

**REAUTHORIZATION OF SCORE: DISCUSSION
AND RECOMMENDATIONS FOR VOLUNTEER-BASED
SMALL BUSINESS ASSISTANCE**

ROUNDTABLE
BEFORE THE
**COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP**
UNITED STATES SENATE
ONE HUNDRED TWELFTH CONGRESS
FIRST SESSION

MARCH 8, 2011

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**REAUTHORIZATION OF SCORE: DISCUSSION
AND RECOMMENDATIONS FOR VOLUNTEER-
BASED SMALL BUSINESS ASSISTANCE**

TUESDAY, MARCH 8, 2011

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

The committee met, pursuant to notice, at 10:00 a.m., in Room 428-A, Russell Senate Office Building, Hon. Mary L. Landrieu (chair of the committee) presiding.

Present: Senators Landrieu and Brown.

**OPENING STATEMENT OF HON. MARY L. LANDRIEU, CHAIR,
AND A U.S. SENATOR FROM LOUISIANA**

Chair LANDRIEU. Good morning, everyone, and thank you for joining us for this morning's roundtable. We have had several dozen of these since I have become chair of the Committee, and we find them very, very helpful in building a case either for or against an issue that we feel strongly about.

I really appreciate you all being a part of this rather informal but important meeting this morning to discuss the reauthorization of the SCORE program.

As all of you know, this nonprofit organization started in 1964. Originally, it was made up of retired executives. Now, it draws many others in a wide variety of industries providing counseling and technical assistance to promising businesses and mentorship to entrepreneurs across the country.

Before we begin this morning, I just want to put a few things into context. I became chair of this Committee two years ago. When I took over, our country was facing one of the worst economic meltdowns, if you will, or slow-downs since the Great Depression. In the face of tightening credit markets and insufficient resources to assist small businesses, many of our businesses were struggling to keep their doors open.

The primary federal agency for assisting them, which is the Small Business Administration, was itself struggling to keep up with great demand after suffering significant budget cuts in previous years.

At that time, this Committee faced the challenge of increasing the Federal Government's capacity to assist small business, helping to ensure small businesses continue to serve their historic role as

key job creators and innovators and doing all of this without substantially adding to our national debt.

It was a significant challenge but not an impossible one; and through an aggressive legislative agenda, Senator Snowe and I rolled up our sleeves and went to work. We have met some of those challenges and we continue to meet others.

While we are starting to see signs of improvement in the overall economy, the job numbers are up, our Committee has been a part of that revitalization although the Congress, as a whole, has taken some extraordinary steps, as we all know.

So today we want to continue our efforts from the last Congress, focused on job creation, economic recovery. We want to do so in the most fiscally responsible manner. We would like to do so by leveraging private sector efforts and support, partnering where we can in smart ways, and that is what really leads us to this roundtable this morning.

During the roundtable today, we will discuss the reauthorization of one such program, a program that has been noted for its effectiveness and efficiency. In this extremely budget-conscious environment, these kinds of partnerships might be an important step for us to take or to continue to take.

So, our program that we are going to be discussing this morning is Service Corps of Retired Executives or more commonly known as SCORE.

At the forefront of enabling more small businesses to grow and succeed, the SBA's entrepreneurial development programs like SCORE, as I say, serve as one model. Unlike other programs of its kind, however, SCORE provides its services through a network of over 13,000 volunteers that serve as counselors, advisors, and mentors to small business owners seeking assistance.

In this way SCORE is leveraging private sector resources through the know-how of successful, experienced members of the business community utilizing their particular skill set and expertise.

Today, we will hear from Ridgely Evers, a SCORE board member; Ken Yancey, CEO of SCORE. They will discuss the value of SCORE and some of their plans and objectives.

According to a recent Gallup survey, SCORE has helped 16,510 small businesses save jobs in 2009 and at least 90 percent of SCORE's in-business clients remained in business in 2010.

According to the same polls, SCORE clients created 30,603 jobs in 2009, and these same clients projected a total growth of an additional 155,000 full-time equivalent employees.

There is a chart of the SCORE chapters that you all I am sure are very, very familiar with. Some of you run them and helped organize them, and we are looking forward to hearing more about that as this roundtable unfolds.

To discuss the local impact and the value of the organization at the ground level, we have state SCORE directors with us, including Ron Weiss from, of course, the State of New Hampshire, who has done some very impressive work, Ron, and I appreciate everything that you have done.

We also have Sheree Burlington, an actual SCORE client from New Hampshire. We are happy to have you with us. We also have

Penny Pickett from the SBA and Bill Shear from the Government Accounting Office. We thank you all for being with us.

Unfortunately, Senator Snowe was unable to make it for today's roundtable but Meredith West from her staff will help me moderate the panel this morning.

So, I would like to turn it over to Meredith for some very brief remarks. This is a very easy operation here. After we introduce ourselves, if anyone has questions or comments just signal that way and we will have very open and informal and hopefully lively discussion.

Meredith.

Ms. WEST. Thank you, Chair Landrieu, for holding this roundtable this morning, and happy Mardi Gras to you.

Chair LANDRIEU. Thank you. Rex is passing Gallier Hall as we speak, and I am sitting here happily with you all.

[Laughter.]

Ms. WEST. Indeed. As the chair stated, Senator Snowe is in a Finance Committee hearing right now and as well as running back and forth between a fisheries hearing on her Subcommittee on the Commerce Committee. That is, of course, an issue of great importance to Maine. So, I regret that she is unable to make it this morning.

But we would like to recognize two of the Ranking Member's constituents from Maine, our SCORE Director Neil Elder and Nancy Strojny, over here on your left. Nancy is the vice chair of the Portland chapter, and we appreciate you all joining us here this morning.

I have Ranking Member Snowe's statement to enter into the record.

Chair LANDRIEU. Without objection.

[The prepared statement of Senator Snowe follows:]

**SENATE COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP
SCORE ROUNDTABLE
Senator Olympia J. Snowe, Ranking Member
March 8, 2011**

Thank you, Chair Landrieu, for holding this Roundtable, and thanks to all of you on the panel who have traveled to Washington to be with us here today. In myriad ways, everyone at this table has worked to better the future for small businesses from the Northeast to California and the Gulf Coast, and I wholeheartedly applaud your efforts through what has been an exceptionally difficult economic time in our nation's history.

And I am particularly pleased that Neil Elder and Nancy Strojny are in the audience this morning. Neil is SCORE's District Director for Maine, and Nancy is one of SCORE's fantastic volunteers and the Co-Chair of our Portland chapter. Together, they have worked tirelessly to ensure that the SCORE program is successful by coordinating small business resources, volunteers, partnerships, and in providing valuable guidance to entrepreneurs in a rural state like Maine. I am grateful for their commitment to SCORE and to small businesses, and I applaud them for their selfless, dedicated leadership of this program.

It is *practically impossible* to exaggerate the myriad benefits that small business reaps from the SCORE Program nationwide – just ask the 378,000 clients that worked with SCORE's 12,400 volunteer executives in 2009. These numbers prove that, not only does the SCORE program labor to meet expectations, it *exceeds* them.

In Maine alone, over 97 percent of businesses are "small" businesses that collectively employ over 60 percent of the workforce. We have 150 SCORE volunteers state-wide, and held over 60 workshops in 2010 reaching 900 participants. Moreover, SCORE's volunteer mentors met

with over 1,000 small business owners in person throughout the year, and four hundred more on-line.

All told, SCORE chapters are vital to all budding and burgeoning entrepreneurs, and because SCORE counselors are our neighbors, they clearly understand regional struggles – such as challenges related to rural entrepreneurship or difficulties associated with accessing capital. These are just a few reasons why, no matter where I am in the United States, I know I can refer an existing or aspiring small business owner to a SCORE chapter, with the assurance that they will receive the technical assistance they need by dedicated volunteers with personal knowledge of what it takes to start, maintain, and grow a business.

As Ranking Member of the Senate Committee on Small Business and Entrepreneurship, one of my foremost priorities is to champion our nation's small businesses and to ensure they are equipped with the resources necessary to fuel our economy, yet it is also vital that I maintain oversight of our tax payer dollars. In FY 2010, SCORE received its first increase in funding since 2002 – bringing the program's budget to its fully authorized level of seven million dollars. This infusion allowed SCORE's volunteers to reach more entrepreneurs through web seminars and workshops, as well as cut down on the onerous paperwork they were struggling to complete when they'd rather be mentoring small businesses.

However, given our escalating annual budget deficits and mounting Federal debt, it is imperative that we tighten our belts, and look for ways to eliminate duplication in existing Federal programs. Thus, as we move forward with SCORE's reauthorization, I believe it is vital we address our fiscal responsibilities while ensuring we protect the core principles that make SCORE so effective. I appreciate the need for SCORE chapters in our states to maintain their funding, which amounts to approximately \$2.5 million of the total \$7 million appropriated for the SCORE program, but

we must closely scrutinize administrative and overhead costs at SCORE's national office in the DC area.

And perhaps as we move toward reauthorization it is critical to remember those challenges confronted by rural entrepreneurs. Often times these small businesses serving remote areas are overlooked despite the fact that they struggle without the resources larger cities and towns naturally afford them with existing resources and infrastructure, not to mention their importance to the communities they serve. I know my colleagues will agree that protecting and growing rural small businesses is as critical to fulfilling SCORE's fundamental mission of stewardship as that of serving urban entrepreneurship which is why I have invited Erik Pages to today's panel. Dr. Pages has extensively studied rural entrepreneurship, and I look forward to his insight this morning.

