

THE SMALL BUSINESS ADMINISTRATION'S  
ENTREPRENEURIAL ECOSYSTEM: AN UPDATE  
AND NEXT STEPS WITH SBA'S RESOURCE  
PARTNERS

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HEARING

BEFORE THE

SUBCOMMITTEE ON INNOVATION,  
ENTREPRENEURSHIP,  
AND WORKFORCE DEVELOPMENT

OF THE

COMMITTEE ON SMALL BUSINESS  
UNITED STATES

HOUSE OF REPRESENTATIVES

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**THE SMALL BUSINESS ADMINISTRATION'S  
ENTREPRENEURIAL ECOSYSTEM: AN  
UPDATE AND NEXT STEPS WITH SBA'S  
RESOURCE PARTNERS**

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**WEDNESDAY, MAY 19, 2021**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
SUBCOMMITTEE ON INNOVATION, ENTREPRENEURSHIP,  
AND WORKFORCE DEVELOPMENT,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10:15 a.m., in Room 2360, Rayburn House Office Building and via Zoom, Hon. Jason Crow [chairman of the Subcommittee] presiding.

Present: Representatives Crow, Davids, Phillips, Newman, Bourdeaux, Houlahan, Williams, Tenney, Garbarino, Ms. Young Kim, and Salazar.

Chairman CROW. Good morning. I call this hearing to order. Without objection, the Chair is authorized to declare a recess at any time.

Let me begin by saying that standing House and Committee rules and practice will continue to apply during hybrid proceedings. All members are reminded that they are expected to adhere to these standing rules, including decorum.

House regulations require members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, please remember to remain muted until you are recognized to minimize the background noise. If you have to participate in another proceeding, please exit this one and log back in later.

In the event a member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available member of the same party and I will recognize that member at the next appropriate time slot provided they have returned to the proceeding.

For those members physically present in the Committee room today, we will continue to wear masks unless we are speaking here and socially distant while the Chairwoman and Ranking Member work with the office of the attending physician on updated guidelines and procedures. Members and staff are expected to wear masks while in the hearing. With that said, members will be allowed to briefly remove their masks when recognized by the Chair for statement and questions. I know we all look forward to returning to normal, but appreciate everyone's patience while we prioritize the health and safety of our staff and each other.

America's 30 million small businesses support more than 56 million jobs and account for nearly half of our nation's GDP. It is no exaggeration to say that these small firms are the foundation of our economy. But despite the fundamental importance of these enterprises, the road to small business ownership is fraught and paved with obstacles for prospective entrepreneurs.

Recognizing the uphill climb facing many of those wishing to start and run a business, the SBA offers a wide range of free or low-cost counseling and training services to entrepreneurs. To deliver these services, SBA relies on its four primary resource partners: Small Business Development Centers, or SBDCs; Women Business Centers, WBCs; SCORE; and Veteran Business Outreach Centers, VBOCs.

From first-time entrepreneurs looking to create a business plan, the long-time business owners looking for new ways to achieve growth, these resource partners support small firms through every step of the business cycle. These entrepreneur development initiatives have proven to be the difference between success and failure for many, many businesses.

According to SBA's 2013 Impact Study, small businesses that receive 3 or more hours of counseling have higher survival rates than firms that receive less counseling. In turn, these businesses go on to earn more revenue and employ more workers.

Resource partners have also served as a critical lifeline for small businesses throughout the pandemic. When COVID struck, resource partners sprang into action, got innovative, and helped millions of entrepreneurs navigate a once in a lifetime crisis. I saw that myself in my own community as businesses adapted and did what they need to do to survive. I have heard so many stories from my constituents in my district who relied on SBA's resource partners when they had nowhere else to turn.

I hope today's hearing allows us to learn more about these programs, hear about challenges they are currently facing, and examine how this Committee can improve and expand their reach. I am especially interested in learning what more we can do to raise awareness of these programs and ensure that the maximum number of small businesses are taking advantage of them.

Today we will explore the resource partners' current diversity initiatives and efforts Congress can take to drive an equitable recovery. During the 116th Congress, the House passed three separate bills to improve the SBA's entrepreneurial development programs. If enacted into law, these bills would substantially improve the SBDC, WBC, and SCORE programs and make them accessible to more small businesses.

Unfortunately, the Senate did not consider any of these bills. I look forward to updating and advancing similar bills and finding new ways to strengthen SBA's entrepreneurial development programs.

With that, I now yield to the Ranking Member for her opening statement.

Ms. YOUNG KIM. Thank you, Chairman Crow. Following a year of unprecedented state and local government shutdowns and regulations, and hampered demand due to COVID-19, small businesses are collectively starting to recover. The SBA's entrepreneur devel-

opment programs have long served as a resource to small businesses across the country. During the COVID-19 outbreak small businesses in record numbers turned to the resource partners to navigate the SBA's emergency relief programs, including the Paycheck Protection Program, the Economy Injury Disaster Loan Program, the Shuttered Venue Operator's Grant, and also the Restaurant Revitalization Fund and many others.

Through cooperative agreements, the SBA's ED programs provide our nation's entrepreneurs with free or low-cost training and counseling on marketing, finance, technology, exports, human resources, and more. We have all heard from constituents about how Veterans Business Outreach Centers and Small Business Development Centers, Women's Business Centers, and the Service Core of Retired Executives program can serve as valuable tools to small businesses in their quest to grow their business, expand their consumer base, gain access to capital, navigate government programs and regulations, and meet their labor demands.

With states opening and vaccines being distributed, our nation's job creators are eagerly anticipating a return to normal business operations and the SBA's entrepreneur development partners can help. However, as small businesses continue to reopen their doors and start their path to recovery, they are met with the obstacle of proposed tax increases, regulations, and a tight labor market.

The Department of Labor reported job openings reached a record high of 8.1 million in March. According to NFIB's April jobs report, small business owners are experiencing the highest-ever reading of unfilled job openings since polling started in 1973.

I look forward to learning more today about how the SBA's entrepreneur development programs can serve our small business owners in combatting these challenges so they can continue to create jobs, skill employees, innovate, and serve their communities. As members of the Committee, we must also ensure the SBA is managing these programs properly and administering the necessary oversight. In light of recent SBA Office of Inspector General reports, entrepreneur development programs must be examined closely to ensure duplication does not occur and waste, fraud, and abuse is prevented.

Today, we will hear from the associations that represented these programs and also hear from Mr. Patrick Montgomery, who is a small business owner and veteran who has utilized these programs, on the effectiveness of technical assistance programs in supporting small businesses and entrepreneurs in recovering from the pandemic and beyond.

So, I want to thank all of our witnesses who are here today in person and on the virtual call for providing your testimonies. And I yield back.

Chairman CROW. Thank you, Ms. Kim. The gentlewoman yields back.

I want to take a moment to explain how this hearing will proceed. Each witness is going to have 5 minutes to provide a statement and each Committee member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return it to mute when you are finished.

And with that, I would like to introduce our witnesses. Our first witness today is Mr. “Tee” Rowe, president and CEO of America’s SBDC. Mr. Rowe has been with America’s SBDC since August 2009. He has a long history for advocating for America’s small businesses, including serving as counsel for this Committee from 1991 to 2001, so you have done your time on the Hill. Mr. Rowe has been a valuable advocate for the SBDC program and we are pleased he is joining us again today. Welcome back, Mr. Rowe.

Our second witness is Ms. Bridget Weston, CEO of SCORE. As CEO, Ms. Weston provides extensive leadership in works directly and collaboratively with the board of directors to establish a vision and direction of SCORE. In her 10 years with the organization she has developed an in-depth understanding of the needs and challenges facing SCORE staff, its 300-plus chapters, and over 10,000 volunteers. Welcome back, Ms. Weston.

And our third witness is Ms. Corinne Hodges, CEO of the Association of Women Business Centers, AWBC. Ms. Hodges joined the AWBC as CEO in 2019 and is charged with bringing about enhanced sustainability and increased capacity to the Association and its members. Welcome back, Ms. Hodges.

I will now yield to the Ranking Member, Ms. Kim, to introduce our final witness.

Ms. YOUNG KIM. Thank you, Mr. Chairman. Our next witness is Mr. Patrick Montgomery. As mentioned earlier, he is a veteran, entrepreneur, and the chief executive officer and founder of KC Cattle Company. After completing the Ranger Assessment and Selection program in April 2011, Mr. Montgomery reported to the 1st Ranger Battalion, 75th Ranger Regiment. While serving as a ranger, Mr. Montgomery completed two combat deployments to Afghanistan. He served as an assistant gunner, anti-tank team leader, shooter for a sniper team, gun team leader, and weapons squad leader.

Following his service in the military, Mr. Montgomery completed his bachelor of science in animal science at the University of Missouri. And during his last semester in 2016, he created the business plan for KC Cattle Company.

While building his business, Mr. Montgomery completed his executive MBA program through the University of Missouri College of Business. Mr. Montgomery founded KC Cattle Company with the mindset of bridging the gap between agriculture and the consumer. His company provides the highest quality Wagyu beef via mail order to consumers in all 50 states and is 100 percent veteran-owned and a 100 percent veteran-operated company.

Mr. Montgomery, thank you for joining us today and thank you for your service to our great nation.

Chairman CROW. Thank you, Ms. Kim. And welcome, Mr. Montgomery. It is good to have a fellow Ranger joining us today. Rangers lead the way, although you did serve in our nation’s second best Ranger battalion. That is an inside joke amongst us rangers. But thank you, Mr. Montgomery. I appreciate you joining us here.

So, let us begin with Mr. Rowe. Mr. Rowe, you are now recognized for 5 minutes.

**STATEMENTS OF CHARLES “TEE” ROWE, PRESIDENT & CHIEF EXECUTIVE OFFICER, AMERICA’S SMALL BUSINESS DEVELOPMENT CENTERS; BRIDGET WESTON, CHIEF EXECUTIVE OFFICER, SERVICE CORPS OF RETIRED EXECUTIVES (SCORE); CORINNE HODGES, CHIEF EXECUTIVE OFFICER, ASSOCIATION OF WOMEN’S BUSINESS CENTERS; PATRICK MONTGOMERY, FOUNDER & CHIEF EXECUTIVE OFFICER, KANSAS CITY CATTLE COMPANY**

**STATEMENT OF CHARLES “TEE” ROWE**

Mr. ROWE. Thank you, Chairman Crow, Ranking Member Kim, members of the Committee. Thank you for inviting me to testify. I am a little thrown off because I am thinking about mail order Wagyu right now.

I am president of America’s SBDC, the Association of Small Business Development Centers. For 40 years, SBDCs have been providing services to small business owners throughout the nation. We operate out of host institutions and operate statewide. We may be headquartered at colleges, but our centers are in our communities. That is why you will find SBDCs at the International Rescue Committee in El Cajon or the East Los Angeles Initiative or the Boulder Public Library.

SBDCs help small businesses at all stages. Fifty percent of our clients are women, roughly 10 percent of our clients are veterans, and minority clients comprise over 38 percent of our client base. Every year we provide over 1-1/2 million hours of counseling and training to over 500,000 small business owners and their employees. And that assistance has generated great results. From 1990 to 2019, our clients accessed \$76.5 billion in capital, increased their sales by \$127 billion, and created 3.3 million jobs, and they generated over \$11 billion in tax revenue.

As I laid out in my written statement, we offer a wide variety of assistance, and you can find more of that by following the link to our annual report. However, I would like to focus on just a couple of things.

First, cybersecurity. SBDCs have a new cybersecurity program based on DOD’s cybersecurity maturity model. It covers all facets of the DOD guidance in order to provide security education for small business owners.

We also have a new program, Secure Towns. Through it, SBDCs work with chambers, development organizations, and local businesses to raise awareness and reduce cybersecurity threats.

Regarding the COVID pandemic response, over the last year we have probably done close to 3 years’ worth of work. We have participated in over 3,500 webinars and assisted over 315,000 people in just the early months of the pandemic. As an example, the Pennsylvania SBDC launched nine new centers to provide services aimed at weathering the pandemic.

We also assisted in providing helping get small businesses financing through PPP, EIDL, SVOG, and now the Restaurant Revitalization Fund. And as the demand surged, SBDC shifted on line, which will continue to be a significant alternative. It improves our productivity and allows broader use of specialized skills.

And our client survey showed that the most requested programming, “Finding New Customers,” is also the frequently most mentioned challenge. And they also want strategic planning and digital marketing and social media and search engine optimization. In other words, going forward we see small businesses as increasingly reliant on technology. These changes may present a real challenge to some communities with limited broadband access.

To overcome that, SBDCs are increasing our outreach. In Chicago’s Southlands, the SBDC works with the Resurrection Project and the Urban League to ensure that services reach all communities. Likewise, the Houston SBDC is teaming with the Great Houston Black Chamber. They are creating a new business institute to improve access to capital and business growth. And to further these efforts, the SBDCs have become the inclusivity challenge based on the Northern California SBDC’s Inclusivity Project.

The challenge is simple: Do more. Based on local needs, SBDCs will establish more connections and provide more services. It is all about helping entrepreneurs, all entrepreneurs, overcome impediments to their success. That effort is complementary to the new Community Navigators program. In fact, several SBDCs are already engaged in pilot programs for community navigators.

We would like to find the best ways to deliver services to all small businesses and leverage all the capacity available. To that end we strongly support reauthorization of the Entrepreneurial Development Programs. We think it is time to review and renew the commitment to assisting small business.

Now I have got one last item and that is about the CARES Act and the resource partner training platform. We would really like to know what we should think of for its future.

That concludes my testimony. I look forward to any questions.

Chairman CROW. Thank you, Mr. Rowe. Ms. Weston, you were now recognized for 5 minutes.

#### **STATEMENT OF BRIDGET WESTON**

Ms. WESTON. Thank you, Chairman Crow, Ranking Member Kim, and members of the Committee. Thank you for the opportunity to offer testimony today.

