not find that licensing improves quality or public health and safety."[31]

Many states have overly restrictive rules and substantial costs for gaining required qualifications for some occupations. Athletic trainers are not licensed in California, but in Nevada they must have a college degree, pass an exam, and pay $666 for a license and $150 for annual renewals.[32]

Excessive occupational licensing is a bipartisan concern. The Obama administration report concluded, "There is evidence licensing requirements raise the price of goods and services, restrict employment opportunities, and make it more difficult for workers to take their skills across state lines."[33] The Biden administration has taken steps to tackle excessive licensing.

Excessive occupational licensing can impose unfair costs on disadvantaged communities.[34] In one study, economist Stephen Slivinski found that those states that require licenses for a larger number of low-income occupations have lower rates of low-income entrepreneurship.[35]

Alcohol Licensing

The pandemic and related closures hit the restaurant industry hard with tens of thousands of eateries closing permanently. America will need entrepreneurs to launch new restaurants to fill the void, but restaurant entrepreneurs face many regulatory barriers.

One problem is alcohol licensing. I found 18 states that cap the number of licenses in cities and counties.[36] The caps can make restaurant launches very costly or block them entirely, particularly when businesses want to serve liquor in addition to beer and wine.

In the states with license caps, entrepreneurs can often only buy a liquor license when other restaurants close, and licenses can cost hundreds of thousands of dollars. These high costs favor corporate restaurant chains with deep pockets over independent and lower-income entrepreneurs. States and cities with tight alcohol license caps can strangle economic development in poorer neighborhoods because restaurant entrepreneurs in those neighborhoods cannot afford the high license costs.

Pre-pandemic, it cost about $400,000 for a liquor license in Boston and $150,000 for a beer-and-wine license. As a result, the *Boston Globe* reported that some poorer "neighborhoods have largely missed out on Boston's restaurant boom, as developers and restaurateurs in wealthier parts of the city pay top dollar to secure the available licenses."[37] One study found that the wealthiest one-quarter of census tracts in Boston hold more than half of the available licenses.[38]

Many news stories in the 18 states with these license caps highlight the unfairness. Repealing them would benefit entrepreneurs and economic growth particularly in lower-income neighborhoods.

Marijuana

There is a similar problem with regard to marijuana business licensing. While 18 states have legalized recreational pot, only some cities within states such as California allow it and they often cap the number of licenses tightly. This has undermined the efforts of entrepreneurs, including those wanting to move from the black market to the legal market. Unlike small businesses, large businesses can afford to wait months or years to get licenses, and they have greater political pull. In numerous cities, corruption scandals have stemmed from political leaders handing out marijuana licenses to favored insider companies.

A November article in *The Guardian* discussed how California's rigid marijuana license cap system is undermining opportunity for entrepreneurs:

> Half a million dollars and nearly four years into his Los Angeles-based cannabis venture, Donnie Anderson had no shop, no prospects and a mountain of debt. With financial help from family and friends, Anderson rented a $6,000-a-month space in January 2018 for his new cannabis retail shop. He kept paying the rent as the city's permitting process dragged on. He bought cabinets and other equipment as he waited. And waited. Sick of waiting, he's selling all that equipment and giving up his lease. Inaction by the city is forcing him to give up his dream, he says. "It's killing business owners," Anderson says. "All the air has been let out of me."[39]

California's strict marijuana rules are dashing the hopes of young black entrepreneurs such as Mr. Anderson. It is one thing to legalize the marijuana industry, but state and local governments should do a better job ensuring that the new opportunities are open to everybody.

Home-Based Businesses

A huge range of entrepreneurs run businesses out of their homes, including daycare providers, repair persons, music teachers, tutors, small-scale food producers, yoga teachers, contractors, caterers, and many others. Millions of American businesses are home-based, and in recent decades the internet has expanded the opportunities. Most artistic businesses in America are home-based, for example, with many artists selling their products online.

However, there is a big problem: many local governments impose zoning rules that ban, restrict, or raise costs for home-based businesses in residential neighborhoods. This is a particular problem for lower-income entrepreneurs because home businesses allow them to save costs from having to rent separate space and paying for childcare and commuting.

The cottage food industry illustrates the issue. Cottage food generally means home production and packaging of foods other than refrigerated items. When food production for sale is banned from homes, entrepreneurs need to rent expensive commercial kitchen space, thus undermining the financial viability of many startups.

Also, wealthier people can afford daycare and retirement home options for children or aging parents when they work. But for people with lower incomes, home-based businesses allow them to earn a living while caring for children or parents at home.

Reforming local zoning regulations to allow greater scope for home-based businesses would help to expand entrepreneurship. Home-based businesses are an inclusive way for cities to grow, and can provide opportunities open to everyone.

Entrepreneurship, Deregulation, and Craft Beer

Deregulation is sometimes thought of as a reform only conservatives and libertarians favor. But in the 1970s, federal deregulation of numerous industries had bipartisan support. It was designed to boost competition and tackle inflation. Industry deregulation can expand entrepreneurial opportunities to the broadest group of people.

One deregulation success story is the brewing industry. President Jimmy Carter signed legislation legalizing home brewing in 1978.[40] That was followed in state after state by partial deregulation of distribution rules to allow new breweries to sell their products in brewpubs and to allow limited self-distribution to retailers.[41]

These reforms led to an explosion of beer entrepreneurship.[42] The number of breweries in the United States has grown from less than 100 in 1980 to more than 8,300 today.[43] As craft beer production has grown, a diverse array of equipment makers has sprung up alongside to supply the industry.

Deregulating home brewing helped to launch the boom. A Smithsonian Institution article noted that "homebrewing is how over 95 percent of craft brewers learn their trade."[44] Craft brewing is a $22 billion industry today and thrives with entrepreneurship.[45] Distribution laws in some states still favor big brewers over small ones, but much progress has been made.

Conclusions

Congress should transfer SBA's entrepreneurial development activities to state governments. The activities are already located in colleges and state agencies and partly funded by the states. The states are generally running surpluses while the federal government has huge deficits. States could decide how to tailor the programs to meet local needs, or they could decide to leave entrepreneurial development to private-sector institutions.

Entrepreneurship can help lift all groups in society. But rather than federal programs, a better way to pursue the goal would be for governments to remove regulatory barriers to startups.

Thank you for holding this important hearing.

Chris Edwards

Director of Tax Policy Studies

Cato Institute

cedwards@cato.org

---

[1] Census Bureau data charted at https://fred.stlouisfed.org/series/BFPBF4QTOTALSAUS.
[2] John C. Haltiwanger, "Entrepreneurship During the Covid-19 Pandemic," National Bureau of Economic Research Working Paper no. 28912, June 2021.
[3] Congressional Budget Office, "Federal Policies in Response to Declining Entrepreneurship," December 2020.
[4] Clayton M. Christensen, *The Innovators Dilemma: When New Technologies Cause Great Firms to Fail* (Boston: Harvard Business Review Press, 1997).
[5] U.S. Small Business Administration, "FY 2022 Congressional Justification and FY 2020 Annual Performance Report," June 11, 2021, Table 10.

[6] U.S. Small Business Administration, "FY 2022 Congressional Justification and FY 2020 Annual Performance Report," June 11, 2021, p. 13.
[7] https://floridasbdc.org.
[8] Florida SBDC Network, "2021 Annual Report," p. 9. Available at https://floridasbdc.org/results.
[9] Florida SBDC Network, "2021 Annual Report," p. 9. Available at https://floridasbdc.org/results.
[10] U.S. Bureau of Economic Analysis, National Income and Product Accounts, Table 3.3. This is the change from first quarter 2020 to fourth quarter 2021. I estimated fourth quarter corporate taxes as equal to third quarter.
[11] U.S. Small Business Administration, Inspector General, "Audit of SBA's Oversight of Women's Business Centers' Compliance with Cooperative Agreement Financial Requirements," May 4, 2021.
[12] U.S. Small Business Administration, Inspector General, "Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014-2018," November 8, 2018.
[13] Discussed in Congressional Research Service, "Small Business Management and Technical Assistance Training Programs," June 28, 2021.
[14] Jeffrey Sohl, "The Angel Market in 2020: Return of the Seed and Start-Up Stage Market for Angels," Center for Venture Research, May 19, 2021.
[15] Chris Edwards, "How Wealth Fuels Growth: The Role of Angel Investment," Cato Institute, September 29, 2021.
[16] www.kauffman.org. And see Ewing Marion Kauffman Foundation, IRS Form 990-PF, 2019.
[17] PNC Foundation, "PNC Foundation Announces $16.8 Million Grant To Support And Develop Black-Owned Businesses Through New Howard University Center for Entrepreneurship," press release, October 21, 2021.
[18] www.blackstone.com/our-impact/blackstone-charitable-foundation.
[19] www.colemanfoundation.org/entrepreneurship.
[20] www.youngentrepreneurinstitute.org.
[21] www.nfte.com.
[22] Kauffman Foundation, "Entrepreneurship in American Higher Education," July 15, 2008.
[23] For some of these, see www.mbacentral.org/free-online-entrepreneurship-courses.
[24] William C. Dunkelberg and Holly Wade, "Small Business Economic Trends," National Federation of Independent Business, December 2021, p. 18.
[25] Laura Wronski, "CNBC Momentive Small Business Index Q4 2021," November 2021.
[26] This is the page count of the Code of Federal Regulations.
[27] The www.regulations.gov site lists 43 partner agencies and indicates that there are 220 nonparticipating agencies which also impose regulations.
[28] Steven J. Davis, "Regulatory Complexity and Policy Uncertainty: Headwinds of Our Own Making," January 30, 2017.
[29] Chris Edwards, "Entrepreneurs and Regulations: Removing State and Local Barriers to New Businesses," Cato Institute, May 5, 2021.
[30] The figure for 2020 is from U.S. Bureau of Labor Statistics "Data on Certifications and Licenses," www.bls.gov/cps/certifications-and-licenses.htm. The 1950s figure is from Morris M. Kleiner and Evgeny S. Vorotnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

[31] "Occupational Licensing: A Framework for Policymakers," Department of the Treasury Office of Economic Policy, the Council of Economic Advisers, and the Department of Labor, July 2015.
[32] The National Conference of State Legislatures has a database of occupational licensing requirements at www.ncsl.org/research/labor-and-employment/occupational-licensing-statute-database.aspx.
[33] "Occupational Licensing: A Framework for Policymakers," Department of the Treasury Office of Economic Policy, the Council of Economic Advisers, and the Department of Labor, July 2015.
[34] Matthew D. Mitchell, "Occupational Licensing and the Poor and Disadvantaged," Mercatus Center, September 28, 2017.
[35] Stephen Slivinski, "Bootstraps Tangled in Red Tape," Goldwater Institute, February 10, 2015.
[36] Chris Edwards, "Entrepreneurs and Regulations: Removing State and Local Barriers to New Businesses," Cato Institute, May 5, 2021.
[37] Jon Chesto, "Expansion of Liquor Licenses in Boston Faces Pushback from Restaurant Group," *Boston Globe*, April 8, 2020.
[38] Lauren Shuffleton Drago, "Liquor License Distribution in Boston: Exacerbating Economic Disenfranchisement," masters thesis in Urban and Environmental Policy and Planning, Tufts University, May 2017.
[39] Matt Krupnick, "'A farce of social equity': California is failing its Black cannabis businesses," *The Guardian*, November 4, 2021.
[40] https://beerandbrewing.com/dictionary/3WZc5lsyPY.
[41] Kenneth G. Elzinga, Carol Horton Tremblay, and Victor J. Tremblay, "Craft Beer in the United States: History, Numbers, and Geography," *Journal of Wine Economics* 10, no. 3 (2015): 242–272. And see Trey Malone and Martin Stack, "What Do Beer Laws Mean for Economic Growth," *Choices*, 2017.
[42] For background, see Trey Malone and Jayson L. Lusk, "Brewing up Entrepreneurship: Government Intervention in Beer," *Journal of Entrepreneurship and Public Policy* 5, no. 3 (November 2016): 325–342.
[43] Aaron Staples, Dustin Chambers, and Trey Malone, "The Economic Geography of Beer Regulations," Center for Growth and Opportunity at Utah State University, September 16, 2020.
[44] John Harry, "Jimmy Carter: American Homebrew Hero?" National Museum of American History, September 30, 2019.
[45] "Stats and Data: National Beer Sales and Production Data," Brewers Association, www.brewersassociation.org/statistics-and-data/national-beer-stats.

Chairman CARDIN. Thank you for your testimony.
We will now go to Bridget Weston.

STATEMENT OF BRIDGET WESTON, CEO, SCORE, HERNDON, VA

Ms. WESTON. Chairman Cardin, Ranking Member Paul, and members of the Committee, thank you for the opportunity to offer testimony on SCORE's impact, including our response to the COVID pandemic and the funding challenges we currently face in effectively serving American small businesses.

SCORE is the Nation's largest network of volunteer expert business mentors of which 100 percent are required to take our mentoring methodology course and annual code of ethics training. These 10,000 volunteers are offering free and confidential advice as well as educational workshops to current and aspiring small business owners. Founded in 1964 as a resource partner of the SBA, SCORE has now helped more than 11 million entrepreneurs start, grow, or troubleshoot their businesses.

When the pandemic began in 2020, many more business owners reached out for SCORE's help than ever before as evidenced by a 30 percent increase in our services. We quickly pivoted to delivering 100 percent virtual mentoring and education without missing a day of service. And during this time, SCORE sought much-needed additional funding from the CARES Act to support our efforts. However, we did not receive any additional dollars.

We were not deterred. SCORE saw a critical need to help business owners navigate the challenges they are facing with the pandemic. So we worked to launch the Small Business Resilience Hub. Two months after the pandemic hit, SCORE's Small Business Resilience Hub was available to help business owners navigate Federal and local government programs, adapt to change, launch new businesses, and attract and retain clients, all using SCORE's existing resources and mentors. To date, this hub has had nearly 900,000 visitors, and this is in addition to our website *www.score.org*, which reaches over 4 million people annually.

Now many business owners told us they would not have applied for PPP or EIDL without a SCORE mentor to walk them through the process step by step. In fact in fiscal year 2020, the first year of the pandemic, SCORE delivered over 840,000 mentoring or educational services. It is through these efforts that SCORE helped our clients to stay in business; 82 percent of our in business clients stayed open and added nearly 75,000 jobs. And we helped another 45,000 businesses start.

It was through our work with these business owners that SCORE saw firsthand how the pandemic significantly and negatively impacted small businesses, and the date SCORE collected shows that some businesses, such as Black- and Hispanic-owned, have been more negatively impacted than others. Because SCORE serves a diverse range of small business owners, with 60 percent of our clients being women and 46 percent minority, we knew SCORE was uniquely positioned to ramp up efforts to help those business owners most impacted. One of SCORE's key areas of focus continues to be fostering diversity, equity, and inclusion both for clients and for volunteers. Expanding our volunteer corps to reflect

the communities we serve has resulted in 40 percent of our volunteers being women or minorities. With the support of SCORE, our volunteer strategic partnerships, both nationally and locally, we launched our SCORE for All Initiative to help disadvantaged business owners address their specific needs.

SCORE was hopeful that the Community Navigator grant would help to amplify these successful programs. However, SCORE was not awarded a Community Navigator grant. Nevertheless, we know we must continue these efforts. SCORE has reached out to those who did receive Community Navigator awards and offered to support in any way. We have already signed an MOU with the U.S. Hispanic Chamber of Commerce to be a part of their program.

SCORE did all of this without any additional funding. Further complicating SCORE's situation, SCORE has experienced problems with the SBA's EDMIS system, culminating in recent EDMIS outputs that have dramatically underestimated SCORE's impact. The EDMIS reports do not reflect the SCORE data being entered into the system, which is different from SCORE's salesforce-based system and our annual survey of client impact and engagement.

SCORE has also been operating without any Federal funding for 4 months as we are still waiting on our notice of award. We continue to work closely with the SBA to resolve these issues but feel it is important to note these challenges limiting our ability to more fully deliver our mission.

SCORE is proud of our ability to serve over 300,000 people each year, but these efforts are simply not sustainable at our current funding levels. It is why we continue to respectfully request an increase of $9.5 million in funding for a total appropriation of $21.7 million. With this investment, we can provide even greater value to business owners and the economy. This increased funding would allow us deliver more than half a million additional client services with a projected outcome of 100 additional new businesses started or jobs created. SCORE volunteers and the small business centers they serve need to see a commitment to, and an investment made in, them so we can sustain SCORE's efforts and help even more businesses survive and thrive.

Thank you for your time, and I look forward to your questions.

[The prepared statement of Ms. Weston follows:]

Bridget Weston
Chief Executive Officer
SCORE Association

Review of SBA Entrepreneurial Development Programs and Initiatives
Statement to the Committee on Small Business and Entrepreneurship
United States Senate
February 1, 2022

Chairman Cardin, Ranking Member Paul, and members of the committee – thank you for the opportunity to offer testimony on SCORE's impact, including our response to the COVID-19 pandemic and the funding challenges we currently face in effectively serving American small businesses.

