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# Small Business Management and Technical Assistance Training Programs

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## Summary

The Small Business Administration (SBA) has provided technical and managerial assistance “to small-business concerns, by advising and counseling on matters in connection with government procurement and on policies, principles and practices of good management” since it began operations in 1953. Initially, the SBA provided its own small business management and technical assistance training programs. Over time, the SBA has relied increasingly on third parties to provide that training.

Congressional interest in the SBA’s management and technical assistance training programs has increased in recent years, primarily because these programs are viewed as a means to assist small businesses in creating and retaining jobs. The SBA will spend \$185.915 million on these programs in FY2014.

These programs fund about “14,000 resource partners,” including 63 lead small business development centers (SBDCs) and more than 900 SBDC local outreach locations, 108 women’s business centers (WBCs), and 354 chapters of the mentoring program, SCORE. The SBA reports that more than 1.2 million aspiring entrepreneurs and small business owners receive training from an SBA-supported resource partner each year. The SBA argues that these programs contribute “to the long-term success of these businesses and their ability to grow and create jobs.”

The Department of Commerce also provides management and technical assistance training for small businesses. For example, its Minority Business Development Agency provides training to minority business owners to assist them in obtaining contracts and financial awards.

A recurring theme at congressional hearings concerning the SBA’s management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services or increasing cooperation and coordination both within and among SCORE, WBCs, and SBDCs. For example, the House Committee on Small Business has argued that the SBA’s various management and technical assistance training programs should be “folded into the mission of the SBDC program or their responsibilities should be taken over by other agencies” because they “overlap each other and duplicate the educational services provided by other agencies.” Congress has also explored ways to improve the SBA’s measurement of the programs’ effectiveness.

This report examines the historical development of federal small business management and technical assistance training programs; describes their current structures, operations, and budgets; and assesses their administration and oversight and the measures used to determine their effectiveness. It also discusses several bills introduced during the 111<sup>th</sup> and 112<sup>th</sup> Congresses that would have authorized changes to the SBA’s management and technical assistance training programs in an effort to improve their performance and oversight. These include S. 3442, the SUCCESS Act of 2012, and S. 3572, the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012. In addition, during the 113<sup>th</sup> Congress, S. 415, the Small Business Disaster Reform Act of 2013, and its companion bill in the House, H.R. 1974, would authorize SBDCs to provide assistance to small businesses outside of the state in which they are located, without regard to geographic proximity, if the small business is located in a presidentially declared major disaster area.

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## Federal Management and Technical Assistance Training Programs

The Small Business Administration (SBA) administers several programs to support small businesses, including loan guaranty programs to enhance small business access to capital; programs to increase small business opportunities in federal contracting; direct loans for businesses, homeowners, and renters to assist their recovery from natural disasters; and access to entrepreneurial education to assist with business formation and expansion. The SBA has provided “technical and managerial aides to small-business concerns, by advising and counseling on matters in connection with government procurement and on policies, principles and practices of good management” since it began operations in 1953.<sup>1</sup>

Initially, the SBA provided its own management and technical assistance training programs. Over time, the SBA has relied increasingly on third parties to provide that training. The SBA reports that about 1.2 million aspiring entrepreneurs and small business owners receive training from an SBA-supported resource partner each year.<sup>2</sup>

The SBA has argued that its support of management and technical assistance training for small businesses has contributed “to the long-term success of these businesses and their ability to grow and create jobs.”<sup>3</sup> It currently provides financial support to about 14,000 resource partners, including 63 small business development centers (SBDCs) and more than 900 SBDC local outreach locations, 108 women’s business centers (WBCs), and 354 chapters of the mentoring program, SCORE (Service Corps of Retired Executives).<sup>4</sup>

The SBA receives an appropriation for entrepreneurial development/non-credit programs collectively (\$196.165 million for FY2014). The SBA uses this appropriation to fund its management and training programs, the administration of the HUBZone program, and, for FY2014, the temporary State Trade and Export Promotion program.<sup>5</sup> Congress specified the appropriation amount for SBDCs (\$113.625 million in FY2014) and the Microloan Technical Assistance Program (\$20.0 million in FY2014) in P.L. 113-76, the Consolidated Appropriations Act, 2014, and included recommended appropriation amounts for the SBA’s other management

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<sup>1</sup> U.S. Congress, Senate Committee on Banking and Currency, *Extension of the Small Business Act of 1953*, report to accompany S. 2127, 84<sup>th</sup> Cong., 1<sup>st</sup> sess., July 22, 1955, S.Rept. 84-1350 (Washington: GPO, 1955), p. 17.

<sup>2</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” pp. 3, 6, 13, 29, 47, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>3</sup> U.S. Small Business Administration, “Fiscal Year 2011 Congressional Budget Justification and FY2009 Annual Performance Report,” p. 4, at <http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf>.

<sup>4</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 47, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf); U.S. Small Business Administration, “Women’s Business Centers Directory,” at <http://www.sba.gov/about-offices-content/1/2895/resources/13729>; and SCORE, “Answers to Common Questions about SCORE,” at [http://www.score.org/system/files/u209922/FAQ\\_2011\\_0.pdf](http://www.score.org/system/files/u209922/FAQ_2011_0.pdf).

<sup>5</sup> P.L. 113-76, the Consolidated Appropriations Act, 2014. For additional information and analysis of the SBA’s HUBZone program see CRS Report R41268, *Small Business Administration HUBZone Program*, by Robert Jay Dilger. The HUBZone program’s FY2014 recommended appropriation is \$2.25 million and the temporary State Trade and Export Promotion program’s FY2014 recommended appropriation is \$8.0 million.

and training programs in the explanatory statement that accompanied P.L. 113-76. The SBA is not legally required to adhere to the recommended amounts, but has traditionally done so in the past.

**Table 1** shows the appropriation amounts Congress specified for SBDCs and the Microloan Technical Assistance Program and the appropriation amounts Congress recommended for the SBA’s other management and training programs in FY2014, totaling \$185.915 million. In FY2013, after sequestration, a required 0.2% reduction in the SBA’s overall budget, and account transfers, the SBA provided its management and training programs \$149.783 million (a reduction of \$15.065 million or 9.1% from the amount specified or recommended by Congress).<sup>6</sup>

**Table 1** also shows the Obama Administration’s FY2015 appropriation request for each of the SBA’s management and training programs.

**Table 1. SBA Management and Technical Assistance Training Programs Funding, Specified and Recommended Appropriations, FY2014 and FY2015 Administration Request**

Training Program	FY2014	FY2015 (Administration Request)
Small Business Development Center Grants Program	\$113,625,000	\$113,625,000
Microloan Technical Assistance Program	\$20,000,000	\$20,000,000
Women’s Business Center Grants Program	\$14,000,000	\$14,000,000
SCORE (Service Corps of Retired Executives)	\$7,000,000	\$7,000,000
Boots to Business Initiative	\$7,000,000	\$7,000,000
Entrepreneurial Development Initiative (Clusters)	\$5,000,000	\$6,000,000
Entrepreneurial Education Initiative	\$5,000,000	\$15,000,000
PRIME Technical Assistance Program	\$3,500,000	\$0
7(j) Technical Assistance Program	\$2,790,000	\$2,800,000
Growth Accelerators Initiative	\$2,500,000	\$5,000,000
Veterans Business Outreach Centers	\$2,500,000	\$2,500,000
Native American Outreach Program	\$2,000,000	\$2,000,000
National Women’s Business Council	\$1,000,000	\$900,000
<b>Total</b>	<b>\$185,915,000</b>	<b>\$195,825,000</b>

**Source:** The FY2014 appropriation amounts for SBDCs and the Microloan Technical Assistance Program are specified in P.L. 113-76, the Consolidated Appropriations Act, 2014. FY2014 recommended appropriations for the SBA’s other management and training programs are provided in the “Explanatory Statement” accompanying the Consolidated Appropriations Act, 2014 (Division E - Financial Services and General Government Appropriations Act, 2014), pp. 37-39, at <http://docs.house.gov/billsthisweek/20140113/113-HR3547-JSOM-D-F.pdf>. Although not legally binding, the SBA has traditionally adhered to the recommended funding levels for non-credit programs contained in the report or statement accompanying the annual appropriations act funding the agency. The Obama Administration’s FY2015 budget request for SBA entrepreneurial development/non-credit

<sup>6</sup> Required and recommended funding for all entrepreneurial development/non-credit programs in FY2013, including the HUBZone program and Regional Innovative Clusters, was \$172.348 million. The SBA provided these programs \$155.448 million in FY2013, a reduction of \$16.9 million, or 9.8%.

programs is located at U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 21, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

The Department of Commerce also provides management and technical assistance training for small businesses. For example, the Department of Commerce’s Minority Business Development Agency provides training to minority business owners to assist them in obtaining contracts and financial awards.<sup>7</sup> In addition, the Department of Commerce’s Economic Development Administration’s Local Technical Assistance Program promotes efforts to build and expand local organizational capacity in economically distressed areas. As part of that effort, it funds projects that focus on technical or market feasibility studies of economic development projects or programs, which often include consultation with small businesses.<sup>8</sup>

For many years, a recurring theme at congressional hearings concerning the SBA’s management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services and increasing cooperation and coordination both within and among its training resource partners. For example, the Obama Administration recommended in its FY2012, FY2013, FY2014, and FY2015 budget recommendations that funding for the PRIME technical assistance program be ended. The Administration argued that PRIME overlaps and duplicates “the technical assistance provided by SBA’s microlending intermediaries.”<sup>9</sup>

The House Committee on Small Business has argued that the SBA’s various management and technical assistance training programs should be “folded into the mission of the SBDC program or their responsibilities should be taken over by other agencies” because they “overlap each other and duplicate the educational services provided by other agencies.”<sup>10</sup> Congress has also explored ways to improve the SBA’s measurement of these programs’ effectiveness.

This report examines the historical development of federal small business management and technical assistance training programs; describes their current structures, operations, and budgets; and assesses their administration and oversight, including the measures used to determine their effectiveness.

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<sup>7</sup> U.S. Department of Commerce, Minority Business Development Agency, “Annual Performance Report, Fiscal Year 2012; A Catalyst for Global Business Expansion,” p. 1, at <http://www.mdba.gov/sites/default/files/APR2012.pdf>.

<sup>8</sup> 13 C.F.R. §306.

<sup>9</sup> U.S. Small Business Administration, “FY2012 Congressional Budget Justification and FY2010 Annual Performance Report,” p. 4, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>. Also, see U.S. Small Business Administration, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p. 22, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

<sup>10</sup> U.S. Congress, House Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for FY2014,” communication to the Chairman, House Committee on the Budget, 113<sup>th</sup> Cong., 1<sup>st</sup> sess., February 27, 2013, at [http://smallbusiness.house.gov/uploadedfiles/revised\\_2014\\_views\\_and\\_estimates\\_document.pdf](http://smallbusiness.house.gov/uploadedfiles/revised_2014_views_and_estimates_document.pdf). Previously, the House Committee on Small Business had recommended that funding for Women Business Centers, PRIME technical assistance, HUBZone outreach, and the Offices of Native American Affairs and International Trade be eliminated; and funding for 7(j) technical assistance, Microloan technical assistance, and the National Women’s Business Council be reduced. See U.S. Congress, House Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for FY2013,” communication to the Chairman, House Committee on the Budget, 112<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 7, 2012, at [http://smallbusiness.house.gov/uploadedfiles/views\\_and\\_estimates\\_fy\\_2013.pdf](http://smallbusiness.house.gov/uploadedfiles/views_and_estimates_fy_2013.pdf).

This report also discusses several bills introduced during the 111<sup>th</sup> and 112<sup>th</sup> Congresses that would have authorized changes to the SBA's management and technical assistance training programs in an effort to improve their performance and oversight, including S. 3442, the SUCCESS Act of 2012, and S. 3572, the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012.

In addition, during the 113<sup>th</sup> Congress, S. 415, the Small Business Disaster Reform Act of 2013, and its companion bill in the House, H.R. 1974, would authorize SBDCs to provide assistance to small businesses outside of the state, without regard to geographic proximity, if the small business is located in a presidentially declared major disaster area.

## **SBA Management and Technical Assistance Training Programs**

The SBA supports a number of management and technical assistance training programs, including the following:

- Small Business Development Center Grants Program,
- Microloan Technical Assistance Program,
- Women's Business Center Grants Program,
- SCORE (Service Corps of Retired Executives),
- PRIME Technical Assistance Program,
- Veterans Business Development Programs,
- 7(j) Technical Assistance Program,
- Native American Outreach Program, and
- Several initiatives, including the Entrepreneurial Development Initiative (Clusters), Boots to Business, Entrepreneurial Education, and Growth Accelerators.

The legislative history and current operating structures, functions, and budget for each of these programs is presented in this report. In addition, if the data are available, the program's performance based on outcome-based measures, such as their effect on small business formation, survivability, and expansion, and on job creation and retention, is also presented. Also, a brief description of each of these programs is provided in the **Appendix**.

