

# PRIVATE SECTOR INITIATIVES TO EDUCATE SMALL BUSINESS OWNERS AND ENTREPRENEURS

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## HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC GROWTH, TAX AND  
CAPITAL ACCESS

OF THE

COMMITTEE ON SMALL BUSINESS  
UNITED STATES

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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None.	
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None.	
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None.	



**PRIVATE SECTOR INITIATIVES TO EDUCATE  
SMALL BUSINESS OWNERS AND ENTRE-  
PRENEURS**

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**THURSDAY, SEPTEMBER 19, 2013**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
SUBCOMMITTEE ON ECONOMIC GROWTH,  
TAX AND CAPITAL ACCESS,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Tom Rice [chairman of the subcommittee] presiding.

Present: Representatives Rice, Chabot, Schweikert, Chu, Payne, Meng, and Schneider.

Chairman RICE. Good morning.

I want to start out with an apology in advance, and that is I have two simultaneous Committee meetings right now, and we are doing a markup in the Transportation and Infrastructure Committee, and I have to be there. So I am going to start this meeting off and at some point I will introduce my co-panelist, David Schweikert, who will take over as chairman of the meeting. And so I just want to apologize to you that at some point during this meeting I am going to stand up and excuse myself, but we have a very important markup going on in the Transportation and Infrastructure Committee. Unfortunately, the Committees do not check with each other's schedules when they schedule these things.

I thank every one of you very much for being here in advance. Thank you for taking your time to come and educate us. It is so very important. And I will go as far as I can and then I will excuse myself. So thank you for that.

The hearing will now come to order.

Today, we will explore the importance of education and training for small business owners and entrepreneurs, and highlight examples of the private sector imparting knowledge to growing small businesses around the nation.

Half of all small businesses fail within five years after opening, and recent research has shown that newly formed small businesses are creating fewer jobs than in the past. Analysts cite a lack of general business acumen, and an inability to adapt to rapidly changing economic environments as a reason for the challenges they so often face. Since historically, small businesses have been responsible for over two-thirds of new job creation in this country, it is critical that we ensure our nation's entrepreneurs are receiving the educational

and training opportunities that provide the knowledge, and in turn the confidence, they need to grow.

Education for those looking to start or grow their businesses comes in many forms. Whether it is through a classroom environment, online course, mentorship provided in an incubator or accelerator, or networking through peer-to-peer programs, small businesses are using these avenues to gain the knowledge, expertise, and personal connections to help them grow their businesses and hire more employees.

There are numerous examples of the private sector stepping up around the country to provide both established, and fledgling small businesses with the information they need not only to survive, but to also grow and create jobs. Today, we will hear about some of these initiatives and how they assist our nation's job creators.

We are fortunate to have here with us some of the leaders that help to address the critical knowledge gap facing small business owners and entrepreneurs, as well as an entrepreneur that has participated in and benefitted from such efforts. I look forward to learning first-hand from our witnesses today about how their work has helped to stimulate economic growth and create jobs around the country. Thank you very, very much for being here.

I now recognize the ranking member for her opening statement. Ms. CHU. Thank you, Mr. Chair.

Today's hearing will provide insights into a variety of private sector initiatives to train and mentor entrepreneurs and small business owners across the country. We will also hear how these efforts are contributing to our nation's economic growth and job creation.

In today's hearing, we have representatives from big and small companies, as well as the nonprofit sector. I look forward to hearing about your programs and how we as policymakers can learn from your successes and failures to continue supporting small businesses, the growth engines of our economy.

Initiatives that support small business owners and entrepreneurial development are essential to promoting economic and development growth. Historically, the United States has experienced job growth primarily due to business startups. In the last 30 years, new firms have generated an estimated three million new jobs every year. In fact, small businesses that are less than five years old create two-thirds of all net new jobs.

As the nation continues its recovery from the Great Recession and the labor market remains weak, it is vital to support policies in the public and private sectors that support entrepreneurs and small businesses. If entrepreneurs have the support tools and resources that they need, they will grow to the point where they can generate job opportunities for the millions of unemployed Americans.

We all note that being an entrepreneur and starting a business is difficult because it entails having a good idea, finding capital, and taking a huge risk. Obstacles exist at every stage of business, but they are particularly acute at the earliest developmental stages. These challenges include financing, capital access, and uncertainty over regulation and taxes.

Thankfully, those willing to take the risk can take advantage of a number of technical assistance and entrepreneurial development

opportunities provided by the federal government and also by the private sector which we will be hearing about today. I am excited to have the Corporation for Enterprise Development here to discuss their efforts to help low and moderate income entrepreneurs formalize their businesses and gain access to tax credits, financial incentives, and credit products.

Their Self-Employment Tax Initiative (SETI) has helped over 12,000 entrepreneurs prepare their taxes at little or no cost. Considering the complexities of the tax code, this program offers much needed assistance to entrepreneurs who do not have the means to pay a professional to file their taxes.

We also have Goldman Sachs today to talk about their 10,000 Small Businesses Initiative, a program designed to help small businesses with practical business and management education, as well as access to capital and business support services. For the last three years, I have invited a representative from the 10,000 Small Businesses Initiative to my annual small business workshops to talk about this very successful program and how entrepreneurs in my district can benefit from it. This is a great program that gives small businesses a unique opportunity to network, receive top-notch training, and direct access to top business executives.

There are also programs that leverage federal dollars with the private sector to help entrepreneurs. One of my favorite programs is the Small Business Development Centers, which provide small businesses with training and counseling for free. SBDCs receive funding from the Small Business Administration, but do have to form partnerships with the private sector to receive matching funds. Last year alone, SBDCs in 900 locations across the country provided assistance to 210,000 small businesses. Continuing federal and private support for businesses like this and programs like this are vital to our economic recovery and future economic growth.

With this in mind, I am looking forward to today's hearing which will provide insights into what CFED, Goldman Sachs, and other private sector companies are doing to help entrepreneurs and small businesses grow and succeed.

Thank you, Chairman Rice, for convening this hearing, and I yield back.

Chairman RICE. Thank you, Ms. Chu.

If Committee members have an opening statement prepared, I ask they be submitted for the record.

I would like to take a moment to explain the timing lights to you. You will each have five minutes to deliver your testimony. The light will start out as green. When you have one minute remaining, the light in front of you will turn yellow. Finally, at the end of your five minutes it will turn red. And we will have a little leeway in there.

I ask that you try to adhere to the time limit, but again, there will be some flexibility.

I want to thank you once again before I start introducing you for being here. This is such an exciting and critical time in Washington. A lot of things come together that affect small business, a lot of things that will affect our competitiveness worldwide. With the continuing resolution, the potential with ObamaCare getting ready to kick in, with the debt ceiling coming in, with all these

things coming together all at one time, it is an exciting time to set up our country for competitiveness and to set up our country for the future. So thank you again for being here at this really critical time in our nation's history.

Our first witness is Dina Powell, Global Head of Corporate Engagement at Goldman Sachs and President of the Goldman Sachs Foundation, where she leads its 10,000 Small Businesses Program. Prior to joining Goldman Sachs, Ms. Powell served as assistant secretary of state for Educational and Cultural Affairs and was deputy undersecretary of state for Public Diplomacy and Public Affairs, after serving as assistant to the President for Presidential Personnel at the White House. She also serves as a member of the J. William Fulbright Foreign Scholarship Board, the Board of Trustees at the University in Cairo and the Vital Voices Global Partnership, and is a member of the Council on Foreign Relations. Ms. Powell, you are a very busy lady, and we look forward to your testimony.

**STATEMENTS OF DINA POWELL, MANAGING DIRECTOR, GOLDMAN SACHS; STEPHEN MORGAN, CHAIR, BOARD OF TRUSTEES, MY OWN BUSINESS, INC.; DAMIEN STEVENS, FOUNDER AND CEO, SERVOSITY; KIM PATE, CHIEF EXTERNAL RELATIONS OFFICER, CORPORATION FOR ENTERPRISE DEVELOPMENT.**

**STATEMENT OF DINA POWELL**

Ms. POWELL. Thank you, Mr. Chairman.

It is really an honor to be here today and to join you and Ranking Member Chu and members of the Subcommittee, including Congressman Schweikert, Congresswoman Meng, and Congressman Schneider.

We are really honored to have the opportunity to testify today about the 10,000 Small Business Initiative. Goldman Sachs proudly launched this effort alongside a coalition of individuals and institutions who are committed to economic growth and job creation in our country. These include our co-chairs of the Advisory Council. Our CEO at Goldman Sachs, Lloyd Blankfein; Berkshire Hathaway CEO, Warren Buffett; and Harvard Business School professor, Dr. Michael Porter. They lead an advisory council that includes Dan Danner of the National Federation of Independent Businesses, Marc Morial, head of the National Urban League; Javier Palomarez is head of the Hispanic Chamber; and former education secretary, Margaret Spellings. Together this coalition built 10,000 Small Businesses, which is an integrated program that offers proven tools that small business owners need to grow their businesses.

This \$500 million commitment provides entrepreneurs with three key resources. The first is a practical, high-quality business education. The second is growth and working capital. And finally, the third, and often mentioned as the most critical, is business advising, networks, technical assistance, and mentors. We believe it is this integrated framework bringing all three pieces of the puzzle together that help small business owners in one program.

We also know that we have tested this program in a global marketplace. This framework has been born out of a program we ran



globally, called 10,000 Women, a \$100 million investment that was seeking to reach female entrepreneurs in 43 countries with business education, mentoring, and links to capital. We are very proud that this month marks the graduation of the 10,000th woman in the program. We were able to apply many of the lessons of this global program and the measurement and the results that we took away to building our domestic effort here in the United States. In just three years, we have invested in an infrastructure, we validated our model, and we have launched the program in 15 markets across the country. Now, 10,000 Small Businesses is active in these markets. It is designed for existing small businesses poised for growth. In each market, we built a separate and distinct entrepreneurial ecosystem to provide local services, and the partners include respected community institutions, like community colleges, community development, financial institutions, local chambers of commerce, local community groups, and mayors and local officials committed to supporting their small businesses.

In the interest of time, I will respectfully refer you to my written testimony for the full program description, but I would love to use my remaining time with you to tell you three lessons we have learned along the way and some of our results to date.

First, as my bosses always tell me at Goldman Sachs, measurement is crucial. We rigorously track the performance of our businesses at regular intervals when they complete the program. We are pleased to report that just six months after graduation, more than 60 percent of the participants are reporting increased revenues, and nearly half are creating net new jobs. Additionally, we were surprised by one metric. We assumed that we would have a high attrition rate initially because these are very busy small business owners and this is an intense time commitment and you cannot graduate without completing it all and having a growth business plan submitted. We were surprised and pleased to see that nationwide we have a 99 percent completion and graduation rate.

One example of success is in Ranking Member Chu's district, Ada Chan from Pasadena, California. Ada runs Fresh Events Company, an event planning firm. Ada's revenue has grown 22 percent since joining the program, and while she was in the program she was named "The Small Business Person of the Year" by the SBA in Los Angeles, and she was referred by you inviting us to the session where she applied for the program. So thank you very much for that, Congresswoman Chu.