SCORE is the nation's largest network of volunteer, expert business mentors, with more than 10,000 volunteers across 240+ chapters offering free and confidential advice, and free or low-cost educational workshops to current and aspiring small business owners.

Founded in 1964 as a resource partner of the SBA, SCORE has now helped more than 11 million entrepreneurs to start, grow or troubleshoot their small business. SCORE's mission is to foster vibrant small business communities through mentoring and education, and we envision every person having the support necessary to thrive as a small business owner. Today, SCORE stands as a uniquely American organization in its synthesis of two historic national ideals: the entrepreneurial spirit and volunteerism.

SCORE would like to express our gratitude for this committee's continued support for our annual appropriations – in FY 2021, we received $12.2 million. We were very grateful for this funding, and have used it to create an immediate positive impact on the small business owners that SCORE volunteers serve in their local communities every day.

In FY 2021, SCORE helped its clients to start 24,742 new businesses and create 71,475 new jobs. Despite the challenging business climate of the COVID-19 pandemic, 77% of clients stayed in business throughout the year, with help from SCORE.

SCORE remains the most efficient, effective business formation and job creation engine funded by the federal government**. In FY 2021, our cost to create one new job was $170 and $493 to create one new business.** These metrics demonstrate how SCORE provides tremendous return on investment to the American taxpayer, with every dollar invested returned to the federal treasury many times over. **In FY 2021, SCORE clients returned $58.93 in new federal tax revenue for every $1 appropriated to SCORE**, ($718.9 million in total).

Since the COVID-19 pandemic began, SCORE has seen a 30% increase in demand for our mentoring and educational services. However, unlike our fellow SBA resource partners, SCORE did not receive any CARES Act funding; nor did SCORE receive a Community Navigator grant to meet these unprecedented demands.

Despite the increased need for our services and the immense challenge presented by this lack of funding, we worked with corporate partners through our SCORE Foundation to meet this demand by quickly standing up our **Small Business Resilience Hub in May 2020**. The Resilience Hub consists of mentoring and online educational resources designed to help business owners successfully navigate federal and local government programs, adapt to change, launch new businesses and inspire their customers to rally around their business. **Since its launch, the Resilience Hub has helped more than 850,000 small business owners to pivot, survive and thrive.**

In the words of Louisville, Kentucky Massage Envy business owners Theresa Paradise and Marcia Connelley: "SCORE saved our business! SCORE has had such an instrumental impact on our business. It is hard to define in words how thankful we are for the success they have helped us create."

SCORE's ability to meet this unprecedented and continued demand, fueled by the pandemic, is unsustainable without additional federal funding. We are grateful to work with key members of this committee to request and secure additional appropriations for our program. To that end, based on our continued demonstrated impact, increased demand for services and SCORE's specific plans to reach more business owners in underserved and disadvantaged communities hardest hit by the COVID-19 pandemic, **SCORE has requested an increase of $9.5 million in funding for FY 2022, for a total annual appropriation of $21.7 million.**

With additional funding, we are confident we can drive significant new business creation, while also helping business owners who are currently struggling to stay in business and thrive. Our projections estimate that **this increased funding would help us to deliver 540,243 additional client services (mentoring, workshops, education), with a projected outcome of 100,131 additional new businesses started and/or jobs created.**

ABOUT SCORE

SCORE helps small business owners through three main vehicles: 1) Free business advice and mentoring 2) Low or no-cost business training and education 3) Free business templates and resources.

Mentoring
SCORE is proud to be the nation's largest network of volunteer, expert business mentors, and our 10,000 volunteers are the lifeblood of SCORE. The majority of our mentors are current or former business executives and entrepreneurs, giving them firsthand experience of best practices and pitfalls to avoid, which they pass on to our clients through online or in-person sessions. In FY 2021, SCORE held 326,600 mentoring sessions. The high quality of these services is captured in a very high Net Promoter Score (NPS) of 89.22 on a 100-point scale of customer satisfaction and willingness to recommend the brand. To provide context, an NPS of 30 and above is considered good, while 70 and above is considered excellent. The 2020 NPS benchmark for education and training industries nationwide is 71, while the consulting industry scored 51.

By creating meaningful, and often long-term relationships with our clients, SCORE mentors help clients to start new businesses or operate existing small businesses more efficiently, effectively and with greater success. Mentors provide the personal experience, practical knowledge and coaching support that clients need to thrive in the small business arena, offering information and strategies for improvement.

In FY 2021, SCORE mentors donated 4,580,420 hours of total service to mentoring and educating our clients. Through this generosity and the wisdom of their firsthand business experience, our volunteers have a profoundly positive effect on our small business owner clients, which, in turn, positively impacts their communities. SBA data shows that mentoring works – with business owners who receive three or more hours of mentoring reporting higher revenues and increased business growth.

Business Education and Training

Online Education
SCORE national headquarters provides ongoing workshops in both live webinar formats and on-demand training housed on the www.score.org website. These educational services are critical to our clients, providing information on numerous aspects of starting and growing a business. At least once a week on average, SCORE hosts live webinars in conjunction with SCORE volunteers, sponsors and outside subject matter experts. 120,800 clients attended these national online workshop sessions in FY 2021.

SCORE chapters also offer local workshops that complement SCORE headquarters' national webinar program, which are tailored to the needs of the local business community. Local workshops can be in-person or online, and may be a single session or a multi-day series. Topics include everything from finding financing to digital marketing tips, HR best practices and business planning. Popular local workshops include Simple Steps to Starting Your Business and Legacy Planning for Farmers. 280,700 attendees were served through local workshops in FY 2021.

Virtual Conferences
Now in its seventh year, SCORE's Virtual Conference series allows individuals in any geographic location to remotely participate in an online educational environment that offers the look and feel of an in-person event. These conferences meet the needs of our clients on their own terms, and are perfect for entrepreneurs who are short on time or geographically dispersed. Combining the educational elements of a small business conference with the networking and interactive features of a trade show, virtual conferences allow participants to listen to keynote speakers, visit virtual booths to download materials, meet sponsors and mentors, and ask questions and connect with each other via a live-chat feature. Sessions are also recorded and available on demand after the conference, with topics including various aspects of starting or growing a small business, including marketing, finance technology and human resources.

SCORE typically collaborates with the SBA to host the National Small Business Week virtual conference, with the next event scheduled for May 2022. The September 2021 multi-day event drew 12,746 attendees and 30,528 unique webinar views.

Online Resource Library
An online resource library on the SCORE website serves as the central hub for free business templates, e-guides, checklists, blogs, infographics, videos, tools and other helpful resources to help entrepreneurs start and grow their small business. In FY 2021, 4,252,852 people visited the score.org website. SCORE chapters also have their own websites, which offer local resources and showcase local stories of business success.

SCORE'S RESPONSE TO COVID-19

When the COVID-19 pandemic hit, many more business owners reached out for SCORE's help than ever before, as evidenced by a 30% increase in FY 2020 total annual services. SCORE quickly pivoted to delivering 100% virtual mentoring and education without missing a day of service. While the U.S. House of Representatives supported additional funding for SCORE's COVID-19 response in the HEROES Act, SCORE did not ultimately receive any of the $10 million we requested to support our clients in crisis. SCORE did not receive any CARES Act funding; nor did SCORE receive a Community Navigator grant. Instead, we worked with corporate partners to launch our Small Business Resilience Program (SBRP).

The SBRP helps small businesses navigate the challenges they're facing through the COVID-19 pandemic and other catastrophic business interruptions. Using SCORE's free expert business mentoring and online educational resources, entrepreneurs use the SBRP to successfully navigate COVID-19 federal and local government programs, adapt to change, launch new businesses post-pandemic, and inspire their customers to rally around their business.

Launched in May 2020, the SBRP has helped thousands of business owners to pivot, survive and thrive through a three-pronged approach of mentoring, education and resources. As of Sept. 30, 2021, 853,063 users visited the SBRP content on SCORE.org, with 1,236,561 total page views. Mentors provided 40,846 mentoring sessions focused on pandemic response. 209,025 attendees benefited from business training workshops and webinars on COVID-responsive business strategies.

SCORE client Laura Licursi, owner of Elite Virtual Assistants in Mayfield Heights, OH, said of her mentor: "Mark has been amazing. I initially sought out a mentor when COVID-19 hit and I needed someone to talk to, bounce ideas off of, and help me develop ideas to generate new business. Mark always has great insight, has gone above and beyond with finding new information to share, pointing out new opportunities for me to explore and helping me find answers to see if a direction I wanted to go was viable."

Julia Petrus, owner of Cozy with Posey of San Francisco, CA, said: "When COVID-19 hit and I lost my job, I finally had the time to follow [my] passion. [My mentor] Susan really encouraged me to start my business and taught me the basics. She made me aware of what I had to do and how to get there. It was great to be able to really lean on someone who had been there. She's always so excited and supports every decision I make. I wouldn't be where I am today without SCORE."

Part of the success of this outreach owes to its grounding in real-time client research. Starting in March 2020, SCORE began surveying small business owners to understand the challenges they were facing and the resilience of both start-ups and established businesses. This research was used to inform SCORE's content strategy, and shared with the public through a series of infographics and the data report: "The Megaphone of Main Street: The Impact of COVID-19."

Utilizing both qualitative and quantitative data from a diverse group of roughly 3,500 small business owners across the nation, the Megaphone showed how COVID-19 has significantly and negatively impacted U.S. small businesses in terms of revenue, employment and cash flow. Black and Hispanic business owners were harder hit than White business owners, particularly in regards to funding

opportunities. Data shows that Black and Hispanic business owners were more likely to seek both private and public funding opportunities than their White counterparts, and much less likely to receive it.

Since the pandemic began, we have seen firsthand how desperately small businesses owners need SCORE's guidance and support. Many business owners told us they would not have applied for PPP or EIDL without a SCORE mentor to walk them through the confusing and overwhelming process, step by step. New federally-funded opportunities are extremely valuable to business owners, but only if those who need help the most can take advantage of it. SCORE stands ready to help the most vulnerable small business owners navigate these opportunities and utilize them effectively, so they can keep their doors open and keep people employed. Continued federal investment is critical to the survival rates of small businesses across America. Our clients are depending on us to help them succeed.

DIVERSITY, EQUITY AND INCLUSION

Fostering an inclusive and diverse volunteer membership is critically important to SCORE, and one of our core values is, "Diversity Matters." This means that we believe in the importance, value and power of diversity – diversity of people and diversity of thought.

SCORE continued to diversify our volunteer ranks with women and minority volunteers climbing to 40.7% of total volunteers in FY 2021. While we are focusing even more on diverse volunteer recruiting going forward, this 5% increase from the previous year represents the single biggest annual growth since we began tracking these metrics in 2012.

Several national volunteer committees exist to foster an inclusive environment. Among them are the Diversity, Equity and Inclusion Committee, the Black American Committee, the Hispanic Volunteer Committee, and the National Women's Committee. Their purpose is to help strengthen SCORE's culture of inclusion, recruit diverse clients and volunteers, and to assist in creating and executing diversity-focused client events.

SCORE for All

SCORE is working harder than ever to reach underserved entrepreneurs, including minorities, women, veterans, disabled people and rural business owners. Currently, our client base includes a diverse population of American small business owners and entrepreneurs, including 61% women, 46% minorities and 10% veterans in FY 2021, as reported by our clients.

We regularly survey and connect with our clients and other business owners to fully understand the challenges facing small business owners today, ranging from lack of access to capital, to difficulty finding and keeping employees, to struggles accessing government programs.

Through our SCORE for All program, we continue to build equity-based programming for specific segments of underserved business owners, in order to help meet their specific needs. Current offerings include:

- SCORE for Black Entrepreneurs
- SCORE for Hispanic Entrepreneurs
- SCORE for Women Entrepreneurs
- SCORE for Veteran Entrepreneurs

Through these hubs, small business owners can utilize SCORE's Resource Library, which includes hundreds of free articles, templates, tools, videos, and checklists to meet any business need. They can also connect with our diverse group of experienced, volunteer mentors, who are available to answer questions about starting and growing a small business.

Partnerships to Serve Diverse Entrepreneurs

SCORE forms alliance partnerships with other organizations who can introduce us to new communities of small business owners, particularly in underserved markets. Examples of national alliance partnerships include the U.S. Hispanic Chamber of Commerce, The Latino Coalition, the BIPOC Support Foundation, the National Black Chambers, the Touglaoo Research & Development Foundation and Women Entrepreneurs Grow Global.

National corporate sponsors who partner with The SCORE Foundation also allow SCORE to facilitate additional programming beyond what federal funding allows. Recent examples include Facebook's partnership to support veteran entrepreneurs, and Constant Contact's partnership to support women entrepreneurs.

Local Community Partnerships

SCORE has also seen tremendous success working in local communities to help underserved business owners and reach those who are disadvantaged.

One example is in Cleveland, where economic and social conditions showed little improvement from 2010 to 2020, and high poverty rates persisted alongside low small business growth. These problems were worsened by the pandemic. As many as 30% of Cleveland's small businesses have been permanently closed, with minority communities disproportionally affected.

Over the past year, SCORE Cleveland has rededicated itself to bring its services to this very vulnerable community. The chapter has partnered with several leading nonprofits that target these communities e.g., Cleveland Foundation, Urban League SBDC, ECDI (Economic and Community Development Institute), the Women's Business Centers, Jump Start, the Business Growth Collaborative and Cleveland Neighborhood Progress. The results have been very positive, with service more than doubled compared to last year. Some of the most valuable services provided included assisting clients with the SBA's PPP and EIDL loan programs.

In response to the pandemic and the challenges minority business owners are facing, another chapter, SCORE Inland Empire, has partnered with several outside organizations to provide outreach, guidance and content to help bridge the gap that exists and help these businesses achieve success. Partners include AmPac Business Capital, the City of Ontario, education institutions, the Small Business Development Centers, Inland Empire Women's Business Center, CEEM, Hispanic Chambers of Commerce, Black Chambers of Commerce, and the Micro-Enterprise Collaborative Inland Southern California.

In the state of Maine, SCORE chapters are working together with a number of other organizations to reach both urban underserved businesses and rural entrepreneurs. Partnerships include The Indus Fund, a community-supported micro-loan program for immigrant entrepreneurs in Maine, the Portland Office

of Economic Opportunity, and Prosperity Maine (PME), the Fork Food Lab food-based business workspace celebrating food from entrepreneurs' home countries. Other partners include the Maine Department of Economic and Community Development, where SCORE mentors provide assistance for businesses reaching out to the DECD for help with PPP/CARES Act funding applications, and Maine Accelerates Growth, a network of economic development and business support organizations throughout Maine.

With approximately 240 chapters across the SCORE network, and an existing infrastructure that allows us to access the entire wealth of resources and people, SCORE is well-positioned to scale our efforts to connect with partners and provide vital resources and connections to disadvantaged business owners.

SCORE was not selected to receive a Community Navigator grant from the SBA. We have reached out to several of the grant recipients to offer our assistance through mentoring and educational resources that are already available to help underserved business owners.

SCORE VOLUNTEERS

Since 1964, SCORE volunteers have helped more than 11 million entrepreneurs to start, grow, or troubleshoot a business. SCORE's volunteer corps consists of 10,000 experienced businesspeople who are passionate about helping small businesses succeed. Volunteers come from all across the country, with diverse backgrounds and experience in different areas of industry. Our 2020 client engagement index score is an impressively high 4.15 on a 5-point scale, and SCORE's overall NPS (Net Promoter Score) also slightly increased to 89.22.

SCORE volunteers are active and well-networked members of their communities. They often provide valuable connections for SCORE clients, whether to local financial institutions, media outlets, government offices or other small-business-oriented organizations.

Each year all SCORE volunteers undergo mandatory online training that reaffirms their commitment to SCORE's Mentoring Methodology, represented by the acronym SLATE: Stop and Suspend Judgment. Listen and Learn. Assess and Analyze. Test Ideas and Teach with Tools. Expectation Setting and Encouraging the Dream. Following this methodology, mentors take the extra time to listen to and understand each business's unique needs and challenges, resulting in a transformational relationship, as opposed to a merely transactional relationship.

Conversations between SCORE mentors and their clients are strictly confidential, with all mentors signing a Code of Ethics and Conduct that addresses the protection of each client's information and business ideas. Each year, all volunteers are also required to read, understand and agree to the Code of Ethics through mandatory online training in the SCORE Learning Management System.

In addition to volunteer mentors, who offer confidential business mentoring services, other types of SCORE volunteers exist. These include subject matter experts, who provide focused knowledge based on their professional skills or industry, workshop presenters, who lead local workshops, seminars and events, and administrators, who share their skills in marketing, technology, finance or fundraising, in support of chapter operations.