SCORE is the nation’s largest network of volunteer business mentors with more than 10,000 volunteers across 240 chapters, offering free and confidential advices, and educational workshops to small business owners. Founded in 1964 as a resource partner of the SBC, SCORE has helped more than 11 million entrepreneurs start, grow, or troubleshoot their business. Last year, SCORE helped its clients to start over 45,000 new businesses and create nearly 75,000 new jobs. And despite the challenging business climate of the pandemic, SCORE helped 82 percent of our clients stay in business throughout the year.

We believe SCORE is the most effective, efficient business formation and job creation engine funded by the federal government. In 2020, our cost to create a new job was \$156 and \$259 to create a new business. For every \$1 appropriated to SCORE, our clients returned \$67 in new federal tax revenue, further demonstrating SCORE is a good steward of the federal dollar.



SCORE volunteers are the lifeblood of our organization and are passionate about helping small businesses succeed. Volunteers come from all across the country with diverse backgrounds and experience in different industries. Our core services are mentoring, educational workshops, and online resources. Last year, SCORE volunteers held over 315,000 mentoring sessions, guiding and supporting our clients through the tremendous challenges brought on by the pandemic. Many business owners told us they would not have applied for a PPP, EIDL, or Restaurant Revitalization loan without a SCORE mentor to walk them through the process. Our high rates of client satisfaction are captured in our Net Promoter Score of 87, which 70 being considered excellent.

In addition to mentoring, SCORE provides virtual webinars on our website. And SCORE chapters offer local workshops that are in-person or virtual. These workshops drew over 464,000 attendees last year.

One of SCORE's key areas of focus is fostering diversity, equity, and inclusion for clients and volunteers. Women and minority volunteers climbed to 38 percent of total volunteers last year. This 5 percent increase represents the single biggest annual growth since we began tracking these metrics in 2012.

SCORE currently serves a diverse range of small business owners. Sixty percent of our clients are women and 46 percent are minorities. Earlier this year, SCORE launched the SCORE for Black Entrepreneurs as part of our SCORE for All Initiative to help serve disadvantaged businesses. We plan to add more SCORE for All campaigns to help these businesses survive and thrive, supporting women, rural entrepreneurs, veterans, the 50 and older community, and persons with disabilities.

SCORE is working harder than ever to reach underserved entrepreneurs, leveraging our community relationship nationally and locally. National partnerships include the BIPOC Support Foundation, Women Entrepreneurs Grow Global, the National Black Chambers, and the Latino Coalition, who introduce us to new communities of small business owners. We also collaborate with our fellow resource partners here today nationally and locally.

Across the nation SCORE chapters are integrated in their communities, reaching, guiding, and providing access to necessary resources. When the pandemic hit SCORE pivoted to delivering virtual mentoring and education without missing a day of service. We accommodated a 30 percent increase in services last year. And while the House of Representatives supported additional funding for SCORE's COVID-19 response, ultimately SCORE did not receive any relief funding.

Nevertheless, we were able to stand up our Small Business Resilience Program, connecting SCORE mentors and educational resources to entrepreneurs to help them successfully navigate federal and local government programs, adapt to change, launch new businesses and inspire their customers to rally around their business. SCORE's Small Business Resilience hub has served 730,000 people since its launch in March 2020. Now we are at capacity and will not be able to grow without additional resources.

Based on SCORE's continued demonstrated impact, increased demand for services, and our plans to reach more business owners in

underserved and disadvantaged communities, SCORE is respectfully requesting an increase of 9-1/2 million in funding for a total appropriation next year of 21.7 million. I want to thank the Chairman and Ranking Member for leading the joint letter in support of robust funding for SCORE and thank all of the Members who signed. The additional funding would be spent to increase mentoring and education by reducing administrative burden on volunteers, provide more direct funding to local chapters for community outreach, and focus to help more underserved businesses.

With this relatively small investment we can provide even greater value to business owners and the economy. This increased funding would allow us to deliver more than half a million additional client services with a projected outcome of 100,000 additional new businesses started or jobs created. SCORE's mentoring and education are critical to helping small businesses overcome their challenges and succeed. SCORE stands ready to help our nation's most vulnerable small business owners so they can keep their doors open and keep people employed.

Thank you very much for your time. I look forward to your questions.

Chairman CROW. Thank you, Ms. Weston. Ms. Hodges, you are recognized for 5 minutes.

#### **STATEMENT OF CORINNE HODGES**

Ms. HODGES. Thank you, Chair Crow, Ranking Member Kim, and distinguished members of the Subcommittee. The Association of Women's Business Centers works to secure empowerment and economic opportunities for women by supporting and sustaining the national network of 135 Women's Business Centers that provide counseling, training, mentoring, business development, and access to capital. And while all WBCs operate brick-and-mortar locations, many have opened additional satellite locations, remote support, or even mobile units to serve the hardest to reach entrepreneurs.

Women's Business Centers are essential to this period of economic recovery. And women entrepreneurs play a key role in our nation's economy, but, unfortunately, the pandemic has challenged them disproportionately. Women are exiting the workforce to care for families, particularly among low-income populations as well as communities of color. Women seeking flexibility and necessary household income turn to entrepreneurship.

For existing businesses the pandemic presented challenging circumstances since women are more likely to have service-based businesses, such as childcare centers, salons, food services, et cetera, where rates of closure reached as high as 40 percent. As a result, an unprecedented number of women have found entrepreneurship at their local Women's Business Center.

In 2020, Women's Business centers had nearly 200,000 client engagements and assisted clients in accessing \$362 million in business capital, more than double the previous year. They also helped clients retain and create new jobs, nearly 70,000 nationwide. Not only are WBCs seeing more small business clients, those clients are returning for services at a higher rate, averaging 4 hours per client.

But we could not have accomplished all of this without the leadership of this Committee, so allow me the opportunity to say thank you to this group of members and their diligent staff. The additional Women's Business Center funding and waiver of the matching requirement allowed Women's Business Centers the resources and flexibility they needed to respond to these surges in demand by hiring additional staff, providing essential counseling, and mentoring to convey rapidly changing federal program and loan guidance.

This year provides us a reminder of the importance of serving underserved communities. In 2020, 70 percent of the individuals Women's Business Centers served were women and 56 percent were people of color. And as detailed in my written testimony, Women's Business Centers and AWBC have led the way in reaching BIPOC women business owners and we hope to share these best practices.

Women's Business Centers have a proven track record of producing exceptional results with limited resources. While Women's Business Centers exceed their goals when it comes to client service and performance, there are challenges faced within the technicalities of operating the program. And so for this reason, AWBC continues to advocate for reauthorization and modernization.

Regulatory and grant compliance inconsistencies and inefficiencies can create challenges for even the highest performing Women's Business Centers. The recent OIG report identified specific findings that we see would be remedied by a modern redesign of the Women's Business Center program. We urge Congress to establish a structured accreditation program that ensures accountability to national standards for client service, including management and operational aspects. In addition, an increased individual grant level would effectively allow centers to raise awareness for their services and to reach deeper into marginalized and rural communities.

AWBC endorsed and fully supports the Women's Business Centers Improvements Act from the 116th Congress. Had that legislation been enacted we believe Women's Business Centers would have been better positioned to respond to the pandemic. We urge this bipartisan legislation be enacted swiftly.

Similarly, newer and smaller centers would stand to benefit from additional oversight and guidance to achieve maximum results. AWBC is exploring ways to support centers with greatest needs, including the smallest and newest centers. We seek savings for taxpayers using economies of scale for common purchases, like technology tools. We hope to work with this Committee to explore ways to achieve those economies of scale and modernize the program.

We are proud of our partnership with SBA to ensure America's resource partners have the important information to support entrepreneurs. We urge Congress to ensure the investment and the resource partners training portal continues beyond COVID. We ask this Committee and the 117th Congress to take the following actions: fully fund the program at \$30 million for core funding; provide additional \$48 million for COVID-related appropriation; reauthorize the program similar to legislation, like H.R. 4405; and ensure WBCs are partners of choice for engaging women business owners in any future jobs and infrastructure package.

Thank you so much. I look forward to your questions.  
 Chairman CROW. Thank you, Ms. Hodges. And Mr. Montgomery, you are now recognized for 5 minutes.

#### **STATEMENT OF PATRICK MONTGOMERY**

Mr. MONTGOMERY. Thank you, Chairman and members of the Subcommittee. I am honored to have the opportunity to represent the health and voice for small businesses across the nation. I consider myself blessed to live in a country where I have the opportunity to address the leaders of my nation coming from my humble beginnings. "That these dead shall not have died in vain. Government of the people, by the people, for the people, shall not perish from this earth." Remembering the rangers who gave all so I can sit here before you, I aim to give an honest representation of my business and experiences for them.

According to the Kauffman Foundation, the number of adults owning businesses have been declining since the 1990s. In a separate study by the Brookings Institute, the number of startups has fallen by half since 1978. These studies are troubling for America remaining the leader of the free world. Entrepreneurship is directly linked to job growth, wage growth, GDP, and innovation. Capital and advice are the quintessential needs of a new idea embarking on the journey to become a successful business.

My journey to entrepreneurship started during my last semester of my undergrad at the University of Missouri at Columbia. I had put the business plan for KC Cattle Company together and was looking for a seed investment to get started once I graduated. I cleared out my wife and I's savings and contributed to the profit we made from selling our home in Columbia.

I researched grants, government subsidized loans, and other government resources. I took advantage of using the University of Missouri's Extension program for advice and grant applications. I spoke with the USDA and banks regarding USDA and SBA loans. I was asking for \$250,000 to make it through the first 3 years of owning my business to establish a viable business model. I did not have collateral or historic sales, so selling this to a lender proved impossible. I ended up raising half this amount from friends and family.

I boot-strapped those first 3 years and made the resources I had work. I used my GI Bill to complete my MBA. The stipend from the GI Bill was my salary for those first 2 years of owning my business. We found success in our e-commerce business in 2019 and continued thriving in 2020 despite huge restraints on our supply chain from large processors throughout the country shutting down.

2021 is proving to present its own set of challenges with rising costs across the board and constraints on the labor market. From 2017 through 2021, the government resources I used to help scale my business was the SBDC's ScaleUP! KC program, SBDC's marketing data resources, an SBA 7(a) line of credit, an SBA PPP loan, my post 9/11 GI Bill, and the Missouri Extension program.

Specifically speaking about the SBDC, ScaleUP! KC was a great resource for thinking through how I am going to scale my business. Developing processes, thinking about our operating environment, and implementing the Entrepreneurial Operating System were

some of my key takeaways. While completing this, I discovered I could use the SBDC for gaining specific insights into our target demographic by using information from our email list. I was in the process of paying a marketing firm \$8,000 to do this for us. The SBDC did it for free, which allowed us to free up that cash to be able to hire new employees during the height of the pandemic.

The resources I used from the government were essential to creating a successful business. As stated before, capital and advice are the lifeblood for startups. Without the resources stated above, I would have never been able to get to where we are as a company.

However, these resources are not very easy to find as a small business and not easily accessible those first few years of trying to create a viable business model, specifically at the capital side. A few ideas I had while thinking through my talking points for this discussion.

One, when filling out a new corporation with the state, what if the entity received information about available resources along with their formation documents from the state and IRS?

Secondly, although the SBA has some great lending options, all of them are for established businesses. What if there was a program specifically for startups trying to breathe life into a new idea? This lending option could be paired with advisors from the SBDC to help work through the problems associated with a startup and help the individual network their new businesses. Startups are risky, but I would argue these loans could be a better investment for the government and the individual than student loans. We need individuals to have the means to pursue good ideas in this country.

In conclusion, I believe the resources available from the SBA and affiliate partners are crucial for new businesses to succeed. However, I think these resources are not always easy to find or easy to access when starting a new company. Making resources, both capital and knowledge, available to aspiring entrepreneurs is critical to the United States remaining the gold standard for innovation and envy throughout the world.

Thank you for this opportunity to speak with you. And I look forward to your questions.

Chairman CROW. Thank you, Mr. Montgomery. And thank you to all the witnesses for everything you shared with us. I appreciate many of the comments and observations.

I am going to begin by recognizing myself for 5 minutes. And Mr. Rowe, I want to start with you.

You had mentioned cybersecurity as a really essential element here and the cybersecurity maturity model. I represent a state and district that has one of the largest defense aviation and aerospace industries in the country. In fact, I have over 250 primary small- and medium-sized businesses that serve within that industry, and cybersecurity is a huge issue. And, you know, our adversaries looked to target now our supply chain in those small- and medium-sized businesses that oftentimes do not have the resources to adequately bolster their cyber defenses. So, I am particularly interested in how we can assist with that process.

Yet, at the same time, many of those businesses in the industry have told me, you know, expressed concern about the maturity model and reluctance to a one-size-fits-all approach because small-

er companies, 10-, 15-employee companies, don't have the resources to necessarily comply with that.

So, with that lead-in, could you just describe for me the tension there between adequately rolling out that model and those resources? And how do we adequately address the issue that smaller businesses may not have the resources, but, at the same time, they are primary targets as well and they need to be secured?

Mr. ROWE. You are absolutely right, Mr. Crow, that those folks further down in the supply chain are a prime target. At the same time, they don't have, you know, a chief information security officer and all of those extra employees that they might need.

So, what we focused on with the cybersecurity maturity model is getting more small businesses to what they call level one. They may not be certified yet, but we are getting them the very basics. But we are also working with sponsors to have the opportunity to give them more information, to get them, you know, a firewall or whatever they might need.

And that goes along with what we are doing with Secure Towns. Now, we have just started this in Culpeper, Virginia, but we would like to expand it to other towns and cities where it has to become, you know, a global approach.

I have got an example. You know, I had a court date cancel because the courthouse got hacked, ransomware[d] [sic]. It is not just businesses. It is our city governments, it is our courthouses, it is everywhere. And where we are trying to go is giving them the most information they can handle at the time to get them at that first level. And where they have to go from there, it has been a process working with DOD and all the other agencies.