Our second lesson is that public-private partnerships are critical, and I am so honored to join my fellow panelists because that is, I think, the message that you will hear from all of us. No one institution can do it all and our partnerships have included, as I mentioned, these local community organizations but many members of Congress and others who, as you have, have nominated small business owners. We even had Speaker Boehner a few months ago meet a roundtable of graduates from Ohio, and he gave them some tough lessons of being a businessperson himself.

A couple of years ago, I was honored to have the opportunity to join Ranking Member Velázquez in her district in Brooklyn to tour one of our small business owner's sites, Mike Dimarino, who has a tool and die fabrication business in Brooklyn. Mike succeeded

very well as our first cohort at La Guardia Community College, and then he nominated Andy Dimarino, his brother, who is in Congresswoman Meng's district. Andy got into the program and taught us one of the best lessons, and we have seen this example over and over again. He actually merged with a fellow classmate, another landscaper in New York, and now together they are competing for much larger bids throughout the city.

This is that important example and the third lesson and final lesson learned, the impact of peer-to-peer learning. We see that businesses enter the program and they often say to us, "I feel like I am an island all by myself," but when they enter the program, they immediately build a network of support and create a tangible marketplace together. In fact, 70 percent of our graduates are either doing business together or referring business to each other.

We are really looking forward to scaling this program across the country, and we are honored to use the occasion of this prestigious hearing, Mr. Chairman, to announce today that we are launching a national expansion of 10,000 Small Businesses. We are now beginning to accept applications for our first ever national cohort. Any qualified business across the country may apply. Accepted participants will take the full program at Babson College, and we could not be more excited to encourage you to nominate your constituents.

So I just want to say in closing, on behalf of our partners and all of the people at Goldman Sachs, it has been a humbling and inspiring experience to work with Americans across the country, these small business owners dedicated to job creation and growth.

Thank you so much, and I will be pleased to take your questions.

Chairman RICE. Thank you, Ms. Powell. And thank you so much for what you are doing for American business. We appreciate it very much. It sounds like you are doing great things.

Our next witness is Dr. Stephen Morgan, chairman of the Board of Trustees of My Own Business, Inc., an organization that provides online training courses to those looking to learn how to start or grow a business. In addition to his role at My Own Business, Dr. Morgan currently serves as the president of the University of the West in Rosemead, California, and was previously president of the University of La Verne for 26 years.

Dr. Morgan, we thank you for being here and look forward to hearing your testimony.

#### **STATEMENT OF STEPHEN MORGAN**

Mr. MORGAN. Thank you, Chairman Rice and Ranking Member Chu. It is a pleasure for me to have my paying job in your district. Thank you very much. Other members of the Committee, it is a great opportunity for us to discuss small business creation, ownership, and most importantly, success.

I am particularly appreciative of the opportunity to be here as I am the volunteer chair of the Board of Trustees of My Own Business, Inc., a Los Angeles-based nonprofit organization providing free educational tools and training via the World Wide Web to support successful businesses around the world. As you will know, much of the success of our country comes from the fortitude of new business creation, often started by those who seek to create new

opportunity for their families, and that has been particularly true during these very difficult years since 2008.

Please allow me to share with you a story about how our organization came to be. On April 29, 1992, verdicts were rendered in a controversial case involving the 1991 beating of Rodney King. The toll of the riots that followed was devastating. More than 50 people were killed, over 4,000 people were injured, 12,000 were arrested, and a billion dollars worth of property was damaged.

Southern California entrepreneur, Phil Holland, founder of the Yum Yum chain of donut shops in California, watched in dismay during those riots. Having already successfully published *The Entrepreneur's Guide* and *The Moonlight Entrepreneur*, Phil decided that he wanted to go into the riot-torn area to teach those who were in that community how to start their own business. And for the next three years, Phil drove weekly to Compton, California, to teach those courses. The final session of the class was taught in Spanish, and eager, small business owners came by the busload from across Los Angeles to hear Phil Holland's presentation.

Then, in 1994, Phil Holland created My Own Business, Inc., (MOBI), a 501(c)(3) public charity, and he began to build a website so people everywhere could take advantage of a free curriculum designed to share with them the dos and don'ts of starting their own business. The free website courses include quizzes on all subjects contained in the curriculum, business plan templates, 75 video presentations by business experts, and a final examination and certificate of completion for those scoring over 80 percent on the quizzes. MOBI's Growing a Business course includes practical business training specifically focusing on 15 topics necessary for expanding a business.

For the past 20 years, MOBI has offered this free business training to nearly 35 million people who have visited the MOBI website. Since the launch of the web-based MOBI curriculum, 469,000 have completed the courses and nearly 31,000 have applied for the certificate of completion. The MOBI website is viewed monthly by an average of 235,000, resulting in 4,000 students' completion the MOBI courses each month.

In a 2010 study, involving 5,000 MOBI graduates conducted by the UCLA Anderson Graduate School of Business, 22 percent of the respondents indicated their businesses would have failed if they had not studied the topics offered in the MOBI curriculum. Of the 5,000 MOBI graduates responding to the survey, 56 percent have actually started a business, and 77 percent of those who started a company were still in business. Nearly 60 percent of the respondents reported that they had been in business for more than two years, and nearly one-third reported that they planned to hire at least one new employee within the next 12 months.

Three important partnerships have strengthened MOBI's outreach since its founding in 1994. First, for more than 10 years, MOBI has provided its courses to the World Bank. The second important partnership continues with Cisco Systems, Inc., which primarily has used the program in its internationally-focused Cisco Entrepreneur Institute. The third partnership that MOBI engaged in was with the Small Business Administration. For a number of

years until 2006, a link to the MOBI Starting a Business course was provided on the SBA website.

It has been a pleasure for me to have had this opportunity to share the extraordinary service and contributions of Phil Holland, an American entrepreneur who sought to significantly give back by helping others achieve similar success, and all free of charge.

Thank you very much.

Chairman RICE. Thank you very much, Dr. Morgan. It sounds like you are doing big things. Thank you for being here.

Our next witness is Damien Stevens, founder and CEO of Servosity, a growing technology company located in the NEXT Innovation Center in Greenville, South Carolina.

Prior to starting Servosity, Mr. Stevens founded Utopia Net, which was the number one ranked web development company in the upstate area. He also previously founded GSA Technology Council in South Carolina, a community of IT professionals. Mr. Stevens is both a high school and college dropout, but he has been asked to teach at the very same college he dropped out of and has served in advisory capacities for other colleges and universities.

Mr. Stevens, we look forward to your testimony.

#### **STATEMENT OF DAMIEN STEVENS**

Mr. STEVENS. Thank you, Mr. Chairman. I appreciate that.

I want to thank you and the members of the Subcommittee for the opportunity to be here and testify at today's hearing. I am Damien Stevens, the founder and CEO of Servosity.

Servosity provides backup and disaster recovery as a service to a national network of partners or technology companies that service small and medium-size businesses. I wanted to talk a little bit about the story that we have had in our growth.

In 2008, I joined NEXT Upstate and began learning from other entrepreneurs at events such as their CEO Roundtable. Before joining NEXT Upstate, I made all the mistakes myself without the benefit of learning from others, specifically other entrepreneurs, and the challenge is unique to high growth companies.

NEXT Upstate is an organization that attracts and grows high impact, technology companies by developing the entrepreneurial ecosystem needed by these companies and connecting companies to the ecosystem.

In 2009, Servosity moved into a small office in the NEXT Innovation Center, a collaborative workspace formed by a group of entrepreneurs and the Greenville Chamber, which houses multiple high-growth companies. Upon moving into this office, I came into contact with Michelin Development and learned of their low interest loans they offer to small businesses. After being turned down the first time, I persevered and was fortunate enough to be approved for \$100,000 loan for my small business after applying the second time. This capital gave us the bridge to grow from the company we were to the company we wanted to be, to that next level. That gave us the ability to grow to the point we were able to attract and secure private investment.

In 2011, and again in 2012, Servosity attracted private investment capital. In 2012, Servosity announced its expansion into a 3,200 square foot new headquarters at the NEXT Innovation Cen-

ter in Greenville, South Carolina, and our intention to add 30 jobs in the next 18 months. We started off this year with four employees and have 12 now, and we are currently growing and hiring. These jobs are just the beginning; we have the opportunity to employ hundreds of people over the next few years. These jobs we are adding are for software developers, system engineers, support engineers, sales, account management, and business development. The average earnings are \$80,000, and some positions are significantly higher. Those earnings are more than double the average prevailing wage in South Carolina. Not only are we creating jobs in the knowledge economy, we are creating meaningful high-paying positions with nearly unlimited growth potential for employees.

Without the next ecosystem, I would not have learned from other entrepreneurs. I would not have met with Michelin Development to have the opportunity to secure that growth capital. I would not have been able to grow to the next stage to secure private investment capital, been introduced to potential investors, nor would we have attracted the top tier talent to required to grow a fast paced technology company.

Thank you for your valuable time today. I enjoyed being able to share a very small part of our entrepreneurial journey. I would not be here today without the help from so many others. I am so blessed. Thank you.

Chairman RICE. Thank you, Mr. Stevens, for your contribution to small businesses in this country.

I will now yield to Ms. Chu, who will introduce our final witness.

Ms. CHU. I have the pleasure of introducing Kim Pate. She is the Corporation for Enterprise Development's chief external relations officer. She is responsible for the biannual Assets Learning Conference, which brings together over 1,000 leaders in the asset-building field to discuss ways that assets can help create prosperity and expand economic opportunity for low-income people.

Kim also coordinates strategic events, partnerships and communications across CFED's priority areas of work, including asset building, entrepreneurship, tribal state, and local economic development, and affordable home ownership.

Prior to joining CFED, Kim was a deputy director of the national projects for Wider Opportunities for Women in Washington, D.C., which is a multiple strategy, women's employment organization that is recognized nationally for its skill training models, technical assistance, and advocacy for women workers. Kim holds a law degree from the University of California, Los Angeles School of Law, and a B.A. in Political Science from Stanford University.

Thank you for being here, Kim Pate.

#### **STATEMENT OF KIM PATE**

Ms. PATE. Chairman Rice, Ranking Member Chu, and Member Mr. Schweikert, thank you so much for this opportunity to testify on behalf of efforts to support entrepreneurs and specifically, small and micro businesses. We applaud this Subcommittee's focus on this sector.

The Corporation for Enterprise Development was founded in 1979 to support entrepreneurs, and "enterprise," you may say, is our middle name.

Microbusinesses—those with four or fewer employees—account for nearly 90 percent of all U.S. businesses. So that means that roughly one in six South Carolinians and Californians own and operate a microbusiness. This figure is representative nationwide. Microbusinesses contribute to community revitalization, and Mary Gatch, of South Carolina, who started DwellSmart as a retail shop offering environmentally healthy products is a great example of this.

After winning contracts with large green companies, DwellSmart needed a location with a warehouse space and a loading dock to be able to meet all of the demand. They found an unused building in an area of redeveloped downtown Charleston, and with a Charleston local development corporation loan, DwellSmart rehabilitated the property and led to more revitalization in the area.