Since SCORE's inception in 1964, this program has been a critical tool in the SBA's toolbox creating approximately 25,000 jobs per year through the dedication of its volunteer business advisors who have helped to ensure entrepreneurs have the tools necessary to strengthen and sustain their businesses. To those SCORE volunteers present today, we are indebted to you for your commitment to serve, and I look forward to hearing your program feedback from the field, as well as to learning from SCORE's leadership as to how they intend to build upon the program's core principles and proven results with the resources at their disposal.

Thank you, Madam Chair.

Chair LANDRIEU. Why don't we start even though I have done brief introductions, why don't start, Ms. Burlington, with you and just give a little bit, name and 30 seconds of background. And then we will go around that way and start.

Ms. BURLINGTON. My name is Sheree Burlington. I am the owner and operator of Museware Pottery, a small business in Manchester, New Hampshire, and I have been working with SCORE for about four and half years.

Chair LANDRIEU. That is wonderful.

If you all push your talk button, it will come on red and speak a little closely into like mike might help.

Ridgely.

Mr. EVERS. My name is Ridgely Evers. I am on the board of SCORE. I am a small business owner and farmer. I am also deeply involved in issues surrounding how to plug the capital gap for small business. I have been CEO of five Silicon Valley startups; and earlier in my career, I created a software program called QuickBooks.

Mr. PAGES. Good morning, Senator. My name is Erik Pages. I am president of an economic development consulting firm called EntreWorks Consulting. I am here actually in another guise as well, though. In addition to being a small business owner, I am also a senior fellow at the Rural Policy Research Institute's Center for Rural Entrepreneurship, which is a national technical assistance provider for rural communities that are trying to promote entrepreneurial development.

Ms. PICKETT. Good morning. I am Penny Pickett, and I am the Associate Administrator for the Small Business Administration for Entrepreneurial Development, and it is my honor to have this position because coming from small business I recognize how necessary and how important the technical and management assistance is to anyone starting a new company.

Chair LANDRIEU. Thank you, Penny.

Len, you are from Louisiana. I am sorry. I got that mixed up. Go right ahead.

Mr. SEDLIN. That is all right. You are excused, Senator. We will correct the record.

Chair LANDRIEU. Thank you.

Mr. SEDLIN. My name is Len Sedlin. I am the State Director for SCORE in Louisiana. My background is engineering. And when I was first invited to consider SCORE, I said what do I know about business. I am an engineer.

Surprisingly, I knew a fair bit, but I am pleased to be here and I am pleased to share our story of SCORE with the rest of the audience here today. Thank you.

Chair LANDRIEU. And did I not meet you with a Raising Cane executive?

Mr. SEDLIN. You did, one of our success stories.

Chair LANDRIEU. I hope we talk about that this morning.

Mr. SEDLIN. Raising Cane's is a restaurant that started with SCORE assistance in about 1998. Todd Graves was the winner of a national SCORE award this past September here in D.C. for being the outstanding socially progressive small business in the United States.

And he started his business, he had the usual turn-down on his business plan. It would not work, never would work with one product in his restaurant, but he did not listen. But he came to SCORE, learned that you have to have some skin in the game.

He went up to Alaska and did salmon fishing, got his money, came back to Baton Rouge, got with SCORE again, worked out his business plan, and got an SBA loan to help him get started, and the rest is history.

He now has over 100 restaurants in 13 states, and he is opening in Arizona apparently two more sometime soon. Quite a success story.

Chair LANDRIEU. That is terrific. That is a great, great story. We would love to hear more of those.

Mr. SEDLIN. And he employs more than 3500 people, I believe, through his restaurants.

Chair LANDRIEU. Fabulous.

Mr. SHEAR. I am Bill Shear. I am Director of Financial Markets and Community Investment at GAO. It is a pleasure to be here.

My participation today is based on two pieces of work we have done. Recently, GAO came out with a report on overlap duplication and fragmentation in federal programs, and I led our effort on economic development programs.

So SCORE was one of 80 economic development programs that was contained in that body of work which is still ongoing. The other is that we looked at SCORE to some degree on our work on Women's Business Centers in looking at uncertain coordination issues.

So, I can state here today we have not done a direct audit of SCORE, but SCORE has been involved in this body of work that brings me here today.

Thank you.

Chair LANDRIEU. Okay. Ron.

Mr. WEISS. Yes, I am Ron Weiss. I am the District Director for SCORE in New Hampshire. I have been in that spot for five years. I was doing venture capital startups, and I am presently a business owner, and I am also a GSA contractor.

Mr. YANCEY. I am Ken Yancey, and I am CEO of SCORE. I have been with SCORE for 18 years. Prior to that, in small business banking and other small business associations.

Chair LANDRIEU. Thank you.

Amy, why do you not introduce yourself.

Ms. SANCHEZ. Sure. I am Amy Sanchez. I am professional staff with Senator Landrieu's Committee staff. And thank you all for joining us here today. I know it has been some work to get here, and I appreciate you being here.

Chair LANDRIEU. Let us just jump right into questions, and I am going to address some of these questions to individuals; but if you all feel like you want to respond, please just put your cards up as I said, and we really want this to be an informal exchange.

But I would like to start with Ridgely and Ken. Can you all provide a brief explanation of SCORE and the breadth of counseling and services that the organization provides?

Ken, if you want to go first, and then I will turn it over to Ridgely. You know, in some specificity and you could give a couple

of examples of individuals. Leonard just talked about one that we are very familiar with. Not in the specificity of the kind of counseling but a general story about success. But, why don't we start with that and if you could share with us some of your ideas.

Mr. YANCEY. I would be happy to. Thank you as always for your support and for holding this hearing. We appreciate everything that Senator Snowe does, and it is nice to see our longtime partners, the SBA here.

Penny, we appreciate all that you and your staff do for SCORE.

As all of you know, SCORE was founded by the SBA in 1964. Since that time, we have grown to over 13 and a half thousand volunteers serving over a half a million different businesses and individuals each year.

We do this primarily in two methods. First is one-to-one counseling. It is available to anyone who would like that counseling on topics that relate to starting, growing, managing, buying, selling a business. The second thing we do is a series of workshops or seminars.

Sometime back we looked at our organization and determined that we could be far more effective, far more efficient and provide much greater impact in the communities that we served; and in going through that review, we determined that it was in our best interest and in the country's best interest for us to rethink our delivery process, our counseling methodology, the focus of our volunteers.

And in doing that, we wound up with a new strategic plan that many of your staff and you are aware of. That strategic plan is driven by a vision, a dream, a goal of helping to create a million businesses by 2017, a very ambitious goal that required us to think very, very differently about the way that we operate.

In doing that, we made substantial changes. Those changes included listening much more effectively to our clients and their needs.

As many of you know, we have been fortunate to partner with the Gallup organization through the generosity of one of our partners, Constant Contact. In order to measure our success, we need to determine what those outcomes need to be and agreed that we would look at, in terms of success, businesses formed, jobs created, jobs sales, and sales growth.

We worked with Gallup to develop this survey, and the methodologies are fairly simple. We did a census of a hundred percent of our 2009 client base. We took that information and extrapolated it across the balance of the base.

As you mentioned in terms of some of the impact, SCORE in 2009 helped to create 68,000 new businesses over 31,000 new jobs at a cost to the taxpayer of the \$229 per job about \$102 per business.

In that survey and based on the research that was done by the Gallup organization, SCORE, as an organization, their clients return \$107 to the Federal treasury for every dollar spent on the program. So, the return is excellent.

We believe that we can do far more, and we are working diligently to continue the implementation of that plan. We very much appreciated your support through that process.

As we listen to our clients, we have learned more from our clients in the last year than we have known in the last 46 years. We find that they are interested in a consistent counseling methodology, a process that we could use that would help them generate the outcomes that they want which would be growth, starting, and so on.

We developed a propriety counseling methodology with the help of the Delux Corporation Foundation. We have developed a new certification program, and we have had almost 600 volunteers involved in that entire process.

Today, we have over 500 volunteers certified in just the pilot and are excited to be able to launch that here very quickly.

Our clients made it very clear and, quite frankly, our volunteers have made it very clear over time that they are more interested in long-term relationships.

SBA research actually shows that small businesses who receive five or more hours of counseling do better and outperform those that do not.

So our new methodology is focused on providing that long-term relationship between client and counselor. Our new tag line is for the life of your business which supports the idea that we will work with them in a long-term fashion.

The plan that we developed, as you know, we committed to you and to our stake holders that we would take this on and that we would achieve that. For the purposes of talking about the reauthorization, I have been told a number of times that I am quite foolish and a bit crazy and I think one of the words was ten-eared when I decided to, quite frankly, ask for more funding.

Having said that, SCORE as an organization is one of the most efficient, effective job creation, business formation engines that the Federal Government presently funds.

In this environment of slow-starting recovery, the need for SCORE is great. We would like to ask that in reauthorization, Senator, that you consider \$13 million for SCORE in 2012, \$15 million in 2013, and \$18 million in 2014.