Chairman CROW. Okay, thank you, Mr. Rowe.

Ms. Weston, I would like to talk about a bill that Mr. Balderson from Ohio, who was the Ranking Member on this Committee last Congress, we have a bill called the Next Generation Entrepreneurship Core Act, which I am sure you are aware of. And really what we aim to do is help catalyze entrepreneurship, particularly in underserved communities with wraparound services, a fellowship program, you know, 320-plus fellows a year to provide mentorship, offset costs, and really help lift up those entrepreneurs by reducing barriers that they face, particularly in the areas where they face more barriers than other entrepreneurs.

So, I would just like to have your thoughts on the impact of a bill like that or an effort like that, that recognizes that not all communities face the same barriers to entrepreneurship, and yet there is great value in making some targeted investments within those communities to unleash innovation.

Ms. WESTON. Thank you so much for the question. And SCORE is a strong supporter of the Next Generation Entrepreneurship bill. We know that disadvantaged and underserved communities have unique needs and unique challenges. And one of the things that we believe is by creating equity-based programming that brings training and mentorship focused on those needs will help elevate and reduce barriers. And when we see more success with those entrepreneurs who have the drive, have the desire, but have a lot of hurdles in their way, we know that the mentorship and the training will help them overcome. And this bill, the training will then

be available for other entrepreneurs. They will see these successes. They will be able to take advantage of the training and the resource partners.

And as we heard, awareness is a key problem. Once we can get access to these entrepreneurs to help them learn about the myriad of resources available they are more likely to succeed.

So, we are very excited about the bill and hope that it passes.

Chairman CROW. Thank you. And then I will add that it is not just bipartisan in the House, but we also have Senator Coons and Senator Scott in the Senate that are championing it in a bipartisan way on the other side of the Capitol as well. So, thank you.

My time is done, so I would like to now recognize Ms. Kim, the Ranking Member, for 5 minutes.

Ms. YOUNG KIM. Thank you, Chairman. So, thank you so much for all your testimonies.

And so we heard that small businesses are unaware of these wonderful programs that are out there. So, what steps have you taken during the pandemic, especially during the pandemic, to help small businesses find your organization? And additionally, who will your organization change and adapt to assist small businesses as they continue to recover? This to all of you.

Mr. ROWE. Well, with the CARES Act funding is actually the first time that an SBDC was allowed to use some of the funds for marketing. So, our folks had been reaching out usually through social media because it is actually the most cost-effective. But that has been a huge problem all along as we were literally prohibited from marketing our services by the SBA. I guess the pandemic changed some minds. And so that is where we have gone.

We also partner with companies like Google and Microsoft and Thrive to use their resources to get the word out. We had a resiliency guide that we worked on with Google and, you know, expanded our reach through that.

Ms. YOUNG KIM. Okay.

Ms. WESTON. With SCORE, one of the things we focus on is what our clients and others small business centers are saying that they need help with. And so the content that we create and share with our local chapters is also online and, of course, SEO, search engine optimization, is a key way that people are finding our content, finding it valuable, and then pairing it with a mentor or a workshop.

Our local and national partnerships are another key area. By reaching new markets, like not just the partners I spoke about, but other corporate partners, they can amplify the message that SCORE and our other resource partners are here. I do believe that the SBA is a valued partner in helping to get the word out and I think there are things we can do to improve that because we know and we heard from the Chairman's testimony that when people are paired with SCORE or SBDCs or Women's Business Centers, the businesses are more likely to be successful.

Ms. HODGES. If I could also just add partnership with constituent offices has been a really valuable way to direct traffic. So, when small businesses are asking who can help us and you send them to any of us, they can locate a center. That has proven to be

a huge, I think, source of where a lot of our growth came from, from the Women's Business Center side.

There is truly still a problem, though, with the awareness among the communities. I saw a survey from a couple of years ago, still more than 80, 85 percent of women business owners in our case know about a Women's Business Center. And similar numbers in our poll related back to SBDCs and SCORE as well.

So, we do have to still continue to push the word, but there are limitations with the funding that has to be applied toward programming versus some of that kind of paid-for advertising.

Ms. YOUNG KIM. Sure. I mean, we do know that there are great programs, but many people are having difficulty finding those programs. So, let me direct this question to Mr. Montgomery.

In your testimony you mentioned that SBA's resources are not always easy to find or easy to access when starting a new company. So, do you think entrepreneurs would benefit from more streamlined resources? Are four separate SBA resource partners duplicative?

Mr. MONTGOMERY. I wouldn't say they are duplicate at all. I just think they are tough to find, you know. Regarding the SBDCs specifically, we actually had a representative reach out to me about that specific program. And once I was able to, you know, participate in the program, I found all these additional resources that I had no idea existed.

So, you know, I think probably one of the main touching points is normally a bank that you are trying to go through for an SBA loan, so, you know, maybe there is some kind of synergy there for marketing for these other free programs.

Ms. YOUNG KIM. Thank you. Let me direct my last question to Ms. Weston.

You know, we talked about in my opening statement the SBA's Office of Inspector General releasing the audit. And that was an oversight of your SCORE association and found that the program officials did not properly oversee SCORE's use of federal funds. And then you also talked about that you did not get any additional funding. So, can you provide an update on the corrective actions that are being implemented by your organization?

Ms. WESTON. Absolutely. I appreciate the question. The Office of Inspector General's report was released in April of 2019, and it was on fiscal year 2017 and the first quarter of 2018. Two months after that report, there was a leadership change at the organization and less than a month after that we put together a comprehensive plan to address all of the findings in the OIG report. Less than a year later, every finding was closed.

SCORE has a culture of compliance. We have centralized our accounting, so that every chapter dollar that is spent we can recognize and share with the SBA whether it was restricted or unrestricted. We have brought on a compliance manager to ensure that we are following all the processes and procedures related to our terms and conditions in the CFR 200. Our procurement processes have been strengthened. And in cooperation with the SBA, we are following what they have suggested, our board of directors has separated the association and the foundation. Our compensation policy has been enhanced in terms of salary data, limiting performance



pay. And our whistleblower policy has been updated and every volunteer sees it every year by taking a required code of ethics.

Ms. YOUNG KIM. Thank you. They say that our time is over, so I yield back.

Chairman CROW. Thank you. The gentlewoman yields back. Now I will recognize the gentlewoman from Kansas, Ms. Davids, also the Chairwoman of the Subcommittee on Economic Growth, Tax, and Capital Access, for 5 minutes.

Ms. DAVIDS. Thank you, Chairman. You know, our SBA resource partners have served a really invaluable role during this pandemic and that includes providing guidance and assistance to small businesses on some of the SBA relief programs that we have talked about today. You know, the resource partners in the Kansas Third have helped a lot of businesses, countless businesses, navigate the federal programs that exist and help access the resources available to them. And, you know, I think while we heard about some of this already, but, you know, when we are talking about the Women's Business Center increasing its reach by like 22 percent, we know that these things are really, really important.

So, I want to start, Mr. Rowe, how can we learn lessons from this pandemic and further empower our resource partners in the long term? And, you know, that could be challenges and also opportunities.

Mr. ROWE. I think the—and I am as bad with this as I am on a Zoom call. I think the biggest thing we have learned is that we can get a lot more mileage out of being online. But we also have to be really careful not to isolate ourselves. And we do spend an inordinate amount of time collaborating, whether it is with SCORE, Women's Business Centers, or with the Procurement Technical Assistance Centers. And for us the big thing is how do we break down the silos to make sure that all of the information and all of our capability and capacity is getting out to the community?

I know we did, you know, gobs of town halls with Members like yourself. We can always do more. I think it would be great if every Member's website had a small business assistance banner on it where they could link to our services. I think we have learned a lot that sometimes folks just can't see because we are not raising our hands.

Ms. DAVIDS. Thank you. I appreciate that. And I kind of want to—another piece of this is the Women's Business Centers and I know that, Ms. Hodges, you mentioned this in your testimony that reauthorizing the Women's Business Center program is, of course, really important. I know I was proud to introduce the Women's Business Center Improvement Act. It passed the House in 2019. I intend to reintroduce that piece of legislation later this year.

But, you know, can you elaborate a bit on how the Improvement Act might either have better helped you respond to the pandemic, which I think you mentioned, but also just kind of moving forward how that is going to help us get on the other side of this economic crisis?

Ms. HODGES. Gladly. Thank you, Representative Davids. Clearly, had we addressed the modernization prior to the pandemic, we would not have been still strapped with the \$150,000 grant cap that we had 30 years ago when the program was initially intro-

duced. And so we were in a position with the CARES Act funding, gratefully, to be able to scale up, but we were so far behind. And now as we see the CARES Act funding coming to fruition, we are at a position—we will be in a position to now have to scale back.

And so just when the economy is now recovering, we have a tremendous opportunity to take a really strong look at the program. Everything that was in the bill that you introduced and passed was great and was a move in the right direction in terms of increasing the grant cap, introducing accreditation and standards of quality. But the reality is none of those things have been able to be enacted, and so we are back at square one, basically 30 years ago, and still trying to run a modern program serving modern technological challenges, like the Chairman mentioned with cybersecurity, problems that were never envisioned when the program was initially thought of and piloted. And so we really just need to take a modern look at what services we know that women and particularly marginalized communities need to receive.

Ms. DAVIDS. Thank you. I have one quick question for Mr. Montgomery. This weekend I am having a cookout. Should I get the ribeye or the strip steak?

Mr. MONTGOMERY. I am a ribeye guy all day long.

Ms. DAVIDS. Okay, very good. Thank you so much, Mr. Chairman. I yield back.

Chairman CROW. Thank you. The gentlewoman yields back. And now I would like to recognize the gentleman from Texas, Mr. Williams, the Vice Ranking Member of the Committee. And I don't always root for the Atlanta Braves, but when I do it is because of you, Roger.

Mr. WILLIAMS. Thank you.

Chairman CROW. The gentleman is recognized for 5 minutes.

Mr. WILLIAMS. Thank you, Mr. Chairman. In April 29th, we talked about the Inspector General releasing an audit of the SCORE association showing some abuses in taxpayer dollars. You have addressed that a little bit today. But it was over 700,000 in federal grants were used for excessive staff bonuses, unallowable contracts, it even covered the cost of alcohol. And these findings were extremely troubling to a lot of us and should make us as lawmakers consider SCORE's ability to continue to receive federal funding unless these changes are made.

I guess the question I would have is, were these accusations true?

Ms. WESTON. There were some instances where we did not follow proper procedures in terms of contract documentation, proper bidding, and we did not have a formal compensation policy that limited fair pay across all of the staff in the organization. We now have a compliance manager, we have a procurement policy, we have a compensation policy, and those have been addressed now for over a year.

Mr. WILLIAMS. Okay. The people that caused the problem, are they still there? And how are they going to change their ways?

Ms. WESTON. They are not.

Mr. WILLIAMS. They are gone, right? Another question I have is you talked about—I am a small business owner. I own car dealerships back in Texas and 51 years, so main street is important to

me and I appreciate what you are doing. But when we talk about tax increases, which is happening now, how is that going to affect your small businesses?

Ms. WESTON. Well, I believe that SCORE and our other resource partners are here to help small businesses navigate no matter what challenges and hurdles are put in front of them.

Mr. WILLIAMS. But it is going to hurt them, isn't it?

Ms. WESTON. I cannot speak to—

Mr. WILLIAMS. If you pay more taxes, you pay more taxes.

Ms. WESTON. What we know is that regardless of the hurdles thrown in front of small businesses, we will be able to help them navigate and figure out ways to overcome.

Mr. WILLIAMS. To overcome paying more taxes.

Ms. WESTON. To overcome the challenges for any small business owner.

Mr. WILLIAMS. Okay. All right. Mr. Rowe, in your testimony you discussed Small Business Development Centers' inability to serve all counties. As someone who represents some very rural areas of Texas, I have seen unique challenges facing people who choose not to live in populated cities. Whenever you are dealing with federal programs I am concerned that a majority of funding and focus is being used in major metropolitan or urban areas.

So, my question is, how is the SBDCs currently making sure that programs are beneficial to all Americans, no matter where they decide to open their business?

Mr. ROWE. Well, just for instance, in Texas, A, if you look at my written testimony, for years the UTSA, South-West Texas Border Region SBDC has been hosting the Texas State Rural Business Conference. So, as a result, I continue to get emails from your colleague, Sid Miller.

And that is a very real effort by us to share information with economic development organizations throughout the state of Texas. We have similar efforts, whether it is, you know, Wyoming, Montana, all of the states where we are dealing with significant rural areas. And frankly, in our network that is every place but the District of Columbia.

Mr. WILLIAMS. Okay. All right. Having access to capital and a strong business plan are critical components of any entrepreneur looking to take a chance and start a new career. The SBA has resources available to try to help these individuals, but they are often unknown to people, and we talked about that today, who are just starting out or they are difficult to navigate.

So, Mr. Montgomery, I am familiar with your industry, also. I run a few head back in Texas. And as someone who benefited from the SBDC assistance, what recommendations can you give the SBA partners to improve outreach to aspiring entrepreneurs? Because you are a great example.

Mr. MONTGOMERY. Just like you were saying, Representative, during that initial time period, especially when you are making your business plan and you are searching for capital, you know, that capital is incredibly important to kind of get your start, you are having a lot of conversations with banks specifically. You know, for me it was the USDA, looking at some of those subsidized loans.

So, I think there is a touch point there for banks to be able to educate folks about these additional resources that are available, especially SCORE. I didn't even know that existed and what a great opportunity to kind of have an advisor when you are initially trying to avoid making what I like to call tuition payments.

In addition to that, social media and also what I was mentioning. I mean, you have to get those formation documents from the government, so maybe an additional pamphlet with some of those free resources I think would be crucial.

Mr. WILLIAMS. Okay. Well, you got a great story. We appreciate all of you being here today. I yield my time back.