According to the U.S. Small Business Administration, business created by low-income entrepreneurs have high survival rates ranging from 57 to 90 percent. This is higher than the rate for all small businesses. Microbusinesses contribute to American economic growth and vitality. On average, microbusinesses create 2.9 full and part-time jobs per business. Small changes to enhance the capacity of such a large and productive sector could reap major dividends.

Another microbusinesses example comes from CFED partner PACE in Los Angeles. Deborah Stern attended PACE's entrepreneurial training program while starting a business making tamales. She won a PACE award of \$5,000, which she used to hire two employees and rent a kitchen. Her restaurant, La Guera Tamalera in the Silver Lake neighborhood of Los Angeles has become an area favorite.

Recognizing the importance of microentrepreneurship as a critical strategy, CFED launched the Self-Employment Tax Initiative in 2005, and we had three goals. First, build assets for low-income households; second, create jobs, and third; increase tax revenue by bringing more self-employed into the formal tax system. Most of SETI's local partners are volunteer income tax assistance or VITA programs, and these VITA programs provide free tax support to low and moderate income taxpayers. There are nearly 6,000 VITA community-based sites throughout the country. For example, in Horry County, South Carolina, you can find VITA programs at several libraries. In California, VITA assistance is offered through the Monterey Park Bruggemeyer and at El Centro de Accion Social in Pasadena. VITA is a good example of successful public-private partnership. In South Carolina, California, and the rest of the country, the VITA sites represent local community efforts supported by federal grants, state and local funds, and philanthropy all coming together.

According to a 2012 National Community Tax Coalition (NCTC) report, VITA helped more than three million taxpayers claim \$2.2 billion in tax refunds, while saving the federal government 5.5 million in reduced processing costs. So while VITA assists some low-income entrepreneurs, IRS restrictions on allowable VITA activities have prevented many self-employed earners from receiving any assistance at all.

Recognizing that VITA's narrow scope meant that sites were turning away microentrepreneurs with few other options, NCTC led an effort with CFED and the IRA to build on CFED's SETI program. In 2010, we launched the Schedule C VITA Initiative with 16 pilot sites that have served business with up to \$25,000 in expenses. In its three years of operation, the Schedule C VITA initiative has not only brought thousands of low-income entrepreneurs into the VITA system, it has done so without reducing tax filing quality.

Our current research is examining how other systems, three key federal policy systems—tax, but also workforce and post secondary education—are supporting or failing these entrepreneurs. And while this research will reveal new forms worth considering, this Subcommittee need not wait to act in support of microentrepreneurs. As you may know, in the previous Congress, Ranking Member Chu proposed one significant step forward, the Entrepreneur Startup Growth Act. And this legislation, which is based on CFED's SETI program, would have provided additional support for microentrepreneur tax-filing assistance. The \$1.5 million authorized by this legislation could support hundreds of local VITA sites to serve thousands of entrepreneurs.

So in conclusion, Chairman Rice, Ranking Member Chu, members of the Committee, I would like to thank you again for inviting me to testify today. We at CFED are eager to work with the Subcommittee to expand economic opportunity, create jobs, and support microenterprise. We would be happy to answer any questions. Thank you.

Chairman RICE. Wow, what a very impressive panel. I sure appreciate what you all do. I do not think there is anything more important than job creation and economic development and you are right at the heart of it, and I so appreciate what you do.

Ms. Pate, I have to correct you on one thing. You said Horry County, South Carolina, H-O-R-R-Y. I was the chairman of that county and my wife said, "I am not the First Lady of Horry County. It is Horry County, thank you very much."

Ms. PATE. Duly corrected.

Chairman RICE. She would be very upset if I did not correct you on it. You know, I was a tax lawyer and a CPA in my real life for 25 years, and I think one of the biggest problems that businesses face is uncertainty. I think if they do not know what the rules are—it is hard to play the game if you do not know what the rules are. And so I think Washington is one of the biggest creators of that uncertainty. Here we have been operating under a continuing resolution for years. We have not had a budget for years. We are considering the adoption of a continuing resolution for a few months to get past this, that, and the other. We have got this healthcare law getting ready to hit on January 1st. I do not think anybody really knows the effect of that. People say they do but I do not think anybody really knows the effect.

What I am curious about is from your perspectives, I am getting a lot of calls in my congressional office about these things. How is the uncertainty around the Affordable Care Act affecting the small businesses that you represent or work with?

Ms. Powell?

Ms. POWELL. Thank you, Mr. Chairman.

You know, for the past three years we have heard a lot of different challenges from small business owners, and I think that it affects certainty—and many of those challenges relate to workforce issues.

Maybe I will just backup a second though because you mentioned something about yourself and your career prior to being a member of Congress serving for 25 years as a successful tax lawyer. I cannot tell you the amount of legal issues small business owners face, and that is probably an area, whether it affects regulation around healthcare or employee relations or access to capital, that they know the least about and there are the fewest programs out there for them. I am sure your law firm in South Carolina used to do pro bono work. We have been so pleased to see a number of law firms around the country come to us and say, “Can we work with your small business owners?” So we now, in every single region that we operate, have law firms like Weil Gotshal, Latham and Watkins, many, many, doing an entire legal clinic. And I do think one of the areas that our small business owners will certainly ask about are many of the regulations that affect their workforce. And so I think that is something we are hopefully preplanning for by giving them an outward connection to these lawyers.

Chairman RICE. I had a fellow in my office yesterday who owned two franchise auto service and he had 40 employees and he did not want to open a third one because he would go over 50 employees. Are you hearing things like that?

Ms. POWELL. You know, we are hearing a number of challenges but I cannot say it is specifically that. I mean, I will tell you the truth, when you get into 10,000 Small Businesses, you are really focused on whether or not you are going to be able to grow your business. That is one element. But as Ms. Pate was talking about, the largest growth opportunity in terms of job creation are coming from small businesses—four, five, six employees—but they could get to 40, could get to 100. And I think that there are so many challenges that we hear. Do you know what the biggest one is? All I do is work in my business, not on my business. I do not know how to be a CEO. I do not know how to make contacts. I do not know how to address all these legal issues. So I would say we are hearing a whole bucket of different issues.

Chairman RICE. Thank you.

Dr. Morgan, another thing I am hearing from a lot of people, particularly in the service business, is that they are cutting their employees back to 29, 28 hours a week. Are you hearing a lot of that?

Mr. MORGAN. What we see is that entrepreneurs have a passion. They are driven to start their own business, and that passion is a powerful fuel. And once they get into their business, there is a great deal of red tape that the small business owner faces. And the uncertainty of future legislation, whether it be ObamaCare or whether it be other legislation, is what really concerns them, because most of them do not have a staff. They may not have an attorney on retainer. They may not have an accountant on retainer. And it is the answers to those questions that puzzle them and trouble them, and certainly they think about that before they hire people or expand their business beyond a certain level.



Chairman RICE. Mr. Stevens?

Mr. STEVENS. I appreciate that, Mr. Chairman.

I can at least speak for our company. We are not at the size that we have to worry about being 50 employees or something related to healthcare additional complexities, but that uncertainty has created issues for us. We want to focus on growth, delivering the best service to our customers and not be concerned with the uncertainty. So I know from our perspective, uncertainty has been a problem, and the way that we addressed it is we are working with a co-employment firm and essentially we get to give them the headaches of dealing with the healthcare issues. And whether we are at 12 or whether we are at 112 employees, we have a predictable path and cost structure to get there. So that was our way of trading uncertainty for certainty, and it certainly has its costs and expenses. I can tell you, obviously healthcare costs continue to rise and are a big issue for a small business. And for the first several years we were unable to offer healthcare. Financially, it just was not feasible. We would have had to hire less people or not grow. And I am thankful to say that we do offer, of course, healthcare today and that has been a big issue on our minds.

Chairman RICE. And Ms. Pate?

Ms. PATE. I think that Ms. Powell pointed out a really important need in the field, which is that entrepreneurs are finding themselves surrounded by questions of legality, red tape, taxes, et cetera, and this is another thing for them to be worried about. So what we—

Chairman RICE. And do you agree that most of that comes from Washington, D.C.?

Ms. PATE. Well, to the extent that this is the seat of government authority and power, a lot of it is coming from D.C. And so especially the entrepreneurs who are rural, who are disconnected from cities, who do not understand the government process or the legal processes are feeling very concerned about the viability of their businesses with all of this change. So what a lot of successful programs like PACE in Los Angeles are doing is looking at integrated service delivery so that they are providing access to taxes, which is a moment that you can grab people in and say, "And by the way, are you familiar with the Affordable Care Act and the changes? Are you familiar with regulations related to your food business," et cetera. So it is like we are meeting the entrepreneurs where they are, with every need that they may have.

Chairman RICE. It is hard to be familiar with regulations that have not been written yet. You have to have ESP.

Ms. PATE. Yes. Or good lobbyists in Washington.

Chairman RICE. I am a big fan of Michael Porter. You mentioned him earlier. An expert in national competitiveness. And he is a firm believer that our tax code makes us not competitive worldwide.

What do you all think about that? Do you think we need tax reform? I do. I am curious.

Start with you, Ms. Powell.

Ms. POWELL. Well, can I say one thing about Dr. Porter? I think he sees a number of things that the United States could improve on to be way more effective.

One of the reasons we were really honored he was a co-chair of the program is that over 15 years in running the Initiative on Inner City Competitiveness, he actually did an analysis that showed these inner cities, these urban communities are really not just the right thing to do in terms of an investment but they are the smart, economic, strategic thing to do because they are underserved populations that do not have access to capital, that do not have access to job growth. And he tracked businesses for 15 years and found that 70,000 jobs came directly from those communities when the business owners were served. And I think that was something that was new because it was really data that showed there is growth opportunity, not just a good thing to do in terms of investment.

I could not speak directly to the tax reform issue, Mr. Chairman, but I do think that the most important thing we have learned is that we need to be bringing stories to you of your constituents and the small business owners that we see. And increasingly, our small business owners know now where to go as they come into our program or some of the programs here, that their voices matter to you and that they need to be talking. Certainly, in our legal clinics, taxes come up quite a bit.

Chairman RICE. Thank you, Ms. Powell.

Dr. Morgan?

With all due respect to CPAs and attorneys, Mr. Chairman, I would like to say that the entrepreneurs who start small businesses would like to spend as little time and as few of their resources on those services as they possibly can and move forward with growing their business and being successful entrepreneurs.

Chairman RICE. So you are thinking a simpler tax code would be a good thing?

Mr. MORGAN. So my belief is that if we can simplify the tax code and other laws that are coming down or that are out there in uncertainty land, the easier it will be for entrepreneurs to be successful, particularly in challenging economic times.

Chairman RICE. I completely agree with that. I think we can compete with anybody worldwide, but the government stands in the way.

Mr. Stevens, what do you think about that?