ONE SCORE

SCORE's operations are anchored and directed by a five-year strategic plan and annual tactical plans. These plans are developed based on trends affecting small businesses and volunteerism, extensive data collection in our business and from other organizations serving small businesses, as well as input from our key stakeholders. Above all else, our top goals are to help more small business owners and engage our volunteer corps.

The "One SCORE" initiative emphasizes operational efficiency, consistency and effectiveness so that everyone who interacts with SCORE has the same incredible experience. SCORE's volunteer mentors, The SCORE Foundation, donors, corporate partners, board members and staff work together with shared vision, consistent focus and renewed energy, as we serve our clients and prepare SCORE for continued success.

With all of SCORE working together, clients have access to any mentor and any needed information, no matter where they may be located. Chapters can learn from any other chapter and share information. Volunteers can connect with any other volunteer, client or staff member. Stakeholders benefit from partnerships of the entire SCORE organization.

Working together requires increased process capability and capacity, supported and enabled by information technology. "One SCORE," has generated centralization initiatives that ensure consistency across all chapters, and reduce administrative burden on the volunteer, allowing them to focus on mentoring and educating their clients.

"One SCORE" also ensures SCORE continues to be a good steward of the federal dollar. SCORE successfully closed all findings from the Office of Inspector General's FY 2017 report (released in April 2019) ahead of schedule. Through the implementation of many of our "One SCORE" programs, we continue to demonstrate our commitment to compliance.

Centralized Accounting
All SCORE chapters were transitioned to centralized accounting system by January 1, 2020. Uniform policies and procedures for treasury operations nationally and at the chapter level reduces the risk for the overall organization, accounting for every dollar – restricted or unrestricted – at the chapter level, and provides improved insight into SCORE's financials to better support national accounting and fundraising. The SBA has reviewed and approved this system.

The system helps by reducing the burden on chapters due to reporting requirements, bookkeeping tasks and clerical duties, while allowing chapters to maintain control over how, when and where they raise and spend funds. It also enables more consistent onboarding and training for chapter treasurers.

SCORE Engage: CRM Implementation
The "Engage" Customer Relationship Management system replaced the old database and intranet. Engage improves the quality of engagement between users and SCORE through three main journeys – client mentoring, volunteering and training. Engage improves the mentor matching process, and provide better insight into chapter performance through reports, dashboards and additional tools that enable integration between systems and data. All SCORE chapters were officially transitioned onto the Engage

system by September 2021, following a pilot period in which "early adopters" representative of all SCORE regions and chapter sizes tested the system and helped inform the business requirements, system user experience, features, functionality and change management.

Volunteer Onboarding
A revamped volunteer onboarding program launched in FY 2019 now welcomes our provisional members and provides them with the tools and information they needed to start their experience with SCORE off right.

The program creates a more flexible and inclusive SCORE for the next generation of volunteers. As part of the onboarding program, SCORE added new official volunteer classifications in addition to the traditional "mentor" designation, including subject matter experts, workshop presenters and chapter support roles. These new roles permit more flexibility for prospective volunteers who have valuable skills to contribute to SCORE but may not have the time to become full mentors.

Chapter Social Media Program
Now in its fifth year, the SCORE Social Media Program provides baseline content and centralized oversight of chapter social media content to drive local mentoring and workshop attendance, build local awareness of SCORE's services, and ensure online brand consistency. The program also manages participating chapters' online directory listings to ensure they are claimed, managed and fully optimized.

Proper management of this social mobile ecosystem has helped significantly improve organic search results in Google. This means that more people actively searching for "small business help" are finding their local SCORE chapter.

Last year, 92% of chapters ranked in the top ten search results for key search terms, compared to 68% at program inception, and 89% of chapters ranked in the top three search results. Social media users for participating chapters grew by 11.57%, bringing the total community of local chapters to 168,307 fans.

METRICS AND REPORTING
SCORE depends on accurate management data and metrics to track progress, program success and impact. As such, we work annually with PricewaterhouseCoopers to capture our full program impact through statistically-significant, relevant and accurate data in the form of client and volunteer engagement surveys.

In addition to these surveys, SCORE collects a variety of data and metrics throughout the year, which are used to measure performance and inform decision-making at both the headquarters and chapter levels. Reporting begins at the national level, and narrows down to the regional, district, chapter and individual volunteer levels.

Specific reports include:

- Dashboard Report: Shows the performance metrics and client satisfaction rates for chapters and districts according to the number of unique clients, historic session and workshop data, client return rates and volunteer demographics and certifications.
- Client Impact Survey: SCORE's annual measure of customer satisfaction, with data sortable according to individual district, chapter and state.

- Net Promoter Scores (NPS): NPS scores are service metrics that measure client satisfaction based on the quality of the client-mentor relationship, and willingness to recommend SCORE. The results are used to identify and promote best mentoring practices. The SCORE national average NPS for FY 2021 is strong, at 89.22. The vast majority (86%) of clients are likely to recommend SCORE services to others.
- Volunteer Engagement Survey: Measures volunteer engagement and satisfaction, both across SCORE nationwide, and at the local chapter level.
- Local workshop reporting: Measures attendance and attendee satisfaction, including a national ranking in comparison to other SCORE chapters.
- Management Information System Reports: Provide up-to-date information on total services (both mentoring and workshops).

SCORE has historically experienced challenges with the SBA's EDMIS system, culminating in recent outputs for FY2021 that have dramatically underestimated SCORE's impact data. The EDMIS management reports (as of January 25, 2022) do not reflect the SCORE data being entered into the system. We continue to work closely with the SBA to resolve these errors and want to ensure SCORE's impact is properly represented to our important stakeholders.

APPROPRIATIONS REQUEST

SCORE's mentoring and education are critical to helping small business owners overcome their challenges and succeed. Additional funding would sustain our Small Business Resilience platform, and significantly expand the number of clients we help through our COVID response model, empowering businesses to adapt, grow, and thrive, and positively impacting our nation's economy.

Based on our continued demonstrated impact, increased demand for services and SCORE's specific plans to reach more business owners in underserved and disadvantaged communities hardest hit by the COVID-19 pandemic, SCORE respectfully requests an increase of $9.5 million in funding for FY 2022, for a total annual appropriation of $21.7 million. This funding level was supported by the U.S. House of Representatives through an amendment spearheaded by Reps. Crow and Spanberger that received strong bipartisan support.

SCORE is scalable. With a relatively small investment, we can provide even greater value to business owners and the economy. Over the past five years, SCORE has helped start 186,685 businesses and create 378,550 non-owner jobs. In FY 2021 alone, SCORE helped its clients to start 24,742 new businesses and create 71,475 new, non-owner jobs. Our projections estimate that this increased funding would help us to deliver 540,243 additional client services (mentoring, workshops, education), with a projected outcome of 100,131 additional new businesses started and/or jobs created.

SCORE also provides tremendous return on investment to the American taxpayer, with every dollar invested return to the federal treasury many times over. In FY 2021, SCORE clients returned $58.93 in new federal tax revenue for every $1 appropriated to SCORE, ($718.9 million in total).

Please see below for details on how additional funding would be utilized, and what results we expect to achieve.

Help More Underserved Businesses: $2.5 million

- Development of timely educational content including accessing emergency capital, thriving post-pandemic, and specialized content for businesses hardest hit by COVID-19.
- Increase content accessibility for disadvantaged entrepreneurs – for example: Black, Hispanic, Asian and Pacific Islander, indigenous, disabled, women, veterans and 55+ communities. This includes conducting research into specific client needs, translating content to Spanish and developing targeted educational programs.
- Nationwide program awareness campaigns and localized marketing outreach to attract new clients and volunteers from underserved markets and diverse communities.
- Add key staff positions to support diverse volunteer mentor recruitment and increase outreach to underserved communities, with a focus on partnership building.

Increase Mentoring and Education by Reducing Administrative Burden on Volunteers: $3.75 million

SCORE Headquarters shoulders some operational and administrative processes that demand considerable time and resources from our volunteer mentors, giving mentors more time to focus on what they do best – helping businesses succeed.

Our "One SCORE" initiative facilitates information and resource sharing across state, city and chapter lines, so clients and volunteers benefit from our nationwide network. SCORE is evolving to a more centralized operating model, with support functions executed and coordinated at the headquarters level, while direct client services are delivered through our local chapters. Centralization guarantees consistency across the entire organization, ensuring a high quality of service no matter how, when or where clients interact with SCORE.

Examples of this centralized operating model that have already been accomplished include: the centralized accounting system, chapter score.org websites, the chapter social media marketing program, implementation of @scorevolunteer.org email addresses for every volunteer and our Engage customer relationship management system (CRM).

With additional funding, SCORE would expand this "One SCORE" initiative through:

- Technological improvements to the Engage CRM that seamlessly connects clients with volunteers.
  - On-demand communication features including live chat on website and text messaging.
  - Development of customized learning management and marketing automation systems that offer clients personalized advice and resources based on their unique needs.
  - Educational training and support for volunteers to mentor using these new capabilities.
- A centralized administration system to connect clients with volunteers faster, and guarantee effective mentor pairing.
- Given the critical importance of complying with our federal grant, and being good stewards of our federal dollars, SCORE would maintain newly added staff positions, including a compliance manager and accounting specialist, and implement a procurement tracking system for all chapters who work directly with vendors and event spaces, to ensure contract process compliance.

More Support for Community Outreach/Local SCORE Chapters: $3.25 million
Each year, SCORE's chapters must raise additional funds to supplement our federal funding – typically $5 to $8 million in total. With an increase in direct field allocation, volunteers will be free to focus on their primary objective – mentoring and education – which will result in helping more businesses to start, grow and succeed. Funds would be used for local client marketing and volunteer recruiting (50%) and operations including administrative support, office space rent and utilities, and phone service (50%). Funds would be allocated based on chapter performance metrics, opportunities for growth, and field leadership evaluations.

Thank you for allowing SCORE to submit this written testimony. We welcome any further questions.

Chairman CARDIN. Thank you for your testimony.
Ms. Hannah Cox.

STATEMENT OF HANNAH COX, BRAND AMBASSADOR, FOUNDATION FOR ECONOMIC EDUCATION, AND CO-FOUNDER AND HOST, BASEDPOLITICS, ATLANTA, GA

Ms. COX. Thank you, Chairman Cardin, Ranking Member Senator Paul, and members of the Committee.

When I was born on December 30th of 1987, it was not yet legal for me as a woman to secure a business loan without a male cosigner in most states. That was merely 34 years ago. In 1963, when my mother was born, she could not yet obtain a credit card without a man. Women have faced unique challenges in this country, but they are challenges that we face because our government first upheld a system that treated us as second-class citizens under the law for centuries and erected financial barriers we have had to tear down. Due to this, we have some catching up to do in the business world.

But since receiving equal financial footing, the number of women-owned businesses increased by 31 times, rising from 402,000 businesses in 1972 to 12.3 million business, or 40 percent of all firms, by 2018.

Today, women face the same struggles when it comes to entrepreneurship as men, struggles that, it must be pointed out, continue to be created by our government and its meddling in the market. True feminism means the advocacy of women's rights on the basis of the equality of the sexes. So I am here to advocate for men in business every bit as much as I am to advocate for women because what the government is currently doing hurts all of us.

What entrepreneurs need to be successful is not a government handout. What we need is for the government to get out of our way. Entrepreneurs are being choked to death by the Federal Government's expansive regulatory apparatus. Between 1995 and 2017 alone, there were 88,899 rules and regulations implemented. Government agencies and unelected bureaucrats have run amok and are throttling our economy while Congress fails to rein them in.

As a result, business owners are forced to spend the bulk of their time jumping through legal hoops and wasting their profits on compliance. This is despite laws like the Small Business Regulatory Enforcement Fairness Act, which is supposed to ensure Federal agencies help small businesses comply with statutes and regulations. This has largely not happened, and American entrepreneurs receive little relief when it comes to maneuvering this framework.

The Federal Government also makes it increasingly difficult to succeed in business as it renders our currency void through reckless spending policies that drive the printing of new dollars and as it excessively taxes us at every turn. We are being pillaged by your policies.

This includes the $4.9 trillion in new spending under the CARES Act, which led to rampant inflation. Prices have risen 7 percent, representing the largest increase in a 12-year period in the last 4 decades. For entrepreneurs, that is a tremendous hidden tax. It is money they no longer have to hire, expand, or save. And it also

means consumers have less money to spend. You have stacked the deck against us.

Not only that, but the Federal Government continues to pick winners and losers, giving our tax dollars to big business competitors and rigging the playing field against entrepreneurs. You do this through subsidies, selective tax breaks, regulations, and programs that prioritize some business owners over others. As one example, the Restaurant Revitalization Fund administered by the SBA prioritized awarding funds to small businesses owned by women, veterans, or disadvantaged individuals despite the fact that unconstitutional government lockdowns harmed all restaurants.

This is only scratching the surface when it comes to the ways that the Federal Government serves as a barrier to entrepreneurship. The Federal Government purports to promote competition and entrepreneurship with its right hand while its left is the primary source strangling the free market. The Federal Government is one of the last entities that should oversee entrepreneurship programs. And we have seen no numbers, no proof of efficacy in their work to counter that point.

In fact, the research we have shows the opposite. The Office of Inspector General evaluated the SBA's handling of the CARES Act grant to train, counsel, and educate small businesses on Federal resources. Under this grant, partners were given $18.6 million to create an informational and training hub. Yet, the Office's report found that less than 1 percent of the 30 million small businesses this was intended for used the portal and only 62 of approximately 14,000 resource partner counselors and mentors completed any of the training modules. That is a tremendous amount of our tax dollars being wasted, tax dollars that entrepreneurs could do a lot more with if they were left in our pockets.

The SBA recently announced it intends to elevate the Office of Women's Business Ownership, and in a statement on the reorganization staff claimed this was indicative of the Biden Harris administration prioritizing recovery for small businesses and addressing longstanding inequities for women entrepreneurs. I find this offensive. You cannot claim that the Federal Government cares about female entrepreneurs after it worked to shut down our businesses, close schools, leaving women in the workforce scrambling for childcare, and mandated vaccines and COVID policies that have cost billions of dollars.

The same is true as it always was. The government is the main roadblock to our success. The only role the Federal Government has to play in entrepreneurship is in removing the onerous burdens it has placed on the backs of every hardworking American. Women need the government to quit fantasizing itself our knight in shining armor when in reality it is more akin to a wicked stepmother locking us away from opportunities. We need the government to remove itself from the market so that we can actually take up space and use the dollars currently being wasted for innovation and growth.

Thank you.

[The prepared statement of Ms. Cox follows:]

Hannah Cox
Brand Ambassador, Foundation for Economic Education
Co-founder and Host of BASEDPolitics

When I was born, on December 30th of 1987, it was not yet legal for me, as a woman, to secure a business loan without a male co-signer in most states. That was merely 34 years ago. In 1963, when my mother was born, she could not yet obtain a credit card without a man.

Women *have* faced unique challenges in this country, but they are challenges we faced because our government first upheld a system that treated us as second-class citizens under the law for centuries and erected financial barriers we have had to tear down. Due to this, we had some catching up to do in the business world.

But since receiving equal financial footing, the number of women-owned businesses increased by 31 times, rising from 402,000 businesses in 1972 to 12.3 million businesses, or 40 percent of all firms by 2018.

Today, women face the same struggles when it comes to entrepreneurship as men—struggles that, it must be pointed out, continue to be created by our government and its meddling in the market. True feminism means the advocacy of women's rights on the basis of the equality of the sexes. So I'm here today to advocate for men in business every bit as much as I am to advocate for women. Because what the government is currently doing hurts all of us.

What entrepreneurs need to be successful is not a government handout. What we need is for the government to get out of our way.

Entrepreneurs are being choked to death by the federal government's expansive regulatory apparatus. Between 1995 and 2017 alone, there were 88,899 rules and regulations implemented. Government agencies and unelected bureaucrats have run amok and are throttling our economy while Congress fails to rein them in. As a result, business owners are forced to spend the bulk of their time jumping through legal hoops and wasting their profit on compliance.

This is despite laws like the Small Business Regulatory Enforcement Fairness Act, which is supposed to ensure federal agencies help small businesses comply with statutes and regulations. This has largely not happened and American entrepreneurs receive little relief when it comes to maneuvering this framework.

The federal government also makes it increasingly difficult to succeed in business as it renders our currency void through reckless spending policies that drive the printing of new dollars, and as it excessively taxes us at every turn. We are being pillaged by your policies.

This includes the $4.9 trillion in new spending under the CARES Act, which led to rampant inflation. Prices have risen 7 percent, representing the largest increase in a 12-year period in the last four decades. For entrepreneurs, that's a tremendous hidden tax. It's money they no longer have to hire, expand, or save. And it also means consumers have less money to spend. You've stacked the deck against us.