Chairman CROW. Thank you. The gentleman yields back. I would now like to recognize the gentlewoman from Illinois, Ms. Newman, for 5 minutes.

Ms. NEWMAN. Thank you, Chairman, and thank you, Ranking Member. And thank you to all of our great guests today. Wonderful comments and my sincere hope is that those pieces of legislation that were offered in the 116th pass in the 117th.

And I also want to thank, special thanks to the Women's Business Centers for helping get my amendment passed to extend the waiver. So, bravo on all of you.

I do have a couple of questions. The first one is directed to our friends at WBC and perhaps Ms. Hodges could answer. One of the huge issues as we head into a better economy and a healthy America is that women, as you cited, women have been inordinately dramatically lopsidedly affected by the pandemic and their ability to stay in their jobs, mostly due to childcare. Similarly, they are now wanting to start businesses in their homes because they have to be home with their kids.

So, with that, what are your recommendations? And is there anything we can do as a Committee or a Congress to supplement your efforts to help all of these women entrepreneurs?

Ms. HODGES. Thank you for all of your work and for the question, Representative Newman. I think there are a lot of things that we can do to enhance the capacity of the Women's Business Centers to serve more. Thanks to the pandemic, we have experienced what being at capacity is like.

There are, in some cases, Women's Business Centers that a woman who is interested in startup, and I would echo everything you have stated, the startup requests are the greatest need at the present moment. Those are very high, intense, resource-intensive types of counseling requirements and training requirements. And we are at capacity. If you had an idea to start a business and called a Women's Business Center, you may have to wait weeks to get an appointment because there is just not available staff or time at even as many hours as they are working in a day.

And so I would tell you, I think the single greatest thing we can do is just to increase the capacity of those who are proven to help women succeed regardless of what their goals are, whether it is to work in the home or elsewhere.

Ms. NEWMAN. Thank you so much. And I yield back.

Chairman CROW. The gentlewoman yields back. I will now recognize the gentlewoman from New York, Ms. Tenney, for 5 minutes.

Ms. TENNEY. Thank you, Ranking Member, and also the Chairman. I am so grateful for you to put this Committee together.

I am a small business owner as well and I have just a few questions about some of our Small Business Development Centers. My son is also a captain in the Marine Corps and he also deals with issues with some of his command and people that are leaving the Marine Corps and getting their assistance. But you were talking about different—and I am addressing this Mr. Rowe. You mentioned in your testimony that there are specialized programs in several states to assist veterans with pre and post deployment. Veterans, you know, base their—you know, I am just curious in your work with veterans, I would be curious to hear your viewpoint, and I know my son has his own, but what do you think are some of the biggest obstacles in veterans accessing some of these SBA programs when they first come out? Because I know that has been an issue that has been raised by a number of people, a number of veterans in my community.

Mr. ROWE. Well, one of the concerns, one of the problems is making sure that we are not siloing off our resources. We have got Veterans Business Ownership Centers working and lot of them go on base. SBDCs used to do this as well offering transition assistance.

Ms. TENNEY. Okay.

Mr. ROWE. And we sort of got slid out of that. But really it is just talking between organizations to make sure that the services are there. I know, for example, our network in South Carolina has a great relationship with the Marine Corps and has worked there regularly over the years providing transition assistance.

Some of it is on us. If we offer someone assistance while they are mustering out and then, you know, they go from, say, South Carolina and they go home to wherever that is, we need to do a better job of making them aware that there can be a continuum of that assistance. They can go from the South Carolina SBDC to the Texas SBDC and continue getting that assistance, get all the information they need to keep moving on.

Ms. TENNEY. If you could pick one, Mr. Rowe, if you could pick one policy that you would like to change by SBA to make it better and more accessible to veterans what would it be?

Mr. ROWE. I think probably one of the greatest things would be allowing SBDCs to operate and compete for the Veterans Business Ownership Center program offices. We could vastly expand things. It has been a little bit siloed.

Ms. TENNEY. Thank you very much. I appreciate that. I just have a quick question for Ms. Weston. I don't see my timer on there, but you stated SCORE respectfully requests an increase of 9.5 million in funding for fiscal year 2022 for a total amount of the appropriation being 21.7 million. Should the SBA recover the 713,000 and change of unallowable and unsupported costs as recommended by the SBA's Office of Inspector General prior to new funding?

Ms. WESTON. Thank you for that question. We have already paid back the amount of funding that was required from the SBA. After more work with the SBA and the OIG report, we were able

to provide more documentation on the allowability of contracts and we only had to pay back half of that 713,000. It is all paid back.

Ms. TENNEY. That is fantastic. I wanted to hear that. Great to hear that and would like to address my next question to Ms. Hodges.

I am a woman-owned business. My family business has been around since 1946. Eight out of 10 of our shareholders are women-owned, but, unfortunately, we can't get a woman-owned designation in New York. But I am concerned about, you know, how we continue to outreach to women. I know there is a lot of women mentors and leaders, but what do you recommend, you know, in terms of especially in the lending space?

There are a lot of issues with women being able to access money and loans to get their business underway. I am working with a number of women now who have got fantastic business plans and we are struggling to get lenders to really push to get them the money they need. What type of outreach would you do to close this gap? And what do you recommend? If you could just pick one thing because I know my time is short.

Ms. HODGES. If I just had to pick one thing it would be to be able to put money into the marketing. We just don't have the money to put into marketing and without dollars it is really difficult to people who don't know that you are trying to reach them. So, whether that is radio or billboards or other paid advertising, definitely there. But access to capital, you are right, is the number one barrier.

Ms. TENNEY. Thank you. I appreciate that because it definitely is a marketing issue. We try to mentor as many women as we can and it is a—got great business plans, we just need the lenders to let that money flow to them so they can create and produce jobs.

Thanks so much. I appreciate everyone. And I yield my time back.

Chairman CROW. Thank you. The gentlewoman yields back. I will now recognize the gentleman from New York, Mr. Garbarino, for 5 minutes.

Mr. GARBARINO. Thank you very much, Mr. Chairman. And thank you to all the witnesses that are here today. It has been great testimony so far.

My first question is for Mr. Montgomery. Small business owners have expressed concerns regarding the proposed tax increases, regulations, inflation, labor shortages. What do you see as your biggest barrier to growing your business?

Mr. MONTGOMERY. Right now it is inflation hands down. I mean, we have seen cost increases across the board on our cost of goods just within the first 3 months of this year. And we expect to see some more in the upcoming months, which is—it is scary, so we are starting to kind of plan around that for probably the next year here.

Mr. GARBARINO. How do you plan around that? Do you have to raise your own prices or how are you planning to address that?

Mr. MONTGOMERY. Yeah, I mean, we—yes, sir. So, we have done four price increases in the last year. Processing started going up last year with the constraints on that market. I think we are probably at the top of the consumer surplus of what, you know,

customers are willing to pay for our product. So, now we have to kind of think smarter and probably less money in marketing and just to offset that cost to make sure that we are not losing money this year.

Mr. GARBARINO. Okay. And as a small business, you know, it fluctuates, right? Some years you do well, some years you don't do well. So, if you have a profitable year, do you have to, you know, make those profits last several years in case there is a loss? You know, you are not guaranteed a profit every year, correct?

Mr. MONTGOMERY. That is definitely correct, especially being a startup, you know.

Mr. GARBARINO. Okay. No, I appreciate that and I appreciate you addressing the inflation issue. We have been hearing that a lot from a lot of different people.

I have another question. This is for pretty much any of the witnesses, whoever wants to jump in. According to the NFIB April jobs report, small business owners are experiencing the highest ever readings of unfilled job openings since the polling started in 1973. What can BBOCs, SBDC, WBCs, and SCORE mentors do to help small businesses find employees?

Ms. WESTON. Well, I will start. One of the things that I believe all of our resource partners do is really understand what the specific needs of the business are. We have seen since all of 2017 from a SCORE Megaphone of main street report that it was becoming more challenging to hire workers because of various trends, the gig economy being one of them, childcare needs being another. And what we are able to do is sit there and look at the resources and limitations for every small business owner and help them decide is a full-time employee best, a part-time employee, contractors. And make sure it makes sense for them while still working towards that goal of being profitable and maintaining profitability.

Mr. GARBARINO. Anyone else? All right. I appreciate—

Mr. ROWE. I think—

Mr. GARBARINO. Oh, sorry, please.

Mr. ROWE. Sorry, sir. I just had a quick thought on it. I think one of the big things we work on at SBDCs is—and, for example, some of our SBDCs colocate with the Workforce Development Boards, is trying to understand the changes in the labor market. You know, the pandemic has affected so much behavior that it has almost become a marketing tool sometimes for a small business to say, hey, we have got a safe, serious workplace and we need help. So that is just one of the things we are trying to accomplish.

Mr. GARBARINO. I appreciate that. And actually back to Mr. Montgomery. What is the labor situation with your small business? Inflation we said is number one, but are you having any trouble filling spots?

Mr. MONTGOMERY. We are. So, we just came out of our slow season and seasonality is our business, so we are just now starting to try to hire some part-time folks. Going into grilling season here. We did a \$3 across the board increase on our hourly wage, going from 12 to a minimum of \$15 an hour, going up to 18 based on experience, and we are still not getting applicants. So, it is a problem we are working right now and I don't think I have a good solution yet, so.

Mr. GARBARINO. No, I appreciate that and I hope you are able to fill those slots so you can remain to be profitable. But that is it with all the questions I have. Thank you, Mr. Chairman, and I yield back.

Chairman CROW. Thank you. The gentleman yields back. I will now recognize the gentlewoman from Georgia, Ms. Bourdeaux, for 5 minutes.

Ms. BOURDEAUX. Thank you, Chairman Crow and Ranking Member Kim. The SBA's resource partners provide entrepreneurs with some wonderful resources and really advanced this Committee's shared interest in promoting entrepreneurship and small business growth. My office worked closely with our local Small Business Development Centers and have greatly appreciated their efforts during the pandemic.

Just a follow-up question, though, on that for Mr. Rowe. One of the questions we received from our Small Business Development Center and we are interested in what your answer might be, is that given how the pandemic has really increased the SBDC's profile in our community, they are concerned about what is going to happen after the pandemic when all of a sudden they are very, very well-known for this great assistance that they have provided? And wanted to get your thoughts about what resources might be needed going forward.

Mr. ROWE. Thank you, ma'am. Appreciate the question. What we are looking for, and I appreciate the many Members who co-signed the letter that Congressman Larson and Mr. Balderson and Congressman Young initiated, we are looking for an appropriation of \$150 million. What that would do is essentially help us not fall off a resource cliff, if you will. We have our regular appropriation and then the very generous additional appropriation under the CARES Act. We have beefed up staff and resources and we want to be able to maintain those resources because, frankly, we don't see a diminishing amount of demand. Like the Women's Business Centers, very often we are having to, you know, schedule people several weeks out because there is just so many hours in a day.

Ms. BOURDEAUX. Okay. In your testimony, well, another issue we have is we have a diverse community in the Seventh District. About 25 percent of the people in my district were born outside of this country. And so we are very, very interested in the Community Navigator program and really working on building our capacity to reach out to these diverse communities, many of whom are very entrepreneurial, they have got small businesses, but they may speak a different language. There may be all sorts of different barriers.

In your testimony you mentioned that several SBDCs have already engaged in pilot programs for the Community Navigator program. And I was just curious how those efforts are going. Do you see a use for the Community Navigator model at SBA in reaching small businesses in underserved communities, like the ones I am talking about in my district, beyond the pandemic?

Mr. ROWE. Well, I think there is obviously a need. That is why we are working on our own on the inclusivity challenge. The simple fact is there are 30 million small businesses and I don't know how many aspiring entrepreneurs in this country. And it is going to take a massive effort for us to make sure we are hitting everyone.



Community Navigators is a great start. We work hard to find the associations and the organizations that we can work with to get out to those communities. And it is a constant effort.

Ms. BOURDEAUX. Do any of the other panelists have any thoughts on this? I saw you, Ms. Hodges, nodding on that.

Ms. HODGES. Thank you, Representative Bourdeaux. So many fond thoughts of Georgia. I spent many years there and we have a very strong Women's Business Center presence in Georgia and a new one that opened in Savannah. And I think about how the Community Navigator program can complement and can also challenge as we think about our program.

We know that the Community Navigator challenge has a tremendous funding instrument attached, \$100 million. And really, how can you put a price tag on the health of small business in our economy?

However, our experience in working with the Small Business Office of Entrepreneurial Development is that they are themselves somewhat taxed in terms of levels of staff and resources. It is not their fault. This is a situation not by their making or their design.

And so, in some ways, we find it can be somewhat of a competition for resources, for attention to do the things that, quite frankly, Women's Business Centers have been doing for three decades and have been doing extremely well with many fewer resources. If you compare the \$30 million ask of Women's Business Centers with \$100 million ask of a brand-new, never tested Community Navigator program, one can ask a lot of questions.

That being said, we embrace every opportunity to partner. We canvass every community for every asset, for every opportunity to reach into those communities and serve. And so as soon as the Community Navigator program officially launches, we will embrace it and we will make the most of it as we do every dollar and every resource we have ever gotten.

Ms. BOURDEAUX. Good. Thank you so much. And I yield back.

Chairman CROW. Thank you. The gentlewoman yields back. I will now recognize the gentleman from Minnesota, Mr. Phillips, Chairman of the Subcommittee on Oversight Investigations and Regulations, for 5 minutes.

Mr. PHILLIPS. Thank you, Mr. Chairman. And thank you to our witnesses today.

Mr. Montgomery, I would like to start with you. I celebrate your story and am particularly intrigued by your testimony regarding a lack of lending options available for startups and new businesses compared to the SBA programs that exist that seems to be more focused on existing businesses or incumbent businesses, as politicians would probably prefer to say.

I have authored legislation myself, called the New Business Preservation Act, that would enable states to set up pools of capital alongside private investors and venture capital to support scalable high-growth companies headquartered particularly in America's heartland.