### **Small Business Development Centers**

In 1976, the SBA created the University Business Development Center pilot program to establish small business centers within universities to provide counseling and training for small businesses. The first center was founded at California State Polytechnic University at Pomona in December, 1976. Seven more centers were funded over the next six months at universities in seven different

states. By 1979, 16 SBDCs received SBA funding and were providing management and technical training assistance to small businesses.<sup>11</sup>

The SBDC program was given statutory authorization by P.L. 96-302, the Small Business Development Center Act of 1980.<sup>12</sup> SBDCs were to “rely on the private sector primarily, and the university community, in partnership with the SBA and its other programs, to fill gaps in making quality management assistance available to the small business owner.”<sup>13</sup> Although most SBDCs continued to be affiliated with universities, the legislation authorized the SBA to provide funding

to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, any public or private institution of higher education, including but not limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities.<sup>14</sup>

SBDC funding is allocated on a pro rata basis among the states (defined to include the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa) by a statutory formula “based on the percentage of the population of each State, as compared to the population of the United States.”<sup>15</sup> If, as is currently the case, SBDC funding exceeds \$90 million, the minimum funding level is “the sum of \$500,000, plus a percentage of \$500,000 equal to the percentage amount by which the amount made available exceeds \$90 million.”<sup>16</sup>

In 1984, P.L. 98-395, the Small Business Development Center Improvement Act of 1984, required SBDCs, as a condition of receiving SBA funding, to contribute a matching amount equal to the grant amount, and that the match must be provided by nonfederal sources and be comprised of not less than 50% cash and not more than 50% of indirect costs and in-kind contributions.<sup>17</sup> It also required SBDCs to have an advisory board and a full-time director who has authority to make expenditures under the center’s budget. It also required the SBA to implement a program of onsite evaluations for each SBDC and to make those evaluations at least once every two years.

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<sup>11</sup> Association of Small Business Development Centers, “A Brief History of America’s Small Business Development Center Network,” Burke, VA, at [http://www.asbdc-us.org/About\\_Us/aboutus\\_history.html](http://www.asbdc-us.org/About_Us/aboutus_history.html).

<sup>12</sup> Ibid.; and U.S. Congress, Senate Committee on Small Business, *Oversight of the Small Business Administration’s Small Business Development Center Program*, 98<sup>th</sup> Cong., 1<sup>st</sup> sess., February 8, 1983, S.Hrg. 98-31 (Washington: GPO, 1983), p. 2.

<sup>13</sup> U.S. Congress, Senate Committee on Small Business, *Oversight of the Small Business Administration’s Small Business Development Center Program*, 98<sup>th</sup> Cong., 1<sup>st</sup> sess., February 8, 1983, S.Hrg. 98-31 (Washington: GPO, 1983), p. 2.

<sup>14</sup> Ibid., p. 4.

<sup>15</sup> 15 U.S.C. 648(a)(4)(C).

<sup>16</sup> Ibid., and P.L. 106-554, the Consolidated Appropriations Act, 2001.

<sup>17</sup> For American Samoa, Guam, and the U.S. Virgin Islands, the SBA is required to waive the matching requirements on awards less than \$200,000 and has discretion to waive the match for awards exceeding \$200,000. See 48 U.S.C. Section 1469a. Also, there is one exception to the disallowance of federal funds as a cash match. Community Development Block Grant (CDBG) funds received from the Department of Housing and Urban Development are allowed when: (1) the SBDC activities are consistent with the authorized CDBG activities for which the funds were granted; and (2) the CDBG activities are identified in the Consolidated Plan of the CDBG grantee or in the agreement between the CDBG grantee and the subrecipient of the funds.



Today, the SBA provides grants to SBDCs that are “hosted by leading universities, colleges, and state economic development agencies” to deliver management and technical assistance training “to small businesses and nascent entrepreneurs (pre-venture) in order to promote growth, expansion, innovation, increased productivity and management improvement.”<sup>18</sup> These services are delivered, in most instances, on a nonfee, one-on-one confidential counseling basis and are administered by 63 lead service centers, one located in each state (four in Texas and six in California), the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.<sup>19</sup> These lead centers manage more than 900 service centers located throughout the United States and the territories.<sup>20</sup>

In FY2013, SBDCs provided technical assistance training services to 330,781 clients and counseling services to 201,596 clients, for a total of 532,377 clients served.<sup>21</sup> Also, 14,201 new businesses were formed with assistance from SBDC counselors in FY2012.<sup>22</sup>

SBDCs received an appropriation of \$113.0 million for FY2010, \$113.0 million for FY2011 (plus an additional \$50 million under P.L. 111-240, the Small Business Jobs Act of 2010),<sup>23</sup> \$112.5 million for FY2012, \$112.5 million for FY2013 (\$103.44 million after sequestration and account transfers), and \$113.625 million for FY2014.<sup>24</sup> As shown in **Table 1**, the Obama Administration has requested \$113.625 million for SBDCs for FY2015.

Special areas of emphasis for the SBDC program in FY2014 include, among others, an added emphasis on disaster business assistance, veterans’ assistance, and international trade.<sup>25</sup>

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<sup>18</sup> U.S. Small Business Administration, “Small Business Development Center Fy/Cy 2011 Program Announcement for Renewal of the Cooperative Agreement for Current Recipient Organizations,” p. 3, at [http://archive.sba.gov/idc/groups/public/documents/sba\\_program\\_office/sbdc\\_2011\\_prgm\\_announce.pdf](http://archive.sba.gov/idc/groups/public/documents/sba_program_office/sbdc_2011_prgm_announce.pdf).

<sup>19</sup> Ibid.

<sup>20</sup> Association of Small Business Development Centers, “Welcome,” Burke, Virginia, at <http://www.asbdc-us.org/>; and U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” pp. 48, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>21</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 48, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>22</sup> Ibid.

<sup>23</sup> P.L. 111-240, the Small Business Jobs Act of 2010, appropriated \$50 million in additional funds for SBDCs with each state guaranteed not less than \$325,000 of these additional funds. The act also waived the nonfederal matching requirement for these additional funds. About \$16.2 million of these funds were awarded to SBDCs in FY2010, and the remainder was awarded to SBDCs during FY2011. See U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” p. 21, at [http://www.sba.gov/sites/default/files/Congressional\\_Budget\\_Justification.pdf](http://www.sba.gov/sites/default/files/Congressional_Budget_Justification.pdf); U.S. Small Business Administration, “FY2012 Congressional Budget Justification and FY2010 Annual Performance Report,” pp. 25, 47, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>; and U.S. Small Business Administration, “FY2013 Congressional Budget Justification and FY2011 Annual Performance Report,” p. 45, at <http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf>.

<sup>24</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, “General Statement Regarding the Implications of Sequestration,” provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>25</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 49, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

As part of its legislative mandate to evaluate each SBDC, in 2003, the SBA's Office of Entrepreneurial Development designed "a multi-year time series study to assess the impact of the programs it offers to small businesses."<sup>26</sup> The survey has been administered annually by a private firm.

The 2013 survey was sent to 29,957 SBDC clients in March 2013 to "provide an analysis of client attitudes toward their counseling experiences and client perceptions of the impact of that counseling on their businesses"<sup>27</sup> A total of 5,460 surveys (18.2% return rate) were completed either by telephone or the Internet.<sup>28</sup>

The 2013 survey indicated that SBDC clients tend to be somewhat larger, both in terms of annual revenue and employment, than SCORE and WBC clients.<sup>29</sup> The survey also found that

- 82% of SBDC clients reported that the services they received from counselors were useful or very useful, 2% had no opinion, and 16% reported that the services they received from counselors were somewhat useful or not useful;<sup>30</sup>
- 63% of SBDC clients reported that they changed their management practices/strategies as a result of the assistance they received;<sup>31</sup> and
- the top five changes to management practices involved their business plan (55%), marketing plan (45%), general management (34%), cash flow analysis (30%), and financial strategy (28%).<sup>32</sup>

## **Microloan Technical Assistance Program**

Congress authorized the SBA's Microloan lending program in 1991 (P.L. 102-140, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1992) to address the perceived disadvantages faced by women, low-income, veteran, and minority entrepreneurs and business owners gaining access to capital for starting or expanding their business. The program became operational in 1992. Its stated purpose is

to assist women, low-income, veteran ... and minority entrepreneurs and business owners and other individuals possessing the capability to operate successful business concerns; to assist

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<sup>26</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, "Impact Study of Entrepreneurial Development Resources," September 10, 2009, p. 2, at [http://archive.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ed\\_finalreport\\_2009.pdf](http://archive.sba.gov/idc/groups/public/documents/sba_program_office/ed_finalreport_2009.pdf).

<sup>27</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, "Impact Study of Entrepreneurial Dynamics: Office of Entrepreneurial Development Resource Partners' Face-to-Face Counseling," September 2013, p. 10, at [http://www.sba.gov/sites/default/files/files/OED\\_ImpactReport\\_09302013\\_Final.pdf](http://www.sba.gov/sites/default/files/files/OED_ImpactReport_09302013_Final.pdf).

<sup>28</sup> *Ibid.*, p. 8.

<sup>29</sup> In 2012, SBDC clients had average revenue of \$762,962 and, on average, 10.05 employees; SCORE clients had average revenue of \$465,828 and, on average, 5.56 employees; and WBC clients had average revenue of \$192,734 and, on average, 4.67 employees. See U.S. Small Business Administration, Office of Entrepreneurial Development, "Impact Study of Entrepreneurial Dynamics: Office of Entrepreneurial Development Resource Partners' Face-to-Face Counseling," September 2013, p. 26, at [http://www.sba.gov/sites/default/files/files/OED\\_ImpactReport\\_09302013\\_Final.pdf](http://www.sba.gov/sites/default/files/files/OED_ImpactReport_09302013_Final.pdf).

<sup>30</sup> *Ibid.*, p. 19.

<sup>31</sup> *Ibid.*, p. 20.

<sup>32</sup> *Ibid.*, p. 21.

small business concerns in those areas suffering from a lack of credit due to economic downturns; ... to make loans to eligible intermediaries to enable such intermediaries to provide small-scale loans, particularly loans in amounts averaging not more than \$10,000, to start-up, newly established, or growing small business concerns for working capital or the acquisition of materials, supplies, or equipment; [and] to make grants to eligible intermediaries that, together with non-Federal matching funds, will enable such intermediaries to provide intensive marketing, management, and technical assistance to microloan borrowers.<sup>33</sup>

Initially, the SBA's Microloan program was authorized as a five-year demonstration project. It was made permanent, subject to reauthorization, by P.L. 105-135.

The SBA's Microloan Technical Assistance Program, which is part of the SBA's Microloan program but receives a separate appropriation, provides grants to Microloan intermediaries to provide management and technical training assistance to Microloan program borrowers and prospective borrowers.<sup>34</sup> There are 180 intermediaries participating in the program, located in 48 states, the District of Columbia, and Puerto Rico.<sup>35</sup>

Intermediaries are eligible to receive a Microloan technical assistance grant "of not more than 25% of the total outstanding balance of loans made to it" under the Microloan program.<sup>36</sup> Grant funds may be used only to provide marketing, management, and technical assistance to Microloan borrowers, except that up to 25% of the funds may be used to provide such assistance to prospective Microloan borrowers. Grant funds may also be used to attend training required by the SBA.<sup>37</sup>

In most instances, intermediaries must contribute, solely from nonfederal sources, an amount equal to 25% of the grant amount.<sup>38</sup> In addition to cash or other direct funding, the contribution may include indirect costs or in-kind contributions paid for under nonfederal programs.<sup>39</sup> Intermediaries that make at least 50% of their loans to small businesses located in or owned by residents of an Economically Distressed Area are not subject to the 25% contribution requirement.<sup>40</sup> Intermediaries may expend no more than 25% of the grant funds on third party contracts for the provision of management and technical assistance.<sup>41</sup>

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<sup>33</sup> 15 U.S.C. §636 7(m)(1)(A).

<sup>34</sup> For further analysis of the SBA's Microloan program see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger.

<sup>35</sup> There are no Microloan intermediaries located in Alaska and Utah. U.S. Small Business Administration, "Microloan Program: Partner Identification & Management System Participating Microloan Intermediary Report," September 24, 2013, at <http://www.sba.gov/sites/default/files/Intermediary-List.pdf>. An intermediary may not operate in more than one state unless the SBA determines that it would be in the best interests of the small business community for it to operate across state lines. For example, the microloan intermediary located in Washington, Pennsylvania is allowed to service ten West Virginia counties due to its proximity to these counties and the distance to the only other intermediary serving West Virginia, which is located in Charleston, West Virginia. Also, a microloan intermediary located in Laguna Niguel, California, which focuses on the capital needs of disabled veteran-owned businesses, serves many jurisdictions throughout the nation that lack a participating intermediary.