Mr. STEVENS. Mr. Chairman, I agree. I think Dr. Morgan put it well that all things being equal, simplicity is better. As a small business, and as one that speaks with a number of entrepreneurs, uncertainty and complexity are the enemies of growth. We need to focus on innovating and creating jobs and serving the customers and delivering what we do and spend less time on uncertainty and tax issues and other things.

Chairman RICE. Comply with government red tape.

What do you think, Ms. Pate?

Ms. PATE. I think that entrepreneurs that do not understand the tax code have three choices. One is to just figure it out themselves. The second is to hire a commercial tax preparer. And the third is to not file. If they do it on their own, the chances are that they will make mistakes and they will incur liabilities that they are not prepared to pay. If they hire a commercial preparer, they may be paying exorbitant rates or—

Chairman RICE. That is clearly—as a tax lawyer, let me say that is money well spent.

Ms. PATE. Yes. Yes. Assuming they can afford it, right? It may be out of their ability, right, as brand new businesses. And third, not file. And if they do not file, we know what happens then. They are contributing to the tax gap and they are making themselves unqualified for any support through the tax code and also for earned income tax credits, child tax credits, and other benefits they may be eligible for.

Chairman RICE. Well, I completely agree with you. I think our businesses can compete with anybody, but the government has got a noose of red tape around their neck and we have got to do everything we can to loosen that and make the road ahead as easy as we possibly can. We do not need to be an obstacle; we need to be somebody that encourages and makes it easier for business.

Thank you very much. Next up will be the ranking member, Ms. Chu. And I am going to leave now. I cannot thank you enough for being here and what you do to encourage business and jobs in this country. Thank you.

Ms. CHU. Thank you.

I am going to yield to Congressman Schneider, because he is under time pressure due to a competing committee. So Congressman Schneider.

Mr. SCHNEIDER. Thank you very much. And I thank you for letting me jump ahead of the line, so to speak.

If any of you in your small business or small businesses you advise can try to find a way to be in two places at one time, we all would be so grateful.

Speaking of grateful, let me say thank you for what you all are doing. I spent my career as a small businessman mostly advising other small businesses. I know the companies you are dealing with. In particular, I know startup companies are dealing with so many challenges. For a lot of them it is their dream. They are going to cobble together all the pennies and nickels and dimes that will get them to there, and every single penny they spend is crucial and it can be the difference between success and failure. And so much of what they are facing they are facing for the first time. So to have guidance is also crucial. But they cannot afford the guidance oftentimes, whether it is a CPA or an accountant, or in my case, a strategy consultant. These small companies do not have the resources to reach out to people who are providing those for a fee. And whether it is a volunteer organization or a group like 10,000 Small Businesses from Goldman Sachs or what you are doing, Ms. Pate, is critical because these companies grow. They start out. Maybe it is a barber shop or a delicatessen or even a food cart, and they start out with that but their aspirations are to be something great and you provide them the pathway. So let me just again say thank you for what you are doing.

In that context, some questions I would love to explore.

In today's environment—and Mr. Stevens, I left you out as a small businessman, so maybe I will start with you on the question—there are things I think the government does do to help, and yours is a technology business, things like 179, the accelerated de-

preciation, how important is something like that as you decide where to put your money to grow your business?

Mr. STEVENS. Thank you. I appreciate that. That is a great question.

That has been help for us, the section 179. I know other business owners say it has been the deciding factor whether or not to invest further. For us it has not been. We have been fortunate enough to grow dramatically either way, and really before growth, even if it was not ideal from a tax or other perspective, but I have spoken with many entrepreneurs where that influenced their ability to invest in their business, buy additional equipment, do the other things they wanted to do, which later led to additional job creation. And without that credit they would have either not done it or put it off another year or another two years.

Mr. SCHNEIDER. Great. Thanks.

From your experience, the rest of the panel, are you seeing things like that, other things the government does that helps the client companies you are working with?

Ms. Powell?

Ms. POWELL. Thank you for the question.

Ranking Member Chu described one that we have been very proud to partner with, which are the SBDCs. These local small business development centers are working with hundreds and hundreds of small businesses and they are bringing them in and assessing their needs, and then being able to refer them to one of our organizations or many of the other programs out there. So we have a large nominating partnership with them across the country. And what I think they are also trying to do is one of the things we have learned is that 10,000 Small Businesses is not a lecture format. We put every cohort in growth business groups, and so they actually, as I mentioned earlier, have this peer-to-peer learning and they are teaching each other or they are relying on each other. They are like living case studies of challenges. The businesses may be extremely diverse, but the challenges are common. And one of the most interesting things we have seen is how they then recommend government contracting programs. They teach some of the minority-owned businesses—women-owned businesses, and other minority-owned businesses to apply for that status, which would surprise you, Congressman, how few businesses out there know there is this referral network that is created. So I would highlight the SBDCs and just the opportunity in some of the government programs to build these networks in communities across the country.

Mr. SCHNEIDER. Great.

Dr. Morgan?

Mr. MORGAN. Congressman Schneider, we refer our students to many of the federal government websites, and particularly to the SBA for assistance in starting their businesses and in funding their businesses. And moving ahead with the challenges of understanding the laws and the rules and regulations. So you are absolutely right. There are many resources available through the federal government for our small business entrepreneurs.

Mr. SCHNEIDER. So I see I am down to my final 30 seconds, so let me just close with a comment. And again, a congratulations. The other Committee I am balancing is Foreign Affairs, so con-

gratulations on 10,000 Women. That is an incredible program Goldman does and is a thing that I think everyone in the United States should be proud of.

With small businesses, the idea of partnerships, the public-private partnerships where government works with nonprofit organizations like what you are doing, with private companies like what Goldman Sachs is doing to help drive the engine. Sixty-five percent of the jobs in this country are created by small businesses. Fifty-five percent of the jobs are in small businesses because some of those small businesses grow to be large and it moves the numbers. If we are going to have another American century, it is going to be on the innovation, creativity, and entrepreneurial spirit of the companies you are helping. So again, thank you for all that you do.

Mr. SCHWEIKERT. [Presiding] Thank you to the gentleman from Illinois.

Ms. Chu, can I extend you a courtesy, if you would like to?

Ms. CHU. Thank you, Mr. Chair. I appreciate that.

Well, Ms. Pate, your organization's SETI has awarded more than \$500,000 to 40 organizations to offer tax preparation services. If these services were not available to small businesses, the micro-businesses, where would these individuals go for tax preparation services?

Ms. PATE. There is not a lot out there for them, frankly. As I mentioned before, if they choose to do their taxes on their own they may have trouble with that. We only at this point have 16 pilot sites in this VITA initiative with the IRS and NCTC, and what we are finding is that over 50,000 of the people who go through these VITA Schedule C programs return to get their taxes done the following year, so we see a lot of interest and need through just these 16 pilot sites, so we can only imagine what would happen if this was available on a broader scale, and it is possible that that could happen through VITA. But we also need efforts like the Entrepreneur Startup Act that you introduced last congressional session because it would create much more ability for more than just VITA programs to provide free and low-cost tax preparation. It could be done at a state agency level. It could be done at a local agency level. It could be done in a public-private partnership. There are many, many opportunities to expand this model of free and low-cost tax preparation far beyond VITA and make it not as dependent, frankly, on the VITA pilot that we have been pursuing.

There are a lot of microenterprise development organizations that get funding from the small business programs, including the program for investment in microentrepreneurs, women's business centers. You mentioned the SBDCs and also the microloan programs that are trying to serve entrepreneurs best as they can but their focus has necessarily been on lending and training and technical assistance and not so much in the tax field because you must have specialty and expertise as we know. So we need to focus on making opportunities much more plentiful for tax preparation than they currently are, and the way to do that would be to create some legislation that would enable that.

Ms. CHU. Thank you for that.

Also in your testimony you mentioned PACE, an organization, of course, with which I am very familiar because it is in Los Angeles,

and you talked about a business that received a grant from PACE for \$5,000 which it used to launch a restaurant. From a program-wide perspective, how successful is the PACE program in cultivating long-term successes like that of the restaurant owner and what could we learn from it?

Ms. PATE. So PACE is a wonderful example of one of these integrated service delivery approaches that I mentioned earlier. So they provide workforce training. They provide business development training, financial education, individual development accounts which are matched to savings accounts. And in the fiscal year 2010 through 2011, and cumulative, they had a number of successful outcomes. First, they served 3,526 entrepreneurs; they started 142 new businesses; 400 businesses were either stabilized or expanded; 542 total businesses were assisted; 981 jobs were created; \$108 million in sales or gross revenue was obtained; and \$9 million in tax revenue generated for local government by businesses assisted through PACE. So these are outcomes that are pretty stunning for a nonprofit but they are not unusual. There are a number of other microenterprise development organizations throughout the country as evaluated by the field program at the Aspen Institute through their Microtracker Program where the data suggests that since the Great Recession, microenterprise development organizations have increased their lending by 25 percent and the number of individuals assisted by 15 percent. Outcomes data collected in 2011 from 1,200 microentrepreneurs served by 23 organizations demonstrate the power of these small businesses to produce jobs for their owners and for others, and many of these small business owners are disadvantaged otherwise in the labor market. So they were having a hard time getting a job, so creating their own job was their best option.

Ms. CHU. Thank you.

Ms. Powell, how do small businesses find out about the 10,000 Small Business program, and what is the best way to reach out to these small businesses so they know about it?

Ms. POWELL. Well, first, we appreciate champions like you who refer them to applying, and then that is where I think our community partners really come in, whether it is the NFIB, the local chambers, Hispanic chambers. One of the things that was really important to Goldman Sachs as a firm was that this is not just our effort, but rather it is this consortium of institutions who are committed across the country. It is also why when we go to a market we are not trying to have a generic imprint but rather a customized local imprint that is developed along with the local community because that is how we can ensure that it will really build a capacity that can last. So we have a lot of advertising for the program the SBDCs recruit. The community college in each district puts out calls for applications, and today, with the launch of the national program we hope people will go to our website, [gs.com/10000smallbusinesses](http://gs.com/10000smallbusinesses), and learn how to apply from throughout the country for this program.

Ms. CHU. And what businesses are the ideal fit for your program?

Ms. POWELL. Well, we are really hoping that Damien, that Mr. Stevens will apply, because he is a perfect target. As you can tell,

he has had a proven track record. He already has 12 employees and when he said earlier that he was looking for access to networks, I think that is what we could really provide. I think he would be able to pitch Servosity very well to other small business owners in the program. But really, it is businesses that have been operating a couple of years, at least four employees, that are poised for growth, and that we believe this program can really make a difference in.

Ms. CHU. And you have worked with community colleges to ensure that business owners get training. So far what has Goldman Sachs learned about the capacity of community colleges to educate entrepreneurs?