So, if you would take a moment and provide some more detail on your proposal to increase financial support for individuals pursuing new business ideas and how a program like the New Business Preservation Act might play a role in addressing this gap.

Mr. MONTGOMERY. Thank you, Representative Phillips. I appreciate the question.

First, I will kid of start with my experience. Like I was referring to in my testimony, you know, we are asking for a quarter-million to kind of make it through those first 3 years of creating a viable business. Obviously, it proved almost impossible. I think the USDA subsidized loans through the FSA office. They offered me 16,000, which was kind of enough to drown myself without actually succeeding.

So, I think what you are proposing is exactly what I am thinking. There needs to be capital for people with good ideas, that have a solid business model. Because there is definitely plenty of advice out there for aspiring entrepreneurs, but the capital is not always as easy to come by. And I think that is imperative because you need both those things to get off the ground.

Mr. PHILLIPS. All right. I appreciate that. And thank you once again.

Mr. Rowe, in your testimony you mentioned that the SBDC accreditation process is built on the Baldrige standards. I have developed another bill that is called the Honest Enterprise Act that would use the same framework to encourage and reward companies for excellence in creating inclusive workplaces. And I think this kind of stakeholder capitalism has to be baked into businesses at the earliest stages.

So, what kind of counsel might you provide, if any, that might encourage prospective business owners to consider more than just their profits and the management and benefits of their employees and their communities and the role that they can play in protecting the environment? How can we provide those incentives?

Mr. ROWE. Well, I think the first thing is providing incentives. I think it is great to want people to conserve energy, let us say, and have a green workplace. To offer them a tax credit is even better.

I think as far as the workplace ethos goes, one of the things we work on at SBDCs is succession planning. We have done a lot of it, particularly in the state of New York, implementing Senator Gillibrand's bill. And that was really how do we take a current business model and help plant it into an employee-owned model? And that, for us, has provided a lot of ways to take both senior entrepreneurs and bring younger businesspeople into the marketplace and sort of open that up.

Now, just quick to go back to your question of Mr. Montgomery, one of things we could think about is steering the funds in the SSBCI program towards startup entrepreneurs. That is up to every individual state on how they use those funds, but very often they are tending to a venture model that really is geared toward established businesses.

Mr. PHILLIPS. Great. I have to say, your remarks about employees' ESOPs, Employee Stock Ownership Programs, and how we might use thoughtful policy to not just encourage, but provide incentives for businesses of all sizes. To do so is, I think, a grand opportunity for those of us who believe in compassionate capitalism.

I see my time has, unfortunately, expired, but thanks again for our witnesses. And I yield back, Mr. Chairman.

Chairman CROW. Thank you. The gentleman yields back. No other members?

Okay. It looks like we have no other members with questions right now, so I want to thank again all of our witnesses for participating today. Thank you and your organization staff for your efforts in preparing for the testimony and for your work during the pandemic and economic downturn.

And I want to thank in particular Mr. Montgomery for your time because I know as a business owner and somebody who is dealing with a lot of challenges, your time is extremely valuable, so taking time to share your insights has been very useful to us.

And at the beginning of the testimony you said you endeavor to keep faith with our fellow rangers by giving earnest and honest and good testimony, and I will say that you accomplished that mission. So, we thank you very much for your time.

Mr. MONTGOMERY. Thank you, Chairman.

Chairman CROW. So, with that, you know, we have identified a number of issues that I think falls within the purview of this Committee and Congress. This Committee has a long history of working bipartisan, in a bipartisan fashion to find practical and pragmatic solutions to these issues. You have identified a number of things and areas of improvement for us to continue to work on. And we appreciate that very much. I look forward to working with all of my colleagues to find those solutions and to make sure that we are fulfilling what is our unified and joint mission, and that is supporting our small businesses around the country to grow our economy, to grow jobs, and to achieve the American dream.

So, I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned today.

[Whereupon, at 11:36 a.m., the Subcommittee was adjourned.]

APPENDIX



Testimony

of

C. E. "Tee" Rowe

President/CEO

May 19, 2021

Committee on Small Business

Subcommittee on Innovation, Entrepreneurial Assistance &

Workforce Development

US House of Representatives

"SBA's Entrepreneurial Ecosystem:

An Update and Next Steps"

Chairman Crow, Ranking Member Kim,

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

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

#### **HOW AND WHERE SBDCs WORK**

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

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

SBDCs provide services to small businesses at all stages of development. The mix of businesses usually varies depending on the region and their unique characteristics. A good rule of thumb is that we have a range of about a 60/40 mix of existing and nascent (start-up) entrepreneurs. Annually, these ratios vary due to economic conditions and external

factors such as disasters or market conditions. Over 50% of our clients are women, and roughly 10% of our clients are veterans. Every year we provide over one and a half million hours of counseling and training to over 500,000 small business owners and their employees.

SBDCs focus on providing free one on one consulting and mentoring on how to improve, finance, market, and manage their businesses. The services SBDCs provide tend to be more in-depth, and our relationships often span several years. The services will change as the business grows and its needs shift. SBDCs offer assistance in procurement, rural tourism, energy conservation, international trade assistance, among many other areas. We are always trying to expand and improve our services in an effort to support the growing needs of the small business sector and to adapt to a changing business environment. The advance of technology has changed the way most small businesses have to do business in order to survive and thrive.

This assistance has provided significant results. From 1990 to 2018 our conservative estimates are 70.5 billion dollars in capital accessed, 120.4 billion dollars in increased sales, and 2.4 million jobs created by over 1.25 million clients. All of this generating over \$10.75 billion in tax revenue.

From 2012 to 2018 alone SBDCs helped their small business clients obtain over \$30 billion in capital, increase their sales by over \$40 billion and helped them create over 538,000 new jobs. In 2019 SBDC helped small businesses access \$6 billion in capital, increase sales by \$7 billion and create 91,767 jobs.

#### **ACCREDITATION**

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

**VETERANS**

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

**UNDERSERVED COMMUNITIES**

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

**RURAL OUTREACH**

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

### **EXPORTS**

Nationwide SBDC have over 500 certified export assistance counselors to help small businesses reach the markets outside the US, where 95% of the world's markets reside. We partner with the US Census Bureau to provide training in US export regulations and in Massachusetts and Illinois, as well as other states the SBDC network is one of the key components of the state's export outreach program. We are also involved in an ambitious effort to spread the SBDC model to other countries. Working with the Department of State SBDCs have been helping establish small business support organizations throughout South and Central America, an initiative called the Small Business Network of the Americas. We consider this effort to have a vital role both in building markets and export relationships for our small business clients. As a result of our efforts, particularly through the South West Texas Border SBDC at UTSA we have helped establish small business development organizations in Mexico, Honduras, Colombia, Chile, Costa Rica, Belize, Guatemala and Panama.

**TECHNOLOGY** – As the subcommittee heard last week, SBDCs are significant providers of assistance for the SBIR and STTR programs. SBDCs all across the country work with small technology firms and assist them in applying for and winning grants to develop technology for federal R&D priorities and commercialize them.

**CYBERSECURITY** – Over the past year the national SBDC network has developed a cybersecurity training program based on the Department of Defense Cybersecurity Maturity Model Certification Program. Our platform encompasses all facets of the DoD, NIST and Homeland Security guidance in order to provide the ability for SBDCs to provide basic security for small business owners and help them access higher level services when needed.

In addition to that basic training on cybersecurity we are developing an innovative new program called *Secure Towns*. Through *Secure Towns* SBDCs work with local Chambers, economic development organizations, local governments and businesses to build cooperative local frameworks to prevent cybersecurity breaches and raise awareness of vulnerabilities. We are starting the program with a pilot in Culpeper, VA but hope to expand the concept to many more cities and towns.



**PROCUREMENT**

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

I could spend a great deal of time discussing all the services offered by the SBDC network, and I could offer any number of success stories and even then I am sure I would miss many important contributions. In order to give this Committee and Congress a better picture of what SBDCs offer and accomplish I have provided a link to our annual report. It provides state by state and national impact information on SBDC performance and can be found at -

<https://www.sbdciimpact.org/>

**COVID PANDEMIC RESPONSE**

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

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

We have assisted small businesses with billions in financings through PPP, EIDL, SVOG and now the Restaurant Revitalization Fund. Throughout the pandemic the biggest problem SBDCs and their clients faced was conflicting information. We've tried hard to help small business but our efforts have been hindered by information that comes out in fits and starts. We've worked hard to assist small businesses get applications in and get them the help they needed. Sadly, a lot of conflicting and sometimes downright bad information came out and that made our work harder. Motivated by the best of intentions a lot of parties tried to rush information out in advance of agency guidance. That, compounded by concern, drove a lot of small businesses to make mistakes and that was compounded by a shortage of actual guidance from the agencies.

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

To respond to the pandemic and the unique problems it caused SBDCs responded in a variety of ways. An example is our Pennsylvania SBDC network. The PASBDC responded to the pandemic by launching 9 centers of excellence with specialty services. Within 2 months of receiving the Cares Act funding these COEs were open to serve clients across the Commonwealth with new services aimed specifically at helping clients weather the pandemic. Those services included e-commerce, SEO, life science, agriculture, and hospitality sector focused specialized services, including a bilingual (Latino) center of excellence to help the community access the various special loan programs.

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

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

### **GOING FORWARD**

Based on these results, for the immediate future we see small business as increasingly reliant on technology to both serve and find customers. As the pandemic recedes we hope that people will return to their prior retail habits but it is not improbable that consumer habits learned during the pandemic will linger. Our concern is how to meet those small business needs and help small businesses re-establish those customer bases, customer confidence, and regain lost ground.

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

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

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

The challenge is simple – "**Do More**". Based on the assessments of each SBDC's local needs they will reach out to more communities and establish more connections and provide more services. Each SBDC participating in *The Inclusivity Challenge* begins by critically examining communities within the SBDC service region that are underserved, or face barriers or limitations to building sustainable businesses. *The Inclusivity Challenge* is not just about targeting demographic groups. It's about helping all entrepreneurs overcome impediments to their success. Those can include language, culture, geography, disability, past life experiences (drug addiction, prison records), etc.

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

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

#### **COLLABORATION ACROSS AGENCIES AND PROGRAMS**

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

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

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

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

#### **REAUTHORIZATION**

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

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

1. Clarify and strengthen the SBA/SBDC partnership through clear negotiation and collaboration.
2. Clarify SBDC marketing and co-sponsorship abilities.
3. Set forth priorities and goals for the entrepreneurial development programs that reflect 21<sup>st</sup> century economics and opportunities.
4. Strengthen the ability for all federal agencies, and entrepreneurial development programs to serve all counties. Rural and inner city alike.
5. Breakdown the silos that isolate program access and capacity.

6. Recognize the variety and scope of the entrepreneurial development programs and focus on broadening outreach rather than worrying about overlap.
7. Increase the SBDC authorization level to \$200 million, and our partners accordingly.
8. Involve SBA's ED programs in workforce development, and apprenticeships.
9. Support increases in ED program appropriations to build this capacity.

#### **THE RPTP PLATFORM**

As part of the CARES ACT America's SBDC and the Association of Women's Business Centers were tasked with establishing a two-part online platform, the Resource Partner Training Platform (RPTP). One side, the CMS, is a site for small businesses to find up to date unvarnished information about programs and services available to assist them during the pandemic. The other side, the Learning Management System or LMS, is designed specifically for training small business advisers from any of the resource partners, SBDCs, WBCs, SCORE or VBOCs. This has been a significant effort for our associations, and not something we've ever tackled before, however, I believe we've established a truly useful and worthwhile platform. We had the CMS up in only a few days and it has been providing up to date information for almost a year. We have completed the automated "web crawler" which will continuously update and add to the content available.

On the LMS side, we are continuing to augment the curriculum and to provide more and more training for Resource Partner advisers. In particular, we are pleased with the live webinar presentations which enable us to provide timely and important training on immediate topics. For instance, our recent training on how to assist small businesses with SAM registration for the Shuttered Venue Operators Grants. This week we will hosting training on "Building Inclusive Economic Ecosystems" a valuable program that we believe will assist in the implementation of the Community Navigators program.

While the platform is up and running and performing there is a question. What is its future? Funding only extends until April of 2022. What would Congress like us to do? We believe that the content and functionality that we have built has broader utility. Should it be kept as is? Should it be merged with SBA's website (due for revamp under Community Navigators), or merged with another platform?

We look forward to discussing this with the Committee while there is ample time to examine our options and plan for the RPTP's future.

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

Bridget Weston  
Chief Executive Officer  
SCORE Association

*The Small Business Administration's Entrepreneurial Ecosystem:  
An Update and Next Steps with SBA's Resource Partners*  
Statement to the Subcommittee on Innovation, Entrepreneurship and Workforce Development  
United States House of Representatives Committee on Small Business  
May 19, 2021

Chairman Velázquez, Ranking Member Luetkemeyer, and members of the subcommittee—thank you for the opportunity to offer testimony on SCORE's national and local impact, our response to the COVID-19 pandemic and the challenges we currently face in effectively serving American small businesses.

First, SCORE would like to express our gratitude for our FY21 appropriation of \$12.2 million. We are very grateful for this funding, and it is having an immediate positive impact on the small businesses owners that SCORE volunteers serve in their local communities every day, resulting in significant business creation and job growth, which is detailed later in this testimony.

**ABOUT SCORE**

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

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

**SCORE's Impact in FY20**

In FY20, SCORE helped its clients to start 45,027 new businesses and create 74,535 new jobs. Despite the challenging business climate of the COVID-19 pandemic, 82% of clients stayed in business throughout the year, with help from SCORE.

SCORE remains the most efficient, effective business formation and job creation engine funded by the federal government. In 2020, our cost to create a new job was \$156.97 and \$259.84 to create a new business. In 2020, SCORE clients returned \$67.35 in new federal tax revenue for every \$1 appropriated to SCORE, (\$788 million in total).