Not only that, but the federal government continues to pick winners and losers, giving our tax dollars to big business competitors and rigging the playing field against entrepreneurs. You do

this through subsidies, selective tax breaks, regulations, and programs that prioritize some business owners over others. As one example, the Restaurant Revitalization Fund, administered by the SBA, prioritized awarding funds to small businesses owned by women, veterans, or disadvantaged individuals—despite the fact that unconstitutional government lockdowns harmed *all* restaurants.

This is only scratching the surface when it comes to the ways that the federal government serves as a barrier to entrepreneurship.

The federal government purports to promote competition and entrepreneurship with its right hand, while its left is the primary source stangling the free market. The federal government is one of the last entities that should oversee entrepreneurship programs, and we've seen no numbers, no proof of efficacy in their work, to counter that point.

In fact, the research we have shows the opposite. The Office of Inspector General evaluated the SBA's handling of the CARES Act grant to train, counsel, and educate small businesses on federal resources. Under this grant, partners were given $18.6 million to create an informational and training hub, yet the office's report found that less than 1 percent of the 30 million small businesses this was intended for used the portal. And only 62 of approximately 14,000 resource partner counselors and mentors completed any of the training modules.

That's a tremendous amount of our tax dollars being wasted—tax dollars that entrepreneurs could do a lot more with if they were left in our pockets.

The SBA recently announced it intends to elevate the Office of Women's Business Ownership and in a statement on the reorganization staff claimed this was indicative of the Biden-Harris Administration prioritizing recovery for small firms and addressing longstanding inequities for women entrepreneurs. I find this offensive. You cannot claim that the federal government cares about female entrepreneurs after it worked to shut down our businesses, close schools—leaving women in the workforce scrambling for childcare—and mandated vaccines and COVID policies that have cost billions of dollars. The same is true as it always was, the government is the main roadblock to our success.

The only role the federal government has to play in entrepreneurship is in removing the onerous burdens it has placed on the backs of every hardworking American. Women need the government to quit fantasizing itself our knight in shining armour when in reality it is more akin to a wicked stepmother locking us away from opportunities. We need the government to remove itself from the market so that we can actually take up space and use the dollars currently being wasted for innovation and growth. Thank you.

Chairman CARDIN. Let me thank all six of our witnesses for their patience and their testimony.

With Senator Paul's consent, I am going to go to Senator Inhofe first, who has a conflict on time.

Senator INHOFE. Well, thank you very much, Mr. Chairman. I appreciate that. It was very important for me to get over and ask a couple questions. Ironically, I got here just in time to hear Ms. Cox. I am not sure I need to do that now.

However, I just want to make sure to emphasize the problems that we are having in my State of Oklahoma and other states are having the same types of problems. We talk about inflation up to 7 percent, the highest it has been in 40 years, the small businesses that are having the effect of this. Is there anything that you can add?

I actually have two questions I wanted to ask you. How would the radical spending plans only serve to hurt the small businesses and hinder entrepreneurship?

Ms. COX. Thank you, Senator. It is important to remember that every dollar spent by the government is dollars that entrepreneurs do not get to keep in their pockets, that they could actually invest into their own companies, hire more people with, save. And so we continue to see this hurt small business across the country. They are demanding relief. I talk to small businesses and entrepreneurs across this country, and one of the main things they say they need are tax cuts or, at the very least, a simplification of the tax codes that they do not have to spend so much time jumping through hoops to meet compliance from the government.

So I would suggest that the government look into those two items first and foremost. Secondarily, I suggest they quit spending money recklessly and give it back to the actual entrepreneurs who know, on the ground, how to invest the dollars better than the Federal Government could from so far away.

Senator INHOFE. And I think that pretty much addresses the second question I would ask on how can this administration advocate for policies that actually help benefit the playing field and ensure all entrepreneurs have a fair shot.

Ms. COX. Yes, I would love to see an actual review of all the regulations currently in play in various industries. I think it depends on which industry we are looking at, but if you examine any given one at a certain moment you are bound to find a number of ways the Federal Government is preventing entrepreneurship and hurting small businesses.

I will use one bill that comes to mind within the agriculture industry right now. The PRIME Act is seeking to make it to where small farmers can merely just sell their meat without having to jump through the hoops the Federal Government has laid out for them to process their cows. That is a ridiculous burden on them that actually makes them lose money and have to kill their cows and waste product.

That kind of thing can be found in virtually every industry in our economy, where the Federal Government has come in and put in silly requirements that people have to jump through merely just to do their job. So I would love to see the Biden administration actually go through and figure out what those regulations are and start

to remove some of these things so that people can just get back to work.

Senator INHOFE. That is particularly a great statement to make from my State of Oklahoma because that is a problem I have heard from other people and it is serious. So I think we understand that these are serious problems that small states, ag states, are having problems with, and that is what this is all about. We have these people here. You have your own problems. And I appreciate those comments very much.

And that is primarily the message I wanted to add, Mr. Chairman. And both of you, I appreciate you. Thank you.

Chairman CARDIN. Thank you, Senator Inhofe.

Let me again thank our witnesses. There is, you know, clearly different views. There is different views on this Committee, but what I like about this Small Business Committee is historically we have worked together in a bipartisan way in order to carry out our role in the United States Senate on behalf of small businesses.

So during the pandemic, we got together, Democrats and Republicans, and we passed through this Committee and through overwhelming majorities on the floor of the Senate and House relief for small businesses that was unprecedented. And as I have traveled through the State of Maryland and I have traveled through this country—and I have heard the same thing from my Republican colleagues—business after business said they would not be open today but for the help that was provided by Congress as a result of the COVID relief packages that we passed.

So I just point that out, that we have this tradition of listening to each other. We have different views, and we respect each other's views, and we try to come out with policies that are consensus policies that represent the best interests for the small business community.

And I do think that we are getting to a consensus here among at least the witnesses that are before us today that Congress needs to speak in regards to the entrepreneurship programs. After all, the Small Business Development Center program was authorized in 1980 and has not been comprehensively reviewed by legislation since that time. The Women's Business Centers was last reauthorized in 2005. The SCORE program goes back to 1997.

So we should carry out our responsibility. It is one thing to say you do not have the resources you need, et cetera, or you think there is misuse of resources. If Congress has not acted—we are the policy arm. We have that responsibility. So I would suggest first that we really do have responsibility as a committee and as a Senate to review these statutes and try to update them and feel what is best, listening to both Democrats and Republicans, and see whether we cannot come to what we think the current policy should be in regards to these resource partners.

Now the question I am going to ask deals with a view that I have that may differ from Senator Paul and other members of this Committee. I look at the commercial banks and their record of providing assistance in disadvantaged communities, and it is not a good record. And we all agree that we want to use the talent in every community and the energy in every community to build not only personal wealth and accomplishment but also economic

strength for our whole country. So it was for good reason that we established access to capital programs for disadvantaged communities or for smaller businesses because the private sector was not providing that opportunity.

So we developed the 7(a) program and the 504 program, the largest programs of access to capital through the SBA, but when you look at the record—and when I first came to the Senate in 2007 I got the numbers in Maryland, and I was appalled because the number of 7(a) loans made in disadvantaged communities was so small compared to the demographics of small businesses located in disadvantaged communities. I knew we could do better.

Now, yes, we did develop other programs such as the Community Advantage 7(a) program and the microloan programs, and they work much better; they do. There is much better participation in all communities in those programs. But I mention that because we want to provide opportunities to all communities.

So as I look at our resource partners, I want to know what you are doing because you are the services that we are providing particularly to the vulnerable small businesses. So tell me how your program is providing opportunities to small businesses who otherwise may not be given an opportunity to survive, how you are able to do that under an existing program, and if you need additional help, please let me know. Why don't I start with Mr. Rowe in regards to the SBDCs?

Mr. ROWE. Thank you, Mr. Chairman. As I said in my testimony, we work with the Urban League and the Black and Hispanic Chambers. And I will tell you that, honestly, if we look at 7(a) and 504 they came about not just because we were not—the banking community was not fulfilling its, you know, duty to the disadvantaged communities. But they were also being hampered by things like the Basel policies, the Basel regulations, international banking regulations, and reserve requirements that, frankly, sit harder on community banks than they might on a big regional bank.

And we are working now—and I will just throw this out because I agree with Ms. Cox. Today in D.C., our SBDC is holding—helping small businesses do their taxes today. And it is kind of sad that the tax system is so complicated that we have to help people pay their taxes. You know, you have got a situation where a small business owner who may have 1099 employees has to deal with 20 different 1099s, and so then they have to fill out a 1096. And if they fill out that 1096, they cannot download that off of IRS's website because if you try and download the form off their website it does not scan properly. So if you send it in to the IRS, you get penalized.

So when we are—we are in the same boat when we are working with the disadvantaged communities, whether it is in the District or, you know, any community, in a rural community. Helping people speak "banker" sometimes is most of what we do, helping people understand what they have got to go through just to get a loan. You know.

And we keep trying. We will keep pushing out with the Urban League, like I said, and through the HBCUs, through the Community Navigator Program, whether it is as a hub or a spoke, just because we are trying to help everyone. But if I was going to say we were living in an uncomplicated world, I would be a flat-out liar.

Chairman CARDIN. Ms. Hodges, how is the Women's Business Center carrying out its mission to help underserved, disadvantaged businesses located in disadvantaged communities?

Ms. HODGES. Thank you, Chairman. Yes, Women's Business Centers are inclusive. They are open for all, but we do reached the underserved. Of the individuals Women's Business Centers served in 2020, 70 percent were women; 56 percent of those that reported demographic data were people of color; and of those in 2020 who identified as people of color, 51 percent were African American, 33 percent were Latinx, 10 percent were Asian, 2.7 percent were Native American-Alaskan Native, 1.2 percent were Native Hawaiian. You get the idea here.

So the Women's Business Center Program continues to expand its reach. We have even added 24 new Women's Business Centers just since March 2021. Now three of those were on campuses with Historically Black Colleges and Universities, one of those in your State of Maryland.

We have some Women's Business Centers who collect more robust data, and those Women's Business Centers are tracking that more than 90 percent of individuals served are represented by categories of underrepresented or underserved, meaning women, minorities, or low-income households.

And I would like to share an anecdote as well, if I could, which is that in the State of Kentucky, in Georgetown, an African American, woman-owned business just in 2012 opened her business and explained to me in November she struggled to secure a $5,000 startup loan without the signature of her husband and if not for the Women's Business Center of Kentucky's Lexington office she would not be in business today. She has since survived the COVID pandemic, has given birth to twins, and is on the top 10 bakery list with a business employing 12 employees.

Chairman CARDIN. Thank you.

Ms. Weston, on SCORE?

Ms. WESTON. Thank you for the question. SCORE has always placed a high value on helping underserved business owners; 60 percent of our clients are women, 46 percent minority, 11 percent veterans.

We have formed strategic partnerships at the national and local levels to help reach and inform these underserved business owners of the resources available: U.S. Hispanic Chamber of Commerce, the Latino Coalition, U.S. Black Chambers, BIPOC Support Foundation. And our 240 chapters, with 10,000 volunteers across the country, have formed partnerships at the local level with banks and credit unions, economic development centers, colleges and universities, all with the intent of reaching these business owners and aspiring entrepreneurs who can benefit from the resources and guidance that SCORE provides.

We were told and saw firsthand during the pandemic the problems and the impact that this pandemic has had on all small business owners but some more negatively than others. We saw that Black and Hispanic business owners applied for more—for loans more often but received less.

So what SCORE is doing is building and expanding our SCORE for All initiative, which brings unique content that speaks to their

specific needs—financial literacy, broadband, whatever it is depending on that specific market—to help them increase their chances of success. We heard that these programs can be confusing and overwhelming and that they would not have applied for them without a SCORE mentor guiding them along the way. And we hope to be able to expand this program and continue to make, you know, more of an effort for these underserved communities, hopefully with more funding from Congress.

Chairman CARDIN. And just concluding, Mr. Edwards, I want to agree with you in regards to the regulatory burdens that can prevent smaller entrepreneurs from entering a field. We need to look at that.

And you gave the craft brewing industry as a good example, and I agree with you completely, and I am proud of legislation I have authored to make it easier for craft brewers to be able to survive. And I cannot match Senator Hickenlooper for owning a brewery, but I will match any member of Congress for the number of craft brewers I have been to and enjoyed. It is my normal Friday afternoon visit to a Maryland business was always going to be a craft brewery or a winery on a Friday afternoon.

So I thank you for that point because I do think the regulatory environment, the tax environment, is a very important point for encouraging small business entrepreneurs, and I thank you for that.

Mr. EDWARDS. Can I add a comment on that? I talked about some areas where regulation, I do think, has a disproportionate negative impact on lower-income and disadvantaged communities: the alcohol licensing and marijuana licensing, the occupational licensing, the home-based businesses.

I think the SBA could serve a really positive role here. It has an Office of Advocacy, the SBA—I assume that you have oversight over it—that, you know, their role is to examine other government rules and regulations and to find out what is too onerous. And in fact, I mean for example, I discussed home based businesses. They did a fantastic report a decade or so ago about home-based businesses and some of the burdens that they face from local government zoning. So I think that reinvigorating that office would be a great way, you know, to shine a light on some of these regulations that disproportionately hurt some communities.

Chairman CARDIN. Good suggestion. There is no question that particularly those with less capital have very little opportunity to contest a lot of these issues or compete for licenses. I think your point is well taken.

Senator Paul?

Senator PAUL. I think Mr. Edwards makes a good point. You know, one of the examples they often use is for hair-braiding. They are often immigrants to our country, many from Africa or Jamaica. And States put them out of business with $1,500 licensure, and you got to go two years to learn how to braid hair. And it is like, really, you think the customer cannot decide whether you can braid hair well or not? But that runs throughout our economy, and a lot of those are State laws.

But there have been some good groups. Institute for Justice has fought a lot of these cases over time and has won quite a few of them.

But absolutely, regulations. When you think about it, the richer I am the more I can evade a regulation. In fact, people talk about it as rent-seeking. So the big corporations love regulation often. They come to us. They do not want the craft brewers. So the big people come to us. They are all for regulating the small guy at a business. But I think too often we do not look at how regulations—removing them would actually disproportionately help lower-wage and people who have historically had more trouble getting loans.

Mr. Hendrix, on the—often capitalism is sort of described as creative destruction, that to get a loan, to stay in business, you know, only the best survive. I mean, it really is this strong sort of you have to make a profit.

And there is a definite difference between sort of a government extending a loan and a private entity extending a loan. And the private entity, if they keep making mistakes, will not have any more money to loan. The government seems to have an infinite amount. Can you describe that a little bit, the difference between private and public loans and how one may breed more excellence or better results?

Mr. HENDRIX. The private sector is built around finding the right sort of businesses to invest in and finding the right partners to help grow the economy, to grow those businesses to serve customers. And banks, financial institutions, community institutions, they are best placed to do that.

The government has certainly extended help to many businesses over the years, but their track of finding winners, good businesses, ones that will stay afloat is spotty at best. And they also do not have a clear mission of what sort of businesses they are supposed to serve. It is sort of all over the place. It is scattershot.

So what we should be doing is helping the businesses that do exist, the banks that do exist, the community institutions that are built to serve their neighbors, helping them to do their job rather than competing with them when we know our track record is not good.

Senator PAUL. Same question, Mr. Edwards, and any kind of disadvantages to leaving this role to government as far as other businesses that do not get funded.

Mr. EDWARDS. One thing I am worried about, you know, with all of these issues is government crowd-out. When the government enters an area, they tend to push out, you know, private sector solutions. And I think with the SBA loan guarantees, you know, either they are just replacing stuff that the private sector generally would have done itself or they are extending loans probably to people that maybe should not get the loans. We saw that with the housing crisis over a decade ago.

So as Michael said, you know, the private sector lenders want to lend. That is how they earn a return.

And you know, I went into detail about—in my testimony, my written testimony, about angel investors. There is 300,000 of them out there in America, in every town and city. They are looking for young entrepreneurs to invest in, and they will invest, and they will hold their investment for 5 or 10 years, waiting patiently for returns. It is a very risky business. And so it is fantastic, you know, it seems to me, that a lot of wealthy people do this very

high-risk investment, take these chances on unknown entrepreneurs.

Senator PAUL. When there is a feedback loop, you get information and you make decisions based on the information. Are they profitable? Did I make a mistake here? Did I do a good investment or a bad investment? You give more to the good investments; you give less to the bad investments. That does not exist in government, and so that is sort of the problem.

And government can do the wrong thing for decades. I mean, I remember William Proxmire talking about them spending $50,000 on a study to see what makes people happy. That was 50 years ago. Congress just funded a study last year wanting to know if you take selfies and look at the selfie of yourself smiling if that makes you happy. We have been doing it for 70 years. The learning curve is really steep around here.

Ms. Cox, I appreciate you putting forward some of the legal impediments that did exist for women at one time, and I think it is important to remember that both with gender and race there were legal impediments to people in business. I think, unfortunately, as we have removed those, people keep thinking something else has to be done, something else has to be done. But are you aware of a legal or systemic bias against women in business that currently exists?