Ms. POWELL. Well, thank you for that question. We have been really impressed with the community colleges that we have worked with throughout the country. Community colleges, as you know, are one of the most important platforms now in higher education in the United States, particularly when you have a program where adult learning is central to it. And so they are experts in adult learning, in short-term programming, continuing education, but importantly, they are often the bedrock of a community, and immigrants and a very diverse set of individuals feel very comfortable going to a community college. What we learned though was that while they had a lot of workforce training programs, and that is certainly an expertise of community colleges across the country, they did not necessarily have entrepreneurship centers or centers where you are not learning to train for a specific job that someone created but rather you want to learn how to create jobs through your business and grow your enterprise. And so I think that is what we believe is the lasting piece of the infrastructure we have invested in which are these entrepreneurship centers. More than 200 community college professors have been trained through 10,000 Small Businesses. All of the community colleges have access to the curriculum. And then we are very pleased now that we are leaving a legacy of local case studies in each of these communities. So we have been impressed with their dedication.

The final thing I will say is that community colleges are entrepreneurial themselves. No offense to the four-year institutions that we are also proud of. I will say we see them being incredibly entrepreneurial and this is a program where you have to start from scratch, you have to get the results back, and make adjustments to make it even better, and we have been really, really pleased to see it. And we are honored to have Walter Bumphus who is the head of the Association of Community Colleges, on our advisory council helping us kind of implement these lasting learnings across the country.

Ms. CHU. That is very impressive, and I am sure you are going to see multiplier effects from training so many professors in the community colleges.

Dr. Morgan, it is so impressive that MOBI was able to develop its program on its own. Does MOBI work in tandem with the SBA's entrepreneurial programs? And considering your extensive experience training small businesses, what are some of the things that similar SBA programs could do better?

Mr. MORGAN. Well, as I mentioned, MOBI was on the website of the SBA until 2006, and then there was a disagreement about intellectual property rights for the MOBI curriculum. And the MOBI board did not want to give up the ownership of their intellectual property rights, so the SBA removed us from their site. But we would like very much to continue to work with the SBA. We have a curriculum. We update that curriculum. In fact, we will soon be relaunching our website before the end of the year with a more modern, up-to-date curriculum and with new video. And we are also looking at technology and how do we continue to expand MOBI's force around the world. So we would like to be in partnership with the SBA. We do refer our students to the SBA on a regular basis for the services that they provide so well.

Mr. SCHWEIKERT. As you will learn, we have lots of bells and buzzers. I have been here three years and I still have not figured out which bell means what.

[Recess]

Ms. CHU. I will ask then a couple more questions and yield to the chairman.

The other thing I was very impressed by, Dr. Morgan, was you talked about the fact that you had classes that were taught in Spanish and that prompted eager small business owners to come by the busload from all across Los Angeles. Can you share with the Committee what kind of difference language access has made for non-English speaking entrepreneurs and what training in other languages benefit the business community and job creation?

Mr. MORGAN. Well, we have just launched our [myownbusiness.org/espanol](http://myownbusiness.org/espanol), and it is the website in Spanish for Spanish-speaking patrons of MOBI. And we have now 16,000 people per month looking at that website and beginning to utilize it. So we want to continue to expand our MOBI base and we want to continue to convert it into additional languages so that all people can access it and make use of our curriculum.

Ms. CHU. Very good.

Mr. Stevens, based on your testimony it sounds like the NEXT Upstate provides an ecosystem for high growth entrepreneurs to learn from each other and grow. What sort of information and education were you able to receive from your fellow entrepreneurs that you were not able to receive elsewhere?

Mr. STEVENS. Yes, thank you, Ms. Chu.

This particular ecosystem has really been fundamental in our growth, and I guess as Ms. Powell pointed out as example, the community colleges did not have an entrepreneurial program. A lot of those resources to learn how to go from point A to point B and then point B to point C were not there and the NEXT ecosystem emerged really with entrepreneurs and the Greenville Chamber to become its own economic development initiative but driven by and chaired by the entrepreneurs. And so the entrepreneurs decide what happens, what is needed. The committee decides what we need as entrepreneurs. And so it changes. Things change. When the Affordable Care Act came up, we brought in people to speak about that. When taxes become an issue, we have people speak about that. Legal issues, growth issues. So just about anything you could mention, we have brought in speakers to help educate. We



have had CEO roundtables to help peer-to-peer facilitation. And we have even had special groups formed to address certain issues that only a subset of the group is interested in.

Ms. CHU. Thank you. I yield back.

Mr. SCHWEIKERT. Thank you, Ranking Member Chu.

And for My Own Business we have actually handed out that website many times at many of the different forums. Can I actually solicit a couple questions and give me some education here?

If you were—we will call it a microbusiness—and are we comfortable with the definition under 10 or do you prefer your definition of under four?

Ms. PATE. Under 10 is fine.

Mr. SCHWEIKERT. Okay. Under 10. In today's world, in the United States, what do you think your single, biggest difficulty is?

Ms. POWELL?

Ms. POWELL. Difficulty if you are a microenterprise?

Mr. SCHWEIKERT. Yeah. So you are the 10-person plumbing business or little retail business. Because where I am trying to lead to is my understanding from what we have picked up from national datasets is access to capital. I have amazing appreciation for education on how to do that but loop it back in. I mean, does anyone disagree with being able to find money?

Ms. POWELL. Well, thank you for asking that, Mr. Chairman, because that is why our program believed that you cannot—in order to spur the most growth and to support these businesses most effectively, you have to have three legs of the stool—education, capital, and mentoring and networking. And that is why we actually committed, of the \$500 million, \$300 million was committed to capital. And a very specific kind of capital if I may describe it. We are actually providing that capital to a nonprofit lending platform called Community Development Financial Institutions. Those are lenders who are trying to give access to capital to the business owners you are describing.

Mr. SCHWEIKERT. Can I back up just a tiny bit on you? We have also had some of the folks from—is it Samuel Adams Brewery—come talk to us and the amounts of money they have been putting out in the street in microlending to small businesses.

Ms. POWELL. This is not microlending.

Mr. SCHWEIKERT. Well, I think they go up to 10,000.

Ms. POWELL. Yeah, we go up to 750,000, the average loan for us. And so we are above the space. I think that is what is important, is there is a lifecycle of a small business owner. So you might start out as a four-person Mexican restaurant and you can grow into a catering business, et cetera.

Mr. SCHWEIKERT. I am with you on the—where I am trying to get to is okay, we have had a conversation here of there is some platforms, though you believe it needs more growth and more government sponsorship, of tax preparation help, of mentoring and education. You are actually sort of covering all there with both the mentoring and access to capital, and trying to teach. I have done these classes where you teach folks how to write a basic business plan. One of my great passions and concerns is there are a lot of wonderful actors out there in the community. Goldman Sachs, what they are doing is at a completely different scale than much

of what we see, but if I turn to Dr. Morgan and say your website for the Phoenix market or the LA market, can you have on there everything? Here is the website for the Department of Revenue. Here is how you file your form online. Here is your health license at the county. Here is how you get your tax ID number. Here is how you make an app for this. Are we seeing any unifying force out there that is bringing all those options together? So if I am that really busy entrepreneur and do not get to have time to go sit in class and sit with my mentor, at least I have access to information that also leads me to that capital and leads me to that information?

Ms. POWELL. Well, I do think you are hitting on something that is a great need, Mr. Chairman, and I think one of the best things that this Committee hearing is doing is bringing all of us who are doing different pieces of the work together. And I do think that is an opportunity for this Subcommittee, frankly, to bring together more of the public-private partnerships, showcase them together, and have us frankly not only work more together but find ways to advertise our work in a more comprehensive method.

On the capital piece, for example, the work that Ms. Pate is doing is helping microlenders. We hope that the work that we are doing, what we call small and medium-size borrowers who do not have access to capital, and then there are other forms at the end of that lifecycle when you have—when Damien breaks 100 employees and can go access a large commercial bank loan, that capital is we hope increasingly available. What we are trying to do is target markets where capital does not now flow to those borrowers.

Mr. SCHWEIKERT. Well, we are going to come back and talk to that because I still think we are hitting very close to sort of a revolution in access to capital with crowdfunding, if the SEC ever finishes its rule sets and some of these other things out there.

Dr. Morgan, if I right now lived in wherever in the United States and wanted to go online and have a single porthole telling me my access to information, my regs, my filings, my access to money, does such a thing exist, and are you trying to get it there?

Mr. MORGAN. Mr. Chairman, you ask a question that our board has spent time discussing because to our knowledge there is not that location, that website where you can get all of that information. And we have talked about a continuing education program for our entrepreneurs, for our graduates, so that we can continue to have a discussion where the entrepreneurs share that kind of information. As they seek it out, they would put it on a website. They would put it—

Mr. SCHWEIKERT. So you would crowdsource the information?

Mr. MORGAN. So we would crowdsource the information; exactly.

Mr. SCHWEIKERT. Okay.

Ms. Pate, in your watching the world, do you see such a porthole with that information coming together?

Ms. PATE. Thank you for that question, Mr. Chairman.

There are organizations at the national level, like the Association for Enterprise Opportunity (AEO), that are working to create these kinds of platforms in partnership with the private sector.

Mr. SCHWEIKERT. Can I ask you just a one-off question?

Ms. PATE. Sure.

Mr. SCHWEIKERT. If you were to think about all the different groups that are out there trying to help small businesses, and those that we have created here in government, but also those I have created from my university, my community college, my NFIBs and all the other groups, I mean, just off the top of my head I bet you I can name two dozen.

Ms. PATE. And that does not even count the local organizations that are providing that kind of one-stop shopping for their clients.

Mr. SCHWEIKERT. I am trying to think of the microentrepreneurs that you and I have all met in our political lives. They are wonderful people. Their lives are so incredibly busy. Time is in many ways their most precious commodity. And my fear is our attempt to help, one of the most powerful things we could all do is sort of narrow that portal.

Ms. PATE. So may I make a suggestion? Years ago, when I first came to D.C., I was part of a Clinton administration intra-governmental task force on microenterprise, and it brought together the Department of Treasury, the Department of Labor, the SBA, the Department of Education, all of the relevant agencies on a monthly basis, and we all came together—nonprofits were invited to the table, as well as the private sector—to talk about how to be more cohesive and aligned in the way we deliver services to the field.

Mr. SCHWEIKERT. From just a personal standpoint, I believe actually Dr. Morgan may actually have the solution and that is the crowdsourcing of information. Whenever we build bureaucracies to try to help us do it they mean very well but they do not move fast enough, and then you get people who fuss over who owns this copyright, who does not do this, or you do not get to be on the website. There has got to be a better way to do it because if you have the 800 pound gorilla, like Goldman Sachs—excuse me, 800 pound helper—it is a very friendly, it is a cuddly gorilla. Those sorts of resources and talent for all these groups that—I used to be treasurer of a very, very large county and just the number of businesses that would come in every day trying to understand where they get their licenses, what are their tax liabilities and those things, and we found when we built really strong, powerful websites they stopped calling because they got the information easy and we stopped burning their precious time.

And the last bit of my rambling here, I really believe with what we all did in bipartisan fashion now two years ago in the Jobs Act—there are things we are going to have to find a way to clean up and fix because there are problems in the design and we need still for the SEC to finish its rule sets, but the future crowdfunding where it may be the tiny little bakery, it may be up to the million dollars, there is a revolution coming for raising money. Will we have the backbone to educate our small entrepreneurs out there how to access it?