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

[www.score.org](http://www.score.org)

**SCORE**   
FOR THE LIFE OF YOUR BUSINESS



### **Mentoring**

SCORE is proud to be the nation's largest network of volunteer, expert business mentors, and our 10,000 volunteers are the lifeblood of SCORE. The majority of our mentors are current or former business executives and entrepreneurs, giving them firsthand experience of best practices and pitfalls to avoid, which they pass on to our clients through online or in-person sessions. In FY20, SCORE held 315,283 mentoring sessions. The high quality of these services is captured in our Net Promoter Score (NPS) of 87.33, on a 100-point scale of customer satisfaction and willingness to recommend the brand. An NPS of 30 and above is considered good, while 70 and above is considered excellent. The 2020 NPS benchmark for education and training industries nationwide is 71, while the consulting industry scored 51.

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

In FY20, SCORE mentors donated 3,980,987 hours of total service to mentoring and educating our clients. Through this generosity and the wisdom of their firsthand business experience, our volunteers have a profoundly positive effect on our small business owner clients, which, in turn, positively impacts their communities. SBA data shows that mentoring works – with business owners who receive three or more hours of mentoring reporting higher revenues and increased business growth.

### **Business Education and Training**

#### **Live Webinars & On-Demand Training**

SCORE national headquarters provides ongoing workshops in both live webinar formats and on-demand training housed on the [www.score.org](http://www.score.org) website. These educational services are critical to our clients, providing information on numerous aspects of starting and growing a business. At least once a week on average, SCORE hosts live webinars in conjunction with SCORE volunteers, sponsors and outside subject matter experts. Designed to complement local workshops provided by SCORE chapters, these webinars reach entrepreneurs who cannot easily attend a local workshop, or who prefer to learn virtually. 204,925 clients attended these online workshop sessions in FY20.

#### **Virtual Conferences**

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



SCORE typically collaborates with the SBA to host the National Small Business Week virtual conference. The May 2019 multi-day event drew 5,949 attendees and 12,928 total unique webinar views.

One attendee commented: "I have to say, that was the best virtual conference I have ever attended. It was amazing, almost like going to a full-day conference. Minus the hassle of travel and staying at a hotel!"

#### **Local Workshops**

SCORE chapters offer local workshops that complement SCORE headquarters' national webinar program. These are often tailored in response to the needs of the local business community. Local workshops can be in-person or online, and may be a single session or a multi-day series. Topics include everything from finding financing to digital marketing tips, HR best practices and business planning. Popular local workshops include Simple Steps to Starting Your Business and Legacy Planning for Farmers. 347,389 attendees were served across 10,816 local workshops in FY20.

#### **Templates and Resources**

[www.score.org](http://www.score.org) is the central hub for free business templates, e-guides, checklists, blogs, infographics, videos, tools and other helpful resources to help entrepreneurs start and grow their small business. In FY20, 4,754,230 people visited the [score.org](http://score.org) website. SCORE chapters also have their own websites, which offer local resources and showcase local stories of business success.

#### **SCORE VOLUNTEERS**

Since 1964, SCORE volunteers have helped more than 11 million entrepreneurs to start, grow, or troubleshoot a business. SCORE's volunteer corps consists of 10,000 experienced businesspeople who are passionate about helping small businesses succeed. Volunteers come from all across the country, with diverse backgrounds and experience in different areas of industry. About half are currently working as entrepreneurs or executives, with the other half retired. Our 2020 client engagement index score is an impressively high 4.15 on a 5-point scale, and SCORE's overall NPS (net promoter score) also slightly increased to 87.33.

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

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

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

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

#### **ONE SCORE**

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

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

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

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

"One SCORE" also ensures SCORE continues to be a good steward of the federal dollar. SCORE successfully closed all findings from the Office of Inspector General's FY17 report (released in April 2019). Through the implementation of many of our "One SCORE" programs, we continue to demonstrate our commitment to compliance.

#### **Centralized Accounting**

In FY19, SCORE began the process of centralizing all accounting and financial systems nationwide, with the goal of reducing the burden on chapters due to reporting requirements, bookkeeping tasks and clerical duties, while allowing chapters to maintain control over how, when and where they raise and spend funds. All SCORE chapters were transitioned to centralized accounting by January 1, 2020.

This introduction of uniform policies and procedures for chapter treasury operations enables more consistent onboarding and training for chapter treasurers, and reduces the risk for the overall organization, accounting for every dollar – restricted or unrestricted – to the chapter level, and provides improved insight into SCORE's financials to better support national accounting and fundraising. The SBA has reviewed and approved this system.

**SCORE Engage: CRM Implementation**

The “Engage” Customer Relationship Management (CRM) system replaces the old database and intranet. “Engage” improves the quality of engagement between users and SCORE through three main journeys – client mentoring, volunteering and training. “SCORE Engage” will also help improve the mentor matching process, and provide better insight into chapter performance through reports, dashboards and additional tools that enable integration between systems and data.

Currently, two-thirds of chapters have been rolled onto the Engage system, following a pilot period in which “early adopters” representative of all SCORE regions and chapter sizes tested the system and helped inform the business requirements, system user experience, features, functionality and change management. This transition to our new and improved system will be completed by the end of FY21.

**Volunteer Onboarding**

A revamped volunteer onboarding program launched in FY19 now welcomes our provisional members and provides them with the tools and information they needed to start their experience with SCORE off right.

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

**Chapter Social Media Program**

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

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

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

**DIVERSITY, EQUITY AND INCLUSION**

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

SCORE continued to diversify our volunteer ranks with women and minority volunteers climbing to 38.19% of total volunteers in FY20. While we are focusing even more on diverse volunteer recruiting going forward, this 5% increase from the previous year represents the single biggest annual growth since we began tracking these metrics in 2012.

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

#### **SCORE for All**

SCORE is working harder than ever to reach underserved entrepreneurs, including minorities, women, veterans, disabled people and rural business owners. We regularly survey and connect with our clients and other business owners to fully understand the challenges facing small business owners today.

SCORE serves a diverse range of American small business owners and entrepreneurs. Among SCORE'S 2020 client base, 60% were women, 46% were minorities and 9% were veterans.

As part of our SCORE for All efforts, we are building out equity-based programming for specific underserved business owners, to help meet their needs and narrow the gap. In early 2021, we launched SCORE for Black Entrepreneurs in response to client feedback. Before most Black entrepreneurs even open their doors, they face a range of obstacles, from a lack of capital to difficulty accessing government programs—not to mention encountering bias and racism along the way.

Through the SCORE for Black Entrepreneurs portal, Black small business owners can utilize SCORE's Resource Library, which includes hundreds of free articles, templates, tools, videos, and checklists to meet any business need. They can sort by entrepreneur type, topic, and business stage to find exactly what they're looking for.

Black entrepreneurs can also use this hub to connect with our diverse group of experienced, volunteer mentors, who are available to answer questions about starting and growing a small business. The SCORE for All for Hispanic Entrepreneurs is planned for September, and we will continue to build out programs as resources become available.

#### **Partnerships to Serve Diverse Entrepreneurs**

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

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



### Local Community Partnerships

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

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

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

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

In the state of Maine, SCORE chapters are working together with a number of other organizations to reach both urban underserved businesses and rural entrepreneurs. Partnerships include The Indus Fund, a community-supported micro-loan program for immigrant entrepreneurs in Maine, the Portland Office of Economic Opportunity, and Prosperity Maine (PME), the Fork Food Lab food-based business workspace celebrating food from entrepreneurs' home countries. Other partners include the Maine Department of Economic and Community Development, where SCORE mentors provide assistance for businesses reaching out to the DECD for help with PPP/Cares Act funding applications, and Maine Accelerates Growth, a network of economic development and business support organizations throughout Maine.

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

### SCORE'S RESPONSE TO COVID-19

Many more business owners are reaching out for SCORE's help than ever before, as evidenced by our 30% increase in FY20 total annual services. When the COVID-19 pandemic hit, SCORE quickly pivoted to delivering 100% virtual mentoring and education without missing a day of service. While the U.S. House of Representatives supported additional funding for SCORE's COVID-19 response in the HEROES Act, SCORE did not ultimately receive the \$10 million we requested to support our clients in

crisis. Instead, we worked with corporate partners, utilizing their temporary interest in supporting small businesses through the pandemic to stand up our Small Business Resilience Program (SBRP).

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

Launched in March 2020, the SBRP has helped thousands of business owners to pivot, survive and thrive through a three-pronged approach of mentoring, education and resources. As of May 11, 2021, 730,320 users have visited the Small Business Resilience content on SCORE.org, with 1,070,511 total page views. 28,425 small business clients participated in 36,774 COVID-specific mentoring sessions, and 6,777 people used the Real-Time Mentoring platform to get answers immediately to their most urgent business questions. 199,937 attendees benefited from business training workshops and webinars on COVID-responsive business strategies.

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

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

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

Utilizing both qualitative and quantitative data from a diverse group of roughly 3,500 small business owners across the nation, the Megaphone showed how COVID-19 has significantly and negatively impacted U.S. small businesses in terms of revenue, employment and cash flow. Black and Hispanic business owners were harder hit than White business owners, particularly in regards to funding opportunities. Data shows that Black and Hispanic business owners were more likely to seek both private and public funding opportunities than their White counterparts, and much less likely to receive it.

Since the pandemic began, we have seen firsthand how desperately small businesses owners need SCORE's guidance and support. Many business owners told us they would not have applied for PPP or EIDL without a SCORE mentor to walk them through the confusing and overwhelming process, step by

step. New federally-funded opportunities, are extremely valuable to business owners, but only if those who need help the most can take advantage of it. SCORE stands ready to help the most vulnerable small business owners navigate these opportunities and utilize them effectively, so they can keep their doors open and keep people employed. Continued federal investment is critical to the survival rates of small businesses across America. Our clients are depending on us to help them succeed.

#### **APPROPRIATIONS REQUEST**

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

Based on our continued demonstrated impact, increased demand for services and SCORE's specific plans to reach more business owners in underserved and disadvantaged communities hardest hit by the COVID-19 pandemic, SCORE respectfully requests an increase of \$9.5 million in funding for FY22, for a total annual appropriation of \$21.7 million.

SCORE is scalable. With a relatively small investment, we can provide even greater value to business owners and the economy. In FY20, SCORE helped its clients to start 45,027 new businesses and create 74,535 new jobs. Our projections estimate that this increased funding would help us to deliver 540,243 additional client services (mentoring, workshops, education), with a projected outcome of 100,131 additional new businesses started and/or jobs created, beyond last year's impact numbers.

SCORE also provides tremendous return on investment to the American taxpayer, with every dollar invested return to the federal treasury many times over. In 2020, SCORE clients returned \$67.35 in new federal tax revenue for every \$1 appropriated to SCORE, (\$788 million in total). Please see below for details on how additional funding would be utilized, and what results we expect to achieve.

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

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

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

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

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

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

**More Support for Community Outreach/Local SCORE Chapters: \$3.25 million**

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

**Help More Underserved Businesses: \$2.5 million**

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

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





**Testimony of**

Corinne Hodges

**On behalf of the  
Association of Women's Business Centers  
to the**

U.S. House of Representatives  
Small Business Subcommittee on Innovation,  
Entrepreneurship, and Workforce Development:

*The Small Business Administration's Entrepreneurial  
Ecosystem: An Update and Next Steps with SBA's  
Resource Partners*

May 19, 2021

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

#### Introduction and Overview of Women's Business Center Program

##### *About the Association of Women's Business Centers*

The Association of Women's Business Centers (AWBC) works diligently to secure economic empowerment and entrepreneurial opportunities for women by supporting and sustaining a national network of women entrepreneurs and program staff for 135 Women's Business Centers (WBC). WBCs help women succeed in business by providing counseling, training, mentoring, business development, and access to capital.<sup>1</sup>

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

##### *What is a Women's Business Center?*

The Women's Business Center program is a public-private partnership with 32 years of success in providing training, counseling, mentoring, networking opportunities and access to capital to women entrepreneurs across the country.

The 135 WBCs that make up our national network are hosted by a myriad of connected non-profit entrepreneurial development organizations that serve economically and socially disadvantaged clients, in as many as 38 languages.

While all our WBCs operate a brick-and-mortar location, many have opened additional satellite locations, offer online support or even upfitted mobile buses to reach the hardest to reach entrepreneurs.

Women's Business Centers are essential to help ignite and respond to a period of economic recovery. Building on the momentum achieved during the continued economic crisis, WBCs will continue to provide women business owners the vital support and services to enable small business' doors to not only remain open but to spur continuous growth.

##### *Twenty New Women's Business Centers*

On January 4, 2021, the Small Business Administration (SBA) announced grant awards for 20 additional WBCs across the United States, spanning urban, rural, and underserved communities.<sup>2</sup> This marked the largest single expansion of the program, and we are grateful to Congress for ensuring the program had additional funding in recent years to bring more communities a WBC.

Of the newly launched WBCs, spanning Alabama, Arizona, California, Georgia, Maine, Mississippi, Missouri, Montana, Nebraska, New York, North Carolina, Ohio, Pennsylvania, Tennessee, South Carolina, South Dakota, Texas, Virginia, and Wisconsin, two centers are hosted in underserved and rural markets and widen the footprint and partnership with Historically Black Colleges and Universities (HBCUs).

<sup>1</sup> Home. Association of Womens Business Centers. (2021, April 8). <http://www.awbc.org/>.

<sup>2</sup> U.S. Small Business Administration. (2021, January 4). SBA Launches Largest Expansion of Women's Business Centers in 30 Years. <https://www.sba.gov/article/2021/jan/04/sba-launches-largest-expansion-womens-business-centers-30-years>.

The AWBC network has grown to include:

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

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

#### Women's Entrepreneurship Today and the Critical Role of WBCs

There is no question that women entrepreneurs play a key role in our nation's economy and, unfortunately, the Coronavirus pandemic has challenged them disproportionately. Women are exiting the job market to care for their families, particularly among low-income populations, as well as communities of color. Women seeking flexibility and necessary household income are turning to entrepreneurship.