We will use this money to continue to implement all of the programs and initiatives that we have launched. In terms of how we would exactly spend that investment, what we would like to do is send \$5.2 million directly to our chapters in the form of opportunity that goes to the districts, in addition to six full-time field support staff.

You will hear from our district directors that one of their biggest challenges is expansion and having the staff to get out and actually engage clients beyond just the offices that we are in at the present time.

We will use 7 percent of that for volunteer leadership education in our annual conference. As we work to share best practices and be a single, strong, nationwide organization that benefits from the value and the contribution of 13 and a half thousand volunteers instead of just the 20 or 30 that might be in your chapter, the opportunity to communicate and to share and to find best practices that we can then bring about successfully in other chapters is really critical.

We will use a portion of that, 6 percent, on marketing and communications. We are building a remarkable infrastructure that is designed to deliver and impact outcomes, businesses started, jobs created, and so on.

As we implement that, we need to work diligently to make more people aware that it is available, and to make it, quite honestly, say available to every entrepreneur in this country that needs help. And that can be done not only from a geographic perspective but also through the use of technology.

We would spend \$1 million of that on volunteer services which is going to support our recruiting. As you know, our goal is going to require us to grow our volunteer corps to over 25,000 total volunteers.

And those needs are going to be met by a strategy of beginning to recruit more within the ranks of our successful clients. With ten and a half million clients over time, we have the opportunity to find those that are interested, that have benefitted from the program and have the opportunity to give back and use them successfully in the deployment of the balance of our program on the whole.

We will use a portion of it to continue the technology that we are rolling out. As your staff knows anyway, we are in the midst of rolling out the largest deployment of salesforce.com CRM system in the history of the world.

To be able to do that with dollars would have cost us more on an annual basis than we are presently appropriated by the Congress. We were fortunate to be able to work with the Sales Force Foundation and to develop a process and an opportunity where we did not have to pay any licensing fees, and they have been very generous in their approach.

We will also with this technology roll out a new financial management software for our chapters. I am sure it will be a surprise to most of you but our volunteers tell us that they did not join SCORE to fill out paperwork, you know, particularly that paperwork that is mandated.

So these new systems give us an opportunity to provide a technology solution that limits the administrative burden. It will put all of these tools in an online environment, cloud-based, that clients can enter their own data. It will be easier to track, and it will lessen that amount of volunteer time for administration so that we can, in fact, focus more on outcomes, outreach, and the needs of our clients.

So, we are very excited about that.

Chair LANDRIEU. That was a great overview and explanation.

Ridgely, do you want to add anything to that?

Mr. EVERS. You know, there is not much to add to that but I am going to try. I got involved in SCORE because I was introduced to it in the context of a startup that I was running that was focused on small business, and I was blown away that it exists. What an extraordinary resource.

Actually, let me also say, what an extraordinary resource this Committee is, and I appreciate very much your inviting me. I cannot tell you how impressed I am with all of staff.

People outside of Washington have no idea how hard you work. It is often awesome.

Chair LANDRIEU. Thank you.

Mr. EVERS. Having worked in a startup and watched people work hard, this is just a giant start up. It is amazing.

SCORE was formed 50 years ago really to kind of put structure around two magnificent phenomena that are uniquely American. One is the entrepreneurial spirit of the country, and the other is the desire to give back.

If you think about what SCORE does and the reason it is able to do what it does with as little money as it takes is because of being able to harness those two forces.

The foundation on which it was established remains valid but everything else has changed. You know, it was founded in the middle of the 20th century to deal with a middle of the 20th century small business environment.

Small businesses today are dealing with a completely different set of factors than was true 50 years ago. So they have changed. The world has changed.

And one of the things that impressed me about SCORE when I first became acquainted with it was their willingness to say, hum, I wonder if we should change which is fairly unusual to find in an organization of any age, much less one that has been around for as long as it has.

And the question they kept asking was how can we get better, you know, how can we improve. And this is something that is refreshing. Having been involved with a number of nonprofits, SCORE is actually run like a business.

The board meetings are business board meetings. In fact, there are startups that I run where I wish I had a board as business-centric and as business-focused as this board.

So to kind of put the whole organization up on a lift and said how can we do better—and by the way, you did not ask us to do this, we asked us to do this—what we found is kind of our own scorecard.

We have 370 chapters. That is good news. But we only have 370 chapters. That means that there are huge chunks of the country that we are missing. We are missing rural areas. We are missing a lot of inner city areas.

We are not as engaged with women, minorities, and so forth as we ought to be. We have committed volunteers, extraordinarily committed volunteers.

Chair LANDRIEU. We actually have a map of your chapters.

Mr. EVERS. All you need to do is look at that. This is not the coverage map for AT&T, although sometimes it feels like it.

[Laughter.]

The volunteers are incredibly committed but we do not have enough support for them. While we are very responsive to our clients, we are principally reactive.

So we looked at what can we do better, what is our opportunity, and we found that we can give a better quality of service, we can stay engaged, we could be truly everywhere, and we could serve everyone if we made some changes.

So, we developed a plan, because we operate in business, not to make us bigger. That was not the intent. But rather to make us better.

And I think it is very important to keep in mind. You know, again, I have been involved with organizations that are all about how do we get bigger.

That is not this. This is how do we deliver the service that we all pledge to provide, and working backwards from that what do we need to have.

So, the vision is to have one nationwide organization in the future whereas today we have really a confederation of chapters, and by putting together that one nationwide organization and growing the number of counselors from 12 and a half thousand when I started to 13 and a half thousand today, to 25,000 or more, we are going to have an incredible resource pool that every entrepreneur in the country will have access to regardless of where they are.

Chair LANDRIEU. And these services are free to these businesses?

Mr. EVERS. These services are a hundred percent free.

We are going to manage that growth. You know, it used to be the Service Corps of Retired Executives. We are actually begging you in the reauthorization to change the name to SCORE.

We used to recruit from retired executives. A lot of our best counselors are retired executives. But there is an opportunity, as you will hear from Sheree, for our best clients to come back and bring to bear the benefits of their learning, because there is like someone who has walked a mile in your shoes to be able to sit down and tell you, you know, I get it, I understand what you are going through, and I think very importantly, Senator, to be counselors for the life of the business.

So many businesses fail, yes, but in particular underperform because the owners are doing this for the first time and they make preventable mistakes.

If only someone had been there to say, wait a minute, hold on, do not step on that. The second time down the path you know you do not step on that. But for most entrepreneurs this is their first trip.

This all comes down to execution and with SCORE, you know, the beauty of SCORE is its people, 13 and a half thousand volunteers, an extraordinary organization.

But what we need to do is give them backups, and we need better organization, we need training so you take someone like Sheree who is successfully running a business, and you train her not in how to run a business, but in how to deliver counseling.

And you make sure that what we are disseminating is best practices gleaned from across all of our experience across all of the country, appropriate for the business that we are counseling, and then you use technology.

There is this thing called the Internet, a series of tubes, that has a huge role in it; and then, because we are a business, measure everything.

I have heard a lot of suggestions that you guys need better monitoring of how SCORE is doing and what SCORE is doing. You know what, any data you need, just ask because we have it, we monitor ourselves in every possible way.

And finally, in terms of efficiency, SCORE is already by far the most cost-effective program in the federal arsenal. I am virtually certain of that.

We have 17 paid staff for 13 and a half thousand volunteers. The American Red Cross, which is held up by many people to be sort of the benchmark that you use for looking at volunteer organizations, has one staff member for every hundred volunteers. So, we are only understaffed by 118 today.

Ken has gone over the cost of job creation, the cost of business formation. Interestingly, the small business owner does not count as a job, so you can add another 65,000 onto the job creation numbers because they are feeding their family.

If we were a consulting firm, which we are not, we are a counseling organization; but if we were a consulting firm, we would be one of the largest consulting firms in the world, managed by a staff of 17 people, extraordinarily dedicated people.

We are providing effectively greater than 25 to 1 match on the federal dollar. It is sort of the ultimate public-private partnership because not only are our volunteers providing services that market value would be some three digit number per hour for free. But we also have great support from the private sector.

The sales force deployment is a perfect example. A 13 and a half thousand seat licence for salesforce.com would cost way more than \$7 million a year. Yet we are doing that with almost nothing.

So why are we here? Obviously, it is in part for the authorization of where we have been; but it is really to say we have a plan particularly in this environment. I do not envy anybody in public office today because there are really hard choices coming.

These are not going to be fun. If we learn anything from business, you know, the way you do it is not to say, okay, 10 percent off of everybody.

You have to make tough decisions about what you do and what you do not do. In some cases, you invest more and in some cases you stop something entirely. That is the right thing to do, and you are going to have to do that.

SCORE is incredibly efficient, and we can grow it at a fraction of the cost of almost anything else you can do in terms of entrepreneurial development. But, we cannot do what is possible for us to do unless we have the funding to do it.

The operating budget for SCORE has to come from the Federal Government because it has to be predictable, reliable, recurring. We get a lot of stuff done with private money that we put toward one-time expenses.

For example, we have been able to pull forward a number of things, facilitation things, with respect to implementing the new plan by leveraging private dollars.

We got something done this year that we would have had to do next year or the year after by using those private dollars. But the basic operation of SCORE has to be a Federal budget.