Ms. COX. No, I am not aware of any bias that currently exists. If there is any bias, it is in our favor. I continue to see women get elevated as if we need special favors from the government or we need help.

Again, we do not need special favors. We do not need government to give us money. We need the same thing as male entrepreneurs. We need them to get out of our way so that we can compete and actually live in a meritocracy.

I am a strong believer in capitalism, but we have a problem where a certain number of entrepreneurs, a certain number of businesses are expected to actually compete in the market and then others get bailouts from the government, others get regulatory insulation from competitors and then some get special handouts like we see under these SBA grants. And I think that is offensive, and I think Americans are increasingly fed up with that system, where their tax dollars are taken from them and given to others. That is not a society that will stand for long.

Senator PAUL. You know, I think if you talk to many women in corporate America or African Americans in corporate America, you actually find that even without government telling the businesses what to do businesses are actually very eager to advance African Americans who are in the business place, as well as women. And I think we get stuck in statistics, you know, of how many CEOs there are or this or that. But really, as far as impediments, I do not think there are legal impediments.

And so I think if you wanted to make the loan program more efficient you just would not have women's centers at all. Just judge people—we could have human business centers. You know. I mean, I do not think we really—I think it is demeaning, actually, to women or people of race to think somehow that you are inferior or incapable of doing exactly the same work. And so I think we are

like 40 years beyond the time when we should be judging people on the color of their skin or their gender. We really should be, you know, proud of judging people equally before the law. You know, equality before the law.

But I appreciate you all coming today, and that is all the questions I have.

Chairman CARDIN. Thank you. I want to ask one additional question, if I might. In response to the resource partners reaching out to disadvantaged communities, you mentioned, at least one or two of you, the partnerships with HBCUs. And we have Women's Business Centers located at HBCUs. We have in the other programs direct partnerships with HBCUs. In Maryland, we have four HBCUs that are all involved in entrepreneurship programs in order to expose their students to the opportunities of entrepreneurship.

So I want to just hear from you briefly, if I might, how relevant or important it is to utilize the HBCUs in trying to carry out your missions of entrepreneurship. Again, I will start off with Mr. Rowe.

Mr. ROWE. I think it is absolutely essential. We work with, I think—what did I say? Twenty-one different HBCUs in 14 different states. They are a valuable part of our effort to make sure that we are fulfilling our statutory mission, which is to serve everyone in the State or region that the SBDC is assisting.

And the HBCUs are a valuable tool for us in part of what we do, which is pedagogy on entrepreneurship. We are working regularly with programs, for example in Alaska, K through 12, just to teach kids about having a business, what it means. So we think it is absolutely essential to work with the HBCUs.

Chairman CARDIN. Ms. Hodges, I know that Morgan State University has an entrepreneurship center and recently coupled that with the Women's Business Center.

Ms. HODGES. Yes, sir, that makes six now Women's Business Centers located on Historically Black College and University campuses. We find it is incredibly important for Women's Business Centers to be available everywhere potential businesses are, inclusive of places like HBCUs and minority-serving institutions. We just really need to be accessible and available to all women entrepreneurs, especially minority groups. I mentioned the three that had opened previously, and you know, we would like to see continued growth in that area in the future.

Chairman CARDIN. Thank you.

Ms. Weston?

Ms. WESTON. SCORE has recently formed a relationship with Tougaloo Foundation, a research and development foundation, which is a collaboration of HBCUs across the country. We are working with them to make sure that HBCUs have access to SCORE mentors and our educational materials regardless of where they are in the country. Many of the local HBCUs do partner with our SCORE chapters and have used our educational materials and courses as well as helped us be an avenue to let people know about the mentors and resources that SCORE brings to these—to anyone looking to start or grow a small business.

Chairman CARDIN. Thank you.

Senator Paul?

[No audible response.]

Chairman CARDIN. Well, once again, let me thank our witnesses. I think your testimony will help us as we move forward in regards to legislative oversight and action.

So with that, the Committee will stand adjourned, with our thanks.

[Whereupon, at 4:30 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

Senate Committee on Small Business and Entrepreneurship
Questions for the Record
February 16, 2022

Questions from: Chairman Cardin
In your testimony you highlighted that the SBA's Office of Entrepreneurial Development delivers services and training to all entrepreneurs, including the underserved, unrepresented and under-accessed. One service of great importance is assistance with loan applications and navigating the capital market. According to the Federal Reserve, Black business owners were nearly twice as likely to be denied a loan with 49% of Black business owners' loan applications being denied compared to 22% for white business owners. Further, a group of Federal Reserve banks reported that Black-owned firms are half as likely as white-owned firms to receive all of the financing they sought.

QUESTION 1: How does the SBA's entrepreneurial development programs help Black business owners access capital and overcome this disparity?

The SBA's Entrepreneurial Development Programs support Black small business owners by providing them with access to training, counseling, and resources, including capital, they need to start and grow their businesses. Many of the Office of Entrepreneurial Development's Small Business Development Centers (SBDCs) are strategically located in areas where they can support Black small business owners. For example, 16 SBDCs are located at HBCUs. The Office of Women's Business Ownership (OWBO) has also launched centers at six HBCUs across the country, including three since March 2021 at Jackson State, Benedict College and Winston-Salem University. Approximately 6,000 African American women are serviced by the WBC national network annually.

The SBA's resource partner SCORE also offers a centralized educational hub called SCORE for Entrepreneurs which offers personalized support and resources including educational content specially designed to support Black entrepreneurs and inspiring stories of Black small business owners who have achieved the American dream. Also, SCORE is actively recruiting talented and experienced Black entrepreneurs and executives to become mentors, workshop presenters and/or subject matter experts.

The Community Navigator Pilot Program focuses on supporting small business eco-system development in under-represented communities including Black communities. Of the 51 Community Navigator Pilot Program grantees, 30 have a special focus on serving black entrepreneurs, and collectively these 30 grantees have 217 spoke organizations.

According to data provided by the SBA on SBA loan products, the number of loans approved for minorities are highest within the Community Advantage program with 38% of loans approved for minorities in FY21, compared to 26% for 7a loans and 22% for 504 loans. The percentage of loans approved for White business owners are 52% for 7a loans, 56% for 504 loans, and 55% for Community advantage loans. The disparities are glaring.

QUESTION 2: How is the SBA's entrepreneurial development office working with entrepreneurs to help increase outcomes in SBA loan products? How do the SBA resource partners play a role in increasing loan approvals?

SBA Resource Partners work closely with SBA District Offices and other service providers to help small businesses access capital and other resources. SBA resource partners achieve this through targeted counseling and training about the loan application process. In FY 2021, Small Business Development Centers helped clients obtain over $8.0 billion dollars in capital for their small businesses.

As we have seen in recent data, entrepreneurship surged in 2021 with minority entrepreneurs at the forefront. However, it has been reported that only 4% of Black-owned businesses survive the start-up stage, even though 20% of Black Americans start businesses. The SBA's Small Business Development Center program, Women's Business Center program and SCORE all provide resources to help small businesses survive that early and crucial stage. Overall, the SBA Resource Partner network, alongside the Office of Entrepreneurial Development, works to increase SBA funding outcomes for all small business types in rural and urban America. In recent months, OED has partnered with the SBA Resource Partner network to host service providers and provide them with critical and timely information on SBA funding options, including EIDL.

As well, the Office of Entrepreneurial Development, in conjunction with other Agency units, has increased national small business outreach, which includes eligibility criteria and other critical information.

QUESTION 3: What services do these resource partners provide to help small businesses that historically have a more difficult time sustaining business operations the first few years?

The Office of Entrepreneurial Development's Resource Partner network is designed to help small business start, grow and expand by providing quality training, counseling, and access to resources through Resource Partners located across the country and the Office of Entrepreneurship Education. In FY21, the SBA's Resource Partners provided assistance that empowered small businesses to access more than $44.8 billion in capital infusion, start over 26,000 new businesses, and create and retain more than 2,100,000 jobs.

Small Business Development Centers (SBDCs) offer one-stop technical assistance to individuals and small businesses by providing a wide variety of information and guidance in centralized locations and/or virtual settings. Women's Business Centers (WBCs) focus on supporting women entrepreneurs with training and counseling, and businesses that receive assistance from WBCs have significantly better survival rates than those that don't receive similar support. SCORE is another SBA resource partner that is dedicated to providing entrepreneurs with free, confidential business counseling through 10,000+ volunteer business mentors.

Over the course of the COVID-19 pandemic, our Resource Partners worked with our SBA District Offices and the various SBA units to help small business owners navigate the pandemic and the relief options available. They partnered with the District Offices to address questions

regarding PPP, PPP forgiveness, EIDL, RRF and SVOG. Through both virtual and in person counseling, the Resource Partners also coached small business owners on strategies to sustain their businesses through the pandemic, and resilience strategies to help make their businesses more easily able to adapt to changes in the marketplace.

The recent surge in entrepreneurship was also led by women. In 2020, 49% of people who started businesses were women, up from 27% in recent years. However, women entrepreneurs face unique barriers such as discrimination when applying to receive a loan. Studies have found that in 2019 entrepreneurs who are men were 20% more likely to receive a loan when applying in comparison to women. The Office of Women's Business Ownership in the SBA specifically works to help women business owners overcome these barriers and to dismantle them. As a part of that, the Women's Business Center program aids women entrepreneurs and small business owners seeking capital, along with providing a variety of other supports.

QUESTION 4: How does the WBC program help drive women entrepreneurship and what more can Congress do to help the SBA breakdown these barriers to success?

Women's Business Centers help women entrepreneurs launch new businesses and compete in the marketplace. They provide a number of resources for women-owned businesses including business training, counseling, and access to credit, capital, and federal contracts. In FY21, Women's Business Centers (WBCs) assisted more than 87,000 businesses and helped start over 3,300 new businesses. They also fostered $1.4M in capital transactions and supported over 89K jobs. Since March 2021, the Office of Women's Business Ownership onboarded the largest expansion of its Women's Business Center network in the history of the Small Business Administration. The 24 new centers were established in communities across the nation representing the diversity of women entrepreneurs, including centers located within or at Rural communities, HBCUs, urban communities, Native serving institutions, and Puerto Rico.

Questions from: Senator Hirono
Resource Partners
SBA resource partners have really stepped up to help businesses dealing with the pandemic. Locally in Hawaii, we have some great resource partners like the Mink Center for Business and Leadership ("Mink Center") and Hawaii SBDC, as well as an active SCORE chapter.
In your role with SBA you work directly with resource partners like these:

QUESTION 5: Can you elaborate on some of the important work resource partners have done during the pandemic? What impact have they had on local communities?

We are proud of our Resource Partners for their tireless work throughout the pandemic, including their utilization of CARES Act funding to increase support of our small businesses and local communities over the course of the pandemic. In FY21, Small Business Development Centers (SBDCs) counseled and trained over 818,000 clients and helped start over 26,000 new businesses. Women's Business Centers (WBCs) assisted more than 87,000 businesses and helped start over 3,300 new businesses. Finally, SCORE's 10,000+ volunteer mentors counseled and trained over 569,000 clients.

The SBA's Resource Partner network provides a diversity of support that is catered to evolved needs that have emerged during the pandemic. For example, SBDCs support small business owners with technology transfer, research and development, rural assistance, base closure assistance, cybersecurity, intellectual property, employee ownership and cooperative promotion, regulatory compliance, and export assistance. In FY 2021, SBDCs supported over 5,000 small business clients with export assistance, and currently there are more than 460 Export Certified Counselors at Small Business Development Centers throughout the country. In so doing, SBDCs have done this work with a focus on equity. For example, the SBDC network launched the Inclusivity Challenge, a nationwide initiative to challenge its state and regional networks to assess their client communities and identify areas where they can expand their reach and connect with diverse small business ecosystems, expand culturally and linguistically sensitive services tailored to achieving results, and share impact data.

QUESTION 6: Why is it so important that we continue to provide strong funding for resource partners going forward?

While the statistics we share in the answer to Question 5 tell the story of impact, it is also important to underscore just how vital of a lifeline the Resource Partners are to the small businesses they support.

One such small business owner is Sacred Walker, a black woman who started her own health counseling service called Kuumba Health LLC with the help of the Brooklyn BOC Women's Business Center in Brooklyn, NY. With the support from her WBC, when the pandemic hit Sacred was able to receive PPP funding through BOC Capital CDFI, a community development financial institution and the host organization of Brooklyn BOC Women's Business Center. In addition, Sacred participated in a specialized marketing consultation with one of Brooklyn BOC Women's Business Center's advisors. As a result of these services, supported by the SBA Office of Women's Business Ownership CARES Act Award program, Sacred received the support she needed to pursue 6-week sales training program, learning valuable skills to expand her knowledge and diversify her service offerings into serving corporate entities and students in order to better serve her clients during and through their recovery from the COVID-19 pandemic.

Each one of the 818,000 clients supported by SBDCs, 87,000 clients supported by WBCs, and 569,000 clients supported by SCORE in FY21 has a story like Sacred's. It's imperative that we support small business owners during recovery and going forward by continuing to invest in these critical programs.

Native Businesses
While your office does not directly oversee SBA's outreach to Native businesses, Native American Outreach (NAO) is certainly an important program at SBA. I have been working to improve SBA's outreach to Native businesses – including Native Hawaiian businesses – and last year introduced legislation with Sen. Hickenlooper that would strengthen SBA's outreach programs.

QUESTION 7: Can you elaborate on some of the important work you and others at SBA are doing to improve SBA's outreach to Native businesses – including Native Hawaiian businesses?

The SBA's Office of Native American Affairs (ONAA) maintains a portfolio of contractors and grantees to deliver technical assistance for aspiring and existing small businesses in Indian Country. These service providers provide a range of assistance on starting a business, securing financing, pursuing federal contracts, conducting international trade and more. Also, ONAA supports Tribal Consultations on SBA policies/programs, conducts outreach activities, deploys digital resources and training, and coordinates with federal colleagues on economic development projects impacting Native businesses.

The Community Navigator Pilot Program is also forging new paths to supporting small businesses in Indian Country. Through this program, the SBA has 43 new connections to Indian Country (2 hubs and 41 spoke organizations). These include the Maui Economic Development Board, Purple Mai'a, Hawaiian Lending and Investments, and the Waianae Economic Development Council of your home state of Hawaii; Citizen Potawatomi Community Development Corp., Mvksoke Fund, and the Bank of Cherokee County in Senator Inhofe's home state of Oklahoma; the Northwest Native Development Fund, and the Taala Fund in Senator Cantwell's home state of Washington; and the Nez Perce Tribe, the North Idaho Native Fund, the Shoshone Bannock Tribe CDFI, and the Nimiipuu Community Development Fund of Senator Risch's home state of Idaho.

QUESTION 8: Will you commit to working with me – wherever possible – to improve SBA's outreach to these businesses?

Yes, absolutely. Improving outreach to Native American small business owners is a priority of this Administration.

Community Navigators

Your testimony included an update on the Community Navigator Pilot Program (CNPP), which we created last year to improve access to programs and services for businesses in rural and underserved communities. Locally, Maui Economic Development Board ("MEDB") recently received a CNPP grant to help businesses on Maui, Molokai, and Lanai.

QUESTION 9: Can you elaborate on some of the other work being done through CNPP? What else should we know about the program?

Through the American Rescue Plan Community Navigator Pilot Program, the SBA awarded $100 million in grant funding to 51 'hub' organizations that will close resource gaps with all types of U.S. small businesses. SBA grantees will work with hundreds of trusted and hyperlocal community organizations to meet small businesses where they are. Through this pilot program, this diverse national ecosystem of hubs and spokes will ensure the delivery of free community navigator small business services to increase awareness of, and participation in, programs of the SBA and connect these businesses to other federal, state, and local resources. All 50 states and Puerto Rico—in urban and rural areas—have coverage.

The Community Navigator Pilot Program is delivering on Biden-Harris Administration and SBA Agency priorities to advance equity through its priority focus on socially and economically disadvantaged small businesses and small businesses owned and by women and veterans.

While the program officially launched in December 2021, we're already seeing results-driven success stories of supporting small business owners on the ground, such as an immigrant-owned small business in Salt Lake City, who worked with Tier 1 Grantee IRC to receive $30k in PPP forgiveness, through the use of an interpreter. In December shortly after the program began, several Hubs held workshops to help hundreds of local entrepreneurs complete applications for the Economic Injury Disaster (EIDL) loans, the Targeted EIDL Advance, and the Supplemental Targeted Advance before the deadlines at the end of the calendar year. These are just some of the examples that brings to life the Community Navigators work happening on the ground across the United States and Puerto Rico.

QUESTION 10:
Why is this program so important for businesses? How does it complement existing programs?