For existing businesses, the pandemic was especially challenging as women entrepreneurs are more likely to own service-based businesses such as childcare centers, salons, and food services, where rates of closure reached as high as 40% in some segments - many of these businesses continue to struggle today.

In preparation for this testimony, I was struck by the following quotation from a recent article discussing the unique challenges and opportunities facing women in the workforce:

If there is a silver lining, it's that crisis breeds innovation. One study found that 57 percent of Fortune 500 companies were founded during a recession or bear market. The Great

Recession may have brought the steepest decline in employment since the end of World War II, but it also spurred entrepreneurship to its highest rate in more than a decade. Times like these are a leading driver of so-called “accidental entrepreneurs,” who strike off on their own out of necessity rather than desire.<sup>3</sup>

WBCs are there to answer the questions posed by those “accidental entrepreneurs.” Indeed, an unprecedented number of women have turned to entrepreneurship support at Women’s Business Centers. In 2020 alone, WBCs assisted clients to access nearly \$362 million in business capital, more than double (a 128% increase) 2019 (at \$159 million).<sup>4</sup>

Using the pre-2019 OED definition of small businesses reached (clients counseled + group training attendances), in FY2020 WBCs reached 187,555 small business owners, a 31% increase from the 143,567 small businesses reached in 2019.<sup>5</sup>

In 2020, the total number of clients served increased by 28% (2020: 82,446 clients served vs. 2019: 64,527 clients served) and the number of new business starts grew by 12% from 2019.<sup>6</sup> As WBCs helped owners respond, existing businesses served increased by 48% over the past year. Not only did WBC services and impacts increase, they also retained and created new jobs (33% more jobs in 2020 compared to 2019) and leveraged significant increases in capital.

These statistics hardly capture the incredible stories of resilience and innovation from women business owners. Maximizing our economic recovery depends on the continued prioritization of the small business community, especially women and minority-owned businesses, and WBCs are committed to supporting this work.

#### COVID Experience

The COVID pandemic period proved that WBCs can and will do more with more. Facing unexpected and limiting circumstances, a record number of small businesses called upon their local WBC for guidance to pivot their small business effectively.

Not only are WBCs seeing more entrepreneurs, but they are returning for more services – a testament to the quality of our offerings. In FY19, WBCs had 82,466 unique interactions among their 64,527 clients, averaging 2.22 interactions per client. In FY20, WBCs had 187,555 unique interactions among their 143,567 clients served, averaging 2.27 interactions per client.

We could not have accomplished this without the leadership of this Committee, so allow me the opportunity to say thank you to this group of Members and their diligent staff. The designated additional WBC funding and waiver of the matching requirement in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Consolidated Appropriations Act, 2021, in the 116th Congress, allowed WBCs the resources they needed to respond to the influx of demand from the small business community during this precarious time.

These funds have been critical in providing entrepreneurs in need with adequate support and were utilized to hire additional staff and provide additional counseling and mentoring to convey the changing loan guidance.

<sup>3</sup> Rodz, C. (2021). Is Entrepreneurship The Answer To The ‘Shecession’? *Dame*.  
<https://www.damemagazine.com/2021/03/26/is-entrepreneurship-the-answer-to-the-shecession/>.

<sup>4</sup> *EDMIS Management Report-Type: Impact*.

<sup>5</sup> *EDMIS Management Report-Type: Impact*.

<sup>6</sup> *EDMIS Metrics*.

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

Stories like Jennie's abound as WBCs have helped women entrepreneurs in their pursuit of access to capital, EIDL and PPP loans, tactical business pivots, business resiliency, and much more.

#### *Resource Partner Training Portal*

In addition, AWBC supported the broader small business community by leading the construction and implementation of the Resource Partner Training Portal (RPTP), a platform that provides small businesses with access to a consolidation of COVID-19 related information and resources from multiple federal agencies, in coordination with America's Small Business Development Centers (ASBDC).

RPTP (covid-sb.org) aims to support small businesses affected by the Coronavirus by providing a centralized resource of reliable information from federal agencies and enabling an education and training capability for WBC, SBDC, SCORE, and VBOC advisors. The education platform contains interactive learning capabilities, informative content, collaboration, and communication abilities.

#### *Trends/Lessons Learned*

Throughout our work and experience this past year, the pandemic has amplified many issues within the small business community and has shed light on structural disadvantages that social and economically underserved communities face every day.

*Access to Capital.* An overwhelming takeaway among the women and minority-owned business communities is a remarkable continued lack of access to capital. Women and minority-owned business owners demonstrated that they don't hold longstanding relationships with traditional lending institutions, and this was evident in the initial PPP and EIDL loan rollout.

The under-banked businesses are typically smaller and younger organizations, leaving them to face challenges more easily overcome in traditional banking relationships. The outset of the COVID-19 pandemic amplified this issue, with women and minority-owned business owners unable to receive relief dollars intended for them by statute.

*Jobs.* A continuing concern for businesses of all sizes, the pandemic is having a detrimental impact on the ready and available workforce and has left many positions vacant. The most recent jobs report by the Bureau of Labor Statistics Employment Situation Report, which added only 266,000 jobs, shows just how many Americans need to reenter the workforce.<sup>7</sup>

WBCs will continue to do their part to work alongside business-owners to create and retain American jobs, but their success will depend on finding qualified candidates they can afford to retain and/or hire to fill those positions. By the end of 2020, WBC clients experienced a 33% increase in jobs created and retained.

<sup>7</sup> Division of Labor Force Statistics, THE EMPLOYMENT SITUATION -- APRIL 2021 (2021). U.S. Bureau of Labor Statistics. <https://www.bls.gov/news.release/empstat.nr0.htm>.

*Minority-owned businesses.* The pandemic has also illuminated a long-standing reality of the significant disparity that minority-owned businesses experience each day.

WBCs worked diligently to support traditionally underserved communities, who were disproportionately affected by the downstream effects of the COVID-19 pandemic. In 2020, 70% of the individuals WBCs served were women (while women make up 51% of the U.S. population) and 56% were people of color. The overall increased number of clients served from 2019 to 2020 resulted in higher percentages of clients served who identified as Asian Pacific Islander (39% increase, Asian + PI), Asian (23% increase), and African Americans (12% increase).<sup>8</sup>

This pandemic has been a learning opportunity for the American public, small business community, resource partners, Administration and Congress alike. Moving forward, we must strive to proactively combat these institutional norms and empower these traditionally underserved populations.

#### WBCs and Equity

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

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

#### *AWBC*

AWBC has and continues to prioritize efforts towards an equitable workforce. In the outset of COVID legislation implementation, AWBC was a founding member of the Page 30 Coalition, which was created to call attention to, and champion the underserved and rural communities identified in CARES legislation and beyond.<sup>9</sup> Despite Congress' intention, billions of COVID relief dollars were deployed without an operational prioritization of these communities. Page 30 works with partners around the country to ensure the critical constituencies recognized on Page 30 of the CARES Act receive the prioritization Congress intended.

AWBC joined the Small Business Roundtable (SBR), a coalition of leading small business and entrepreneurship organizations, dedicated to advancing policy, securing access, and promoting inclusion to benefit the businesses at the heart of the American economy.<sup>10</sup> During Women's History Month, AWBC co-hosted an event celebrating women's entrepreneurship coordinated by SBR to discuss how women-owned small businesses are navigating the pandemic, have removed market and supply chain barriers, and additional options for capital access and opportunities to help women entrepreneurs thrive in 2021.<sup>11</sup>

<sup>8</sup> EDMIS Operational Reports (641 parts I and II).

<sup>9</sup> Page 30 Coalition. <http://www.page30coalition.org/>.

<sup>10</sup> Small Business Roundtable. <http://www.smallbusinessroundtable.org/>.

<sup>11</sup> Small Business Roundtable. (2021). *A Celebration of Women's Entrepreneurship: Recognizing the Resiliency of Women-Owned Businesses*. YouTube. <https://www.youtube.com/watch?v=qZjygtJcnU&t=6s>.

In 2019, AWBC partnered with National ACE signing an MOU in solidarity with Asian communities across the country seeking greater access to entrepreneurial opportunity.

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

#### How to Strengthen the Program

The experiences of the women-owned business community and our network of WBCs have unveiled structural successes and avenues for improvement for the WBC program.

#### *Modernize the WBC Program*

WBCs have a proven track record of producing exceptional results with limited resources. When record funding was allocated to the Women's Business Center Program via the CARES Act in 2020, WBCs made record-breaking impacts. WBCs exceed goals when it comes to client service and performance, and yet there are serious challenges faced within the walls of the WBCs. For this reason, AWBC continues to advocate for re-authorization and modernization of the WBC Program that has lived well beyond its designed intent.

Regulatory and grant compliance inconsistencies and inefficiencies can create challenges for even the highest performing WBCs. The recent OIG report identified specific findings that we see would be remedied by a modern re-design of WBC program. Working with our agency partner, SBA, we would seek to establish a structured accreditation process that ensures accountability to national standards for client service, including management and operational aspects. In addition, an increased individual grant level from \$150,000 to \$300,000 per WBC would effectively allow centers to reach deeper into marginalized and rural communities.

AWBC endorsed, and fully supports Women's Business Centers Improvements Act of 2019, H.R. 4405, from the 116<sup>th</sup> Congress.<sup>12</sup> Had that legislation been enacted, we believe WBCs could have been better positioned to respond to the pandemic. We urge similar legislation to be introduced, passed and enacted.

We thank and recognize the 117<sup>th</sup> Congress for the efforts already made to prioritize the WBC program. Legislation like Rep. Marie Newman's recently introduced H.R.2449, to amend CARES to extend the non-federal matching requirement to Women's Business Centers (WBCs), shows understanding of the societal and economic benefits of continued support for women entrepreneurs.<sup>13</sup> We look forward to continue working alongside Congress in prioritizing women entrepreneurs during this pivotal time.

#### *Parity is Equity*

The WBC program would benefit by achieving statutory parity with other Office of Economic Development programs. The creation of an accreditation program, similar to the Small Business Development Center program, would ensure that WBCs were offering the best services to all

<sup>12</sup> Women's Business Centers Improvements Act of 2019, Congress.gov (2019). bill. <https://www.congress.gov/bills/116/congress/house-bill/4405>.

<sup>13</sup> To amend the CARES Act to extend the waiver of matching funds requirement under the women's business center program., Congress.gov (2021). bill. <https://www.congress.gov/bills/117/congress/house-bill/2449>.

clients. Recognition and consultation of a national association would also enable improved communication, RFP processes, and day-to-day maintenance of the program.

#### *Improved SBA Management & Communication*

As demand for WBC services increases, it is critical that our partners at the SBA have the resources to manage a growing and important program – select improvements would enhance the WBC and SBA working relationship, and in turn, the sustained effectiveness of the program.

For example, an automated WBC Program grant management process is needed. Under the current process each WBC is responsible for building out their own excel spreadsheets, a tedious process with the outdated guidance for new centers.<sup>14</sup> In addition, there should be an avenue to centralize WBC contracts and/or better communicate on nuances between contracts. Managing 246 separate contracts (Core grants + COVID grants) with different terms and conditions in the NOA is confusing for both the SBA staff and the WBC.

Each center within the program has their unique needs, and some have more than others. Newer and smaller centers would stand to benefit from additional oversight and guidance to achieve maximum results. AWBC is exploring ways to support centers with the greatest needs, including the smallest and newest centers. This could also achieve savings for the taxpayer using economies of scale for common purchases including CRM and LMS tools. We hope to work with this Committee on exploring how achieving economies of scale can benefit the program.

#### *Leverage RPTP Moving Forward*

AWBC has been proud of its partnership with SBA to ensure America's resource partners, including WBCs, have the important information to support entrepreneurs. We urge Congress to ensure the investment in RPTP continues beyond COVID.

We also believe the portal can be improved in a future re-authorization. We recommend converting the management to a contract to improve the efficiency of its operations.

#### Recommendations for the Committee

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

1. Fully fund the program at \$30 million in core funding, provide an additional \$48 million COVID-related appropriation, and waive the match requirement until FY23.
2. Re-authorize the program through legislation like H.R. 4405.
3. Ensure WBCs are partners of choice for engaging women business owners in any future jobs and infrastructure package.

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

#### Conclusion

<sup>14</sup> Women's Business Centers. (n.d.). <https://www.sba.gov/partners/resource-partners/womens-business-centers>. For example, the information at <https://www.sba.gov/wbc> is no longer up to date.



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

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



05-17-2021

Thank you, Chairman and members of the subcommittee. I am honored to have the opportunity to represent the health and voice for small businesses across the nation. I consider myself blessed to live in a country where I have the opportunity to address the leaders of my nation coming from my humble beginnings. "That these dead shall not have died in vain... Government of the people, by the people, for the people, shall not perish from the earth." Remembering the rangers who gave all so I can sit here before you, I aim to give an honest representation of my business and experiences for them.

According to the Kauffman Foundation, the number of adults owning businesses has been declining since the 1990s. In a separate study by the Brookings Institute, the number of startups has fallen by half since 1978. These studies are troubling for America remaining the leader of the free world. Entrepreneurship is directly linked to job growth, wage growth, GDP, and innovation. Capital and advice are the quintessential needs of a new idea embarking on the journey to become a successful business.

My journey to entrepreneurship started during my last semester of my undergrad at the University of Missouri at Columbia. I had put the business plan for KC Cattle Company together and was looking for a seed investment to get started once I graduated. I cleared out my Wife and I's savings and contributed the profit we made from selling our home in Columbia.

I researched grants, government subsidized loans, and other government resources. I took advantage of using the University of Missouri's Extension program for advice and grant applications. I spoke with the USDA and banks regarding USDA and SBA loans. I was asking for \$250,000 to make it through the first three years of owning my business to establish a viable business model. I did not have collateral or historic sales, so selling this to a lender proved impossible. I ended up raising half this amount from friends and family.