Finally, as Ken said, you know, people have said you guys have got to be nuts. You know, what are you doing here asking for more money in this kind of climate.

And I guess I would say in answer to that, I think we would be remiss if we were not here presenting to you the opportunity that SCORE offers the Federal Government to help small businesses as a way of dealing with what is certainly going to be an overall re-

duction in service level or an overall reduction in the service budget to mitigate the reduction service level.

And finally, I think the most important thing for us all to recognize is we are here for two reasons. One is for small business owners, and we need to honor them, and the second is for our volunteers who we also need to honor, and they deserve our support. Thank you.

Chair LANDRIEU. Thank you very much.

I would like to ask anyone that wants to jump in with your best, you know, SCORE story. It can be good. And if you had a bad experience, please share that as well, based on what the CEO and board member have shared, and then I am going to get back to you, Mr. Shear, about your analysis of the 80 economic development programs. And if there is any one modeled like SCORE, I would like you to share with us based on the ratio from staff to volunteers.

Ms. Burlington, do you have anything to add about your association with SCORE?

Ms. BURLINGTON. I have a story that I would like to tell you because I am proud of it. I am proud of my accomplishments as a businesswoman but I can honestly, truly tell you that I would not have been able to do it without the help of SCORE.

I started my small business in 2005. I was a one-woman show. My business is hand-painted, personalized pottery which we sell to gift stores nationwide.

When I first started my business, I did everything myself. I worked every day, every night, every weekend. People say how isolated you are as an independent, as an entrepreneur. It is worse than anybody can ever imagine. I do not know that anybody would start a business if they had an idea what they were in for in reality.

So, I found myself reaching a point where I did not have any more physical energy left. I tapped all of my mental resources in terms of where do I take this, how do I keep myself going. And I had seen SCORE on a billboard driving years prior and I remembered it.

I made the phone call and my counselor, John Post, answered the phone; and within a day, he was sitting on my couch with a cup of coffee, talking about my business.

I had no one to talk to about my business. I mean, the isolation is so complete that my friends do not want to talk to me any longer because all I can talk about is business.

So, to sit with a cup of coffee with a really experienced business person who was only focused on me, how to help me out of my dilemma or to help me move forward was just so freeing.

So, when I started working with John, again I was a one-woman show, and I was trying to figure out how I was going to survive being a business owner so that I could take it to the next step.

One of the things he did for me was to just work on my business, not my business plan. I was already in business. He showed me how to market my business and develop it and then he took me to a bank and helped me get financing, because without financing I had a single kiln. I could not produce anymore. I could not hire employees.

So, I was able to secure a line of credit and a loan which enabled me to buy another kiln and hire staff; and so, for the first time, I was not climbing those three flights of stairs to my studio all by myself. I actually had people helping me.

We grew so quickly. In the first year of being in business, I tripled my business which sounds wonderful but it is also very exhausting.

Our primary product was mugs. I sold a lot of \$40 mugs to a lot of really expensive gift stores. When, in the fall of 2008 which you all remember, it was horrible. When the banks started to fail, my business died.

I was under my desk looking to see if my Internet connection was still on. There was no business at all. So, I was on the verge of bankruptcy. You know, I am making it sound like it was an easy road. It was not an easy road.

I had people guiding me down a really rocky road, and I was frightened a lot of the time.

So, I called my SCORE counselors. Now I have two who are wonderful men, and they came and I said, I think I am closing the doors. I think I am done. I cannot figure a way out of this. I have no business and I do not know what to do.

So, one of the things that they said was, if they do not want your mugs, what do you have that they want; and we figured out that people get married more than once, and they have babies, and that business is never going to die.

So, I had a small collection of product that I could offer to the people who were marrying and having babies and we hyper-focused on that. And I finished 2010 up 46 percent.

Chair LANDRIEU. Fabulous. I feel like clapping.

Ms. BURLINGTON. I do too.

[Applause.]

So, the counseling that I received from SCORE, to tap into this incredible group of minds, you know, all small businesses think that their business is terminally unique. No one has a business—painting pottery, who does that?

I have a guy from HP who is counseling me on a pottery business. What I came to understand is it does not matter what your business is. It is a business. The business structure, the business recipes, they all exist.

So, I started to evolve from being a designer of this pottery into a businesswoman. One of the things I find myself doing now is casting about who can I help.

Well, of course, I will be a SCORE volunteer. When we talk about taking the volunteers, mentoring them and then asking them again to come to the table with their skills, I am an example of that.

I am going to attend my first SCORE meeting on Wednesday when I get back to New Hampshire. I am excited about the opportunity to share what I know. Sometimes I am a little intimidated because I am surrounded by so many bright minds.

But I know so much four and a half, five years being in business than I did when I started with this that I have a lot to share, and I have it because it was given to me, and it was given to me for free.

When I talk to people about SCORE and tell them that it is free, you know, they look at me as if I have made this up. It is a free service and it is way worth more than whatever it is they are getting.

Chair LANDRIEU. Well, it taps into what Ridgely said about this uniqueness, and it may not be completely unique, but what I do find to be prevalent here in the United States is people's willingness to give back.

You travel in other parts of the country and the concept to them is a little bit foreign, this sort of civic responsibility. But here, and you expressed it beautifully.

Leonard, do you have anything that you want to add from some of the people that you have seen in your chapter, or some of the stories that you wanted to add maybe to the transcript this morning?

Mr. SEDLIN. Certainly, I have some stories and I can speak for Louisiana SCORE. We have the happy situation of having tremendous demand and the challenge that we see is being able to satisfy that demand.

I have traveled around the State. I have met with economic development people. I have met with chambers, CEOs, and so forth. And one of the first things I heard from a chamber CEO is "where the hell have you guys been? We need you. Why have you not come to see us?"

As a consequence of that, we have executed cooperative agreements with four chambers already in the State. In fact, up in Bossier City, before I got back to Baton Rouge, the SCORE logo was already on their website. That shows the receptivity. This was a couple years ago.

We have some areas that are under served, central Louisiana, Alexandria.

Chair LANDRIEU. I was just looking. You have what looks like six or seven chapters in our State, but the entire central part, there is no chapter there.

Mr. SEDLIN. Exactly. Alexandria is an interesting area. I met with the chamber CEO there and with other economic development people. We went out to the central Louisiana business incubator which is owned by the city of Alexandria. We held a couple of meetings there, SCORE meetings. I had a district meeting there.

It was being built in part by LSU Alexandria. They were building classrooms. I was shown where the SCORE office was going to be in this business incubator in Alexandria. That was two years ago.

Unfortunately, we have not been able to execute and that is the same situation in a couple of other areas of Louisiana. We have the demand for the product. They know the product. We are limited in my great staff of one, sitting here in front of you, in being able to execute.

Chair LANDRIEU. So the additional resources would really help you to be able to hire—

Mr. SEDLIN. Field resources, absolutely.

Chair LANDRIEU [continuing]. Field resources, one or two additional people to leverage the volunteers that you might have in Louisiana, as well as the demand for those volunteers.

Mr. SEDLIN. Exactly. The same type of demand encountered in the Bayou region around Homer and Thibodaux.

I was recently in January at a quarterly meeting of the South Louisiana Economic Council, which is made up of the council head and representatives of chambers and other economic development agencies.

And similarly at Nicholls State University, a former dormitory has been donated to SLEC and is being outfitted right now to house economic development agencies under one roof, and there is a SCORE office. Where is my SCORE entrepreneur center head for that area? But these are the opportunities that are available.

We have developed alliances. Louisiana Economic Development is an example, and you know John Matthews very well, Senator.

When we first started talking about SCORE services and he had dinner with Ken Yancey and myself when Ken came down for a district meeting, he heard the story of the strategic plan.

Immediately, he jumped on board to support SCORE to where we have a grant from LAD of \$25,000 to support Louisiana SCORE statewide with a focus of eventually building our capability to provide the Simple Steps program, the workshop program, as an entry point to their small and emerging business program development program under our LAD.

That was stated to me more than once, that they are really, really anxious and have asked how quickly can you roll out Simple Steps. It was called Quick Start before.

So, that is the happy situation. We have the demand. We, unfortunately, are not able to deliver on the schedule I would like to be able to deliver the product.

Chair LANDRIEU. Well, we are going to work on that.

Ron, what is your experience, and then I would love to get, Erik, you to jump in here with your consulting and give some comments from your perspective.

But what does your situation look like?

Mr. WEISS. We also see a demand issue. The situation in New Hampshire in the last few years has been a dramatic change in support for small business.

The community loan funds and the economic development centers are no longer providing small business counseling. The Women's Business Centers have not been able to be funded by the State of New Hampshire and they have gone out of doing counseling. The SBA does not do counseling any more, and we are getting referrals from this SBDC.

We are now the largest free business support in the State of New Hampshire. This is my fifth year as district director; and in the five years, we have actually doubled the number of SCORE volunteers serving in the community. We now have 220 counselors in the State and we only have about a million three people of the State.

It seems no matter how much we add we still have demands. In 2010, we opened up a new SCORE chapter in the Lakes Region of New Hampshire which is where people go. It is a resort community. We opened it up from nothing. In one year, we have 22 counselors and some of the best counselors in the State.