With that, my friend from New Jersey, you are up.

Mr. PAYNE. Thank you, Mr. Chairman and Ranking Member Chu. I appreciate this opportunity to ask my question.

The panel's testimony is very encouraging and I applaud your effort to support entrepreneurs and small businesses.

I notice that several testimonies reference the use of government program or resource supplement to supplement your efforts or at-

tract additional private dollars. This is also encouraging as we work to support and strengthen these programs. So my question is, several of the testimonies also spoke to efforts of supporting low-income or disadvantaged business owners. Can anyone speak to the challenges that have been identified facing this particular population and your company's efforts to address them? And does anyone have suggestions on what we can do at the federal level to better support these businesses?

Ms. Powell?

Ms. POWELL. Thank you very much, Congressman Payne, and we are honored to have a number of your constituents who have graduated from 10,000 Small Businesses, and actually, a number of them who came through nominations from Marc Morial and the National Urban League in the area.

I think that one of the learnings from 10,000 Small Businesses, particularly because we are implementing our program through community colleges, and I was referencing earlier the fact that these academic institutions draw from the community and often do have a higher percentage of disadvantaged communities. Our businesses, our 10,000 Small Business graduates are actually 50 percent women- or minority-owned businesses, and this is something that we have been extremely proud of, although we are open for all businesses to apply. But I think what is happening is that this particular program and the suite of services it is providing is needed in communities where there are very hard-working, passionate small business owners who are saying, "I just need a little bit of knowledge, some capital, and mentoring support and I will do the rest of the work. I will make the business grow."

I will give you one example, if I may, which is Saudia Davis. Saudia is a graduate from our first cohort in the New York/New Jersey area. Saudia has started a company called Eco-Cleaning in honor of her grandmother, who sadly died of cancer as a result, she believed, of the carcinogens in the chemicals she used as a housekeeper for more than 25 years. So she wanted to start a commercial cleaning company that used eco-friendly products. She had started the business, had been operating for two years, got into 10,000 Small Businesses, learned how she needed to train her workforce better, write a growth business plan, pitch, become a minority-owned business so that she could compete for other contracts. I am so proud of her and the results she has had. She has created more than 15 new jobs. American Express named her as one of the Make Mine a Million business owners. She accessed capital from Seed Co. Financial, her first loan from a CDFI in New York that is one of our nonprofit lending partners, and she is just doing terrific. She has become a role model in the community. So we have so many examples where if you provide access just to the tools, these extraordinary small business men and women will do the rest of the work.

Mr. PAYNE. Absolutely. I totally agree with you because in a lot of situations we find just a little technical knowledge, you can see the spirit. You can see that they are ready and willing and the effort is there but they do not have the technical knowledge. There are certain small aspects that they need to make them successful, so I really applaud a program such as that.

Anyone else? Dr. Morgan?

Mr. MORGAN. Congressman Payne, thank you for the question.

Our program started in Compton, California by Phil Holland, and Phil knew that that was an area with a high profile of minority population and a lower socioeconomic community, and he has been absolutely committed from day one that our program will be offered free of charge so that there is no barrier to people accessing the education necessary to start your own business. And one of the major emphases of our website is how to develop a business plan that will help our entrepreneurs compete for capital in the capital market. So MOBI will continue. It is being funded by estate plans from Mr. Holland long into the future so that it continues to be accessed free of charge by any person who wants to start their own business.

Mr. PAYNE. Thank you, sir.

Ms. Pate?

Ms. PATE. Thank you, Representative Payne.

We, at CFED, have focused for the last 45 years on low-income and minority communities, women, people with disabilities, and eradicating some of their barriers to starting their own businesses. So we fight very hard at the federal level to promote year after year funding for the Small Business Administration programs that are surveying this population. However, there is never enough funding through these programs and they are not, frankly, reaching some of the hardest to serve, most disadvantaged entrepreneurs. And what we are hopeful is that through the work of groups like MOBI and others, 10,000 Entrepreneurs, et cetera, that we can begin to raise the level of awareness that programs are out there and that they are having this kind of wonderful impact and maybe get more funding in the market for these groups. I do know that the work of the NAACP, in addition to the work of CFED and the Northwest Area Foundation will be producing next week in the Northwest a series of informational conversations about African-American asset building and entrepreneurship in particular, and I am helping to lead that effort. So we will be unearthing what we think will be some barriers to accessing those services and getting a better sense of, well, who are serving entrepreneurs of color and women? And what are some of those gaps, and how can we begin to close them?

Mr. PAYNE. Well, I appreciate and commend all your efforts. It is my constituents that are looking for these opportunities, and it is a leveling of the playing field. I am not looking for people that are just going to show up, but we know that there are so many people that have the entrepreneurial spirit but just have not had the training and understanding of it. First generation entrepreneurs. They do not come from a history of that, their father and their grandfather. So this little push and this help in getting this population ready and prepared helps the nation because if they are able to build these businesses, then they do not have to look on the other side for the help that they need if they are not successful. So this helps the nation become stronger in serving its population, and I commend all your efforts. Thank you. I yield back.

Mr. SCHWEIKERT. Thank you, Mr. Payne.

With that, I think we are going to shut down. Although I will tell you I was all giddy when I heard MOBI was here. Now, for those my age it is a very popular musician. I am very fond of him.

Mr. MORGAN. I am sorry to have disappointed you, Mr. Chairman.

Mr. SCHWEIKERT. Yeah, it is okay. I think he would be creeped out to have a conservative republican as one of his fans anyway.

But with that I want to thank you for your participation today. The testimony given to us and the examples of the private sector providing small business with the knowledge that they need to achieve and maintain success. Through your efforts, entrepreneurs are gaining the skills they need to adjust to the steep learning curve that comes with starting their own business in today's challenging environment. It has been an honor for the Committee to have you here. Be prepared. There may be some other questions and some other members here who are not here who may reach out to you and ask for your help for some input.

I ask unanimous consent that members have five legislative days to submit statements and supporting materials for the record.

Without objection, the hearing is now adjourned.

[Whereupon, at 11:29 a.m., the Subcommittee was adjourned.]

## APPENDIX

**Testimony from Dina H. Powell**  
**Director of Corporate Engagement, The Goldman Sachs**  
**Group, Inc.**  
**President, The Goldman Sachs Foundation**  
**House Committee on Small Business**  
**Subcommittee on Economic Growth, Tax, and Capital**  
**Access**  
**September 19, 2013**

Chairman Rice, Ranking Member Chu, Members of the Subcommittee, thank you for the opportunity to testify before the subcommittee regarding Goldman Sachs *10,000 Small Businesses* and the critical issues of supporting small business growth and job creation in the United States.

As you know, the success of small businesses is critical for a strong national economy. According to the U.S. Small Business Administration and Bureau of Labor Statistics, over the last two decades small businesses have been responsible for creating 2 out of every 3 net new jobs and currently employ roughly 60 million Americans, half of the private sector workforce.<sup>1</sup> But despite general improvement in the nation's overall economic condition, challenges persist for many small businesses.

So, with this in mind, and based on the success of Goldman Sachs *10,000 Women*—our global effort of supporting women entrepreneurs in developing and emerging economies which will serve its 10,000th woman this year—we launched *10,000 Small Businesses* in 2009.

*10,000 Small Businesses*, or 10KSB, is a \$500 million initiative to help small businesses in the United States by providing entrepreneurs through an integrated program a practical business and management education, as well as access to capital and business support services. The program is based on recommendations from leading experts that greater access to this combination of education, capital and support services best addresses barriers to growth. The large network of national and local implementing partners that we work with are what make this program a success.

The program is currently operating in fifteen sites: the metro areas of Chicago, Cleveland, Houston, Long Beach, Los Angeles, New Orleans, Philadelphia, New York and Salt Lake City, and in a number of states with a capital-only offering, including Virginia, Kentucky, Montana, Oregon, Tennessee and Washington. In these

<sup>1</sup>[http://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf)

capital-only states, the program's partners focus on making capital available in underserved rural areas which may lack the presence of commercial banks.

10KSB is designed for small businesses poised for growth. Applicants must demonstrate a commitment to growing their businesses and creating jobs within their communities. Business owners targeted include, but are not limited to those with: revenues between \$150,000 and \$4 million; in operation for at least two years; at least four full-time employees; and a business model that could scale to create more jobs.

10KSB provides comprehensive support for small businesses owners. Based on a high quality curriculum designed in consultation with industry experts—principally Babson College, the U.S. News and World Report number one ranked undergraduate business school for entrepreneurship for 17 years running—10KSB enlists community colleges to deliver business training, local mission-driven capital providers to make small business loans, and local non-profit partners to provide technical assistance and business support services. In addition, Goldman Sachs employees and senior management are actively engaged in various aspects of program delivery.

For the educational component, The Goldman Sachs Foundation is contributing \$200 million to fund business owner training at partner community colleges, and faculty training and technical assistance to help build our partners' capacity. Business owners receive a practical education that focuses on skills they can apply immediately. The 360 degree approach—business training, access to capital, one-on-one businesses advising and exclusive networking opportunities—that help each participant develop a tailored business growth plan that they begin to implement even before completing the program. Because of this personalized training, the program is able to serve businesses within a highly diverse set of industries ranging from construction, food service and security to technology, marketing and health care.

For the capital component, \$300 million has been allocated nationally for a combination of lending and philanthropic support to non-profit Community Development Financial Institution (CDFI) Loan Funds and other community-based lenders. The investment will increase the amount of growth capital available to small businesses in underserved communities and expand the capacity of mission-driven lenders to deliver financing and technical assistance to small businesses. Goldman Sachs partners with CDFI loan funds and other nonprofit lenders due to their ability to flexibly underwrite capital to businesses which typically don't qualify for bank financing. The CDFI funds not only provide capital, but also provide extensive technical assistance to help these businesses become "bank-able". The loan funds provide loans in amounts less than what conventional banks like to offer—the average loan size is \$200,000 and can often be made as an unsecured loan for working capital. In addition, to help our capital partners serve the many deserving businesses, Goldman Sachs provides a loan loss reserve.



Separately, 10KSB provides grants to fund the capital partner's operational capacity to increase their lending generally.

The program's strength is derived from a network of over 80 partnerships designed to maximize its reach and results. This includes the leadership provided by the program's Advisory Council co-chaired by Goldman Sachs Chairman and CEO Lloyd Blankfein, Berkshire Hathaway Chairman and CEO Warren Buffett, and Dr. Michael Porter of the Initiative for a Competitive Inner City and Harvard Business School. Furthermore, local partners at each site, including both public and non-profit sector participants, are empowered to implement the program in serving the local small business population. This is the linchpin on which the program's effectiveness relies. Our partners help the program from the design to implementation to recruitment of businesses depending upon their particular expertise. The program aims to bring together local organizations with similar goals to work together in new ways and develop cooperative relationships that will last for years to come. In working with our partner across the United States, the program is building capacity and cooperation within local small businesses and entrepreneurship ecosystems. These national and local organizations, together with Mayors and other government leaders in the communities in which we operate, are working together to support this program, small business development in their communities, and are building relationships that will long outlast this program.