<sup>36</sup> 15 U.S.C. §636(m)(4)(A).

<sup>37</sup> 13 C.F.R. §120.712.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.* Intermediaries may not borrow their contribution.

<sup>40</sup> An economically distressed area is a county or equivalent division of local government which, according to the most recent available data from the United States Bureau of the Census, 40% or more of the residents have an annual income (continued...)

The SBA does not require Microloan borrowers to participate in the Microloan Technical Assistance Program. However, intermediaries typically require Microloan borrowers to participate in the training program as a condition of the receipt of a microloan. Combining loan and intensive management and technical assistance training is one of the Microloan program's distinguishing features.<sup>42</sup>

The Microloan Technical Assistance Program provided counseling services to 19,368 small businesses in FY2013.<sup>43</sup> The program was appropriated \$46.0 million for FY2010, including \$24.0 million in additional temporary funding provided by P.L. 111-5, the American Recovery and Reinvestment Act of 2009. It received a \$22.0 million appropriation for FY2011, \$20.0 million for FY2012, \$20.0 million for FY2013 (\$19.809 million after sequestration and account transfers), and \$20.0 million for FY2014.<sup>44</sup> As shown in **Table 1**, the Obama Administration has requested \$20.0 million for the Microloan Technical Assistance Program for FY2015.

## Women's Business Centers

The Women's Business Center (WBC) Renewable Grant Program was initially established by P.L. 100-533, the Women's Business Ownership Act of 1988, as the Women's Business Demonstration Pilot Program. The act directed the SBA to provide financial assistance to private, nonprofit organizations to conduct demonstration projects giving financial, management, and marketing assistance to small businesses, including start-up businesses, owned and controlled by women. Since its inception, the program has targeted the needs of socially and economically disadvantaged women.<sup>45</sup> The WBC program was expanded and provided permanent legislative status by P.L. 109-108, the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006.

Since the program's inception, the SBA has awarded WBCs a grant of up to \$150,000 per year. Initially, the grant was awarded for one year, with the possibility of being renewed twice, for a

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that is at or below the poverty level. See 13 C.F.R. §120.701.

<sup>41</sup> 13 C.F.R. §120.712.

<sup>42</sup> Intermediaries that make at least 25% of their loans to small businesses located in or owned by residents of an Economically Distressed Area (defined as having 40% or more of its residents with an annual income that is at or below the poverty level), or have a portfolio of loans made under the program that averages not more than \$10,000 during the period of the intermediary's participation in the program are eligible to receive an additional training grant equal to 5% of the total outstanding balance of loans made to the intermediary. Intermediaries are not required to make a matching contribution as a condition of receiving these additional grant funds. See 13 C.F.R. §120.712; and 15 U.S.C. §636(m)(4)(C)(i).

<sup>43</sup> U.S. Small Business Administration, "FY2015 Congressional Budget Justification and FY2013 Annual Performance Report," p. 76, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>44</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, "General Statement Regarding the Implications of Sequestration," provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>45</sup> U.S. Congress, House Committee on Small Business, *Review of Women's Business Center Program*, 106<sup>th</sup> Cong., February 11, 1999, Serial No. 106-2 (Washington: GPO, 1999), p. 4.

total of up to three years. Also, as a condition of the receipt of funds, the WBC was required to raise at least one nonfederal dollar for each two federal dollars during the grant's first year (1:2), one nonfederal dollar for each federal dollar during year two (1:1), and two nonfederal dollars for each federal dollar during year three (2:1).<sup>46</sup> Over the years, Congress has extended the length of the WBC program's grant award and reduced the program's matching requirement.

Today, WBC initial grants are awarded for up to five years, consisting of a base period of 12 months from the date of the award and four 12-month option periods.<sup>47</sup> The SBA determines if the option periods are exercised and makes that determination subject to the continuation of program authority, the availability of funds, and the recipient organization's compliance with federal law, SBA regulations, and the terms and conditions specified in a cooperative agreement. WBCs that successfully complete the initial five-year grant period may apply for an unlimited number of three-year funding intervals.<sup>48</sup>

During their initial five-year grant period, WBCs are now required to provide a nonfederal match of one nonfederal dollar for each two federal dollars in years one and two (1:2), and one nonfederal dollar for each federal dollar in years three, four and five (1:1).<sup>49</sup> After the initial five-year grant period, the matching requirement in subsequent three-year funding intervals is not more than 50% of federal funding (1:1).<sup>50</sup> The nonfederal match may consist of cash, in-kind and program income.<sup>51</sup>

Today, there are 108 WBCs located throughout most of the United States and the territories.<sup>52</sup> In FY2013, WBCs provided technical assistance training services to 114,310 clients and counseling

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<sup>46</sup> Matching contributions must come from nonfederal sources such as state and local governments, private individuals, corporations and foundations, and program income. Community Development Block Grant funds, when permissible under the terms of that program, may also be used as a match. At least half of the nonfederal match must be in the form of cash. U.S. Small Business Administration, "Women's Business Center (Initial Grant), FY2011" at <http://www.sba.gov/sites/default/files/files/Program%20Announcement%20OWBO-2011-01-1%20-%20New%20WBC%20in%20Idaho.pdf>.

<sup>47</sup> P.L. 105-135, the Small Business Reauthorization Act of 1997, authorized the SBA to award grants to WBCs for up to five years—one base year and four option years. P.L. 106-165, the Women's Business Centers Sustainability Act of 1999, provided WBCs that had completed the initial five-year grant an opportunity to apply for an additional five-year sustainability grant. Thus, the act allowed successful WBCs to receive SBA funding for a total of 10 years. Because the program has permitted permanent three-year funding intervals since 2007, the sustainability grants would be phased out by FY2012, leaving the initial five-year grants with the continuous three-year option. See U.S. Small Business Administration, "FY2012 Congressional Budget Justification and FY2010 Annual Performance Report," p. 49, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>.

<sup>48</sup> P.L. 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, allowed WBCs that successfully completed the initial five-year grant to apply for an unlimited number of three-year funding renewals.

<sup>49</sup> P.L. 105-135, the Small Business Reauthorization Act of 1997, reduced the program's matching to one nonfederal dollar for each two federal dollars in years one through three rather than just during the first year (1:2), one nonfederal dollar for each federal dollar in year four rather than during year two (1:1), and two nonfederal dollars for each federal dollar in year five rather than in year three (2:1). P.L. 106-17, the Women's Business Center Amendments Act of 1999, reduced the program's matching requirement to one nonfederal dollar for each two federal dollars in years one and two (1:2), and one nonfederal dollar for each federal dollar in years three, four and five (1:1).

<sup>50</sup> P.L. 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, reduced the federal share to not more than 50% for all grant years (1:1) following the initial five-year grant.

<sup>51</sup> P.L. 105-135, the Small Business Reauthorization Act of 1997, specified that not more than one-half of the nonfederal sector matching assistance may be in the form of in-kind contributions that are budget line items only, including office equipment and office space.

<sup>52</sup> U.S. Small Business Administration, "Women's Business Centers Directory," at [http://www.sba.gov/about-offices-\(continued...\)](http://www.sba.gov/about-offices-(continued...))

services to 19,455 clients, for a total of 133,765 clients served.<sup>53</sup> They also assisted in the formation of 637 new businesses in FY2013.<sup>54</sup>

The WBC program received an appropriation of \$14.0 million for FY2010, \$14.0 million for FY2011, \$14.0 million for FY2012, \$14.0 million for FY2013 (\$12.888 million after sequestration and account transfers), and a recommended appropriation of \$14.0 million for FY2014.<sup>55</sup> As shown in **Table 1**, the Obama Administration has requested \$14.0 million for the WBC program for FY2015.

P.L. 105-135, the Small Business Reauthorization Act of 1997, required the SBA to “develop and implement an annual programmatic and financial examination of each” WBC.<sup>56</sup> As part of its legislative mandate to implement an annual programmatic and financial examination of each WBC, the SBA’s Office of Entrepreneurial Development includes WBCs in its previously mentioned multi-year time series study of its programs.

The firm administering the 2013 survey of SBA management and training clients contacted 2,997 WBC clients and received 529 completed surveys (17.7% return rate).<sup>57</sup> The survey indicated that

- 80% of WBC clients reported that the services they received from counselors were useful or very useful, 2% had no opinion, and 18% reported that the services they received from counselors were somewhat useful or not useful,<sup>58</sup>
- 61% of WBC clients reported that they changed their management practices/strategies as a result of the assistance they received;<sup>59</sup> and
- the top five changes to management practices involved their business plan (56%), marketing plan (46%), general management (36%), cash flow analysis (31%), and financial strategy (30%).<sup>60</sup>

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[content/1/2895/resources/13729](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>53</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 50, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>54</sup> Ibid.

<sup>55</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, “General Statement Regarding the Implications of Sequestration,” provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>56</sup> P.L. 105-135, the Small Business Reauthorization Act of 1997, Section 29. Women’s Business Center Program.

<sup>57</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, “Impact Study of Entrepreneurial Dynamics: Office of Entrepreneurial Development Resource Partners’ Face-to-Face Counseling,” September 2013, p. 8, at [http://www.sba.gov/sites/default/files/files/OED\\_ImpactReport\\_09302013\\_Final.pdf](http://www.sba.gov/sites/default/files/files/OED_ImpactReport_09302013_Final.pdf).

<sup>58</sup> Ibid., p. 19.

<sup>59</sup> Ibid., p. 20.

<sup>60</sup> Ibid., p. 21.

## SCORE (Service Corps of Retired Executives)

The SBA has partnered with various voluntary business and professional service organizations to provide management and technical assistance training to small businesses since the 1950s. On October 5, 1964, using authority under the Small Business Act to provide “technical and managerial aids to small business concerns” in cooperation with “educational and other nonprofit organizations, associations, and institutions,” then-SBA Administrator Eugene P. Foley officially launched SCORE (Service Corps of Retired Executives) as a national, volunteer organization with 2,000 members, uniting over 50 independent nonprofit organizations into a single, national nonprofit organization.<sup>61</sup> Since then, the SBA has provided financial assistance to SCORE to provide training to small business owners and prospective owners.<sup>62</sup>

Over the years, Congress has authorized the SBA to take certain actions relating to SCORE. For example, P.L. 89-754, the Demonstration Cities and Metropolitan Development Act of 1966, authorized the SBA to permit members of nonprofit organizations use of the SBA’s office facilities and services. P.L. 90-104, the Small Business Act Amendments of 1967, added the authority to pay travel and subsistence expenses “incurred at the request of the Administration in connection with travel to a point more than fifty miles distant from the home of that individual in providing gratuitous services to small businessmen” or “in connection with attendance at meetings sponsored by the Administration.”<sup>63</sup> P.L. 93-113, the Domestic Volunteer Service Act of 1973, was the first statute to mention SCORE directly, providing the Director of ACTION authority to work with SCORE to “expand the application of their expertise beyond Small Business Administration clients.”<sup>64</sup> P.L. 95-510, a bill to amend the Small Business Act, provided the SBA explicit statutory authorization to work with SCORE (Section 8(b)(1)(A)). P.L. 106-554, the Consolidated Appropriations Act, 2001 (Section 1(a)(9)—the Small Business Reauthorization Act of 2000) authorized SCORE to solicit cash and in-kind contributions from the private sector to be used to carry out its functions.

The SBA currently provides grants to SCORE to provide in-person mentoring, online training, and “nearly 9,000 local training workshops annually” to small businesses.<sup>65</sup> SCORE’s 354

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<sup>61</sup> P.L. 83-163, the Small Business Act of 1953; and U.S. Congress, Senate Select Committee on Small Business, *Small Business Administration - 1965*, 89<sup>th</sup> Cong., 1<sup>st</sup> sess., May 19, 1965 (Washington: GPO, 1965), pp. 21, 45; and SCORE (Service Corps of Retired Executives), “Milestones in SCORE History,” Washington, DC, at <http://www.score.org/node/147953>.

<sup>62</sup> U.S. Congress, Senate Select Committee on Small Business and House Select Committee on Small Business, *1966 Federal Handbook for Small Business: A Survey of Small Business Programs in the Federal Government Agencies*, committee print, 89<sup>th</sup> Cong., 3<sup>rd</sup> sess., January 31, 1966 (Washington: GPO, 1966), p. 5; and U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship, and Trade, *Subcommittee Hearing on Legislative Initiatives to Modernize SBA’s Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 2, 2009 (Washington: GPO, 2009), p. 6.

<sup>63</sup> U.S. Congress, Senate Select Committee on Small Business, *Small Business Act*, 90<sup>th</sup> Cong., 1<sup>st</sup> sess., November 22, 1967 (Washington: GPO, 1967), pp. 13, 14.