Today we have an evolved ecosystem of need in the United States. The small business that we are serving at the SBA are only a drop in the bucket compared to the 32.5 million small businesses in the U.S. At the same time, we've seen an explosion of entrepreneurship, with a record 5.4 million new business applications in 2021, surpassing the previous record by over 1 million. We must keep in mind that 20% of small business die in year one, which presents a tremendous opportunity to cultivate new small businesses that are being born at an unprecedented rate. Finally, we have a commitment to support those small business owners who were accessing, or attempting to access, SBA resources for the first time during the pandemic, including those who were not eligible. Community Navigators aim to connect with those small business owners who we haven't yet reached through existing programs, this massive cohort of new entrepreneurs, and those that came to the SBA for the first time in the pandemic.

Critically, the Community Navigators will also be a critical tool in progressing the Biden-Harris Administration's goal of advancing equity for the chronically underserved. During early rounds of pandemic relief, we saw not only that women, minorities and other disadvantage business owners had difficulty accessing federal resources, but also that it took longer on average for them to receive loans.[1] Narrowing opportunity gaps of socially and economically disadvantaged small businesses helps contributes favorably to the American economy. Community Navigators enable us to build authentic and culturally competent relationships with these entrepreneurs that we must reach.

When any small business is suffers, it has cascading effects on local communities. It is critical that we buoy all types of small business, as when they thrive, our economy thrives.

Questions from: Senator Hickenlooper

---

[1] Sifan Liu and Joseph Parilla. "New data shows small businesses in communities of color had unequal access to federal COVID-19 relief." Brookings. September 17, 2020. https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-ofcolor-had-unequal-access-to-federal-covid-19-relief/

QUESTION 11: To the surprise of many, Covid saw a dramatic increase in entrepreneurship – almost 24 percent. How are the Entrepreneurial Development programs supporting these new businesses?

The Office of Entrepreneurial development helps small businesses start, grow, and expand by providing quality training, counseling, and access to resources through Resource Partners located across the country and the Office of Entrepreneurship Education. The SBA's Network of Small Business Development Centers (SBDCs) is supported by our Office of Small Business Development Centers, and is a broad-based service delivery network of 63 lead centers and more than 900 service centers designed to make a significant, strategic investment in building and enhancing local economies within the United States. SBDCs offer one-stop technical assistance to new business owners by providing a wide variety of information and guidance in centralized locations and virtual settings. The SBA's Office of Entrepreneurship Education (OEE) provides digital education tools and trainings such as Ascent (SBA's online women's business curriculum) to meet small business owners where they are, both in urban and rural America. SCORE isa non-profit association dedicated to providing entrepreneurs with free, confidential business counseling through 10,000+ volunteer business mentors. Also, the Office of Entrepreneurship Education spearheads the SBA's Strategic Learning Initiative, Emerging Leaders Program, the Online Learning Center, and the Community Navigator Pilot Program, in addition to leading our Cybersecurity Grant Program and Regional Innovation Clusters to support a variety and diverse set of small business ecosystems.

The Community Navigator Pilot Program is an $100M grant program that strengthens outreach to our nation's smallest businesses—both in rural and urban America—particularly those owned by women, veterans, and socially or economically disadvantaged individuals by connecting them to SBA, federal, state and local resources. The 51 Community Navigator Pilot Program grantees deploy over 450 'spoke' organizations that perform community and culturally competent small business outreach. The spokes reflect the diversity of this nation's entrepreneurs. From the Latinx entrepreneur in New York City to the rural farmer in Missouri, Community Navigators forge connections over a large swath of the country. These Navigators are charged with supporting all business owner types, in various stages of growth (including startups).

QUESTION 12: Establishing open communication with banks that are open to financing small businesses is critical. What are SBA entrepreneurial development programs doing to ensure that traditionally marginalized business owners are making these vital connections?

The SBA's network of Resource Partners help connect small business owners to regional and local banks including Community Development Financial Institutions (CDFIs). Some small business development centers are hosted by Community Development Corporations, not-for-profit organizations that promote and support community development often in lower-income areas or struggling neighborhoods.

One example is Advanced Rail Systems in rural Texas. President Coy Beaman approached the McLennan SBDC to discuss financing a new facility. Through their partnership with the SBDC, they were able to identify the right capital provider, a Dallas-based community bank, and secured a $4.9 million dollar SBA 7(a) loan to expand operations.

QUESTION 13: Follow up-Has the agency thought about hosting events to connect women and minorities with financial institutions to form these much-needed relationships?

Indeed. One example comes out of Weston, Missouri where a small but growing business called KC Cattle Company is located. When the pandemic hit, KC Cattle Company, which raises American Wagyu cattle, experienced their mail order business grow dramatically, and they found themselves unable to meet the exploding demand. Owner Patrick Montgomery attended an event that featured numerous Kansas City banks. This convening was hosted by the Missouri SBDC at the University of Missouri–Kansas City. It was there that he found the right banking partner in order to apply for PPP funding. With the CARES Act Funding, Montgomery was able to keep his staff full force and then add several new employees to meet the booming demand.

QUESTION 14: The bipartisan infrastructure package will bring billions of dollars of much needed investment across the country. What are SBA's entrepreneurial development programs doing to ensure that women and minority owned businesses can access federal contracts?
Energetically, the SBA supports the Biden-Harris Administration's directive for federal agencies with contracting authority are to increase the share of federal contracts that go to small, disadvantaged businesses to 11% in FY 2022 en route to reaching 15% by FY 2025. This would represent a 50% increase from the 9-10% SDB spending that the federal government has achieved in recent years. The Office of Entrepreneurial Development's Resource Partner network and Community Navigators have extensive footprints supporting minority- and women-owned businesses and the Office of Entrepreneurial Development will collaborate with all to support the SBA office of Government Contracting and Business Development in its efforts to increase procurement for women and minority-owned small businesses.

The Office of Entrepreneurial Development offers e-education on government contracting through the recent expansion of the Ascent Digital Platform, adding a new course in government contracting. This digital tool now provides women-owned small businesses resources to compete and succeed in the federal marketplace and focuses on educating women small business owners about government contracting and associate procurement. The Ascent Government Contracting Journey 6 identifies opportunities and prepares businesses to pursue those prospects.

QUESTION 15: SBA loans have a limited reach in rural areas. Only one bank, First Southwest, serves the entire southern and southwest region of Colorado. How can resource partners leverage relationships with financial technology companies to serve rural and undeserved businesses?

SBA's interconnected network of Resource Partners work together with one another. This enables Resource Partners to help connect small business owners with lenders outside of their geographic region. Small Businesses can also find lenders that work for them online at SBA's Lender Match (https://catran.sba.gov/lendermatch/form/contact.cfm).

QUESTION 16: For any new business, there must be greater availability of education related to financing, capital, and credit. What is being done to ensure that all entrepreneurial development programs have a financial education component?

The Small Business Act requires every SBDC Network to have the capability to provide financial education services to small business clients in their respective service areas. SBA incorporates this requirement in the Notice of Funding Opportunity and Notice of Award for each of the SBDC Networks.

One example of these types of education efforts comes from the Indiana SBDC which offers a "Finance Your Start Up or Growth" educational services which includes the following – 1) Buying Inventory & Basics: Starting and growing a business often comes with unpredictable opportunities and challenges. With the support of your SBDC advisor, develop a dependable supply chain and cashflow management process to cover inventory and basic business expenses. 2) Capital Expenditures: Purchasing equipment, building space, land, and more necessary for your small business is one of the most important decisions you make as you start or grow your business. SBDC advisors can help you weigh your options and feel informed to decide. 3) Cashflow: Consistent, proper management of cash flow is integral in starting or growing a business. Predicting short- and long-term cash flow allows business owners to plan for future opportunities or challenges. SBDC can provide the tools and support to manage your cashflow. 4) Financial Projections: Where will your business finances be in 3 years or 5 years? SBDC Advisors can help you develop comprehensive financial projections to strengthen for finance application.

Another example comes from the Oregon SBDC which offers an "Access the Capital Your Business Needs" Series. Their Capital Access Team (CAT) helps businesses access capital with specialized advising, training and support. CAT advisers have specialized training in business finance and understand the financial landscape in their local areas, both traditional and nontraditional sources. The program challenges business owners to look at their financial models before determining the best path forward.

Other SBDCs offer online courses including "How to Fund Your Business" and "Starting and Financing a Small Business" geared to Start-ups. (Louisiana SBDC);"Business Credit Demystified." (North Dakota SBDC); and "Basics of Starting a Business" which contains a section on credit and financing. (Nevada SBDC)

Questions from: Senator Young

While some SBA programs – like the Paycheck Protection Program – were vital for small businesses to stay afloat, the economic, fiscal, and social pressures present today are much different than they were in early 2020.

QUESTION 17: Can you speak to the role of the Office of Entrepreneurial Development (OED) as it relates to post-pandemic recovery and how the OED is helping businesses navigate inflation, supply chain disruptions, labor shortages, and government regulations? Additionally, how are you ensuring rural communities are aware of these efforts?

The Office of Entrepreneurial Development is helping small businesses navigate control costs by providing them with education on how to manage their supply chain more efficiently. OED, alongside Agency initiatives and priorities, is helping small businesses manage their supply chains and making them more efficient through the SBA Resource Partner Network and other SBA offices.
For example, the New Jersey SBDC at Rutgers University has been hosting a series on how to make supply chains more efficient and driving down small business costs.

SBA's Resource Partner network of SBDCs, WBCs and SCORE also provide technical assistance on workforce development. One key issue around workforce is childcare, and several our Resource Partners are hosting efforts to create more robust child-care businesses. One example comes from the Wisconsin SBDC. With CARES Act Funding, the SBDC partnered with the Wisconsin Early Childhood Association and UW Madison Cooperative Extension to create the Wisconsin Childcare Business Initiative. The initiative provided five cohort training series of eight sessions for existing childcare providers to expand their capacity. The initiative attracted 150 Wisconsin childcare businesses to complete the series.

The SBA leverages its network of over 900 SBDC service centers that are strategically located throughout the country to ensure that rural small businesses have access to these resources. Examples include SBDCs:

- *Developing marketing and production strategies that enable rural businesses to better compete*
- *Providing technical assistance needed by rural small businesses, including managerial assistance*
- *Aiding in obtaining financing for business startups and expansion*

In addition, the SBDC CARES Act NOFO included a requirement that SBDCs must reach out to and serve rural communities. Furthermore, the SBA's District Offices collaborate with community leads on local technical assistance strategies and rural business development initiatives with other federal partners including USDA.

SCORE provides resources for rural entrepreneurs and the Office of Entrepreneurship Education (OEE) provides digital education tools and trainings such as Ascent (SBA's online business curriculum) to bolster a timely, adaptive and accessible educational resources for rural small business owners.

As you know, an $18.6 million grant was awarded from CARES Act funding to create the Resource Partners Training Portal – an online, centralized hub of COVID-19 information and resources.

However, according to the Office of Inspector General (OIG) report released in January, the Small Business Administration (SBA) failed to ensure the hub successfully achieved its legislative purpose. Additionally, the OIG questions $14.8 million in costs due to "unallowable" expenditures and a failed marketing strategy.

While the SBA agreed with some of the OIG's findings, I remain concerned that this won't be an isolated issue with respect to taxpayer funds.

QUESTION 18: The SBA disagreed with two of the five OIG recommendations specifically related to recovering "unallowable" expenses. How are you and the OED management team planning to recover these expenses? If not, when will you provide the evidence to the OIG explaining why the questioned services were "allowable?"

The Office of Entrepreneurial Development has met with OIG to resolve the two recommendations specifically related to recovering "unallowable" expenses. A determination has not been made, but SBA and OIG are working towards a resolution. The Office of Entrepreneurial Development has agreed to assess the questionable costs to verify that proper procedures were executed according to the grant application.

QUESTION 19: How do you plan to provide accountability for tax dollars spent on other entrepreneurial development programs, including the OED's Community Navigator Pilot Program, to prevent further waste?

The Community Navigator Pilot Program has a robust oversight process supported by SBA grants management protocol, as well as the Office of Field Operations, which has assigned a community impact liaison, which will provide additional oversight and ensure grant compliance, including quarterly check-ins and an annual site visit and review.

Additionally, each Community Navigator Pilot Program grantee submits quarterly programmatic and financial reports, including advance payment requests that are only approved by the SBA grants management team upon passing our compliance checklists. The grants management has a comprehensive review process that relies on multiple reviews to ensure accuracy.

Questions from: Senator Marshall

QUESTION 20: What other purpose is the Community Navigator program serving that SBA doesn't already target? With SBDC, SCORE, and other business assistance programs, underserved communities should already be reached. Can you elaborate on what purpose this fulfills that the others can't?

The SBA does not see the Community Navigators Pilot Program as reinventing the wheel. This is a particularly critical time for America's small businesses, and we need to do more. We know that there are certain diverse small business ecosystems that have been left behind from pandemic resources and have been chronically left behind historically. One of the primary goals of the Community Navigator Pilot Program is to close these gaps through reaching these small business communities with trusted partners who know the local small businesses well and can connect with them in a culturally competent manner.

Today we have an evolved ecosystem of need in the United States. The small businesses that we are serving at the SBA are only a drop in the bucket compared to the 32.5 million small businesses in the U.S. At the same time, we've seen an explosion of entrepreneurship, with a record 5.4 million new business applications in 2021, surpassing the previous record by over 1 million. We must keep in mind that 20% of small business die in year 1, which presents a tremendous opportunity to cultivate these small businesses that are being born at an unprecedented rate. Finally, we have a commitment to support those small business owners who were accessing, or attempting to access, SBA resources for the first time during the pandemic, including those who were not eligible. Community Navigators aim to connect with those small business owners who we haven't yet reached through existing programs, this massive cohort of new entrepreneurs, and those that came to the SBA for the first time during the pandemic.

Critically, the Community Navigators will also be a critical tool in progressing the Biden-Harris Administration's goal of advancing equity for the chronically underserved. During early rounds of pandemic relief, we saw not only that women, minorities and other disadvantage business owners had difficulty accessing federal resources, but also that it took longer on average for them to receive loans.[2] Narrowing opportunity gaps of socially and economically disadvantaged small businesses helps contributes favorably to the American economy. Community Navigators enable us to build authentic and culturally competent relationships with these entrepreneurs that we must reach.

When any small business is suffers, it has cascading effects on local communities. It is critical that we buoy all types of small business, as when they thrive, our economy thrives.

QUESTION 21: You said that there were 5.4 million applications for new businesses to be created in 2021. How does this compare to the number of businesses lost throughout the pandemic?

The Census data series that tracks new business applications, called Business Formation Statistics, does not collect data on business closures.

However, the Bureau of Labor Statistics' Business Employment Dynamics publishes data on business establishment births and deaths, but there is a longer lag in the data's publication. Births are available through 2021 Q2, while deaths are available only through 2020 Q3, as deaths reflect business establishment closings for four consecutive quarters. The following table shows the U.S. economy totals for private business establishment births and deaths, covering all size categories, from mid-2019 through the third quarter of 2020, seasonally adjusted, in thousands (the most recently available data). In 2020 Q2, there were 102,000 more deaths of business establishments than births. Note that the measure of business establishments is different from new business applications.

Births (thousands)	*Deaths (thousands)*	*Net (thousands)*

[2] Sifan Liu and Joseph Parilla. "New data shows small businesses in communities of color had unequal access to federal COVID-19 relief." Brookings. September 17, 2020. https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-ofcolor-had-unequal-access-to-federal-covid-19-relief/

2019 Q3	*250*	*233*	*17*
2019 Q4	*268*	*235*	*33*
2020 Q1	*316*	*274*	*42*
2020 Q2	*227*	*329*	*-102*
2020 Q3	*277*	*235*	*42*

QUESTION 22: 31% or less of clients with SBDC, SCORE, and Women Business Centers say that these programs have helped their profit margins. Why do you think that is, and what is the SBA doing to improve these existing services?

Clients of our Resource Partners consistently report high satisfaction ratings with the host of services that they provide including counseling, education, mentorship, and access to capital. For example, 95% of SBDC clients recommend SBDC services, and the average client rating for SBDC advisors is 4.44 / 5.

The SBA is always focused on strengthening our Resource Partner network and supporting coordination between our various SBA offices, Resource Partners, District Offices, Community Navigator Pilot Program grantees and other service providers. Also, we are committed to only increase the degree to which we leverage technology to make our networks more efficient, which we did successfully with the migration from EDMIS to EDMIS-NG.

QUESTION 23: What is the Office of Entrepreneurial Development doing to help with Access to Capital? From the stories I hear in Kansas, it seems like small business owners – especially those in what SBA defines as underserved communities – that have a tough time getting loans also aren't receiving much help from the SBA. Part of these programs' responsibility is to provide financial literacy and/or technical assistance, so why are these offices lacking in this space?

SBA Resource Partners work closely with SBA District Offices and other community organizations to help small businesses access capital and other resources. SBA resource partners achieve this through targeted counseling and training about the loan application process. In FY 2021, Small Business Development Centers helped clients obtain over $8 billion in capital for their small businesses.