Across the United States, 10KSB works. To date, over 1,600 small business owners have participated in the program. The education component maintains a 99% graduation rate, and just six months after graduation, 63% have reported increasing their revenues and 47% have reported creating net new jobs. The program is creating a strong network of small businesses as 76% of graduates end up doing some form of business together, keeping more money within the local economy. In addition, approximately \$56 million has been funded to over 265 businesses for growth capital, of which 75% are located in low and moderate income levels, and 50% are Women/Minority Business Enterprises.

The following examples illustrate participating businesses' success across the country:

Rhys Powell is the founder and President of Red Rabbit, a company that provides alternative and healthy meals for school children. He founded the company in 2005 and operates the business from Harlem, New York. Rhys joined 10KSB at LaGuardia Community College in 2011 to enhance his proficiency in managing the business operations, hone his negotiations skills and gain a framework to plan strategically for growth. Since joining the program, he has reported an increase in revenues by 300%, winning six new contracts totaling almost \$1 million from different schools across New York City, and hiring 90 new employees since starting the program.

Payal Kamdar is the founder of VSolvit, which provides geospatial and information technology consulting services and solutions to government and private sector clients. Founded in 2006, VSolvit LLC is an award winning 8(a), HUBZone,

Woman Owned company. Payal joined 10KSB at Long Beach City College in 2011 and credits the program with enabling her to think simultaneously across multiple dimensions to drive VSolvit's growth. Since graduating from the program, VSolvit has reported increasing revenues over 500% and growing from 17 to 120 employees. VSolvit was recently awarded a 5 year, \$53 million software development contract with the U.S. Navy. VSolvit was also selected as the US Department of Agriculture (USDA) Woman Owned Business of the Year in 2011 and Payal was selected as the 2012 Small Business Administration (SBA) Region IX Minority Small Business Person of the Year and 2013 Los Angeles Minority Business Person of the Year. VSolvit has also begun work on a breast cancer initiative by mapping diagnosis rates, then identifying areas where lag time of diagnosis is above the national average, which then allows teams to send mobile health units into those areas to bring diagnosis timing in line with averages.

Ryan Walsh is the Vice President of Walsh Electric, a family-owned and operated electrical contracting company based in Staten Island, New York. The company provides electrical contracting services to the residential, commercial, and industrial markets both in the public and private sectors. Ryan joined 10KSB at LaGuardia Community College in 2012. Since joining the program, Walsh Electric has reported growing from a 44 person organization with \$4 million in sales to an organization that employs 127 people and is on track to \$25 million in sales. In addition, Ryan has reported that Walsh business has secured a significant credit line used to replace aging tools, equipment, and vehicles. Lastly, Walsh is in the final stage of moving from their original office to a new facility that is 450% larger—and which they will own.

Angelica Rivera is the co-owner of Colmex Construction, a family-owned contractor for residential and commercial construction and renovation. Colmex specializes in working with nonprofit organizations. She formed Colmex Construction with her husband in 2008. In 2011 she joined 10KSB at Delgado Community College in New Orleans to improve her company's cash flow and learn more ways to pursue capital effectively. Since then, Angelica reports that Colmex has added 16 new jobs and increased revenues over 400%.

These four businesses are not alone in their success and we are pleased today to announce that small businesses owners from every state will now have the opportunity apply to be part of the *10,000 Small Businesses* program.

In the coming months 10KSB will launch our first ever national cohort of the 10KSB education program, designed to serve business owners from across the county who do not live in the metropolitan areas of one of our nine education sites. The program will be held at Babson College just outside Boston, Massachusetts and be a combination of an accelerated classroom experience coupled with online learning. Participants will travel to Babson for two intensive 4-day sessions separated by a few weeks of online coursework. The

program will be at no cost to small business owners so that all of the most deserving small businesses can participate. 10KSB is accepting applications now at [www.10ksbapply.com](http://www.10ksbapply.com) for the class that will begin in January. The application deadline is October 18th and we hope that members of the committee and their colleagues in Congress will help us get the word out to their constituents and maximize the number of entrepreneurs that can take advantage of this opportunity.

Thank you once again for the opportunity to testify.

Tesimony of Dr. Stephen Morgan

Chair, Board of Trustees

My Own Business, Inc.

Before the U.S. House of Representatives Committee on Small  
Business

Subcommittee on Economic Growth, Tax and Capital Access

September 19, 2013

Thank you, Mr. Chairman, and Members of the Committee, for providing this opportunity to discuss small business creation, ownership and, most important, success.

I am particularly appreciative of the opportunity to be here as I am the volunteer Chair of the Board of Trustees of My Own Business, Inc., a Los Angeles-based nonprofit organization providing free educational tools and training via the World Wide Web to support successful businesses worldwide. Our web-based program is licensed by CISCO for its training programs of small businesses around the globe, as well as by the World Bank in its Small and Medium Enterprise (SME) outreach worldwide. Given the years of experience we have in creating a strong educational toolkit, we would like the Small Business Administration to also appropriately apply our educational program to its support of America's entrepreneurs. We have previously supported their initiatives in this regard.

As you well know, much of the success of our country comes from the fortitude of new business creation, often started by those who seek to create new opportunity for their families. And, it is particularly pursued as an option for those who have faced job loss in recessions such as the one we have experienced. For my organization, we believe it is important that those who strive to create a new business and contribute to the growth of our economy should be successful. We seek to provide a solid foundation and valuable tools to ensure their success, and to help them avoid the most common mistakes.

Please allow me to share with you a story about how our organization came to be: On April 29, 1992, verdicts were rendered in a controversial case involving the 1991 beating of Rodney King. The toll of the riots that followed was devastating: More than 50 people were killed, over 4,000 people were injured, 12,000 were arrested, and \$1 billion worth of property was damaged.

Southern California entrepreneur, Phil Holland, founder of the Yum Yum chain of donut shops in California, watched in dismay at the fires burning and the businesses lost and wondered what he could do to give hope. Having already successfully published **The Entrepreneur's Guide** and **The Moonlight Entrepreneur**, Phil

decided he might help by encouraging residents to start their own businesses as a way of rebuilding the neighborhoods and communities most affected by the crisis. He began by teaching a free class in one of the most riot torn areas, Compton, California. For the three years following the riots, Phil drove to Compton one evening each week to teach his class in how to start your own business. The final session of the class was taught in Spanish and eager small business owners came by the bus load from across Los Angeles to hear Phil Holland's presentation.

Then in 1994, Phil Holland created My Own Business, Inc., (MOBI) a 501(c)(3) public charity and began to build a website so people everywhere could take advantage of a free curriculum designed to share with them the dos and don'ts of starting their own business. Phil and his Board of Trustee members have recruited educators, entrepreneurs and business executives to develop the curriculum and share their strategies for successfully starting and growing one's own business. Today the website provides two free courses: Starting a Business and Growing a Business. Successful completion of the online curriculum results in valuable information for those wishing to start their own business or grow the business they have already successfully started and a Certificate of Completion issued by My Own Business, Inc.

The free website courses include quizzes on all subjects contained in the curriculum, business plan templates, 75 video presentations by business experts, a final examination and the Certificate of Completion to those scoring 80% and above on the final examination. MOBI's Growing a Business course includes practical training specifically focusing on fifteen topics necessary for expanding a business, including how to prepare for growth and how to maximize skills in evaluation of growth opportunities. Students taking the Starting a Business course may purchase an accompanying textbook for \$39.50 but it is not required for completion of either course offered on the website.

For the past twenty years MOBI has offered this free business training to nearly 35 million people who have visited the MOBI website. Since the launch of the web based MOBI curriculum, 469,000 have completed the courses and nearly 31,000 have applied for Certificates of Completion. The MOBI website is viewed monthly by an average of 235,000, resulting in 4,000 students completing the MOBI courses each month.

In a 2010 study involving 5,000 MOBI graduates conducted by the U.C.L.A. Anderson Graduate School of Business, 22 percent of the respondents indicated their businesses would have failed if they had not studied the topics offered in the MOBI curriculum. Of the 5,000 MOBI graduates responding to the survey, 56 percent have actually started a business, and 77 percent of those who started a company were still in business. Nearly 60 percent of the respondents reported that they had been in business for more than two years and nearly one-third reported that they planned to hire at least one new employee within the next twelve months.

Three important partnerships have strengthened MOBI's outreach since its founding in 1994. First, for more than ten years

MOBI has provided its courses to the World Bank. The second important partnership continues with Cisco Systems, Inc., which primarily has used the program in its internationally-focused Cisco Entrepreneur Institute. The third partnership that MOBI engaged in was with the Small Business Administration. For a number of years until 2006, a link to the MOBI Starting a Business course was provided on the SBA website.

Behind the scenes, we are continually updating our site to ensure that the MOBI curriculum is up to date, that the technology used to deliver that curriculum is state of the art, and that the website will be easily accessible to as many as possible. The MOBI website will be re-launched before the end of this calendar year. A sample of the new website can be seen at MOBI's Spanish website, [www.myownbusiness.org/espanol](http://www.myownbusiness.org/espanol).

It has been my pleasure to have had this opportunity to share the extraordinary service and contributions of Phil Holland, an American entrepreneur who sought to significantly give back by helping others achieve similar success...and all free of charge. We hope My Own Business, Inc. will continue to be a valuable tool in ensuring the success of America's small business and of those in economies interacting with the United States around the world.

#### My Own Business Organizational Background:

Today Phil Holland continues to serve as the Chief Executive Officer of MOBI, reporting directly to the Board of Trustees. The Board consists of 13 independent Board members including business executives, practicing professionals, small business owners and educators. MOBI, as a not for profit organization, is funded by gifts and licensing agreements. Mr. Holland and his wife Peggy give significant amounts each year to fund MOBI and they have included MOBI in their estate plans to provide an endowment to help fund My Own Business, Inc. in perpetuity. MOBI's current annual operating budget is \$325,000, \$260,000 of which comes from contributions, \$50,000 from licensing agreements and \$15,000 from the sale of the non-required supplemental textbooks.

Testimony of Mr. Damien Stevens  
Founder & Chief Executive Officer  
Servosity

Before the U.S. House of Representatives Committee on Small Business Subcommittee on Economic Growth, Tax and Capital Access

Mr. Chairman and members of the Subcommittee, thank you for your time and the opportunity to testify at today's hearing. I am Damien Stevens, Founder & CEO of Servosity located in Greenville, SC.

Servosity (<http://www.servosity.com/>) provides Backup and Disaster Recovery as a Service to a network of technology companies all over the United States. In a location better known for manufacturing and textiles, we are a fast growth technology company that is competing at a national level.

In 2008, I joined NEXT Upstate (<http://www.nextupstatesc.org/>) and began learning from other entrepreneurs at events such as the CEO roundtable. Before joining NEXT Upstate, I made all the mistakes myself, without the benefit of learning from other entrepreneurs and the challenges unique to high growth companies.

NEXT Upstate is an organization that attracts and grows high impact, technology companies by developing the entrepreneurial ecosystem needed by these companies, and connecting companies to this ecosystem.