<sup>64</sup> P.L. 93-113, the Domestic Volunteer Service Act of 1973, Section 302. Authority to Establish, Coordinate, and Operate Programs. ACTION was created on July 1, 1971, by President Richard M. Nixon (Reorganization Plan Number One and Executive Order 11603) to oversee several federal volunteer agencies, including the Peace Corps, VISTA (Volunteers in Service to America); and SCORE. P.L. 103-82, the National and Community Service Trust Act of 1993, directed that ACTION be merged with the Commission on National and Community Service to form the Corporation for National and Community Service, which became operational in 1994. See Corporation for National and Community Service, “National Service Timeline,” Washington, DC, at [http://www.nationalservice.gov/about/role\\_impact/history\\_timeline.asp](http://www.nationalservice.gov/about/role_impact/history_timeline.asp).

<sup>65</sup> U.S. Small Business Administration, “FY2013 Congressional Budget Justification and FY2011 Annual Performance (continued...)”

chapters and more than 800 branch offices are located throughout the United States and partner with more than 13,000 volunteer counselors, who are working or retired business owners, executives and corporate leaders, to provide management and training assistance to small businesses “at no charge or at very low cost.”<sup>66</sup>

In FY2013, SCORE’s volunteer network of business professionals provided technical assistance training services to 218,434 clients and counseling services to 127,468 clients, for a total of 345,902 clients served.<sup>67</sup> They also assisted in the formation of 628 new businesses in FY2013.<sup>68</sup>

SCORE received a \$7.0 million appropriation for FY2010, \$7.0 million for FY2011, \$7.0 million for FY2012, \$7.0 million for FY2013 (\$6.444 million after sequestration and account transfers), and a recommended appropriation of \$7.0 million for FY2014.<sup>69</sup> As shown in **Table 1**, the Obama Administration has requested \$7.0 million for SCORE for FY2015.

W. Kenneth Yancey, Jr., SCORE’s chief executive officer, provided the following description at a congressional hearing of SCORE’s efforts to assist small businesses as they deal with the nation’s current economic environment:

SCORE volunteers know things that only experience can teach. All across the country, SCORE is helping clients navigate the credit crunch. SCORE can mentor an aspiring entrepreneur through the business plan process to get them through the start-up phase. For in-business clients, SCORE can provide advice on handling cash flow problems and marketing to drive leads and sales. Many SCORE chapters offer team counseling, where a group of volunteers examine various aspects of the client’s business and make recommendations.<sup>70</sup>

The SBA Office of Entrepreneurial Development includes SCORE in its multi-year time series study to assess its programs’ effectiveness. The firm administering the 2013 survey of SBA management and training clients contacted 25,183 SCORE clients and received 3,470 completed surveys (13.8% return rate).<sup>71</sup> The survey indicated that

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Report,” p. 45, at <http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf>.

<sup>66</sup> SCORE (Service Corps of Retired Executives), “About SCORE,” Washington, DC, at <http://www.score.org/about-score>.

<sup>67</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 51, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>68</sup> Ibid.

<sup>69</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, “General Statement Regarding the Implications of Sequestration,” provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>70</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on Legislation to Reauthorize and Modernize SBA’s Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 6, 2009 (Washington: GPO, 2009), p. 53.

<sup>71</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, “Impact Study of Entrepreneurial Dynamics: Office of Entrepreneurial Development Resource Partners’ Face-to-Face Counseling,” September 2013, p. 8, at [http://www.sba.gov/sites/default/files/files/OED\\_ImpactReport\\_09302013\\_Final.pdf](http://www.sba.gov/sites/default/files/files/OED_ImpactReport_09302013_Final.pdf).



- 78% of SCORE clients reported that the services they received from counselors were useful or very useful, 1% had no opinion, and 21% reported that the services they received from counselors were somewhat useful or not useful;<sup>72</sup>
- 63% of SCORE clients reported that they changed their management practices/strategies as a result of the assistance they received;<sup>73</sup> and
- the top five changes to management practices involved their business plan (52%), marketing plan (44%), general management (37%), financial strategy (29%), and cash flow analysis (28%).<sup>74</sup>

## **Program for Investment in Micro-entrepreneurs (PRIME)**

P.L. 106-102, the Gramm-Leach-Bliley Act (of 1999) (Subtitle C—Microenterprise Technical Assistance and Capacity Building Program), amended P.L. 103-325, the Riegle Community Development and Regulatory Improvement Act of 1994, to authorize the SBA to “establish a microenterprise technical assistance and capacity building grant program.”<sup>75</sup> The program was to “provide assistance from the Administration in the form of grants” to

nonprofit microenterprise development organizations or programs (or a group or collaborative thereof) that has a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs; an intermediary; a microenterprise development organization or program that is accountable to a local community, working in conjunction with a state or local government or Indian tribe; or an Indian tribe acting on its own, if the Indian tribe can certify that no private organization or program referred to in this paragraph exists within its jurisdiction.<sup>76</sup>

The SBA was directed “to ensure that not less than 50% of the grants ... are used to benefit very low-income persons, including those residing on Indian reservations.”<sup>77</sup> It was also directed to

(1) provide training and technical assistance to disadvantaged entrepreneurs; (2) provide training and capacity building services to microenterprise development organizations and programs and groups of such organizations to assist such organizations and programs in developing microenterprise training and services; (3) aid in researching and developing the best practices in the field of microenterprise and technical assistance programs for disadvantaged entrepreneurs; and (4) for such other activities as the Administrator determines are consistent with the purposes of this subtitle.<sup>78</sup>

The SBA’s Program for Investment in Micro-entrepreneurs (PRIME) was designed to meet these legislative requirements by providing “assistance to organizations that help low-income

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<sup>72</sup> Ibid., p. 19.

<sup>73</sup> Ibid., p. 20.

<sup>74</sup> Ibid., p. 21.

<sup>75</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Section 173. Establishment of Program.

<sup>76</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Section 173. Establishment of Program and Section 175. Qualified Organizations.

<sup>77</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Section 176. Allocation of Assistance; Subgrants.

<sup>78</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Section 174. Uses of Assistance.

entrepreneurs who lack sufficient training and education to gain access to capital to establish and expand their small businesses.”<sup>79</sup> The program offers four types of grants:

- *Technical Assistance Grants* support training and technical assistance to disadvantaged micro-entrepreneurs,
- *Capacity Building Grants* support training and capacity building services to micro-enterprise development organizations and programs to assist them in developing micro-enterprise training and services,
- *Research and Development Grants* support the development and sharing of best practices in the field of micro-enterprise development and technical assistance programs for disadvantaged micro-entrepreneurs, and
- *Discretionary Grants* support other activities determined to be consistent with these purposes.<sup>80</sup>

Grants are awarded on an annual basis. Applicants may be approved for option year funding for up to four subsequent years. Award amounts vary depending on the availability of funds. However, no single grantee may receive more than \$250,000 or 10% of the total funds made available for the program in a single fiscal year, whichever is less.<sup>81</sup>

Recipients must match 50% of the funding from nonfederal sources. Revenue from fees, grants, and gifts; income from loan sources; and in-kind resources from nonfederal public or private sources may be used to comply with the matching requirement.<sup>82</sup> SBA regulations indicate that “applicants or grantees with severe constraints on available sources of matching funds may request that the Administrator or designee reduce or eliminate the matching requirements.”<sup>83</sup> Any reductions or eliminations must not exceed 10% of the aggregate of all PRIME grant funds made available by SBA in any fiscal year.<sup>84</sup>

The SBA awarded 67 PRIME grants amounting to just over \$3.07 million to management and technical assistance service providers in FY2012, ranging from \$20,200 to \$227,000.<sup>85</sup> The number of clients served by this program is unavailable.

The PRIME program received an \$8.0 million appropriation for FY2010, \$8.0 million for FY2011, \$3.5 million for FY2012, a recommended appropriation of \$3.5 million for FY2013 (prior to sequestration and account transfers), and a recommended appropriation of \$3.5 million for FY2014.<sup>86</sup> As mentioned previously, the Obama Administration recommended in its FY2012,

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<sup>79</sup> U.S. Small Business Administration, “PRIME Program,” at <http://www.sba.gov/content/prime-program-0>.

<sup>80</sup> Ibid.

<sup>81</sup> U.S. Small Business Administration, Office of Financial Assistance, “Program for Investment in Microentrepreneurs Act (“PRIME”): Microenterprise and Technical Assistance Programs to Disadvantaged Entrepreneurs, Fiscal Year 2010,” June 2010, p. 2, at [http://archive.sba.gov/idc/groups/public/documents/sba\\_homepage/serv\\_fa\\_2010\\_primetrack123.pdf](http://archive.sba.gov/idc/groups/public/documents/sba_homepage/serv_fa_2010_primetrack123.pdf).

<sup>82</sup> Ibid., pp. 2, 8.

<sup>83</sup> 13 C.F.R §119.8.

<sup>84</sup> Ibid.

<sup>85</sup> USASpending.gov, search terms: CFDA number 59.050 and FY2012.

<sup>86</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, (continued...)

FY2013, FY2014, and FY2015 budget requests that funding for the PRIME program be eliminated, arguing that it overlaps and duplicates the SBA's Microloan Technical Assistance Program.<sup>87</sup>

The SBA provided PRIME no funding in FY2013 (after sequestration and account transfers).<sup>88</sup> As shown in **Table 1**, the Obama Administration has requested no funding for the PRIME program for FY2015.

## Veterans Business Development Programs

The SBA has supported management and technical assistance training for veteran-owned small businesses since its formation as an agency. However, during the 1990s, some in Congress noted that a direct loan program for veterans was eliminated by the SBA in 1995 and that the "training and counseling for veterans dropped from 38,775 total counseling sessions for veterans in 1993 to 29,821 sessions in 1998."<sup>89</sup> Concerned that "the needs of veterans have been diminished systematically at the SBA," Congress adopted P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999.<sup>90</sup> It authorized the establishment of the National Veterans Business Development Corporation (now also known as The Veterans Corporation)<sup>91</sup> to

(1) expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the Small Business Administration, the Department of Veterans Affairs, the Department of Labor, the Department of Commerce, the Department of Defense, the Service Corps of Retired Executives ..., the Small Business Development Centers ..., and the business development staffs of each department and agency of the United States.<sup>92</sup>

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(...continued)

2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, "General Statement Regarding the Implications of Sequestration," provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>87</sup> U.S. Small Business Administration, "FY2012 Congressional Budget Justification and FY2010 Annual Performance Report," p. 4, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>; U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance Report," pp. 8, 15, at <http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf>; and U.S. Small Business Administration, "FY2014 Congressional Budget Justification and FY2012 Annual Performance Report," p. 22, 27, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

<sup>88</sup> U.S. Small Business Administration, "General Statement Regarding the Implications of Sequestration," provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013.

<sup>89</sup> U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106<sup>th</sup> Cong., 1<sup>st</sup> sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), pp. 14, 15.

<sup>90</sup> Ibid.

<sup>91</sup> The National Veterans Business Development Corporation was initially provided a federal charter. The organization's federal charter was statutorily removed by P.L. 112-239, the National Defense Authorization Act for Fiscal Year 2013.

<sup>92</sup> P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 33. National (continued...)

The act re-emphasized the SBA's responsibility "to reach out to and include veterans in its programs providing financial and technical assistance."<sup>93</sup> It also included veterans as a target group for the SBA's 7(a), 504/CDC, and Microloan programs. It also required the SBA to enter into a memorandum of understanding with SCORE to, among other things, establish "a program to coordinate counseling and training regarding entrepreneurship to veterans through the chapters of SCORE throughout the United States."<sup>94</sup> It also directed the SBA to enter into a memorandum of understanding with small business development centers, the Department of Veteran Affairs, and the National Veterans Business Development Corporation "with respect to entrepreneurial assistance to veterans, including service-disabled veterans."<sup>95</sup> The act specified that the following services were to be provided:

- (1) Conducting of studies and research, and the distribution of information generated by such studies and research, on the formation, management, financing, marketing, and operation of small business concerns by veterans.
- (2) Provision of training and counseling to veterans concerning the formation, management, financing, marketing, and operation of small business concerns.
- (3) Provision of management and technical assistance to the owners and operators of small business concerns regarding international markets, the promotion of exports, and the transfer of technology.
- (4) Provision of assistance and information to veterans regarding procurement opportunities with Federal, State, and local agencies, especially such agencies funded in whole or in part with Federal funds.
- (5) Establishment of an information clearinghouse to collect and distribute information, including by electronic means, on the assistance programs of Federal, State, and local governments, and of the private sector, including information on office locations, key personnel, telephone numbers, mail and electronic addresses, and contracting and subcontracting opportunities.
- (6) Provision of Internet or other distance learning academic instruction for veterans in business subjects, including accounting, marketing, and business fundamentals.
- (7) Compilation of a list of small business concerns owned and controlled by service-disabled veterans that provide products or services that could be procured by the United States and delivery of such list to each department and agency of the United States. Such list shall be delivered in hard copy and electronic form and shall include the name and address of each such small business concern and the products or services that it provides.<sup>96</sup>

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Veterans Business Development Corporation.