Our network of Resource Partners offers financial literacy and information on pathways to capital. One such example is the Kansas SBDC's Capital Access Center which is a consulting service to small business owners that need capital, offering free business loan advice and capital acquisition consultation services for Kansas SBDC clients. Through this program, the Kansas SBDC offers loan eligibility and screening, test review & lending options, guidance through the loan process, as well as training and education on the capital ecosystem available for small business.

QUESTION 24: How is your office and SCORE, SBDC, and the Women Business centers reaching out to rural communities? I see plenty of success from these programs in metropolitan areas, but not as much in rural parts of the state. What is the SBA's approach to reaching those communities?

The SBA leverages its network of over 900 SBDC service centers that are strategically located throughout the country to ensure that rural small businesses have access to these resources. Several SBDCs develop marketing and production strategies that enable rural businesses to better compete, provide technical assistance needed by rural small businesses, and offer assistance in obtaining financing for business startup and expansion.
In fact, the SBDC CARES Act NOFO reflected the requirement to reach rural communities.

In addition, the SBA's District Offices collaborate with community leads on local technical assistance strategies and rural business development initiatives with other federal entities, including the USDA.

SCORE provides resources for rural entrepreneurs and the Office of Entrepreneurship Education (OEE) provides digital education tools and trainings such as Ascent (SBA's online business curriculum) to bolster a timely, adaptive and accessible educational resources for rural small business owners.

Additionally, the Community Navigator Pilot Program will extend the SBA's reach into rural communities. Of the 51 grantees, 23 have a special focus on rural areas.

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN
RAND PAUL, KENTUCKY, RANKING MEMBER

MARIA CANTWELL, WASHINGTON
JEANNE SHAHEEN, NEW HAMPSHIRE
EDWARD J. MARKEY, MASSACHUSETTS
CORY A. BOOKER, NEW JERSEY
CHRISTOPHER A. COONS, DELAWARE
MAZIE HIRONO, HAWAII
TAMMY DUCKWORTH, ILLINOIS
JACKY ROSEN, NEVADA
JOHN HICKENLOOPER, COLORADO

MARCO RUBIO, FLORIDA
JAMES E. RISCH, IDAHO
TIM SCOTT, SOUTH CAROLINA
JONI ERNST, IOWA
JAMES M. INHOFE, OKLAHOMA
TODD YOUNG, INDIANA
JOHN KENNEDY, LOUISIANA
JOSH HAWLEY, MISSOURI
ROGER MARSHALL, KANSAS

United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350
TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

February 16, 2022

Mr. C.E. "Tee" Rowe
President and CEO
America's SBDC
8990 Burke Lake Road
Burke, VA

Dear Mr. Rowe,

Thank you for appearing before the Committee on Small Business and Entrepreneurship on February 1, 2022, at the hearing titled "Review of SBA Entrepreneurial Development Programs and Initiatives."

Enclosed are questions for you that have been submitted by Senators Hirono, Hickenlooper, and Marshall for the hearing record. Please submit your answers to these questions by Wednesday, March 2nd via electronic mail to kathryn_eden@sbc.senate.gov. To facilitate the publication of the record, please reproduce the questions with your responses.

Again, thank you for your assistance. Please contact Sean Moore of the Majority Staff at sean_moore@sbc.senate.gov or Meredith West of the Minority Staff at meredith_west@sbc.senate.gov with any questions you may have. We look forward to reviewing your answers.

Sincerely,

Benjamin L. Cardin

Benjamin L. Cardin
Chairman

Senate Committee on Small Business and Entrepreneurship Hearing
February 1, 2022
Follow-Up Questions for the Record

Questions for Mr. Rowe

Questions from:

Senator Hirono

Small Business Development Centers

Small Business Development Centers have stepped up to help businesses during the pandemic. Locally in Hawaii, our SBDC network ("Hawaii SBDC") has shared numerous success stories about the businesses they have supported within the last few years.

In your role with America's SBDC, you work directly with SBDC networks like Hawaii SBDC:

QUESTION 1:

Can you elaborate on some of the important work these networks have done during the pandemic? What impact have they had on local communities?

SBDCs have assisted over 25,000 startups and helped hundreds of thousands of small businesses over the course of the pandemic. Our efforts have been diverse and effective, and I will share a few examples of the services and assistance we have provided.

Cheaper Than a Cup of Coffee: XPRISE Rapid Covid Testing Winner Uses Breath for 30-Second Detection
The SW Texas Border Region SBDC helped Texas-based Steridian Technologies with writing their first grant application and to prepare for business competitions and presentations. Co-Founder/Product Development Chief John Marino says, "We know that COVID-19 won't be the last threat of this kind and are developing a solution that can easily adapt to any new pathogen", and CEO Asma Mirza adds that their high-tech diagnostic solutions are rapid, inexpensive and accurate", costing less than $5/unit. The growing company credits the UTSA Technology Commercialization SBDC for uncovering opportunities to commercialize the product and for connecting them with key opinion leaders in the field.

Nicole Horton and Martin Frannea, owners of Irie's Island Food in Port Aransas, TX for 8 years, were getting ready to expand the business to a larger location as part of a 3-year recovery plan following the devastation of Hurricane Harvey. Then COVID-19 happened. Irie's Island Food closed its doors for nearly 3 months, even after limited service was permitted in Texas. When they did reopen, they experienced an overwhelming surge of vacationing customers. To keep everyone safe, they again closed the interior restaurant and offered outside and curbside service only, until they could safely re-open. Through the rest of 2020, and with much commitment and sacrifice, Nicole and Martin continued to focus on the safety of their employees and customers and keeping the business going. In January 2021, they were able to relocate to their new, larger location, and double their workforce.
Martin and Nicole had experience with disasters and accessing disaster assistance, but this was an

unprecedented situation, complicated by the fact their original building was rendered no longer suitable as a permanent location from hurricane damage. Their landlords had already begun work on their new location before the pandemic arrived. They reached out to the Del Mar College SBDC for assistance in navigating the various and changing disaster assistance programs that would aid in moving toward safely reopening their business, retaining jobs, relocating, and creating new jobs. Del Mar College SBDC Business Advisor, Darcy Shaw assisted them with the SBA EIDL application, reviewing PPP requirements, fielding regulatory and loan agreement questions for their relocation, and by providing research and updates as programs and resources were made available.

Through their own careful planning, working with their SBDC Advisor and their CPA, having a great team of employees, and a resilient community, Irie's Island Food was able to bridge the gap. Accessing the SBA EIDL and PPP financial resources made it possible for them to keep jobs and dollars in the community through a year-long pandemic. They were able to reopen, bring back 11 employees and add 10 more, move to their new location, and continue to bring their unique and acclaimed menu *(Ranked #53 in the USA on Yelp, 2017)* to the residents and visitors in Port Aransas.
"Darcy Shaw and the SBDC have helped us on numerous occasions navigate disaster assistance applications, regulations, and guidelines. Darcy has also assisted us in taking advantage of other business counseling services and other resources offered by the SBA. I'm not sure if we could have made it through these troubling times without her."

LaTeasha Gaither-Davis – Therapeutic Focus, West Memphis
With plans to build a new clinic and a need to boost her marketing during the pandemic, occupational therapist LaTeasha Gaither-Davis reached out to the Arkansas SBTDC. First, she participated in the Smart Growth Accelerator program through the Arkansas State SBTDC, where she developed a three-year strategic growth plan for her practice. She also utilized ASBTDC's Specialty Services to create a digital marketing strategy and HR assistance to help her efficiently expand her workforce. ASBTDC business specialists and the new ASBTDC regional office at ASU Mid-South continue to serve as resources for Gaither-Davis, who broke ground on the new Therapeutic Focus location in July.

"Managing Your Small Business During the Pandemic Crisis" The California Central SBDC holds weekly webinars on Wednesdays, to keep the business community abreast of COVID related news and recovery strategies. The Center has held over 32 consecutive weekly webinars in 2020. The regular times slot and continuous rotation of special guests have developed a regional following. Each webinar was recorded, and a YouTube channel was created with the recordings.

PPE Unite-
A collaboration spearheaded by LA SBDC to bring free PPE to the small businesses most impacted by the pandemic within Los Angeles County. We are providing 4 million face coverings, 1 million face shields, and 63,000 gallons of sanitizer (enough to fill a dozen swimming pools) to small businesses within LA County. Each business will receive 30 days-worth of PPE per employee. Supply comes from California Office of Emergency Services and the Office of Business and Economic Development, and the warehousing and distribution has been made possible through a partnership the SBDC developed with LA County (as program funder) and a local EDC too as fiscal and outreach partner focused on underserved areas of LA. As far as we know, this is the single biggest disbursement of free PPE to small businesses in the U.S. and along with making it all possible, we're using it as an outreach opportunity to attract small businesses to our other services and each pickup includes LA SBDC outreach materials.

Inclusivity Project-
Inspired by the conviction of one of our lending specialist business advisors, Norcal SBDC has just launched an initiative named the "Inclusivity Project." It is a challenge/goal for our network to assist 1000 black business owners' access $100 million in capital infusion and start at least 100 new companies. We are partnering with a number of organizations in California on this project.
This effort has spurred a national SBDC "Inclusivity Challenge" to encourage SBDCs to continue and grow their outreach to underserved communities.

City General Fund Loan Program-
The Orange County Inland Empire (OCIE) SBDC is partnering with the city of Fountain Valley (Orange County, CA) creating a new loan program to support small business owners. The city is using $500,000 of general fund dollars and will be lending $20,000 to eligible small businesses. The OCIE SBDC built the program and will assist the city with packaging the loans and bringing them to the loan committee. The SBDC views this new type of loan product as the next wave of support to small business owners in the region. As loan payments are made, the city will be able to reallocate those funds to additional small business owners. The SBDC is working with several other cities to set up a similar program.

Small Manufacturer's Advantage (SMA) is a Colorado SBDC partnership program providing integrated support to small manufacturers across Colorado by leveraging the coordination of key strategic organizations such as Manufacturer's Edge, the Colorado Small Business Development Center Network (SBDC), the State of Colorado Office of Economic Development and International Trade (OEDIT), the World Trade Center (WTC), and the Procurement Technical Assistance Center (PTAC). The result is a unique and powerful synthesis of expertise and resources designed to help Colorado manufacturers succeed across all stages of the organizational life cycle. Funding is provided in three parts; Manufacturer's Edge, the State of Colorado through the Office of Economic Development and International Trade (OEDIT), and a small cash contribution from the participating manufacturer served by the program. SMA leverages state and federal funds to bring industry experts to provide coaching, consultation, and/or training based on the challenges each company is facing. This expertise could be in business finance, marketing, operational excellence, growth services, export assistance, and beyond. Due to the innovative approach and implementation of the Small Manufacturer's AdvantEDGE program, it has been chosen as a National Best Practice by the National Institute of Standards and Technology's (NIST) Manufacturing Extension Partnership (MEP). The Colorado SBDC will be presenting and training other state networks on how to implement similar programs in their respective communities. To date, the program has had over 273 applicants. 247 of which have been assisted in some capacity. The SMA program has contributed the following impact: 180 jobs created, 327 jobs retained, $15.4 M in capital formation, and over 5,871 hours of consulting.

DatAssured™ Cybersecurity Program:
DSBDC was a forerunner in establishing a cybersecurity program for small businesses. The program was nationally recognized by the U.S. Department of Homeland Security and received a national training award from the Federal Information Security Educators (FISSEA). The program is also a leading resource at the state level and used as a centerpiece for the state's Secure Delaware Cyber Security Conference. Lastly, DataAssured has been adopted by over a dozen other state SBDC networks across the country.

JUA Technologies is a Purdue Foundry start-up in West Lafayette, IN that created a compact, solar food dehydrator. Through Purdue University, host of the Hoosier Heartland Indiana SBDC, JUA developed their technology by working with world-class agriculture and biological engineering programs. JUA was first referred to the Indiana SBDC by a fellow small business support program, ExportTech, seeking help developing an export business plan. JUA quickly began working with an export advisor from the Hoosier Heartland Indiana SBDC.
JUA's Hoosier Heartland Business Advisor, the statewide Export Specialist, and the Agribusiness Export Advisor have all come together to support JUA's exporting to Kenya by connecting them with EXIM Bank, SBA, and DoC and offering specialized advising. The leveraging of three statewide export support initiatives and use of the Hoosier Heartland regional office is a best practice of collaboration and leveraging of resources to support an exporting client.

Entrepreneurial Partner Collaboration – WBC and SBDC
Maine SBDC works closely with other local economic development partners, particularly other U.S. SBA resource partners.
Since 2005, Maine SBDC and the Women's Business Center have had a strategic alliance. As part of this alliance, WBC and SBDC business advisors work together to serve small business in Maine. Sharing a host organization, WBC are included in SBDC activities as associate business advisors. They share the client management system, CenterEX, used by the Maine SBDC network. WBC participates in business advisor certification processes, meetings, and trainings. There is also shared communication among the group of staff and advisors as part of these two partner programs.
In response to COVID, Maine SBDC and WBC business advisors meet weekly to discuss the changing economic landscape and the various issues facing small businesses. Congressman Jared Golden joined this meeting to get feedback from advisors and thank the SBDC and WBC team

These are just a few examples of the efforts SBDCs have been making and continue to make to ensure that our small business clients have the help and knowledge they need to thrive and support their communities.

QUESTION 2:

What are you hearing from SBDC networks around the country? How can we continue to support their important work going forward?

The greatest issue SBDCs have faced over the past two years has been the volume of businesses seeking our assistance. At first pandemic response was the main issue but so many other issues (hiring, retention, supply chain) have arisen and our success in pandemic assistance has led to success and increased requests for assistance that are difficult to maintain. The additional funding under the CARES Act has helped us expand resources and create programs to support entrepreneurship in new ways but unfortunately that funding is running out. To that end, funding is always crucial. However, what is equally important is support for interagency cooperation and collaboration. We would benefit immensely, as would our clients, from support from agencies beyond our partners at SBA. If USDA would collaborate with us on rural business development, if Homeland Security would collaborate with us on cybersecurity, if GSA and DoD would collaborate with us on procurement, we could accomplish so much more that we already do. These agencies have been supportive over the years, but it seems as if the nation suffers from the lack of a broader small business strategy.

Questions from:

Senator Hickenlooper

QUESTION 1:

We are especially proud of the success that the Colorado SBDC has had. Last year they held almost 20 thousand one-on-one consulting sessions, helped start 277 businesses, and created 1,737 jobs. How would re-authorization of SBDC help entrepreneurs in states like mine?

The Reauthorization bill will strengthen the partnership between SBA and SBDCs ensuring that our efforts are better coordinated and truly collaborative. While our relationship is solid it still suffers from changes over the last dozen years. As the world and the economy has changed our underlying authorization has not kept up creating uncertainties. Reauthorization will enable SBDCs to continue offering the services and confidentiality that their clients have come to rely upon. It will also allow SBDCs to better expand and coordinate our small business assistance for the innovative, technologically savvy businesses that are seeking business opportunities through federal contracting and SBIR/STTR research support. While SBDCs do excellent work in those areas the Reauthorization bill would help refocus interagency cooperation which is key to growing small business opportunity.

Another important part of Reauthorization would be enabling SBDCs to market their services. We are currently restricted from marketing and that unfortunately, continues to make SBDCs a "best kept secret" which is a poor marketing strategy.

QUESTION 2:

I am proud to have helped negotiated 65 billion dollars in broadband investment as part of the Bipartisan Infrastructure Bill. What kind of impact do you anticipate this having on entrepreneurs?

Expanded broadband will have a significant impact, particularly on our rural small business clients. Currently, lack of broadband prevents rural businesses from accessing markets and business opportunities. E-commerce capabilities can be almost non-existent in rural areas, even as rural tourism has increased. Businesses without a presence on the web lose opportunities every day. In addition, lack of broadband makes it extremely difficult for tech entrepreneurs to build their businesses where they grew up. We increasingly face the difficulty of the hollowing out of our rural communities due to lack of broadband infrastructure. It also makes it difficult for rural businesses to employ cutting edge devices and cost saving applications or to reach customers for their services.

Question from:

Senator Marshall

QUESTION 1:

How is your office and SCORE, SBDC, and the Women Business centers reaching out to rural communities? I see plenty of success from these programs in metropolitan areas, but not as much in rural parts of the state. What is the SBA's approach to reaching those communities?

Senator Marshall, The SBDCs have a mandate to serve all parts of the states we serve and make a concerted effort to reach entrepreneurs in rural communities.

In Kansas, six of our eight regional Centers serve primarily rural Kansans. Therefore, rural outreach features predominantly in everything we do and drives allocation of resources. Our Kansas service model includes one-one counseling, training and workshops, and facilitation of information flows between Kansas SBDC clients and other critical Kansas resource providers including departments with the Kansas Department of Commerce and non-governmental partners such as Network Kansas. Over the past decade, we served more than 8,000 rural Kansas small businesses and 1, 260 in 2021 alone. Demand for our services is growing. These businesses range from mom-and-pop retail, the standard-bearers of rural communities, to high tech organizations, which are driving the future of the state. I have attached several success stories from 2021.