We are in our southern tier, and I should explain that to you. The State is a combination of both urban and rural communities;

and the lower tier of the State which borders Massachusetts, we have big chapters. We have chapters as large as 70 some odd counselors.

And in our upstate chapters, the Mt. Washington Valley, like Sunapee area and even in the Lebanon, New Hampshire area, we are talking about 25 or 30 counselors, but they service a rural community.

So, the demands throughout the State are very different. In the big centers, we have an adequate number of counselors to handle it; but no matter what we see, we have a growing demand for SCORE services.

And we are not selective in taking on people. If clients have problems with business, it does not matter to us whether they are going to be a contributor to State revenue in the next year, it is a matter of keeping them in business and making sure they get the kind of service to keep it all going. We do a lot of that.

To give you some statistics, we did roughly about 6000 client contacts in the State of New Hampshire in the year 2010. 4500 of those were actually case activities and 1500 were sponsored workshops. The largest workshop series we do is on Internet marketing.

This year, year to date, we are at 20 percent above our performance numbers of last year, and there is just a continual growing need for SCORE counseling services. We have a good story to tell. I mean, we keep businesses going and we create jobs and keep jobs.

I did want to say one thing. Last year, our total volunteer hours in the SCORE organization of New Hampshire was 19,000, almost 20,000 hours. We get a supplement of about \$30,000 a year from the SCORE organization and that comes down to a sum of about \$1.55 an hour for a SCORE volunteer, and I do not think there are too many consulting avenues where you can get that kind of service for that kind of price. I think it is a great return on the U.S. government's investment in SCORE.

We also, because we have had such success, business success here in New Hampshire, we have also been doing some of the pilot programs on the new SCORE program, and I would like to tell you a little about the success we have on that.

Chair LANDRIEU. Before you do, let me just welcome Senator Brown who joined us this morning. He has been at an armed services meeting so I really appreciate him stopping in.

Senator, this is a very informal roundtable discussion about the reauthorization of SCORE. We are hearing some remarkable stories about the leveraging power of this organization, and I am sure you are familiar with it in Massachusetts.

Did you want to say anything or wait for Mr. Weiss to finish?

Senator BROWN. I came to listen. I am bouncing back and forth. Thank you.

Chair LANDRIEU. Thank you.

Ron is the director of the SCORE chapter in New Hampshire.

Mr. WEISS. We also border on the Massachusetts border.

Senator BROWN. You do?

[Laughter.]

Mr. WEISS. We are close by.

By the way, four of our chapters service adjoining states because it is a relatively small area; and for us, it does not make any difference where the client comes from. We service the client.

Chair LANDRIEU. Senator, if you look at the map up here, you have a big cluster up there your way. All the SCORE chapters cluster up in the northeast.

Senator BROWN. What is the interaction between the Massachusetts and New Hampshire chapters?

Mr. WEISS. We get along absolutely great. We are giving referrals to one another. We had somebody from California who wanted to open up a big business in New Hampshire because they thought it was going to be a HUBZone.

It turned out that people in the Lowell area made a better offer than the people in the Nashua area, and so we helped them move down there.

I think she has a business going. It is a semiconductor assembly business, and it is growing quite nicely. They are still using New Hampshire counselors. We are here to help people. The State line does not mean anything.

Chair LANDRIEU. That is good to hear. And you wanted to share something. Ken, you had something you wanted to add.

Mr. YANCEY. If I may, Senator Brown, our district director for Massachusetts, Jack Calkins, is here in the back and has been with us for the day as we prepared, and we had a nice visit with your staff yesterday. Thank you, and I hope to be able to meet with him.

Senator BROWN. Thank you.

Mr. WEISS. I was going to say we have been fortunate to be an early State trying out some pilot aspects of the new program, and I just would like to share a little with you about some of the success we have had.

One of the biggest stories we hear from most clients when they find us where have you guys been. We say it is the best-kept secret in New Hampshire; and despite that, you know, we see a lot of people coming in.

We have formed this year a strong affiliation with the chambers of New Hampshire. We are participants in something like 12 to 15 chambers around the State.

And by the way, these are not fee memberships for us. We actually have to pay full fees for those. We have partnered with the State Department of Resources and Economic Development, which is called DREAD. I cannot imagine why they called it that, but we have also partnered for the first time in an outreach area with the New Hampshire Timberland Owners Association.

There are people who make their living, it is a very large business for the State of New Hampshire. It is also one of the highest export items, and we are now providing business counseling to people who have been trained in forestry and are now worried about biomass products and wood products, and we are providing services for that.

The other thing we have done is partnered with banks, not so much big banks, but small banks. Economic incentives for cities who give funding for small business because there is no money to be had from the large banks throughout the United States.

In summary, we are this year based on an FCC study, we are estimating that some 75- to 80,000 small businesses in New Hampshire are not using the Internet to full business potential, and in early June, we are providing a free statewide conference on bringing Internet to small business.

It is a program being funded by the SCORE organization. The problem we have is that the small businesses in the northern part of the State are going to be difficult to get to, and so one of the problems or challenges we have is to address how do we get the same kind of conferencing, the same kind of information for the small businesses in the northern part of the State.

Chair LANDRIEU. Try to wrap up because I want to get to Erik.

Mr. WEISS. We have an opportunity to open two or three more chapters if we had the manpower and funds to do that. We want to bring our Internet counseling to areas which are not local and which we can do things like Skype counseling, and that takes money and dollars, and we are looking forward to the new program as being capable of providing the funds for what we need to grow.

Chair LANDRIEU. Thank you so much.

Dr. Pages, did you want to add something from your perspective?

Mr. PAGES. Yes. Thank you, Senator, and thank you, Senator Brown, as well.

Yes, I think I will just second this point about sort of the intensity of demand and just point out that it is really, it is even more of a problem in rural areas, and several of the other speakers have talked about that.

Our group, the Rupri Center for Rural Entrepreneurship, we probably worked on rural entrepreneurship development strategies in every state of the United States.

Kind of two things we have learned about that is one you have got to have kind of a comprehensive, systematic approach, and the second thing is that what really matters for rural entrepreneurs are what we call soft factors, really is kind of a shoulder to cry on, this coaching, this mentoring, this peer networking.

When you talk to rural entrepreneurs, that is the thing that they are most hungry for; and unfortunately, at the same time that is the service that is least available to them, to a rural entrepreneur.

I have owned a small business here in the D.C. metro area for about 10 years. I know I can go to SCORE, but I can also go to many other places to get peer networking, to get coaching and mentoring. There are lots of availability of that service here.

In rural communities, that is really not the case. Really SCORE and the Small Business Development Center network, that is kind of the core part of that soft infrastructure in rural America.

You do not have a lot of, it is really sort of a scale game and numbers game. You do not have quite as many entrepreneurs in an absolute sense. You do not have as large a population. So these sort of places where you can find peer entrepreneurs, places where you can find a coach, where you can find a mentor, they just do not spring up out of thin air in rural America.

Where they are in place, and they are not in many places of the United States, they are there because of SCORE and because of the Small Business Development Center networks.

And I would hazard to say that as we think about expansion of SCORE and sort of just generally about providing technical assistance to entrepreneurs in rural America, I would suspect that you are going to see a big increase in demand in rural communities over the coming five to ten years.

And I think there are a couple of factors going on. One, we know that startup rates and self-employment rates in rural America are higher. Now, certainly the absolute numbers are smaller but in terms of the proportion of the population that is involved in self-employment is much higher in rural America than it is elsewhere in the United States.

In fact, there are some projections that show that up to a third of the workforce in rural America could be self-employed in the next five to ten years. We just have a huge base of entrepreneurs, aspiring entrepreneurs, sort of potential fast growing businesses in that base of the self-employed in rural America.

I think the other thing that is going on is that rural communities are rethinking what they are going to do in terms of economic development. It used to be we are going to give you a tax break, we are going to give you a building, come on in, move a branch manufacturing plant in our community. What people would call the buffalo hunt.

Well, we know because of globalization and technology change many of those firms are going overseas when they used to go to rural America.

So rural communities around the United States are getting much more aggressive about using entrepreneurship in growing home-grown businesses. It is kind of the core of their economic development strategy.

So in effect, you are increasing demand. You are pushing demand through these economic development strategies. You have got to have some kind of service or some kind of support for these entrepreneurs and these businesses that are going to be coming through the pipeline in rural America.

The demand is not being met now, and the demand is going to grow significantly over the next five to ten years. So I would encourage you to look at different kinds of strategies and approaches to working in the rural communities.

Chair LANDRIEU. You have worked in a number of different positions at the federal level. Before your current position, you served as policy director for the National Commission on Entrepreneurship. You were an official advisor to the White House and small business conference.

Is there any other national organization, like SCORE, that leverages the dollars as effectively as we have heard this morning, to your knowledge, and what do you think the value of an organization like this is for the country?

Mr. PAGES. Well, I think very few have the sort of leverage numbers that SCORE presents, although I will tell you that all of the federal economic development agencies really perform quite well in terms of leveraging.

So you talk about the EDA, talk about the Small Business Development Center, talk about overall SBA investments. All of them,

when you compare that to other kinds of economic development strategies, they provide significant bang for the buck.

I think the benefit of SCORE and sort of any kind of hands-on technical assistance is when you talk to entrepreneurs, they do not want to fill out a lot of paperwork, they do not want to have to go from one agency to another agency to another agency to get the kind of package of support they need.