<sup>93</sup> U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106<sup>th</sup> Cong., 1<sup>st</sup> sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), p. 14.

<sup>94</sup> P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 301. Score Program.

<sup>95</sup> *Ibid.*, Section 302. Entrepreneurial Assistance.

<sup>96</sup> *Ibid.*

The SBA's Office of Veterans Business Development (OVBD) was established to address these statutory requirements by promoting "veterans' small business ownership by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated Agency initiatives, and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and discharging active duty service members and their families."<sup>97</sup>

The OVBD provided, or supported third-parties to provide, management and technical assistance training services to 101,839 veterans during FY2013.<sup>98</sup> More than 73,266 veterans received management and technical assistance training from the OVBD's network of 15 Veteran Business Outreach Centers. The OVBD also, among other activities, administers a veterans' outreach program through the SBA's district offices, develops and distributes entrepreneurial resource materials, and works with other federal agencies, support centers, service organizations, and state-run departments of veteran affairs.<sup>99</sup>

In FY2012, the OVBD also launched the "Operation Boots to Business: From Service to Startup" initiative, "a comprehensive veteran entrepreneurship initiative for transitioning service members."<sup>100</sup> Nearly 20,000 service members participated in the initiative during FY2012.<sup>101</sup> The Obama Administration requested, and Congress recommended, \$7.0 million for FY2014 to expand the initiative and "to make it a standard portion of the curricula offered at the revised Transition Assistance Program (TAP) offered to service members, providing the option of entrepreneurship training to all those departing the military."<sup>102</sup>

The Veterans Business Outreach Centers received an appropriation of \$2.5 million for FY2010, \$2.5 million for FY2011, \$2.5 million for FY2012, \$2.5 million for FY2013 (\$2.497 million after sequestration and account transfers), and a recommended appropriation of \$2.5 million for FY2014.<sup>103</sup> As shown in **Table 1**, the Obama Administration has requested \$2.5 million for Veterans Business Outreach Centers for FY2015.

The Veterans Business Outreach Centers Program was established by the SBA under the authority in Section 8(b)(17) of the Small Business Act. It is to "provide outreach, assessment, long term counseling, training, coordinated service delivery referrals, mentoring and network building, procurement assistance and E-based assistance to benefit Small Business concerns and potential

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<sup>97</sup> U.S. Small Business Administration, "FY2015 Congressional Budget Justification and FY2013 Annual Performance Report," p. 80, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>98</sup> *Ibid.*, p. 81.

<sup>99</sup> *Ibid.*, pp. 80, 81.

<sup>100</sup> U.S. Small Business Administration, "Operation Boots to Business: From Service to Startup," at <http://www.sba.gov/bootstobusiness>.

<sup>101</sup> U.S. Small Business Administration, "FY2014 Congressional Budget Justification and FY2012 Annual Performance Report," p. 65, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

<sup>102</sup> *Ibid.*, p. 66.

<sup>103</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, "General Statement Regarding the Implications of Sequestration," provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

concerns owned and controlled by Veterans, Service Disabled Veterans and Members of Reserve Components of the U.S. Military.”<sup>104</sup>

Currently, there are 15 Veterans Business Outreach Centers.<sup>105</sup> Each center is funded on an annual basis, with funding not to exceed \$150,000 each year. Awards “may vary, depending upon location, staff size, project objectives, performance and agency priorities, and additional special initiatives initiated by the Office of Veterans Business Development.”<sup>106</sup> Existing centers may receive additional funding for special outreach or other initiatives. The initial grant award is for 12 months, with the possibility of four additional (option) years.

After completing their training, Veterans Business Outreach Centers provide their clients with a training program evaluation form. This form includes questions asking clients to indicate if they strongly agree, agree, neither agree/disagree, disagree, or strongly disagree with a series of questions, including whether the information was presented effectively, was practical, provided a good working knowledge of the subject matter, enabled the client to manage his or her business more effectively and efficiently, and if the program was sufficient for his or her purpose. Each year, between 800 and 1,000 of these evaluation forms are completed (about 1% to 2% of all Veterans Business Outreach Centers’ clients). In 2013, 91% of the clients who completed an evaluation form either agreed or strongly agreed with the quality, relevance, and timeliness of the training provided.<sup>107</sup>

## **7(j) Management and Technical Assistance Program**

Using what it viewed as broad statutory powers granted under Section 8(a) of the Small Business Act of 1958, as amended, the SBA issued regulations in 1970 creating the 8(a) contracting program to “assist small concerns owned by disadvantaged persons to become self-sufficient, viable businesses capable of competing effectively in the market place.”<sup>108</sup> Using its statutory authority under Section 7(j) of the Small Business Act to provide management and technical assistance through contracts, grants, and cooperative agreement to qualified service providers, the regulations specified that “the SBA may provide technical and management assistance to assist in the performance of the subcontracts.”<sup>109</sup>

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<sup>104</sup> U.S. Small Business Administration, Office of Veterans Business Development, “Special Program Announcement: Veterans Business Outreach Center Program,” April 2010, p. 1, at [http://archive.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ovbd\\_vboc\\_prgm\\_announce2010.pdf](http://archive.sba.gov/idc/groups/public/documents/sba_program_office/ovbd_vboc_prgm_announce2010.pdf).

<sup>105</sup> U.S. Small Business Administration, “Veterans Business Outreach Centers,” at <http://www.sba.gov/content/veterans-business-outreach-centers>. There were 8 veterans business outreach centers in FY2009 and 16 in FY2012.

<sup>106</sup> U.S. Small Business Administration, Office of Veterans Business Development, “Special Program Announcement: Veterans Business Outreach Center Program,” April 2010, p. 2, at [http://archive.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ovbd\\_vboc\\_prgm\\_announce2010.pdf](http://archive.sba.gov/idc/groups/public/documents/sba_program_office/ovbd_vboc_prgm_announce2010.pdf).

<sup>107</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 81, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>108</sup> 13 C.F.R. §124.8-1(b) (1970); and Notes, “Minority Enterprise, Federal Contracting, and the SBA’s 8(a) Program: A New Approach to an Old Problem,” *Michigan Law Review*, vol. 71, no. 2 (December 1972), pp. 377, 378. For further analysis of the Minority Small Business and Capital Ownership Development Program, also known as the 8(a) program, see CRS Report R40744, *The “8(a) Program” for Small Businesses Owned and Controlled by the Socially and Economically Disadvantaged: Legal Requirements and Issues*, by Kate M. Manuel.

<sup>109</sup> 13 C.F.R. §124.8-1(d) (1970).

On October 24, 1978, P.L. 95-507, to amend the Small Business Act and the Small Business Investment Act of 1958, provided the SBA explicit statutory authority to extend financial, management, technical, and other services to socially and economically disadvantaged small businesses. The SBA's current regulations indicate that the 7(j) Management and Technical Assistance Program, named after the section of the Small Business Act of 1958, as amended, authorizing the SBA to provide management and technical assistance training, will, "through its private sector service providers" deliver "a wide variety of management and technical assistance to eligible individuals or concerns to meet their specific needs, including: (a) counseling and training in the areas of financing, management, accounting, bookkeeping, marketing, and operation of small business concerns; and (b) the identification and development of new business opportunities."<sup>110</sup> Eligible individuals and businesses include "8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment, or low income or firms owned by low income individuals."<sup>111</sup>

In FY2013, the 7(j) Management and Technical Assistance Program awarded 13 contracts to 8 service providers totaling just over \$2.15 million, ranging from \$16,559 to \$450,000.<sup>112</sup> The 7(j) program assisted 3,913 small business owners in FY2013.<sup>113</sup> It received a \$3.4 million appropriation for FY2010, \$3.4 million for FY2011, \$3.1 million for FY2012, \$3.1 million for FY2013 (\$2.854 million after sequestration and account transfers), and \$2.79 million for FY2014.<sup>114</sup> As shown in **Table 1**, the Obama Administration has requested \$2.8 million for the 7(j) Management and Technical Assistance Program for FY2015.

## Native American Outreach Program

The SBA established the Office of Native American Affairs in 1994 to "address the unique needs of America's First people."<sup>115</sup> It oversees the Native American Outreach Program, which provides management and technical educational assistance to American Indians, Alaska Natives, Native Hawaiians, and "the indigenous people of Guam and American Samoa ... to promote entity-owned and individual 8(a) certification, government contracting, entrepreneurial education, and capital access."<sup>116</sup> The program's management and technical assistance services are available to

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<sup>110</sup> 13 C.F.R. §124.702.

<sup>111</sup> U.S. Small Business Administration, "FY2012 Congressional Budget Justification and FY2010 Annual Performance Report," p. 75, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>.

<sup>112</sup> USASpending.gov, search terms: CFDA number 59.007 and FY2013.

<sup>113</sup> U.S. Small Business Administration, "FY2015 Congressional Budget Justification and FY2013 Annual Performance Report," p. 78, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>114</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, "General Statement Regarding the Implications of Sequestration," provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>115</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Workforce, Empowerment, and Government Programs, *Oversight of the Small Business Administration's Entrepreneurial Development Programs*, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 2, 2006, Serial No. 109-40 (Washington: GPO, 2006), pp. 5, 37. H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, would have provided statutory authorization for the Office of Native American Affairs. It was passed by the House on May 20, 2009.

<sup>116</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance (continued...)"

members of these groups living in most areas of the nation.<sup>117</sup> However, “for Native Americans living in much of Indian Country, actual reservations communities where the land is held in trust by the U.S. federal government, SBA loan guaranties and technical assistance services are not available.”<sup>118</sup>

In FY2013, among other activities, the SBA’s Office of Native American Affairs provided funding for executive-level training in 10 Native American communities; funded a project to conduct 23 reservation-based entrepreneurial training workshops, which provided training for more than 400 participants in 17 states; and conducted, in collaboration with the Federal Reserve Board and the Department of the Interior, training workshops “on how the adoption of the Model Tribal Secured Transactions Act can increase creditor and investor confidence in tribal economies and ensure the steady growth of business and consumer credit in Indian Country.”<sup>119</sup>

The Native American Outreach Program received an appropriation of \$1.25 million for FY2010, \$1.25 million for FY2011, \$1.25 million for FY2012, \$1.25 million for FY2013 (\$932,000 after sequestration and account transfers), and a recommended appropriation of \$2.0 million for FY2014.<sup>120</sup> As shown in **Table 1**, the Obama Administration has requested \$2.0 million for the Native American Outreach Program for FY2015.

## **SBA Initiatives**

The Obama Administration requested, and Congress approved, funding for the following four management and training initiatives for FY2014: the Entrepreneurial Development Initiative (Clusters), Boots to Business, Entrepreneurial Education, and Growth Accelerators.

### **Entrepreneurial Development Initiative (Clusters)**

President Obama requested, and Congress recommended an appropriation of, \$5 million for the SBA’s Entrepreneurial Development Initiative (Clusters) for FY2014. The SBA reports that “regional innovative clusters are on-the-ground collaborations between business, research, education, financing and government institutions that work to develop and grow a particular industry or related set of industries in a particular geographic region.”<sup>121</sup>

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(...continued)

Report,” p. 65, at [http://www.sba.gov/sites/default/files/Congressional\\_Budget\\_Justification.pdf](http://www.sba.gov/sites/default/files/Congressional_Budget_Justification.pdf).

<sup>117</sup> Ibid.

<sup>118</sup> Ibid.

<sup>119</sup> U.S. Small Business Administration, “FY2015 Congressional Budget Justification and FY2013 Annual Performance Report,” p. 84, at [http://www.sba.gov/sites/default/files/files/FY15\\_CBJ\\_FY%202013\\_APR.pdf](http://www.sba.gov/sites/default/files/files/FY15_CBJ_FY%202013_APR.pdf).

<sup>120</sup> H.Rept. 111-366, the Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-331, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Small Business Administration, “General Statement Regarding the Implications of Sequestration,” provided to the author by the U.S. Small Business Administration, Office of Congressional and Legislative Affairs, on May 5, 2013; and P.L. 113-76, the Consolidated Appropriations Act, 2014.

<sup>121</sup> U.S. Small Business Administration, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p. 60, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.



The SBA has supported regional innovative clusters since FY2009, when it partnered with small business suppliers working in the field of robotics in Michigan. In FY2010, the SBA was involved in the rollouts of two additional clusters: another robotics cluster in southeast Virginia and a cluster involving a partnership with the Department of Energy and several other federal agencies with the goal of developing a regional cluster in energy efficiency homes and businesses.<sup>122</sup> In FY2011, SBA awarded funds to 10 regional innovative clusters. In FY2012, these clusters “spurred \$48 million in private capital raised through venture and angel capital sources, \$6.5 million in early stage investment from SBIR [Small Business Innovation Research program] and STTR [Small Business Technology Transfer program] awards, and over \$217 million in contracts or subcontracts from the federal government.”<sup>123</sup>

The SBA reports that \$3 million of the \$5 million provided in FY2014 for the Entrepreneurial Development Initiative will be used to continue existing clusters and \$2 million of the \$5 million provided will be used to fund additional clusters and for program evaluation. Targeted activities for FY2014 include “business development, intellectual property, export and import, finance, marketing, commercialization of new technology, partnerships, alliances, supply chains, collaboration, contracting opportunities and certifications.”<sup>124</sup>

As shown in **Table 1**, the Obama Administration has requested \$6.0 million for regional innovative clusters for FY2015.