Key strategies over the past two years included focusing CARES Act funding on (1) technology innovation, (2) rural outreach through additional service centers and kiosks, (3) provision of bilingual services, and (4) gap analysis in the upper northwest counties in our state.
Our CARES funded technology center is very active with rural clients. Key to our technology program is a pitch/matchmaking event which engages NASA and DoD PRIMES and companies like Boeing.

An example of a rural success story is EMP Shield, Inc., in Burlington, Kansas. Our staff prepared EMP for participation in EI, igniting the company. EMP's CEO wrote recently:

EMP Shield, Inc*. is an electrical equipment manufacturer, specializing in electrical surge protection devices. We have grown from a start-up effort in late 2018, to a multi-million-dollar manufacturing company employing approximately 60 employees in just over 3 years. We credit a lot of our early and continued success to the efforts and programs of the Kansas SBDC. In September 2018, when we were just starting business, the SBDC announced their Encountering Innovations program to us, and our SBDC "Coach" assisted us in preparing the necessary paperwork and presentation material for the event. The people that we were introduced to through this event have propelled our company from that start-up, to almost $10 million in sales in 2021. The key personnel that we were introduced to through the Encountering Innovations program have continued to assist us with further contacts and introductions over the past three years that have resulted in two of our key people sitting on several National Advisory Boards having to do with EMP Resilience and protecting United States Critical Infrastructure. While we have developed a great team of co-workers at EMP Shield, Inc., and we have been greatly blessed in conducting our business, the SBDC folks in Kansas have been a significant aid in our success to date.*

Consider that during the last two years with Covid-19 shutting down our country for long periods of time, and significantly impacting our supply chain, and during that time, our business ***grew from 2019 with sales of $1.7 million to 2021 where sales will be just short of $10 million. We grew from about 20 employees to almost 60 employees.*** *In 2018 we were essentially working out of our homes, and in 2021 we are utilizing two facilities that comprise approximately 22,000 square feet for our manufacturing efforts.*

Another strategy, the placement of five rural kiosks in southwest Kansas shows great promise. For example, Bourbon County, an early kiosk recipient, grew from 19 to 49 clients between 2020 and 2021. Moreover, the PSU SBDC satellite location in Montgomery County supported economic development activities instrumental to acquiring a 50 employee, $325million soybean processing plant in Montgomery County. In addition, CARES Act funds were utilized to support bilingual staff in our network call center. An example of the importance of this change in staff comes from a recent hire at the SCCC center. The addition of a bilingual advisor during this reporting period promises to help the center acquire new funding for their Icehouse program and offer workshops and counseling in Spanish. This is important, too, as 63% of the SCCC's home county (Seward County) population is Hispanic and 58% of the population speaks Spanish at home. Services to Spanish speaking clients for the network were enhanced through additional translation services on the network's website, dubbing of YouTube training videos, and the addition of bilingual staff in JCCC and SCCC and at the PSU call center. The call center achieved Spanish language support 7 days per week with three bi-lingual representatives. The Center anticipates Spanish language utilization to increase as kiosk awareness grows.

The Kansas SBDC efforts are mirrored in another states where rural outreach is a key focus. In Texas, the SBDC network has hosted the Texas Rural Conference, an annual event that brings together SBA, USDA and state resources to learn and strategize on rural economic development. In Iowa, Wyoming, Alaska, and several other states, SBDCs host *Shop Iowa* (or Wyoming, etc.) websites giving rural businesses an e-commerce platform that they might otherwise lack and exposure that helps sets them off from the herd to enable local businesses get local support.

Lastly, In South Carolina the SBDC also has a significant rural outreach effort. South Carolina is largely rural with a large concentration of minorities and distressed counties, so helping businesses in these regions is critical to the state's economy. Short descriptions of several key initiatives are provided below.

1. "The BRIDGE" Program.

The BRIDGE (Better Resources for Inclusivity, Dialogue, Growth and Equity) was developed as part of the national America's SBDC Inclusivity Project. This program is currently being funded under the CARES Act grant and focuses on intensifying our outreach and assistance to African American entrepreneurs and business owners, especially in rural areas. The objective is to not only guide these business owners to their own success, but to also engage them in helping uplift the economic health and prosperity of their communities. This initiative was launched in Dec. 2021 and is being done in partnership with the S.C. Commission for Minority Affairs (CMA), the eight HBCUs in the state, specific lenders and other partners committed to uplifting these underserved markets. The goal is to help clients obtain $2 million in financing which will support growth and create jobs.

Key components of The BRIDGE include:

- A customized "warm welcome" video to explain the program, build a relationship and trust.
- Customized private consulting assistance on topics that address the needs of these markets.

- An informational podcast series in which key topics are discussed with subject matter experts, successful African American business owners, lenders and others.
- A tailored educational series of 7-9 sessions, which follow the podcast topics and address key business needs.
- A student support center in which HBCU students have been hired to provide marketing/research, financial analysis and projections, customer service and podcast production.

In the first 45 days, 67 entrepreneurs and business owners signed up for this program. As we refine it and gain more experience, our intent is to expand the program to other underserved markets including Hispanic, Native American, Asian, etc.

2. Outreach and Assistance to Distressed Rural Counties.
This work includes a collaboration with the S.C. Department of Commerce (SCDOC), which has been ongoing since 2012. The SCDOC considers the SC SBDC to be its Boots on the Ground for assisting small and mid-sized businesses of all kinds. Each year the SCDOC identifies 12-13 of the most distressed counties in the state; and the SC SBDC focuses on those to develop numerous community collaborative efforts with Chambers, local government and economic development organizations. Together, we jointly promote educational programs, consulting services and special events designed to help small businesses grow and succeed.

One specific example of a recent program is that the Rock Hill Area SBDC has been collaborating with the Great Falls Home Town Association in Chester, SC to institute an Entrepreneurial Roundtable that would create an eco-system for local business owners to learn from each other and share best practices. These kinds of programs help acquaint and build trust between business owners, which supports the whole community. We also continue to work with the SCDOC and MEP to reach and serve rural areas through an initiative for small manufacturers. This has led to significantly elevated awareness of our services, more business start-ups, increased financing obtained and more jobs. Given the lack of broadband access, lower educational attainment, challenges in getting access to capital and lack of fundamental business knowledge, the outcomes take longer to achieve; but the program has continued to demonstrate results.

3. Agribusiness Assistance Programs.
Farming and agribusiness is one of the largest industries in South Carolina. Over the last five to six years, the SC SBDC has developed strategic alliances and a robust program to assist this market segment.
As a result, we have strong partnerships and joint initiatives with many partners such as the USDA, S.C. Department of Agriculture, SC State University and Clemson University Extension programs and others.
The SC SBDC has helped clients in this industry to apply for and win Value Added Producer Grants (VAPG), energy conservation grants and other programs designed for farm/food related businesses. The SC SBDC has a satellite center in Walterboro at the Colleton Commercial Kitchen where we see clients on a regular basis. The SC State, Clemson and Winthrop SBDC regions worked with Clemson University Extension to submit and win a proposal to support aquaponics systems. The SC SBDC will develop the business portion of the aquaponics training manual. The SC State Region SBDC has won two grants with the SC Center for Cooperative and Enterprise Development, which helps groups and multi-member businesses.

Two SBDC Centers in Clemson and Greenwood assisted Clemson University to develop curriculum for their New & Emerging Farmers Initiative Class and the SBDC consultants will teach portions of the class. The Orangeburg Area SBDC also partners with the SC Department of Agriculture to develop, plan and conduct a large annual event called The Grower/Buyer Mashup which brings together buyers, chefs and farmers. It is a two-day event including networking and educational tracks. The SC SBDC runs the training class. These programs and partnerships have been successful in increasing the number of agribusiness clients we assist, significantly growing the amount of capital they are receiving and aiding them in expanding and stabilizing their businesses in the wake of increased competition and supply chain issues.

ASSOCIATION OF WOMEN'S BUSINESS CENTERS

Senate Committee on Small Business and Entrepreneurship
February 1, 2022
Hearing: Review of SBA Entrepreneurial Development Programs and Initiatives
Questions for the Record Submitted to Corinne Hodges, CEO of AWBC

Questions from Senator Mazie Hirono

Women's Business Centers have stepped up to help businesses during the pandemic. Locally in Hawaii, we have a great Women's Business Center in the Mink Center for Business and Leadership ("Mink Center") – a partnership with YWCA Oahu.

In your role with AWBC, you work directly with Women's Business Centers like the Mink Center:

Question 1: Can you elaborate on some of the important work these centers have done during the pandemic? What impact have they had on local communities?

Answer: Yes, AWBC engages with every WBC Executive Director and staff, including the Mink Center for Business and Leadership. Centers like this one utilized the pandemic to provide support, counseling, and guidance to women business owners during the economic uncertainty surrounding the pandemic. These centers have helped women entrepreneurs pivot their businesses into a digital capacity at the onset of the pandemic, receive business guidance and access capital, and understand and apply for available federal loans like PPP, ERTC, and EIDL, and more.

During a time of frequently changing implementation guidance around federal assistance, opportunities, and funding, WBCs became stewards of information. They took on the deciphering of the federal guidance, distilled the information to make it easily understandable, and informed entrepreneurs of these opportunities.

These centers have helped small business owners achieve business resiliency and scale, which, in turn, have provided countless individuals with jobs. In addition, the WBC itself helped create jobs at the local WBC level through the pandemic-related funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. We have an abundance of "success stories" from local entrepreneurs across the United States that relied on WBCs in their business' success. We are glad to provide any office with this information and connect you with local entrepreneurs that have benefitted from WBC services.

Question 2: Why is it so important that we continue to provide strong funding for Women's Business Centers going forward?

Answer: It is critical to provide strong funding for Women's Business Centers, especially as women entrepreneurs, and all small businesses, continue to disproportionately be affected by the COVID-19 pandemic. Pandemic-related funding enabled WBCs to initially expand their capacity by hiring new employees and adopt innovative technologies to help them in their support of the influx of clientele, however all the funding has since been depleted, and WBCs are experiencing significant strain to keep up with the demand. Without additional and reliable funding moving forward, WBCs are limited in their capability to assist their local entrepreneurs. Resources like funding directly influence program outcomes, such as clients served.

ASSOCIATION OF WOMEN'S BUSINESS CENTERS

Senator Mazie Hirono Comment on WBC Reauthorization: Your testimony noted that SBA caps the amount individual Women's Business Centers can receive at $150,000 per year – an amount that has not been increased in many years. During our last attempt to reauthorize SBA programs, I worked with AWBC on two amendments that would have increased this amount and indexed it for inflation.

Question 3: Your organization has advocated for increasing the cap for individual business centers to $300,000 per year. Why is it so important for us to increase the cap to this amount and index it for inflation?

Answer: An increased cap for WBCs enables each WBC to receive additional federal funding, which is currently limited in statute to $150,000 per year for each center. This cap was established over 30 years ago and is not currently indexed for inflation – if the $150,000, as outlined in the original statute, were indexed to inflation today, the cap would amount to $325,000 per center. Raising the cap in statute to at least $300,000 per year, indexed to inflation, would help bring the WBC program to the 21st century and provide centers with additional funding needed to support their local entrepreneurs.

Over the past two years, WBCs were able to serve the significant influx in demand due to the funding and temporary cap waiver established by the CARES Act. Despite this additional WBC support expiring this year, the demand that the centers are experiencing has remained consistent.

Question 4: What other improvements should we consider to improve the Women's Business Center program?

Answer: As outlined in my testimony, we ask the Committee to consider the following provisions outlined in H.R. 6441 in future legislation:

- Increase program cap from $150,000 to $300,000
- Create an accreditation program to strengthen and standardize WBCs across the country
- Call for $31,500,000 for FY2022-2025

Increased role for AWBC

Recognizing the Association of Women's Business Centers in statute would strengthen coordination between the Association and SBA, thus encouraging program transparency and the greatest support for WOSBs. We support the House legislation, which would require recognition and coordination with the AWBC on implementation and policy recommendations under Sec. 29 of the Small Business Act. In addition, we agree that an annual WBC conference, as outlined, would be beneficial for the WBC community's professional development and to share best practices.

We ask the Committee to consider the following provisions outlined in H.R. 6441:

- Recognize the Association of Women's Business Centers and strengthen coordination between the Association and SBA
- Provide funding for a national WBC conference to be led by the AWBC ($50,000)

Additional Programmatic Guidelines

Since the program's permanence was established in 2007, WBCs have experienced some confusion around various aspects of the program. More programmatic guidelines would clarify points of misunderstanding.

We ask the Committee to consider the following provisions outlined in H.R. 6441:

- Provide guidance around carryover matching funds requirements and waivers
- Create a review and appeal process for WBC applications
- Incorporate accounting and reporting requirements for Office of Management and Budget

- Create additional backstops for grant/programmatic enforcement
- Provide guidance on terms and conditions in continuing grants

Questions from Senator John Hickenlooper

Question 1: 40 percent of women business owners reported difficulty hiring in the fall of 2021. One of reasons attributed to this difficulty is the skills gap. How can the Entrepreneurial Development programs better address reskilling and upskilling existing and new employees?

Answer: A collaborative report between UNICEF and WBCSD's Future of Work, *Empowering the Workforce of Tomorrow: The Role of Business in Tackling the Skills Mismatch Among Youth*, explores the intersection of business education and the workforce and the role businesses can take in leading the development of future workforces. WBCs serve as a conduit for reliable information to help tomorrow's workforce - they provide businesses with critical guidance and information to be empowered to develop the skills they need for work, life, and future fulfillment and employability.

AWBC is interested in exploring additional partnerships with the SBA and other federal agencies the Congress sees fit to bolster reskilling and upskilling efforts.

Question 2: A recent study showed that a remarkable 17% of Black women are in the process of starting or running a new business. However, only 3% of Black women are running mature businesses. What can we do to best support women, especially women of color, in sustaining their businesses once they've started them?

Answer: Data from the U.S. Bureau of Labor Statistics (BLS) shows that about 20% of new businesses fail during the first two years of being open, 45% during the first five years, 65% during the first 10 years. WBCs play a significant role in helping businesses, including minority-owned small businesses, achieve market longevity and scalability. Some of the WBCs in the network of 140 WBCs, like the Women's Business Center at Jackson State University and Winston Salem State University (WSSU) Women's Business Center, exist within HBCUs and provide counseling and training to local WOSBs and especially black-owned small businesses seeking guidance.

Along with AWBC's board, chaired by Roberta McCullough from the National Institute of Minority Economic Development, I am looking forward to SBA's commitment of $1.5 million for 10 new grant opportunities for established Minority Serving Institutions aspiring to host a WBC to expand this impact.

Question from Senator Roger Marshall

Question 1: How is your office and SCORE, SBDC, and the Women Business centers reaching out to rural communities? I see plenty of success from these programs in metropolitan areas, but not as much in rural parts of the state. What is the SBA's approach to reaching those communities?

Answer: Women entrepreneurs exist across the United States and are not confined to metropolitan cities. As we have seen from the pandemic and the pivot to virtual working, many individuals are moving outside of the higher cost metropolitan areas. WBCs like Kansas City Women's Business Center and Missouri Women's Business Center at CMCA, help entrepreneurs with access to capital, digital servicing, and more. I cannot speak to the SBA's approach reaching out to those communities, but with the passage of the

infrastructure legislation AWBC looks forward to an increased capacity of broadband in these areas to provide entrepreneurs with the digital tools they need.

Senate Committee on Small Business and Entrepreneurship Hearing
February 1, 2022
Follow-Up Questions for the Record

Question for Ms. Weston

Question from:

Senator Marshall

QUESTION 1:

How is your office and SCORE, SBDC, and the Women Business centers reaching out to rural communities? I see plenty of success from these programs in metropolitan areas, but not as much in rural parts of the state. What is the SBA's approach to reaching those communities?

SCORE's Response:
The success of rural business owners is critical to our nation's economic health, and SCORE has always provided mentoring and education for aspiring and existing business owners in rural America. This can sometimes be a challenging group of entrepreneurs to reach, and we hope to expand our rural entrepreneurship programming, contingent on receiving additional federal funding.

Currently, we have resources on our website that speak specifically to the needs of rural business owners. You can find those at https://www.score.org/resources-rural-entrepreneurs. Educational workshops include Legacy Planning for Farmers.

SCORE also has dozens of mentors who are available nationwide via virtual mentoring, who are experts in areas more focused on rural communities, such as agriculture.

SCORE is also strengthening various partnerships to better reach rural business owners, including the US Department of Agriculture, to help expand our reach. We would appreciate any support in Congress to help SCORE with these connections to organizations who reach rural entrepreneurs, so we can grow awareness of our mentoring and resources.

○