They want a comprehensive solution, and so it is not so much that the SCORE counselor kind of fixes everything for them, but he or she kind of serves as their network hub. So I can go to the SCORE counselor, and he or she can say, let me help you get capital here, let me help you get market expansion services here, let me help you get human resources services here.

So it is kind of that packaging is what an entrepreneur wants. They do not want to have to go to ten different agencies to get ten different kinds of support.

So that is the real secret of SCORE and programs like that.

Chair LANDRIEU. Mr. Shear, let me ask you, and then I would like Penny, if you would jump in here, but you said that you reviewed about 80 programs you testified in your opening comment.

How many other programs like SCORE in terms of leveraging and efficiency did you find? You said they were duplicative. Are there any that come to our mind that are similar, not similar, like SCORE?

Mr. SHEAR. To answer the question on similar, I would say generally the answer is no. We certainly see a lot of use of nonprofits involving a lot of programs but not on the model of SCORE. We do not see a network of a vast number of volunteers. In terms of the efficiency of leveraging, we are not at a point yet to really talk about that.

And I want to emphasize that we do see potential duplication among the 80 programs but we are at the beginning stages of looking at that.

There is certainly overlap among programs. There is certainly some fragmentation of programs, and I was very glad that Erik brought up the point, you know, sometimes a business owner needs somebody to put things together.

And a big focus of our work, so in terms of our interactions with Erik and Ken and others at this table over time will not just be about how SCORE is run but it will be about how can we facilitate a more efficient distribution of economic development resources.

So the programs that come the closest to SCORE are really the other SBA programs, Women's Business Centers and SBDCs. And as we know, the funding mechanism, the accountability mechanism, the oversight by SBA is just different for those programs.

Chair LANDRIEU. What jumps out at me when I focused on what SCORE does and I have known about it for years and years but just recently refocused, is that it is the sort of organization of all of these out there that are sort of the connectors and the glue that can kind of hold everything together.

At least for the SCORE volunteers, they are familiar with the landscape and they can direct a business owner, you know, like Ms. Burlington, through the several hurdles and barriers with the lim-

ited amount of trouble or frustration which seems to me to be sort of missing as you are trying to keep these puzzle pieces together. Ridgely, did you want to add anything?

Mr. EVERS. Yes, just quickly. We have talked a bunch about the needs of the rural communities, and I live in a rural community. I actually am a farmer.

And the geographic gaps are real and we cannot wish them away. It is going to take effort to address them. One of the things that I think is the most exciting about SCORE is that under the new strategic plan even where we do not have a physical presence, we can bring to bear the entire power of the SCORE organization to support an entrepreneur.

If somebody is growing potatoes in western Sonoma County, we can bring to bear somebody who knows about growing potatoes from Iowa or from Idaho.

The other thing is what this new model provides is the ability to create virtual centers of excellence within SCORE. So that if you are a counselor in New Hampshire and you have somebody who, heck, if you are a counselor in Maine, let me go even further.

If you are counselor in Kentucky and you have got somebody who wants to grow organic vegetables, you know, Maine has been growing phenomenal organic vegetables for a long time, and you have got farmers there who figured out how do you get to market. Those people are part of SCORE. We can bring those to bear for the farmer in Kentucky.

Two other quick points. One is to Mr. Shear's point and also to Erik's. The whole model of SCORE in this new environment is that the person with whom you engage, with whom Sheree engaged, for example, becomes the relationship manager into the whole, not just the SCORE organization but whole fabric of economic development.

To say, you know what, in this particular case, the person you need to talk to is not part of SCORE. They are over here. Or they are part of SCORE but they are in another state.

And then the other thing is this whole concept, and I am so glad that you are here, Ms. Burlington, because this is the poster child for how we want to do things going forward.

When you come into SCORE and you first engage, we say, you know what, we are so glad you are here and we understand that you are here because you cannot make payroll on Friday, and we are going to help you with that, but we are going to stay with you, we're going to stay with you across the life of your business. And if you turn out to be one of our successful entrepreneurs, we are going to come tap you and we are going to ask you to give back.

That is an incredibly powerful mechanism for growing this organization very, very efficiently and very powerfully.

Chair LANDRIEU. Penny, would you like to add anything? And if you all do not mind, I am going to slip out, turn this over to the able hands of Amy and Meredith, and then Senator Brown may have a question or two.

Senator, this is a roundtable, very informal, not like a regular hearing. You can jump in at any time. There are some questions the staff has.

Senator BROWN. Thank you.

Chair LANDRIEU. Go ahead if you want to ask a question or two and then we will get to Ms. Pickett.

Senator BROWN. She can start. You can head out. I am waiting for the word that I have to go.

Chair LANDRIEU. Okay.

Ms. PICKETT. Thank you. The discussion has been fascinating, and I would say at first blush maybe there is some thought that the programs that we oversee at SBA, Small Business Development Centers or Women's Business Centers, and certainly SCORE, people at first blush tend to think that they are fairly similar.

As we dig down, we find that each of these programs has its particular niche, its organizational structure, and it helps clients in a very distinctive way.

If entrepreneurs could wear one size, if one size fit all, then it would be easy. Your job would be easy. My job would be easy, and we could just simply lay this out.

The best thing about entrepreneurs is that they are innovative, they are different, they are unique. The worst thing is they are unique. So, we reach them in many ways.

We are very proud of SCORE. I think Ken mentioned very client focused. We cannot lose sight of the fact that our client is the small business owner at whatever stage they are.

Ridge mentioned entrepreneurial spirit; and SCORE has shown and demonstrates, and daily demonstrates, the most amazing entrepreneurial development, entrepreneurial spirit, the willingness to constantly reinvent, to look at the market, to change its approach.

This is one of the most exciting things about SCORE is it is not stagnant. It is going to change with its clients and with the market situation.

Ms. Burlington, you mentioned the phrase that caught my attention. You said the group of minds that came together to help you was significant.

I think what SCORE captures is we do not lose the experience and the knowledge and the education of huge array of business people that have led this country.

It may be slowing down. Some may be actually retire, some may be cashed out entrepreneurs. But SCORE captures that. We do not have that brain drain that could be really, really detrimental to our entire economic system.

So, SCORE captures that, recycles it, puts it through you. You have a fresh approach. You have a fresh business, and you pass it along because entrepreneurs are incredibly generous not only with their ideas, with their time.

So in looking at this program, we are very, very pleased because it is very efficient. It does change, and it does really, really make the difference for clients in every small business at all time.

Chair LANDRIEU. Thank you. Does anybody want to add anything?

[No response.]

Ms. WEST. I would like to follow up on Bill's comments related to duplication and coordination. In November 2007, as you mentioned, the GAO did a report on the Women's Business Centers in particular and, in the that report, pointed out that there was a lack

of coordination between the SBA's resource partners, the Women's Business Centers, the SBDCs, and SCORE chapters.

Yesterday in speaking with our SCORE leaders in Maine, we heard that in some chapters there is great coordination between SCORE and SBDCs. Often SBDC counselors will lead workshops and such in SCORE chapters. But in other areas, there is really no coordination at all.

Can you speak at all to the GAO's work on that and have we seen any progress in improved coordination since then? And then maybe Ms. Pickett can talk about the SBA's role in pushing these resource partners to better coordinate their services.

Mr. SHEAR. Thank you for the question.

From our Women's Business Center work, specific to the Women's Business Center program, we pointed to a couple areas where SBA has made progress and implemented recommendations.

It is defining the role of the district office technical representatives and some other matters dealing with what is required of the Women's Business Centers.

Our report contained a third recommendation which had to do with trying to identify promising practices in coordination among the three programs, and given that recommendation, Meredith, your comments really bring that to life.

We see places where coordination occurs very well in certain geographic areas, but we also observed areas where it did not occur, and we know the programs are supposed to serve different niches and, to a large degree, they do.

After we completed our report, there seemed to be an eagerness to move forward on all three recommendations and agreeing with those, including the coordination issue, in using some type of tools which could include an Internet site to try to facilitate such coordination and identify promising and the best practices, and that is one where there has been a little bit, from our interactions with the agency, some stagnation in not moving forward.

So, that we still list as being a challenge for the agency to address.

Ms. PICKETT. I will look into that because I was not aware of that particular part about the Internet. However, I will say I think there is much more coordination support. I think the Administrator has talked about linked leverage online, and that means our resource partners as well as with the public partners throughout the government.

So, an example that has been absolutely phenomenal, when the FCC was rolling out its broadband plan, the first person to step up, they said small business has got to be part of this. The first person to step up was Ken Yancey.

He said this is great. He understands the technology. How can we help? He has actually put together, through SCORE has led this effort to collaborate with the FCC to develop training for small businesses in the value of broadband, getting online, how they can market, how they can use this as an international tool.

He has also taken the approach that broadband is a huge small business opportunity. Somebody has got to do the installation, somebody has to do the wire, somebody has to come up with the

next packet switching device that makes it faster, cheaper, and easier.

SCORE has led the way in really doing a huge effort, bringing in partners from the technology world, develop this phenomenal content.

And the first thing he did was he organized and developed the content, and he turned around and said, okay, now this is going to all the Women's Business Centers. They need the training. Our SBDC partners, here is the content. So, I think that is a wonderful example.