## **Boots to Business**

As mentioned previously, the SBA launched the “Operation Boots to Business: From Service to Startup” initiative on a pilot basis in FY2012. In partnership with the Department of Defense and the Department of Veterans Affairs, the SBA developed the program as part of the re-design of the military’s Transition Assistance Program (TAP), which provides counseling and training to help prepare departing service members for the transition to civilian life. TAP participants are now provided three optional tracks: (1) education; (2) technical training; and (3) entrepreneurship. The SBA and its resource partner network (SBDCs, WBCs, SCORE, etc.) is responsible for the entrepreneurship track.<sup>125</sup> The Boots to Business program

has three progressive phases to deliver exposure, introduction, and opt-in comprehensive training for service members interested in business ownership. Phase 1 includes a short video introduction on entrepreneurship with a call to action for returning veterans to consider entrepreneurship, with a description of the career path. Phase 2 includes classroom

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<sup>122</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” p. 59, at [http://www.sba.gov/sites/default/files/Congressional\\_Budget\\_Justification.pdf](http://www.sba.gov/sites/default/files/Congressional_Budget_Justification.pdf).

<sup>123</sup> U.S. Small Business Administration, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p. 60, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>. The Small Business Innovation Research (SBIR) program is a competitive program that encourages domestic small businesses to engage in federal research and development that has the potential for commercialization. For additional information and analysis concerning the SBIR program see CRS Report 96-402, *Small Business Innovation Research (SBIR) Program*, by Wendy H. Schacht. The Small Business Technology Transfer (STTR) program is a competitive program that reserves a specific percentage of federal research and development funding for awards to small business and nonprofit research institutions. For additional information and analysis concerning the STTR program see CRS Report RL33527, *Technology Transfer: Use of Federally Funded Research and Development*, by Wendy H. Schacht.

<sup>124</sup> *Ibid.*, p. 61.

<sup>125</sup> U.S. Small Business Administration, “About Operation Boots to Business: From Service to Startup,” at <http://www.sba.gov/about-offices-content/1/2985/resources/160501>.

instruction with a 90 minute in-person training course on entrepreneurship. Phase 3 includes online instruction via an eight-week online distance learning course that leads to the creation of a business plan.<sup>126</sup>

In FY2012, the Marine Corps participated in the initial roll out of the program, which provided entrepreneurial training to nearly 20,000 transitioning Marines in four locations: Quantico, Virginia; Cherry Point, North Carolina; Camp Pendleton, California; and Twenty-Nine Palms, California.<sup>127</sup> The Obama Administration requested, and Congress approved, \$7.0 million for FY2014 to expand the program and “to make it a standard portion of the curricula offered at the revised Transition Assistance Program (TAP) offered to service members, providing the option of entrepreneurship training to all those departing the military.”<sup>128</sup>

As shown in **Table 1**, the Obama Administration has requested \$7.0 million for the Boots to Business initiative for FY2015.

## **Entrepreneurial Education**

The SBA started its Entrepreneurship Education initiative in 2008. At that time, it was called the Emerging 200 Underserved initiative (E200), reflecting the initiative’s provision of assistance to 200 inner city small businesses. In FY2009, it was renamed the Emerging Leaders initiative to reflect the SBA’s decision to increase the number of small businesses participating in the initiative. It was renamed the Entrepreneurial Education initiative in FY2013. The initiative currently

offers high-growth small businesses in underserved communities a seven-month executive leader education series that elevates their growth trajectory, creates jobs, and contributes to the economic well-being of their local communities. Participants receive more than 100 hours of specialized training, technical resources, a professional networking system, and other resources to strengthen their business model and promote economic development within urban communities. At the conclusion of the training, participants produce a three-year strategic growth action plan with benchmarks and performance targets that help them access the necessary support and resources to move forward for the next stage of business growth.<sup>129</sup>

The Entrepreneurial Education initiative was initially offered in 10 communities (Albuquerque, Atlanta, Baltimore, Boston, Chicago, Des Moines, Memphis, Milwaukee, New Orleans, and Philadelphia) and provided training to 200 inner city small businesses. The program was funded through the SBA’s Office of Entrepreneurship Education.<sup>130</sup> Since the initiative’s inception, the SBA has requested separate appropriations to fund and expand the initiative. In FY2012, the initiative offered training in 27 communities, with over 450 small businesses participating.<sup>131</sup>

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<sup>126</sup> U.S. Small Business Administration, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p.52, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

<sup>127</sup> Ibid.

<sup>128</sup> Ibid., p. 66.

<sup>129</sup> Ibid., p. 71.

<sup>130</sup> U.S. Small Business Administration, “FY2010 Congressional Budget Justification,” p.67, at [http://www.sba.gov/sites/default/files/Congressional\\_Budget\\_Justification\\_2010.pdf](http://www.sba.gov/sites/default/files/Congressional_Budget_Justification_2010.pdf).

<sup>131</sup> U.S. Small Business Administration, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p. 71, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

The Obama Administration requested \$40 million in its FY2014 budget request to sponsor entrepreneur training in 40 locations and to create an online entrepreneurship training program.<sup>132</sup> As mentioned previously, Congress included the Entrepreneurship Education initiative in its list of SBA entrepreneurial development/non-credit programs to be funded in FY2014. This was the first time that the initiative was included in the list. In the “Explanatory Statement” accompanying the Consolidated Appropriations Act, 2014, Congress recommended that the initiative receive \$5 million.<sup>133</sup>

As shown in **Table 1**, the Obama Administration has requested \$15.0 million for the Entrepreneurial Education initiative for FY2015.

## **Growth Accelerators**

The SBA describes growth accelerators as “organizations that help entrepreneurs start and scale their businesses.”<sup>134</sup> Growth accelerators are typically run by experienced entrepreneurs and help small businesses access seed capital and mentors. The SBA claims that growth accelerators “help accelerate a startup company’s path towards success with targeted advice on revenue growth, employee growth, sourcing outside funding and avoiding pitfalls.”<sup>135</sup>

In FY2012, the SBA sponsored several meetings with university officials and faculty, entrepreneurs, and representatives of growth accelerators to discuss mentoring and how to best assist “high-growth” entrepreneurs. These meetings “culminated with a White House event co-hosted by the SBA and the Department of Commerce to help formalize the network of universities and accelerators, provide a series of “train the trainers” events on various government programs that benefit high-growth entrepreneurs, and provide a playbook of best practices on engaging universities on innovation and entrepreneurship.”<sup>136</sup>

The Obama Administration requested \$5 million, and Congress recommended an appropriation of \$2.5 million, for the SBA’s growth accelerator initiative for FY2014. The Administration proposed to use the funding to provide matching grants to universities and private sector accelerators “to start a new accelerator program (based on successful models) or scale an existing program.”<sup>137</sup> The Administration plans to request funding for five years (\$25 million in total funding) and feature a required 4:1 private sector match.<sup>138</sup>

As shown in **Table 1**, the Obama Administration has requested \$5.0 million for the SBA’s growth accelerator initiative for FY2015.

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<sup>132</sup> Ibid., p. 10.

<sup>133</sup> Recommended funding levels for the SBA’s noncredit programs in FY2014 are provided in the “Explanatory Statement” accompanying the Consolidated Appropriations Act, 2014 (Division E - Financial Services and General Government Appropriations Act, 2014), pp. 37-39, at <http://docs.house.gov/billsthisweek/20140113/113-HR3547-JSOM-D-F.pdf>.

<sup>134</sup> U.S. Small Business Administration, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p. 59, at <http://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

<sup>135</sup> Ibid.

<sup>136</sup> Ibid., p. 60.

<sup>137</sup> Ibid.

<sup>138</sup> Ibid.

# Department of Commerce Small Business Management and Technical Assistance Training Programs

As mentioned previously, the Department of Commerce’s Minority Business Development Agency provides training to minority business owners to assist them in obtaining contracts and financial awards.<sup>139</sup> In addition, the Department of Commerce’s Economic Development Administration’s Local Technical Assistance Program promotes efforts to build and expand local organizational capacity in distressed areas. As part of that effort, it funds projects that focus on technical or market feasibility studies of economic development projects or programs, which often include consultation with small businesses.<sup>140</sup>

## The Minority Business Development Agency

The Minority Business Development Agency (MBDA) was established by President Richard M. Nixon by Executive Order 11625, issued on October 13, 1971, and published in the *Federal Register* the next day. It clarified the authority of the Secretary of Commerce to

- implement federal policy in support of the minority business enterprise program,
- provide additional technical and management assistance to disadvantaged businesses,
- assist in demonstration projects, and
- coordinate the participation of all federal departments and agencies in an increased minority enterprise effort.<sup>141</sup>

The MBDA received an appropriation of \$31.5 million for FY2010, \$30.4 million for FY2011, \$30.3 million for FY2012, \$30.5 million (prior to sequestration) for FY2013, and \$28.0 million for FY2014.<sup>142</sup> The Obama Administration has requested \$28.286 million for the MBDA for FY2015.<sup>143</sup>

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<sup>139</sup> U.S. Department of Commerce, Minority Business Development Agency, “Annual Performance Report, Fiscal Year 2011; America: Built to Last,” p. 76, at <http://www.mbda.gov/sites/default/files/APR2011.pdf>.

<sup>140</sup> 13 C.F.R. §306.

<sup>141</sup> The Executive Office of the President, “Executive Order 11625,” 36 *Federal Register* 11625, October 14, 1971; and 3 C.F.R., 1971-1975 Comp. 9. 616. The MBDA superseded the Office of Minority Business Enterprise, which was established by Executive Order 11458 signed by President Richard Nixon on March 5, 1969.

<sup>142</sup> P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; P.L. 112-55, the Consolidated and Further Continuing Appropriations Act, 2012; P.L. 112-175, Continuing Appropriations Resolution, 2013; U.S. Department of Commerce, Minority Business Development Agency, “Budget Estimates, FY2014: Congressional Submission,” p. 3, at [http://www.osec.doc.gov/bmi/budget/FY14CJ/MBDA\\_FY\\_2014\\_CJ\\_Final\\_508\\_Compliant.pdf](http://www.osec.doc.gov/bmi/budget/FY14CJ/MBDA_FY_2014_CJ_Final_508_Compliant.pdf); and “Explanatory Statement” accompanying the Consolidated Appropriations Act, 2014 (Division B – Commerce, Justice, Science, and Related Industries Appropriations Act, 2014), p. 5, at <http://docs.house.gov/billssthisweek/20140113/113-HR3547-JSOM-FM-B.pdf>.

<sup>143</sup> U.S. Department of Commerce, “Discretionary 2015 Budget Summary,” at [http://www.osec.doc.gov/bmi/Budget/FY\\_2015\\_CJ\\_Control\\_Table\\_Summary.pdf](http://www.osec.doc.gov/bmi/Budget/FY_2015_CJ_Control_Table_Summary.pdf).

As part of its mission, the MBDA seeks to train minority business owners to become first- or second-tier suppliers to private corporations and the federal government. Progress is measured in the business's increased gross receipts, number of employees, and size and scale of the firms associated with minority business enterprises.

The MBDA reported that in FY2012 it helped to create and retain 16,730 jobs and assisted minority-owned and operated businesses in obtaining nearly \$3.6 billion in contracts (\$2.2 billion) and capital awards (\$1.38 billion).<sup>144</sup>

## **The EDA Local Technical Assistance Program**

P.L. 89-186, the Public Works and Economic Development Act of 1965, authorized the Department of Commerce's Economic Development Administration (EDA) to provide financial assistance to economically distressed areas in the United States that are characterized by high levels of unemployment and low per-capita income. The EDA currently administers seven Economic Development Assistance Programs (EDAPs) that award matching grants for public works, economic adjustment, planning, technical assistance, research and evaluation, trade adjustment assistance, and global climate change mitigation.<sup>145</sup>

Grants awarded under the EDA's Local Technical Assistance Program are designed to help solve specific economic development problems, respond to development opportunities, and build and expand local organizational capacity in distressed areas.<sup>146</sup> The majority of local technical assistance projects focus on technical or market feasibility studies of economic development projects or programs, including consultation with small businesses. The EDA's Local Technical Assistance Program received a \$9.8 million appropriation for FY2010, \$9.8 million for FY2011, \$12.0 million for FY2012, \$12.0 million (prior to sequestration and account transfers) for FY2013, and \$11.0 million for FY2014.<sup>147</sup> The Obama Administration has requested \$12.0 million for the EDA's Local Technical Assistance Program for FY2015.<sup>148</sup>

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<sup>144</sup> U.S. Department of Commerce, Minority Business Development Agency, "Annual Performance Report, Fiscal Year 2012: A Catalyst for Global Business Expansion," pp. 1, 5, at <http://www.mbda.gov/sites/default/files/APR2012.pdf>.