In 2009, Servosity moved into a small office in the NEXT Innovation Center (<http://www.greenvillenext.com/>), a collaborative workspace formed by a group of entrepreneurs and the Greenville Chamber which houses multiple high growth companies. Upon moving into this office, I came in contact with Michelin Development and learned of their low interest loans they offer to small businesses. After being turned down the first time, I was approved for \$100,000 after I applied for the second time.

This capital gave us the bridge to grow the company to be able to secure private investment. In 2011 and again in 2012; Servosity attracted private investment capital.

In 2012, Servosity announced its expansion into 3,200 square feet at the NEXT Innovation Center in Greenville and intent to add 30 jobs in 18 months. We started off this year with 4 employees and have 12 people now and we are currently growing and hiring. These jobs are just the beginning; we have the opportunity to employ hundreds of people in the next few years.

The jobs we are adding are for software developers, system engineers, support engineers, sales, account managers and business development. The average earnings are \$80,000 and some positions are significantly higher. Those earnings are more than double the average prevailing wage in South Carolina. Not only are we cre-

ating jobs in the knowledge economy, we are creating meaningful, high paying positions with nearly unlimited growth potential for employees.

Without the NEXT ecosystem, I wouldn't have learned from other entrepreneurs, met with Michelin Development to help with growth capital, been able to grow the next stage to secure private investment, been introduced to potential investors, nor would we have attracted the top tier talent required to grow a fast pace technology company.

Thank you for your valuable time today, I enjoyed being able to share a small part of our entrepreneurial journey. I wouldn't be here today without help from so many others.

I am so blessed.



Written Testimony of Kim Pate  
Chief External Relations Officer, CFED

Submitted to:

U.S. House of Representatives Committee on Small Business  
Subcommittee on Economic Growth, Tax and Capital Access

Subcommittee Hearing:

*“Private Sector Initiatives to Educate Small Business Owners and  
Entrepreneurs”*

September 19, 2013

Rayburn House Office Building, Room 2360

Chairman Rice, Ranking Member Chu, and Members of the Subcommittee on Economic Growth, Tax and Capital Access, thank you for the opportunity to testify on behalf of the Corporation for Enterprise Development (CFED) regarding efforts to engage, educate, and empower small business owners and entrepreneurs. As the impact of the Great Recession continues to ravage communities from South Carolina to Southern California, we applaud the Subcommittee's focus on supporting small businesses and entrepreneurs—the true engines of innovation and opportunity in our economy.

### **About CFED**

CFED—the Corporation for Enterprise Development—was founded in 1979 on a bedrock belief in the power of America's entrepreneurial spirit. "Enterprise," you might say, is our middle name.

Enterprise development has been integral to our work over the last thirty-five years. CFED's first major publication was entitled "*Revitalizing the American Economy through New Enterprise Development*." In the mid-1980s, CFED launched the Self-Employment Investment Demonstration to test strategies for empowering low-income workers to gain a foothold in the middle class through entrepreneurship and self-employment. In the 1990s, CFED was an early advocate for Individual Development Accounts (IDAs), which empower low- to moderate-income families and individuals to save and invest in buying homes, paying for college, and starting their own businesses.

Today, CFED's work takes place in three overlapping areas: programs, research, and policy. As a field builder we provide technical assistance and training to hundreds of nonprofits across the country and we invest in social enterprises to help these organizations create pathways to financial security for millions of Americans. As a leading expert on household financial security, CFED conducts cutting-edge research on strategies that build and protect assets for low-income families, expanding the evidence base in support of actionable strategies that empower financially vulnerable families. And as a leading national advocate, CFED coordinates a grassroots network of local asset-building organizations—the Assets and Opportunity Network—and promotes federal, state, and local policies to expand economic opportunity.

### **Importance of Supporting Microbusiness**

In our nearly thirty-five years of work expanding economic opportunity through programs, research, and policy, we at CFED have been surprised again and again by the creative and economic power of America's micro-entrepreneurs. Far from a niche market, micro-businesses—those with four or fewer employees—account for nearly 90 percent of all businesses in the country. Roughly one in six South Carolinians and Californians own and operate a microbusiness. This figure is representative nationwide.

Microbusinesses can contribute the revitalization of entire communities. Mary Gatch of South Carolina started DwellSmart as a retail shop offering products that promote healthy, sustainable living—from building products to baby clothes. While enjoying modest

profitability in the store, DwellSmart's online sales were skyrocketing. After winning the distribution rights of two large green-oriented companies, DwellSmart needed to immediately move to a location with sufficient warehouse space and a loading dock. The company found the perfect spot in an unused building in an area of downtown Charleston that was experiencing revitalization and redevelopment. With the assistance of a Charleston Local Development Corporation (LDC) loan, DwellSmart made a significant investment in rehabilitating the property using eco-friendly and sustainable products.

In a nation seeking economic recovery through job creation, supporting microbusinesses like DwellSmart is an important solution. According to the U.S. Small Business Administration, businesses created by low-income entrepreneurs have high survival rates, ranging from 57–90 percent—higher than the survival rate for all small businesses.

Despite the small size of microbusinesses, the sector is a significant contributor to American economic growth and vitality. On average, microbusinesses create 2.9 full- and part-time jobs per business. Cumulatively, these microentrepreneurs and self-employed individuals amount to millions of firms and even more jobs. These microbusinesses and the self-employed represent new transfusions of ideas, talent, competition, and entrepreneurial energy into the overall economy. Small changes to enhance the capacity of such a large and productive group could reap major dividends.

At the individual and community level, microbusiness and self-employment can serve as a ladder out of poverty and into economic stability for some of the most disadvantaged populations. Microbusinesses that survive, grow, and become profitable, enhance household income and reduce families' reliance on public assistance. These low-income entrepreneurs gain a sense of security, new skills and managerial capacity, build new support networks, and increase self-esteem.

Another example of microbusiness success comes from CFED partner Pacific Asian Consortium in Employment (PACE), a Los Angeles-based workforce, community, and business development organization. Deborah Stern attended PACE's entrepreneurial training program in June 2008 while starting a business making tamales. She won a PACE award of \$5,000, which she used to hire two employees and rent a kitchen. From there, Stern attracted media coverage and cultivated loyal fans. Today, her business is more successful than she ever dreamed: she opened a restaurant, La Guera Tamalera, in the Silver Lake neighborhood of LA, which has become an area favorite. Stern has had remarkable success, but she is not wholly unique among PACE's clients: in 2010, 65% of returning microbusiness tax clients had increased their household income.

### **Self-Employment Tax Initiative**

Recognizing the importance of micro-entrepreneurship as a strategy for expanding economic opportunity, CFED launched the Self-Employment Tax Initiative (SETI) in 2005 with three goals:

- 1) Build assets for low-income households
- 2) Create jobs by growing and expanding microbusinesses
- 3) Increase tax revenue by bringing self-employed into the formal tax system

To accomplish these goals, SETI has awarded more than \$500,000 to 40 community-based organizations that offer free or affordable tax preparation assistance to low-income, self-employed taxpayers. These local partners have helped SETI identify, test, and refine promising practices for using the tax filing process as a means of fostering small business development.

Most of SETI's local partners are Volunteer Income Tax Assistance (VITA) programs, which provide free tax support to low- and moderate-income taxpayers. There are nearly 6,000 community-based VITA sites throughout the country. In Horry County, South Carolina, you can find VITA programs at the Chapin Library, the North Myrtle Beach Library, and the Surfside Beach Library. In Monterey Park, California, VITA assistance is offered through the Monterey Park Bruggemeyer Library. Down the road in Pasadena, you can find VITA at El Centro De Accion Social.

VITA is a brilliant example of a successful public-private partnership. In South Carolina, California, and the rest of the country, these VITA sites represent local community efforts—supported by federal grants, state and local funds, and philanthropy—to engage low-income taxpayers and ensure that they get a fair shake from the tax system. According to a 2012 National Community Tax Coalition (NCTC) report, VITA helped more than 3 million taxpayers claim \$2.2 billion in tax refunds while saving the federal government \$5.5 million in reduced processing costs.

### **Expanding VITA to Support Micro-Entrepreneurs**

VITA represents an excellent opportunity to engage and empower micro-entrepreneurs. Frustrated by the complexity of the business tax code, many of these entrepreneurs are left with few options for learning about and accurately completing their tax filings. The inaccessibility of low-cost or free tax preparation assistance and the complexity of the tax code compel many self-employed people to seek tax assistance from costly commercial preparers. Those small business owners who do not seek—or cannot afford—help from commercial tax preparers may choose not to file taxes at all.

While the existing VITA program assists some low-income entrepreneurs, IRS restrictions on allowable VITA activities prevent many self-employed earners from receiving any assistance. For example, VITA sites are restricted to preparing Schedule C-EZ only, and self-employed taxpayers must have expenses below \$5,000.

Recognizing that VITA's narrow scope meant that sites were turning away micro-entrepreneurs who had with few other options, the National Community Tax Coalition (NCTC) led an effort with CFED and the IRS Stakeholder Partnerships, Education and Communication (IRS-SPEC) team to build on CFED's SETI program. In 2010, this partnership launched the Schedule C VITA Initiative.

Through this initiative, sixteen pilot sites across the country are now able to serve a wider range of low-income entrepreneurs, including businesses with up to \$25,000 in expenses, as long as they meet certain other qualifications such as no net operating losses, no inventory, and limits on business use of the home, among others.

In its three years of operation, the Schedule C VITA Initiative has not only brought thousands of low-income entrepreneurs into the VITA program, it has done so without reducing tax-filing quality. According to SPEC's own reviews of the sixteen VITA sites, nearly 95 percent of Schedule C returns reviewed by SPEC staff at participating sites were found to be accurate. As the initiative continues next year, it will continue exploring methods for expanding VITA assistance for micro-entrepreneurs.

### **Next Steps to Expand Support for Micro-Entrepreneurs**

What does this mean for federal efforts to support micro-entrepreneurs?

CFED is currently exploring additional federal policy reforms that would effectively support micro-entrepreneurs. Our research is examining how three key federal policy systems—workforce, post-secondary education, and tax—support or fail to support these low- and moderate-income entrepreneurs. Later this year we will release our report detailing recommendations for reforms that would significantly expand the ways in which federal policy supports the growth and success of these entrepreneurs.

While this research will reveal new reforms worth considering, this Subcommittee need not wait to act in support of micro-entrepreneurs. In the previous Congress, Ranking Member Chu proposed one significant step forward: the Entrepreneur Startup Growth Act. This legislation, based on CFED's SETI program, would have provided additional support for micro-entrepreneur tax filing assistance. The \$1.5 million authorized by this legislation could support hundreds of local VITA sites to serve thousands of micro-entrepreneurs.

### **Conclusion**

Chairman Rice and Ranking Member Chu, I would like to thank you again for inviting me to testify on behalf of CFED. We at CFED are eager to work with the Subcommittee to expand economic opportunity, create jobs, and support micro-entrepreneurs. I would be pleased to answer any questions you and the other members of the Subcommittee may have.