We are rolling out the women's procurement rule, and I know that our leadership has taken the chance to train all of our partners on that kind of thing.

These examples exist. Our district offices have played a huge part in making sure that our SCORE volunteers have a place to sit. Our SBDC people are there. We saw this in Deepwater where everybody worked together to save small business. We have lots of examples.

Ms. WEST. Okay. Penny, my specific question was about how the SBA's resource partners are coordinating and how we are preventing duplication between them. So, Women's Business Centers, SCORE, and SBDCs.

The agency's own cooperative agreement with SCORE says at the very beginning that one of the objectives is to ensure that these resource partners are working together, collaboratively to help the small business client in their area.

Can you speak specifically to how the SBA is conducting oversight of that as part of your grant management process of the SCORE grant and your management of the other programs?

Ms. PICKETT. Well, that comes in our quarterly reports not only anecdotally but in the data. I can illustrate again. The Small Business Jobs Act, passed in September, provided additional grants specifically to Small Business Development Centers.

SBDC in Atlanta has contracted with Women's Business Centers to deliver services and outreach to under served women. This was their own collaboration. It is the kind of thing that gets reported. And the SCORE person in Atlanta is overseeing this kind of thing.

We continue to monitor. I can provide more examples of how they actually reach out to each other and then report back to us. This is what their programs are.

Ms. WEST. So, it sounds like they are doing a lot on their own to coordinate in that we hear these anecdotal stories of that happening. But it is the agency's responsibility to oversee the grant, according to the Small Business Act and in your cooperative agreement to ensure that they are coordinating.

What kind of metrics do you have to evaluate specific coordination between these entities? You know, one thing we heard from our Maine folks yesterday is sometimes there is some competition between SBDC counselors and SCORE counselors over a particular client that has a need. Who is going to help them and who is going to get credit for it? How does the agency track those metrics, evaluate who gets credit for providing those services, and preventing duplication, while encouraging coordination at the same time?

Ms. PICKETT. All of our partners under the agreements are subject to financial and programmatic reviews. That is a given. They are done. Our program managers are involved with almost day-to-day contact following up, are they meeting the requirements.

The measurements in terms of how we record actual collaborations is probably not something they can check off on the approved forms that they do.

However, they worked out very closely how the client gets recorded, is the number of hours they spend with the SCORE counselor versus the number of hours they may spend with an SBDC. That has got to be on the forms, and it is going to increase with the international trade.

I would have to check with our program managers and give you many more details about how they record it anecdotally or how they might credit each of our partners with other collaborations. It is not something that fits neatly into a check-off box.

Ms. WEST. Okay. Given GAO's report last week and our concerns here in the Committee about duplication among these programs, this is something that we would like to continue to talk with SBA about in terms of how, specifically, we are preventing duplication of these programs. Thank you.

Ms. PICKETT. I would be glad to talk with our program managers and can provide you with more information as we will with Bill as well.

Ms. SANCHEZ. Bill, can you tell me, are you aware of any kind of, you know, in these reports that you do, and I do not know, any mechanisms in which you provide recommendations for departments and agencies to quantify, I guess, qualitative relationships? Specifically, how you define "cooperation"? How you define the ability of one entity to work and, I guess, work well within the other?

Do you have those kinds of recommendations and do you provide those regularly or do you find those available?

Mr. SHEAR. What we have done, and please tell me whether this is responsive to your question, is we have looked for criteria for effective collaboration between programs and agencies.

And this especially came up, and Erik pointed to our work looking at collaboration between SBA and USDA's rural development.

So there are certain qualitative factors that we take into account, just having what is the mission procedures, some commonly understood responsibilities and accounting mechanism and some metrics to say what is being achieved.

So, if you have two agencies getting together to provide some training, it could be as much as how do the recipients of that training view the value of the training.

So, to a large degree, the metrics can resemble the types of metrics that we look at generally for program management but it is looking at it in a broader way.

So, we, as the agency, have applied that model to a number of venues, including economic development.

Mr. PAGES. I would just add two tools. In my business, I do a lot of program evaluation and not necessarily collaboration across federal programs but I think some of the same mechanisms, the same issues certainly fall in place there.

Two metrics that we find pretty powerful that can be used to capture collaboration, and they are only going to capture a small portion of the picture, is referrals across agencies. Once you start tracking that, people will start responding to that.

The other one is how many different agencies or how many different programs does each customer utilize. And if a customer utilizes a number of different programs, that is a positive sign that there is collaboration occurring, one potential sign that there is collaboration occurring across agencies.

Ms. SANCHEZ. Ken, do you know if SCORE keeps track of that information or, Penny, do you know if you keep that information as to where you are referring to, let us say, I mean, you mentioned referring to other entities and being that hub.

Do you have anything to add to that?

Mr. YANCEY. I can. Today we do not track referral relationships. The deployment of the salesforce.com CRM that will occur a little later this year is going to allow us to track that.

We believe in our initiative that we call shoe leather marketing. The important thing for our chapters to do is to create referral relationships with other organizations within the community that are serving similar clients, maybe with different services, maybe with the same, and that those relationships be written, monitored, have specific metrics.

It is not good enough to say that you partner with the chamber or you partner with SBDC. You need to have an active engagement manager, for lack of a better term, to ensure that these things are happening, that we can stay on top of it, and that everybody can benefit from the value that both organizations bring.

So, the answer is no, until April 29th.

Right, Devin?

Ms. SANCHEZ. Great. Thank you.

Penny.

Ms. PICKETT. Very briefly, the CRM that Ken is referring to is for SCORE. That is not an SBA system. But also, currently our 641 does not capture that data. We have plans to convene work groups, and we have already done this on previous things such as client definitions.

The reporting form that all three partners use, any changes, of course, have to go through OMB for clearance and that sort of thing.

Ms. SANCHEZ. Ridge, did you have something? And then Ken.

Mr. EVERS. Yes. Now, I am not speaking as a SCORE board member just as a J. Random citizen.

One of the things that I have observed is that there is tremendous unevenness in the quality of service delivery independent of the entity, of the ED entity, whether it is federal or state or local.

And I will tell you specifically in my backyard the SCORE chapter is not our strongest by a long shot. The SBDC in that area happens to be terrific.

I can also tell you without naming names that there are other places where exactly the opposite is true, and I think that it is important to track this, Meredith, to your point. I think it is really key that we pay attention to what kind of referrals are going back and forth.

But I think you are going to get two things out of that, and it is important to recognize going in that there is going to be two kinds of data revealed.

One is how actively are the organizations overall bouncing stuff back and forth. But I think it is also going to shine a light on where one or more of us is deficient, and I think that is really key to pay attention to.

And one of the things that I am excited about with the SCORE model going forward is the idea that every counselor in SCORE is going to be certified because that is one of the ways that you get at that consistency of service delivery.

What you do not measure does not get done except by accident. We are measuring now the quality of service delivery; and we will be able to tell on an individual counselor level because the feedback loop through the sales force with the client, hey, you know, Ron needs some help here in this particular area and Len is doing a great job in this kind of counseling but could use some help in that kind of counseling.

This is an incredibly powerful infrastructure that is being put in place specifically to address what really matters which is the success of a client.

Mr. YANCEY. Just very quickly and to build on Ridgely's point, what we find in communities where we have an SBDC, SCORE, and a Women's Business Center is that the closer we get, the more evident the strengths and weaknesses are, and the more easily we can refer clients to the stronger resources.

And when we go at it with the client's best interests at heart, the collaboration is remarkably powerful, and we see it in a lot of markets.

In upstate New York, in Buffalo it is common for our counselors to do a good bit of counseling at Women's Business Centers. In Pennsylvania, the Kutztown SBDC has a remarkable relationship with our chapter and they actually collaborate on delivering the fast track program within that community.

I can give you more examples of how it works when we are close and we do not think about the competitive situation. I do not want to put words in my SBA's colleague's mouths; but with influence from Senator Snowe and Senator Landrieu a number of years ago as we worked through the EDMIS process, one of the things that was determined that it was appropriate when together counseling a single individual that both organizations get credit.

So it eliminated that competitive piece and encouraged collaboration and an ability to add value by bringing to bear the best talent regardless of where it is.

Another quick example, in Louisville, Kentucky, they have a traffic the SBDC and they do a lot of loan packaging. They are better at finding capital for all sorts for small businesses than anybody probably in the region.

SCORE does not do that anymore because why would we compete. We do not have the capacity. Everybody that needs financing, we send them to the SBDC. When SBDC sees somebody that they are not able to or believe there is a better use of their time, they send them to us. It is a great collaboration and one we are proud of, and we would love to replicate it beyond those few markets.

Ms. SANCHEZ. So to simplify what you are saying is, when everyone shares the common goal of assisting and focusing on the client, cooperation necessarily follows.

Mr. YANCEY. It is magic.

Ms. PICKETT. Very quickly, and I think within the Office of Entrepreneurial Development, the cohesiveness, the collaboration that we are all working together is being passed along to our partners everyday.

Ms. WEST. I would like to talk a bit about the allocations that SCORE sends to the districts and chapters. In fiscal year 2010, two and a half million of the seven million in appropriations went to the districts and chapters.

It is my understanding from previous meetings with Ken Yancey and Devin Jopp at SCORE that those allocations are determined based on your local services index process.