<sup>145</sup> In addition, since 1970, Congress has periodically allocated supplemental funds for EDA to assist with disaster mitigation and economic recovery. Also, EDA grant applicants must be designated by EDA as part of an EDD—a multijurisdictional consortium of county and local governments—to be eligible for EDA funding and grants. To be designated as an EDD, an area must meet the definition of economic distress, under 13 C.F.R. 303.3: (i) An unemployment rate that is, for the most recent twenty-four (24) month period for which data are available, at least one (1) percentage point greater than the national average unemployment rate; (ii) Per capita income that is, for the most recent period for which data are available, eighty (80) percent or less of the national average per capita income; or (iii) A Special Need, as determined by Economic Development Administration (EDA).

<sup>146</sup> 13 C.F.R. §306.

<sup>147</sup> U.S. Department of Commerce, Economic Development Administration, "FY2012 Congressional Budget Request," p. 33, at [http://www.osec.doc.gov/bmi/budget/12CJ/EDA\\_FY\\_2012\\_Congressional\\_Submission.pdf](http://www.osec.doc.gov/bmi/budget/12CJ/EDA_FY_2012_Congressional_Submission.pdf); P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; H.Rept. 112-284, Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Programs for the Fiscal Year Ending September 30, 2012, and for other purposes; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; U.S. Department of Commerce, "The Department of Commerce Budget in Brief, Fiscal Year 2014," p. 31, at <http://osec.doc.gov/bmi/Budget/FY14BIB/ENTIREBIB.pdf>; and "Explanatory Statement" accompanying the Consolidated Appropriations Act, 2014 (Division B – Commerce, Justice, Science, and Related Industries Appropriations Act, 2014), p. 4, at <http://docs.house.gov/billsthisweek/20140113/113-HR3547-JSOM-FM-B.pdf>.

<sup>148</sup> U.S. Office of Management and Budget, "Appendix, Budget of the U.S. Government, FY2015: Department of (continued...)"

## Congressional Issues

For many years, a recurring theme at congressional hearings concerning the SBA's management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services or increasing cooperation and coordination both within and among SCORE, WBCs, and SBDCs.<sup>149</sup> For example, the House Committee on Small Business has argued that the SBA's various management and technical assistance training programs should be "folded into the mission of the SBDC program or their responsibilities should be taken over by other agencies" because they "overlap each other and duplicate the educational services provided by other agencies."<sup>150</sup> Also, as mentioned previously, the Obama Administration has recommended that the PRIME program be eliminated, arguing that it overlaps and duplicates the SBA's Microloan Technical Assistance Program.<sup>151</sup>

On the other hand, as discussed previously, the Obama Administration also requested, and Congress approved, continued funding for the SBA's Entrepreneurial Development Initiative (Clusters) and additional funding to expand the SBA's Entrepreneurial Education initiative, Boots to Business initiative, and Growth Accelerators initiative.

In recent years, Congress has also explored ways to improve the SBA's measurement of its management and training programs' effectiveness.

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Commerce," p. 199, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/com.pdf>.

<sup>149</sup> U.S. Congress, House Committee on Small Business, *Full Committee Markup of H.R. 2352 The Job Creation Through Entrepreneurship Act of 2009*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 13, 2009, Doc. No. 111-022 (Washington: GPO, 2009), pp. 2, 14; U.S. Congress, Senate Committee on Small Business, *SBA's Management and Assistance Programs*, Roundtable before the Committee on Small Business United States Senate, 106<sup>th</sup> Cong., 1<sup>st</sup> sess., May 20, 1999, S. Hrg. 106-337 (Washington: GPO, 1999), pp. 69, 74, 82, 92; U.S. Congress, House Committee on Small Business, *To Investigate the Legislation That Would Increase the Extent and Scope of the Services Provided By Small Business Development Centers*, 107<sup>th</sup> Cong., 1<sup>st</sup> sess., July 19, 2001, Serial No. 107-20 (Washington: GPO, 2001), pp. 13, 59, 60; and U.S. Congress, Senate Committee on Small Business, *Oversight on the Small Business Administration's Small Business Development Center Program*, 100<sup>th</sup> Cong., 1<sup>st</sup> sess., October 15, 1987, S. Hrg. 100-339 (Washington: GPO, 1987), pp. 6, 165, 168, 230.

<sup>150</sup> U.S. Congress, House Committee on Small Business, "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for FY2014," communication to the Chairman, House Committee on the Budget, 113<sup>th</sup> Cong., 1<sup>st</sup> sess., February 27, 2013, at [http://smallbusiness.house.gov/uploadedfiles/revised\\_2014\\_views\\_and\\_estimates\\_document.pdf](http://smallbusiness.house.gov/uploadedfiles/revised_2014_views_and_estimates_document.pdf). Previously, the House Committee on Small Business had recommended that funding for Women Business Centers, PRIME technical assistance, HUBZone outreach, and the Offices of Native American Affairs and International Trade be eliminated; and funding for 7(j) technical assistance, Microloan technical assistance, and the National Women's Business Council be reduced. See U.S. Congress, House Committee on Small Business, "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for FY2013," communication to the Chairman, House Committee on the Budget, 112<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 7, 2012, at [http://smallbusiness.house.gov/uploadedfiles/views\\_and\\_estimates\\_fy\\_2013.pdf](http://smallbusiness.house.gov/uploadedfiles/views_and_estimates_fy_2013.pdf).

<sup>151</sup> U.S. Small Business Administration, "FY2012 Congressional Budget Justification and FY2010 Annual Performance Report," p. 4, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>; and U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance Report," pp. 8, 15, at <http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf>.

## Program Administration

In 2007, the U.S. Government Accountability Office (GAO) was asked to assess the SBA's oversight of WBCs and the coordination and duplication of services among the SBA's management and technical training assistance programs. GAO found that

As described in the terms of the SBA award, WBCs are required to coordinate with local SBDCs and SCORE chapters. In addition, SBA officials told us that they expected district offices to ensure that the programs did not duplicate each other. However, based on our review, WBCs lacked guidance and information from SBA on how to successfully carry out their coordination efforts. Most of the WBCs that we spoke with explained that in some situations they referred clients to an SBDC or SCORE counselor, and some WBCs also took steps to more actively coordinate with local SBDCs and SCORE chapters to avoid duplication and leverage resources. We learned that WBCs used a variety of approaches to facilitate coordination, such as memorandums of understanding, information-sharing meetings, and co-locating staff and services. However, some WBCs told us that they faced challenges in coordinating services with SBDC and SCORE, in part because the programs have similar performance measures, and this could result in competition among the service providers in some locations. 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. Such challenges thwart coordination efforts and could increase the risk of duplication in some geographic areas.<sup>152</sup>

Some organizations have argued that the SBA's management and technical assistance training programs should be merged. For example, the U.S. Women's Chamber of Commerce has argued that

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....

if we are to serve the needs of American entrepreneurs, we must commit to a top to bottom restructuring of the delivery of the entrepreneurial services of the SBA. The myriad of entrepreneurial development programs should be unified into one centrally managed organization that has the flexibility to provide services when and where they are needed.<sup>153</sup>

These organizations argue that merging the SBA's management and technical assistance training programs would provide greater coordination of services and "one clear channel for assistance" that "is paramount to the average business owner seeking help."<sup>154</sup> Advocates of merging the SBA's management and technical assistance training programs often mention merging them into the SBDC Program because, in their view, it has the advantage of having a broader connection to

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<sup>152</sup> U.S. Government Accountability Office, *Small Business Administration: Opportunities Exist to Improve Oversight of Women's Business Centers and Coordination among SBA's Business Assistance Programs*, GAO-08-49, November 2007, pp. 6, 24-31, at <http://www.gao.gov/new.items/d0849.pdf>.

<sup>153</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Comm. Doc. No. 111-005 (Washington: GPO, 2009), p. 4.

<sup>154</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship, and Trade, *Subcommittee Hearing on Legislative Initiatives to Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 2, 2009 (Washington: GPO, 2009), p. 29.

mainstream resources and its locations are “greater and more diverse” than other SBA management and technical assistance training programs.<sup>155</sup>

Others argue that providing separate management and training assistance programs for specific groups is the best means to ensure that those groups’ unique challenges are recognized and their unique needs are met.<sup>156</sup> For example, when asked at a congressional hearing about the rationale for having separate management and technical assistance training programs for specific groups, a representative of the Association of Women’s Business Centers stated:

I think that there is tremendous rationale for having different programs.... The women’s business center programs really target a very different kind of population than the SBDCs.... We serve very different clientele.... We create a very different culture at the women’s business center. We really have made it a welcoming place where ... they feel comfortable.... And it’s very important to me that the woman have a place where they feel comfortable ... and where they see other women like themselves who are aspiring to reach their dreams.<sup>157</sup>

At another congressional hearing, the Association of Women’s Business Centers’ executive director argued that “the new three-year funding arrangement” for WBCs had enabled them to “concentrate on better serving their clients and growing their programs” and that WBCs should be provided continued and expanded funding because they provide effective services:

We know that when our program performance is measured against any other enterprise assistance program, we will meet or exceed any performance measures. Indeed, the SBA’s own client-based performance reviews have shown our clients to be just as satisfied or in some cases more satisfied with the services they have received compared to the SBA’s other entrepreneurial development efforts.<sup>158</sup>

Instead of merging programs, some argue that improved communication among the SBA’s management and technical assistance training resource partners and enhanced SBA program oversight is needed. For example, during the 111<sup>th</sup> Congress, the House passed H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, on May 20, 2009, by a vote of 406–15. The Senate did not take action on the bill. In its committee report accompanying the bill, the House Committee on Small Business concluded that

Each ED [Entrepreneurial Development] program has a unique mandate and service delivery approach that is customized to its particular clients. However, as a network, the programs have established local connections and resources that benefit entrepreneurs within a region. Enhanced coordination among this network is critical to make the most of scarce resources

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<sup>155</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA’s Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), p. 26.

<sup>156</sup> *Ibid.*, pp. 15, 17, 26, 29, 58-65, 72; and U.S. Congress, House Committee on Small Business, *Women’s Business Ownership Act of 1988*, report to accompany H.R. 5050, 100<sup>th</sup> Cong., 2<sup>nd</sup> sess., September 22, 1988, H.Rept. 100-955 (Washington: GPO, 1988), pp. 9, 10, 13, 14.

<sup>157</sup> U.S. Congress, House Committee on Small Business, *Full Committee Legislative Hearing on Energy, Veterans Entrepreneurship, and the SBA’s Entrepreneurial Development Programs*, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 16, 2007, Serial Number 110-22 (Washington: GPO, 2007), p. 20.

<sup>158</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA’s Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), pp. 45, 47.



available for small firms. It can also ensure that best practices are shared amongst providers that have similar goals but work within different contexts.<sup>159</sup>

In an effort to enhance the oversight and coordination of the SBA's management and technical assistance training programs, the Job Creation Through Entrepreneurship Act of 2009 would have

- required the SBA to create a new online, multilingual distance training and education program that was fully integrated into the SBA's existing management and technical assistance training programs and "allows entrepreneurs and small business owners the opportunity to exchange technical assistance through the sharing of information."<sup>160</sup>
- required the SBA to coordinate its management and technical assistance training programs "with State and local economic development agencies and other federal agencies as appropriate."<sup>161</sup>
- required the SBA to "report annually to Congress, in consultation with other federal departments and agencies as appropriate, on opportunities to foster coordination, limit duplication, and improve program delivery for federal entrepreneurial development activities."<sup>162</sup>

During the 112<sup>th</sup> Congress, S. 3442, the SUCCESS Act of 2012, and S. 3572, the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012, sought to address the coordination issue by requiring the SBA, in consultation with other federal departments and agencies, to submit an annual report to Congress "describing opportunities to foster coordination of, limit duplication among, and improve program delivery for federal entrepreneurial development programs."<sup>163</sup> The SUCCESS Act of 2012 was referred to the Senate Committee on Small Business and Entrepreneurship, which held hearings on the bill.<sup>164</sup> The Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012 was referred to the Senate Committee on Finance.

There has also been some discussion of merging SBA's small business management and training programs with business management and training programs offered by other federal agencies, both as a means to improve program performance and to achieve savings. For example, P.L. 111-139, Increasing the Statutory Limit on the Public Debt, requires GAO to "conduct routine investigations to identify programs, agencies, offices, and initiatives with duplicative goals and activities within Departments and governmentwide and report annually to Congress on the findings."<sup>165</sup> GAO identified 51 programmatic areas in its 2012 annual report on federal

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<sup>159</sup> U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 17, 18.

<sup>160</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 201. Educating Entrepreneurs Through Technology; and H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 601. Expanding Entrepreneurship.

<sup>161</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 601. Expanding Entrepreneurship.

<sup>162</sup> *Ibid.*

<sup>163</sup> S. 3442, the SUCCESS Act of 2012, Section 411. Expanding Entrepreneurship; and S. 3572, the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012, Section 411. Expanding Entrepreneurship.

<sup>164</sup> U.S. Senate, Committee on Small Business and Entrepreneurship, "Creating Jobs and Growing the Economy: Legislative Proposals to Strengthen the Entrepreneurial Ecosystem," November 29, 2012, at <http://www.sbc.senate.gov/public/index.cfm?p=Hearings>.

<sup>165</sup> P.L. 111-139, Increasing the statutory limit on the public debt, Section 21. Identification, Consolidation, and (continued...)

duplication “where programs may be able to achieve greater efficiencies or become more effective in providing government services.”<sup>166</sup> GAO identified management and training assistance provided to businesses by the SBA and the Departments of Commerce, Housing and Urban Development, and Agriculture as one of these areas.<sup>167</sup> GAO identified 53 business management and technical assistance programs sponsored by the SBA and these three departments. GAO reported that “the number of programs that support entrepreneurs – 53 – and the overlap among these programs raise questions about whether a fragmented system is the most effective way to support entrepreneurs. By exploring alternatives, agencies may be able to determine whether there are more efficient ways to continue to serve the unique needs of entrepreneurs, including consolidating various programs.”<sup>168</sup>

In addition, as mentioned previously, the House Committee on Small Business has argued that “given tight budgetary constraints” the SBA’s various management and technical assistance training programs “should be folded into the mission of the SBDC program or their responsibilities should be taken over by other agencies.”<sup>169</sup>

## Program Evaluation

GAO noted in its 2007 assessment of the SBA’s management and technical assistance training programs that, in addition to its annual survey of WBC, SBDC, and SCORE participants, the SBA requires WBCs to provide quarterly performance reports that include “the WBCs’ actual accomplishments, compared with their performance goals for the reporting period; actual budget expenditures, compared with an estimated budget; cost of client fees; success stories; and names of WBC personnel and board members.”<sup>170</sup> GAO also noted that WBCs are also required to issue fourth quarter performance reports that “also include a summary of the year’s activities and economic impact data that the WBCs collect from their clients, such as number of business start-ups, number of jobs created, and gross receipts.”<sup>171</sup> SBDCs have similar reporting requirements.<sup>172</sup>

In recent years, Congress has considered requiring the SBA to expand its use of outcome-based measures to determine the effectiveness of its management and technical training assistance

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Elimination of Duplicative Government Programs.

<sup>166</sup> U.S. Government Accountability Office, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Results*, GAO-12-342SP, February 28, 2012, p. 1, <http://www.gao.gov/assets/590/588818.pdf>

<sup>167</sup> *Ibid.*, pp. 52-61.

<sup>168</sup> *Ibid.*, p. 55.

<sup>169</sup> U.S. Congress, House Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for FY2014,” communication to the Chairman, House Committee on the Budget, 113<sup>th</sup> Cong., 1<sup>st</sup> sess., February 27, 2013, at [http://smallbusiness.house.gov/uploadedfiles/revised\\_2014\\_views\\_and\\_estimates\\_document.pdf](http://smallbusiness.house.gov/uploadedfiles/revised_2014_views_and_estimates_document.pdf).

<sup>170</sup> U.S. Government Accountability Office, *Small Business Administration: Opportunities Exist to Improve Oversight of Women’s Business Centers and Coordination among SBA’s Business Assistance Programs*, GAO-08-49, November 2007, p. 15, at <http://www.gao.gov/new.items/d0849.pdf>.

<sup>171</sup> *Ibid.*

<sup>172</sup> U.S. Small Business Administration, “FY/CY 2011, Program Announcement for Renewal of the Cooperative Agreement for Current Recipient Organizations,” pp. 27-38, at <http://ohiosbdcfrp.com/Documents/12%20Program%20Announcement%20FFY2011%20DRAFT%20.pdf>.

programs. For example, during the 111<sup>th</sup> Congress, the previously mentioned Job Creation Through Entrepreneurship Act of 2009 would have required the SBA to create “outcome-based measures of the amount of job creation or economic activity generated in the local community as a result of efforts made and services provided by each women’s business center.”<sup>173</sup> It would also have required the SBA to “develop and implement a consistent data collection process to cover all entrepreneurial development programs” including “data relating to job creation, performance, and any other data determined appropriate by the Administrator with respect to the Administration’s entrepreneurial development programs.”<sup>174</sup> In addition, during the 112<sup>th</sup> Congress, the previously mentioned SUCCESS Act of 2012 and Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012 would have required the SBA to “promulgate a rule to develop and implement a consistent data collection process for the entrepreneurial development programs” that included data “relating to job creation and performance and any other data determined appropriate by the Administrator.”<sup>175</sup>

## Concluding Observations

Congressional interest in the federal government’s small business management and technical assistance training programs has increased in recent years. One of the reasons for the heightened level of interest in these programs is that small business has led job formation and retention during previous economic recoveries.<sup>176</sup> It has been argued that effective small business management and technical assistance training programs are needed if small businesses are to lead job creation and retention during the current economic recovery. As then-Representative Heath Shuler stated during a congressional hearing in 2009:

We often talk about the role that small business plays in the creation of jobs and with good reason. Small firms generate between 60 and 80 percent of new positions. Following the recession in the mid-1990s, they created 3.8 million jobs.... we could use that growth today. But unfortunately, many firms are struggling to make ends meet. Let’s allow them to hire new workers. In the face of historic economic challenges, we should be investing in America’s job creators. SBA’s Entrepreneurial Development Programs, or ED, do just that. Of all the tools in the small business toolbox, these are some of the most critical. They help small firms do everything from draft business plans to access capital.<sup>177</sup>

There is a general consensus that federal management and technical assistance training programs serve an important purpose and, for the most part, are providing needed services that are not

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<sup>173</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 404. Performance and Planning.

<sup>174</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 601. Expanding Entrepreneurship.

<sup>175</sup> S. 3442, the SUCCESS Act of 2012, Section 411. Expanding Entrepreneurship; and S. 3572, the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012, Section 411. Expanding Entrepreneurship.

<sup>176</sup> U.S. Small Business Administration, Office of Advocacy, *Small Business Economic Indicators for 2003*, August 2004, p. 3; Brian Headd, “Small Businesses Most Likely to Lead Economic Recovery,” *The Small Business Advocate*, vol. 28, no. 6 (July 2009), pp. 1, 2; and U.S. Small Business Administration, “Fiscal Year 2010 Congressional Budget Justification,” p. 1, at <http://www.sba.gov/content/fy-2010-congressional-budget-justification>.

<sup>177</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship and Trade, *Subcommittee On Rural Development, Entrepreneurship And Trade Markup On Entrepreneurial Development Programs Legislation*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 30, 2009, Small Business Committee Document No. 111-118 [ERRATA – printing error, should be 111-018] (Washington: GPO, 2009), p. 1.

available elsewhere. As Karen Mills, then-SBA Administrator, stated during a press interview in 2010:

We find that our counseling operations are equally important as our credit operations because small businesses really need help and advice, and when they get it, they tend to have more sales and more profits and more longevity, and they hire more people. So we have looked forward and said, “How do we get all the tools small businesses need into their hands?” Maybe they want to export. Maybe they want to know how to use broadband. Maybe they are veterans who are coming back and want to start a business or grow their business. Our job is to make sure all that information and opportunity is accessible for small businesses so they can do what they do, which is keep our economy strong.<sup>178</sup>

There is also a general consensus that making federal management and technical assistance training programs more effective and responsive to the needs of small business would assist the national economic recovery. However, there are disagreements over how to achieve that goal.

Some advocate (1) increasing funding for existing programs to enable them to provide additional training opportunities for small businesses while, at the same time, maintaining separate training programs for specific demographic groups as a means to ensure that those groups’ specific needs are met; (2) requiring the SBA to make more extensive use of outcome-based measures to better determine the programs’ effect on small business formation and retention, job creation and retention, and the generation of wealth; and (3) temporarily reducing or eliminating federal matching requirements to enable SBA’s management and technical assistance training resource partners to focus greater attention to service delivery and less to fund raising. Others argue for a merger of existing programs to reduce costs and improve program efficiency, to focus available resources on augmenting the capacity of SBDCs to meet the needs of all small business groups, and require the SBA to make more extensive use of outcome-based performance measures to determine program effectiveness.

There are no case studies or empirical data available concerning the efficiencies that might be gained by merging the SBA’s management and technical assistance training programs. Advocates argue that merging the programs would improve communications, reduce confusion by business owners seeking assistance by ensuring that all small business management and technical assistance training centers serve all small business owners and aspiring entrepreneurs, lead to more sustainable and predictable funding for the programs from nonfederal sources, and result in more consistent and standard operating procedures throughout the country.<sup>179</sup> Opponents argue that any gains in program efficiency that might be realized would be more than offset by the loss of targeted services for constituencies that often require different information and training to meet their unique challenges and needs.<sup>180</sup>

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<sup>178</sup> David Port, “But Where Is the Money?” *Entrepreneur Magazine*, August 2010, at <http://www.entrepreneur.com/magazine/entrepreneur/2010/august/207500.html>.

<sup>179</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA’s Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), pp. 3-5, 24-27, 29; and U.S. Congress, House Committee on Small Business, *Full Committee Hearing on Legislation to Reauthorize and Modernize SBA’s Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 6, 2009 (Washington: GPO, 2009), pp. 3-5, 15, 27-34.

<sup>180</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA’s Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), pp. 44-49; U.S. Congress, (continued...)

## Appendix. Brief Descriptions of SBA Management and Technical Assistance Training Programs

**Table A-1. Brief Descriptions of SBA Management and Technical Assistance Training Programs**

Program Name	Authority	Brief Description	Number	Federal Matching Requirement
Small Business Development Center Grant Program	P.L. 96-302, 1980	Provides management and technical assistance training to small businesses through centers located in leading universities, colleges, and state economic development agencies.	63 lead centers and 900+ local centers	50% match from nonfederal sources comprised of not less than 50% cash and not more than 50% of indirect costs.
Women Business Center Grant Program	P.L. 100-533, 1988	Provides long-term training, counseling, networking, and mentoring to women entrepreneurs, especially those who are socially and economically disadvantaged.	108	50% match from nonfederal sources; not more than one-half of the nonfederal matching assistance may be in the form of in-kind contributions, including office equipment and office space.
SCORE (Service Corps of Retired Executives)	Section 8(b) of the Small Business Act; P.L. 89-754, 1966	Provides technical, managerial, and informational assistance to small business concerns through in-person mentoring by volunteer counselors who are working or, in most instances, retired business owners.	354 chapters and 800+ branch offices	none
7(j) Technical Assistance Program	Section 7(j) of the Small Business Act; Section 8(a) of the Small Business Act; P.L. 95-507, 1978	Provides management and technical assistance training to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low-income and firms owned by low-income individuals.	15 service providers	none

(...continued)

House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 16-31; and U.S. Congress, House Committee on Small Business, *Women's Business Ownership Act of 1988*, report to accompany H.R. 5050, 100<sup>th</sup> Cong., 2<sup>nd</sup> sess., September 22, 1988, H.Rept. 100-955 (Washington: GPO, 1988), pp. 9, 10, 13, 14.

Program Name	Authority	Brief Description	Number	Federal Matching Requirement
Microloan Technical Assistance Program	P.L. 102-140, 1992	Provides management and technical assistance training to Microloan borrowers and, within specified limits, to prospective Microloan borrowers.	180 intermediaries	25% from nonfederal sources; no matching requirement if the intermediary makes at least 50% of its loans in an Economically Distressed Area.
Native American Outreach Program	Section 7(j) of the Small Business Act; SBA regulations, 1994	Provides management and technical assistance training to American Indians, Alaska Natives, Native Hawaiians and “the indigenous people of Guam and American Samoa ... to promote entity-owned and individual 8(a) certification, government contracting, entrepreneurial education, and capital access.”	NA	none
PRIME Technical Assistance Program	P.L. 106-102, 1999	Provides assistance in the form of grants to nonprofit microenterprise development organizations or programs that have a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs.	previously: 67 service providers (not funded in FY2013)	50% from nonfederal sources; sources such as fees, grants, gifts, income from loan sources, and in-kind resources from nonfederal public or private sources may be used to comply with the matching funds requirement
Veterans Business Development Programs	P.L. 106-50, 1999	The SBA’s Office of Veterans Business Development mission is to (1) expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation’s veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the SBA.	NA	none

**Sources:** Federal statutes cited in table.

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