And about 20 percent of that determination is related to a reserve, a historical funding level; and that in the future, you expect for that reserve portion to drop from 20 percent to 15 percent and ultimately to 10 percent.

The Maine district SCORE operation really depends on that 20 percent, and with the new strategic plan focusing more on opportunity for new clients and new businesses which is a specific metric related to the number of businesses in an area, the population of an area, et cetera, we are very concerned about that allocation model.

Can you speak to that, and Ridgely, you might be able to jump in here. Can you speak to where you all are up with that allocation?

We are very concerned about the transparency in that. So, we heard yesterday that Maine's allocation changed three times in three different days, and that determination is made by a couple of executives in the SCORE office in Herndon.

So, there is no transparency in the process and we are concerned about how those funds were equitably distributed among the SCORE chapters and such. And I hope that it is something that you all have addressed in the strategic plan, given that there is no guidance whatsoever in the current statute related to how funds are distributed to the states and chapters, unlike with the other programs. This is an issue of concern for us in the reauthorization process.

Mr. YANCEY. I understand. Thank you for the question. If I may, may I take one step up and talk to you about the budget process and then this piece and how we distribute?

Ms. WEST. As long as we spend some time on that.

Mr. YANCEY. I promise I will get to it.

So, from a SCORE standpoint, the overall budget begins certainly in my office, myself, our COO, our director of finance.

Once we have a draft, we negotiate with our finance committee within the board of directors. That finance committee is made up of two SCORE volunteers and one person from the outside, all of whom are board members.

Once we are through that process, we begin the negotiation with our colleagues at SBA, and that is part of our negotiation around

our technical proposal and what winds up being in our notice of award that governs us for the year.

In that budget process, we recommend an amount that would go to the field organization. Once there has been agreement on how that money goes out, we do have a formula that we use. The formula has changed this year.

It was developed in conjunction with our advisory council which actually Len Sedlin sits on.

Len, I do not think you were on the council at the time we developed the most recent iteration, but this is a group of SCORE leaders, district directors, chapter chairs that work with Devin and myself, and more specifically Devin, to develop what we believe to be an equitable distribution of funds based on a number of different factors in the organization.

Today, what we look at is new cases and follow-ons. So, that would be the volume of clients that a chapter sees and the number of times that they see that.

20.25 percent of the budget is distributed based on that. We look at our new online cases, the number of clients that we serve in an online capacity. 6.75 percent of our budget to the field is based on that.

We then look at local workshop attendance. 18 percent of the dollar amount that goes to a district is based on that. The reason that is less than new cases is because, as you know, most of our workshops actually have a small charge associated with them.

So, in addition to being a service, it is also a revenue generator at the chapter level. So, there is a lesser dollar amount assigned.

Then we do look at the market, and we look at coverage within the market. 35 percent goes to that coverage. How many businesses are there, what is the potential, and the way that we measure that potential which is the LSI, or for those of you who are not familiar with SCORE, local services index is a relative measure of market penetration.

And what it is based on is the number of clients that we serve as compared to, it is the number of clients we serve per thousand businesses in the community or the geographic area that the chapter has told us they serve.

So, that is the measure. We do not use the measure in the formula. What we do look at is coverage.

We have kept an adjustment. The first year it has been 20 percent, and Maine has benefitted specifically from that and there are other chapters that have as well.

Our goal in leaving an amount in reserve was, as we implemented in the first year this new formula, there were adjustments. There were chapters that received, quite frankly, far more than they could put to use in a year, and some chapters that would receive far less.

Maine has been getting these extra funds even before we implemented this particular process. Maine did and all of our chapters did get three different allocations in two days. It was an error on staff's part which means that it is my responsibility and it is error on my part.

That has been addressed. We have a remarkable staff that works very hard with an incredible volume of work; and in that particular

instance, we have someone now that we believe is going to help us be better stewards and better communicators of what we do.

So, my intent in no way is to be anything less than transparent. This year for I believe the first time we actually distributed this formula to our field organization.

In the past, we had not been transparent and we knew we needed to. As we moved into our new plan and with one of our overarching goals to be one strong nationwide organization we need to be transparent.

Not everybody liked the process and not everybody likes the result. The good news about the plan, and this is part of it, is that we have continued to learn what we have done well, what we have not done well, where we can adjust and improve; and as we have learned that, I think that our district directors that are here and our volunteers around the country will tell you that we continue to adjust.

What I will tell you right now is I do not have a plan to change the allocation this year and I do not have it today because we really have not spent the time dialoging with our advisory council and talking a little bit about it.

As you know, Meredith, we have a monthly district directors conference call. We use that to communicate and vet and learn and exchange and share best practices.

This will be something that is on that call. We will share with you the process and all the input. I will step back up again.

My challenge is that the pie I am trying to spice up is too small. I need a bigger pie. If I can find a bigger pie, my ability to fund these organizations at the chapter level, at the district level, and allow them to become more successful and to service the pent up demand that is there that we know, it is going to be far better.

Until then, we need to deliver a level of service from the national office and that competes with what we want to send to the chapters, and therein lies the challenge, and we do what we can to buffer that with private sector funds, most of those raised at the chapter level, as Len mentioned getting a grant from Louisiana Economic Development.

It is a challenge. So, what I would pledge to you is I am happy to sit down, have a dialog around this, make sure that we have heard everything, be completely transparent in the responses that we get, and work through this in a manner that you will absolutely understand.

I am not sure that at any point in time we are all going to agree on exactly how this needs to look but we will get close.

Ms. WEST. I will say the Ranking Member is very concerned about this issue and, in fact, is her biggest issue with reauthorization of the SCORE program because of our concerns that the Maine chapter has raised.

If we are looking at including any portion of the national expansion plan and reauthorization and increasing authorization levels in any way, she is going to make sure that Maine gets their fair share of the funding; and so, the fact that the reserve portion of the allocation is declining is problematic for us.

Mr. YANCEY. May I have one more quick comment? Loud and clear. I completely understand. May I offer to add either Nancy or

Neal to our National Advisory Council for the specific purpose of helping us deal appropriately with this issue.

Ms. WEST. We would very much appreciate that but I defer to these very busy individuals.

Mr. YANCEY. Which one of you said yes? Now is the time to volunteer.

Ms. WEST. All right, Nancy, thank you.

Mr. EVERS. I think what you heard in that answer is one of the things that attracted me to SCORE. There are a lot of things that we do not have answers to yet. What I really love is the determination to experiment and to figure it out.

You guys are our customer. If you look at what is SCORE's revenue source, it is you. So if we are not doing what you need us to do, that matters. We need to listen, and we need to listen hard. We need to make sure that you understand, and this gets back to the whole transparency thing. We need to make sure. We have an obligation to ourselves. We have an obligation to our volunteers. We have obligations to you to be totally open about how we do this.

And at least to my knowledge, there is no, it is not like the reserve fund is being held in some sort of, you know, punitive or reward kind of our fashion. It is just, we may have gotten this wrong. Right?

If you have got a household budget, you keep a little bit of reserve because you were not counting on needing a new muffler, and I think that is a way to look at that.

As we dial this in better and get a better handle on how do we allocate funds, then we can, nobody wants a reserve. It is not a good thing except for potentially the rainy day part of it.

But it is really about navigating through, okay, how do we best do this. I think everybody in here who is getting all the money that they want for everything they want to do, please raise their hand. Anybody? No.

That is really the issue that we are dealing with is trying to sort through that.

Ms. SANCHEZ. I know we are quickly running out of time.

Len, did you have something you wanted to add?

Mr. SEDLIN. Just a comment from one of the guys on the other end of this discussion here on getting the funds, I would caution that there not be a formula written into the legislation that dictates this.

It is strictly a management decision based on the input of the worker bees who are going to make that decision and how we use it is up to the directors within the guidelines that are presented by our association.

So, we have to have some flexibility as business people to make sound decisions. Thank you.

Ms. SANCHEZ. Thank you, Len.

I actually have one question from the Senator. She wanted me to get this on the record before we close. This is for Ron and you, Len, and anyone else who wants to chime in.

She wanted to get a sense from you on the ground in terms of what you are seeing from small business lending. Are lines of credit easing up at all? Are you seeing any kind of positivity as a result

of the things that are happening recently and what is the temperature right now in that environment?

Mr. WEISS. If I can, it is tight. Most of the SBA program funding, banks are still insisting on guarantees; and despite the efforts of the SBA to make it better, the banks are not responding.

Most sourcing for funds comes from small local banks, people who are economic development centers who are willing to give it, even the cities themselves.

The city of Nashua gave a client of mine the \$50,000 loan just to complete his import so he could stay in business for the rest of the year.

But that is where the money is coming from. And it is not coming from the major banks or the regional banks. It is tight. Money is tight.

Ms. SANCHEZ. In closing, I just want to say this is a really important program and issue for Chair Landrieu. She has really done, I think, a tremendous amount of work to get us to this point in working with SCORE, with SBA to be able to ask the tough questions that we need to ask and hopefully get adequate answers.

I know it is no small trek for some of you to be here. So, we really appreciate each and everyone of you who joined us today and we absolutely look forward to working together with you in the future as we put together a legislative proposal containing SCORE's reauthorization. Thank you.

[Whereupon, at 11:47 a.m., the roundtable adjourned.]