I boot strapped those first three years and made the resources I had work. I used my GI bill to complete my MBA. The stipend from the GI Bill was my salary for the first two years of owning my business. We found success in our e-commerce business in 2019 and continued thriving in 2020 despite huge restraints on our supply chain from large processors throughout the country shutting down. 2021 is proving to present its own set of challenges with rising costs across the board and constraints on the labor market. From 2017 - 2021, the government resources I used to help scale my business were the SBDC's ScaleUp! KC program, SBDC's marketing data resources, SBA 7a Line of Credit, SBA PPP, Post 9/11 GI Bill, and the Missouri Extension program.

Specifically speaking about SBDC, Scaleup KC was a great resource for thinking through how I am going to scale my business. Developing processes, thinking about our operating environment, and implementing the Entrepreneurial Operating system were some of my key takeaways. While completing this, I discovered I could use the SBDC for gaining specific insights into our target demographic by using information from our email list. I was in the process of paying a marketing firm \$8,000 to do this for us. The SBDC did it for free. (ESRI mapping tool)

The resources I used from the government were essential to creating a successful business. As stated before, capital and advice are the lifeblood for startups. Without the resources stated above, I would have never been able to start my business.

However, these resources are not always easy to find as a small business and not easily accessible the first few years of trying to establish a business. A few ideas I had while thinking through my talking points.


1. When filing for a new corporation with the state, what if the new entity received information about available resources along with their formation documents from the state and IRS?
2. Although the SBA has some great lending options, all of them are for established businesses. What if there was a program specifically for startups trying to breathe life into a new idea? This lending option could be paired with advisors from the SBDC to help work through the problems associated with a startup and help the individual network their new business. Startups are risky, but I would argue these loans could be a better investment for the government and individual than student loans. We need individuals to have the means to pursue good ideas in this country.

In conclusion, I believe the resources available from the SBA and affiliate partners are crucial for new businesses to succeed. However, I think these resources are not always easy to find or easy to access when starting a new company. Making resources, both capital and knowledge, available to aspiring entrepreneurs is critical to the United States remaining the gold standard for innovation and envy throughout the world. Thank you for this opportunity to speak to you. I am humbled to be part of such an amazing country and hope we can continue to inspire individuals and provide the necessary assets for people to believe in themselves enough to turn ideas into companies.

RLTW,

Patrick Montgomery

Owner/Founder/CEO





May 23, 2021

### Secure Towns

**Secure Towns** is our initiative to empower small businesses with basic and practical controls designed to protect against the threats of cybercriminals. Small Businesses are the fabric of every town and the backbone of our nation.



The program utilizes **North Star CMM**, which repurposes the Cybersecurity Maturity Model Certification (CMMC) developed by the Department of Defense for broader use of all businesses while maintaining the model's integrity. The model is a publicly available standard created for this purpose. Businesses can use it at their natural pace.

Small businesses are under cyber and data-breach attacks by nation-states, and organized and disorganized criminals, who steal intellectual capital and personal and business information.

This is creating havoc in business environments. We understand this threat to small businesses and our nation. We have a responsibility to act now.

**Secure Towns** came from our recognition of the value to take advantage of our Small Business Development Center advisors' presence nationally and our ability to reach out locally to facilitate the sharing of effective practices and resources. **Secure Towns** facilitates the use of local, regional, and national resources, including close relationships with local Economic Development Authorities, Chambers of Commerce, that we have cultivated for over forty years. **Secure Towns** empowers value in

The US Telecom **2021 Cybersecurity Survey** key findings suggest that breaches, and their impact, demonstrate the need for improving awareness, defense, and risk management.

All businesses, regardless of size, need cybersecurity guidance and a direction to follow now.

### Business Risk and Opportunity Management Consideration

Our normal behavior is to advocate for Generally Accepted Accounting Principles to be in place for a business to flourish. **Secure Towns** uses **North Star CMM** to advocate for Generally Accepted Cyber and Data Protection Principles to be in place.

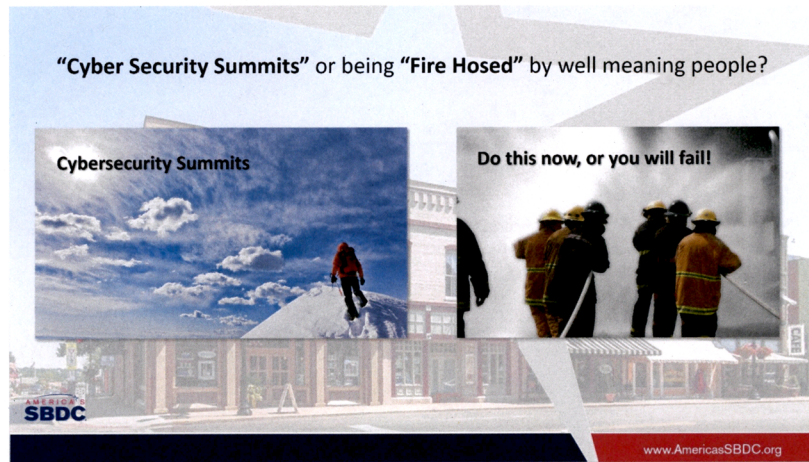
Some industries may require certification, and eventually, some clients or customers may require validation indicating that businesses are protecting their data from cybercriminals. This is a separate business decision in each case. Our focus is to help all businesses utilize it to provide clarity and continuity of direction to **protect critical information**. In either case, protecting critical information is no longer a choice for small businesses.

Everyone benefits when we help small businesses protect critical information. Other programs cannot reach the numbers of small businesses that we can with our comprehensive footprint.

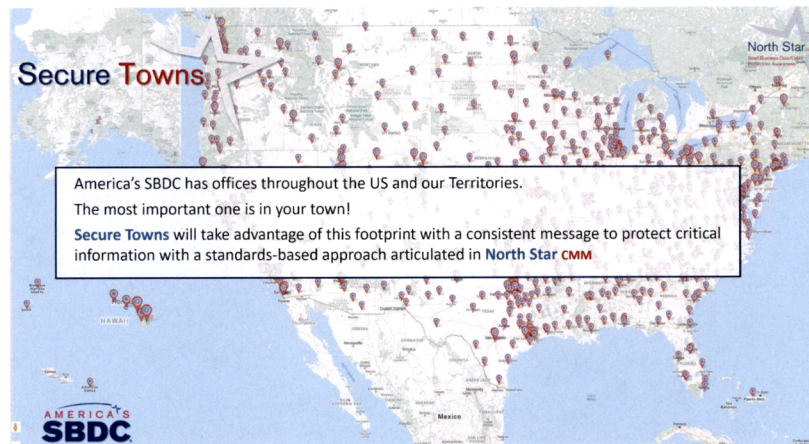
**Secure Towns** allows congress to increase the value of previous investments in SBDC advisors by updating their abilities to help small businesses manage this modern threat.



Please forward any questions to Charlie Tupitza [charlie.tupitza@AmericasSBDC.org](mailto:charlie.tupitza@AmericasSBDC.org) 703 989-8777



We must speak to small businesses stakeholders where they are. They have no time for summits. They are at work. We provide help that maps to their capability, capacity, and natural pace so they can protect critical information.



Please forward any questions to Charlie Tupitza [charlie.tupitza@AmericasSBDC.org](mailto:charlie.tupitza@AmericasSBDC.org) 703 989-8777

May 24, 2021  
The Honorable Nydia Velazquez  
Chair, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515

Veteran Business Outreach Center Testimony On the Small Business Administration's Entrepreneurial Ecosystem: An Update and Next Steps with SBA's Resource Partners

Dear Madam Chairwoman and members of the Small Business Committee,

Thank you for the opportunity to provide our written testimony related to the hearing on May 19, 2021 regarding the SBA Resource Partner Entrepreneurial Ecosystem. We are submitting this testimony to add very relevant information as it relates to Veteran entrepreneurs and the services provided by the Veterans Business Outreach Centers (hereinafter VBOC or VBOCs).

Allow us to frame the discussion with a reminder of the purpose and need for the VBOC program. In 1974, Public Law 93-237, an act to amend the Small Business Act was enacted. This began a series of legislation including a 1997 reauthorization which required the U.S. Small Business Administration (hereinafter SBA) to provide "special consideration" to Veterans in all SBA programs. It took approximately 25 more years before Congress defined, with specificity, much of what that SBA special consideration entailed. That produced PL 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999. This law was created because there was still a great need to "speak the language" of Veterans. It passed without a single dissenting vote. Subsequent legislation has served to strengthen the statutes and ensure Veterans and military families are not ignored. The VBOCs are a centerpiece of that special outreach, engagement, guidance, and hands-on coordination of business development assistance that began in 1999.

There are currently 22 VBOCs nationwide, each with a unique service area, covering all 50 states, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa. Together, we serve transitioning active duty service members on military bases, the Guard, the Reserve, Veterans of all eras and their military-connected family members who are interested in starting or growing a small business. We are distinguished among SBA Resource Partners as the point of first contact for aspiring entrepreneurs in the military and Veteran space.

The VBOCs were formed as part of a cooperative agreement with the SBA, to assist the underserved populations of active duty service members, Veterans and their families to ensure awareness and success in starting and or expanding a small business.

The primary mission of the VBOCs is three-fold:

- (1) Provide transitioning service members and spouses with small business education through delivery of the Boots to Business curriculum at over 163 military installations across the United States and its Territories
- (2) Outreach to Veterans and their military-connected family members, after their military service, to ensure awareness of all SBA resource partners and services, as well as the COVID-19 relief options, available to small business owners. This outreach includes teaching the Boots to Business/Reboot curriculum in the community upon request
- (3) Provide business counseling to assist Veterans, current service members and their families as they navigate the challenges of small business. This counseling includes referrals to the best fit SBA resource partner that can serve their needs

VBOCs speak the language of the military and understand military life, as most of us are Veterans. We help service members and Veterans overcome the unique challenges they face as they start their small businesses – such as access to capital, impacted by frequent changes of address and deployments; liquidating their assets to prepare for a military transition, then lacking collateral to secure a loan; and credit issues. We understand the entrepreneurial ecosystem beyond the SBA to make meaning for military and Veteran entrepreneurs. We are trusted and are the front door to the SBA because of our connection to the military communities.

Delivery of the Boots to Business program requires that each VBOC has a working relationship with each military base's Transition Office. Each class taught requires coordination for access to the installation for presenters, knowledge of protocols for each branch of service, as well as post-Covid-19 pandemic protocols. Base access is not only coordinated for VBOC staff, but for resource partners who are also invited to attend and co-present the curriculum. Our preference is that resource partners attend to put "a face" to the name of that entity's acronym. Module 8 of the Boots to Business/Reboot curriculum contains information about each SBA resource partner, including contact information for each organization, as well as a success story about a Veteran or Military Spouse who worked with that resource partner to become a successful business owner.

The class participants have access to a digital copy of the Boots to Business curriculum that includes links to all the resource partner websites. VBOCs are the point of first contact to the SBA Entrepreneurial Ecosystem for transitioning service members, Veterans, and their families. VBOCs teach the course, provide initial counseling after the course wherein we help the prospective business owner determine feasibility and sustainability. We help them start a business plan and then we refer to the appropriate SBA resource partner. This greatly helps both the business owner, as well as the resource partner, focus on businesses that are feasible.

Since the beginning of the COVID-19 pandemic, **and even though VBOCs were not recipients of any CARES Act funding**, we have worked tirelessly – answering numerous inquiries, developing, and presenting webinars (in collaboration with the SBDC, SCORE, WBC) and responding to emails – all to keep our Veteran clients and stakeholders informed on the SBA's Disaster Recovery Loan programs as they were launched and evolved. VBOCs reallocated staff and dramatically increased our counseling services to support the SBA's Recovery programs. In addition, we continued our mission to teach the Boots to Business course by pivoting to provide the training on virtual platforms (Zoom, Adobe Connect APAN). Not only have we coordinated with the military installations to provide this training at the local level in each region, many VBOCs have come together to co-present the training on platforms provided by the military nationwide (Navy VTAP; Army Fusion).

Since the pandemic put our country in a lock-down, VBOCs have seen an increase in demand for the Boots to Business classes (B2B) conducted on transitioning military installations and Boots to Business/Reboot classes (B2BR) conducted off base or online. The following data represents number of classes delivered, number of installations where classes were held and number of attendees over the past four fiscal years:

#### FY2018

- 651 B2B classes – 10,118 attendees @ 152 installations
- 98 B2BR classes – 1,215 attendees

#### FY2019

- 666 B2B classes – 9,829 attendees @ 163 installations
- 136 B2BR classes – 1,474 attendees

#### FY2020

- 631 B2B classes – 8,414 attendees @ 151 installations
- 155 B2BR classes – 2,775 attendees

#### FY2021 (to date)

- 561 B2B classes – 6,551 attendees @ 128 installations
- 147 B2BR classes – 2,719 attendees

VBOCs increased their one-on-one, confidential counseling services to support Veteran-owned business through the COVID-19 pandemic and promote the SBA's Disaster Recovery Loan programs. The following data represents the number of counseling sessions conducted over the past four fiscal years:

#### FY2018

- 19,352 counseling sessions

#### FY2019

- 19,425 counseling sessions

#### FY2020

- 21,534 counseling sessions

#### FY2021

- 13,182 counseling sessions



*What can be done to increase the number of businesses owned by members of underserved communities (Veterans and Military Spouses)?*

Every VBOC works with a diverse group of persons who are members of underserved communities. This includes Black, Indigenous, People of Color (BIPOC), LGBTQ+, Veterans, Military Spouses and those living in Rural areas or Opportunity Zones. There are several different answers – all of which are necessary to increase the number of businesses owned by Veterans and Spouses.

Provide additional funding to VBOCs to support enhanced operations (personnel, travel, supplies, technology) and expansion of services and outreach (satellite and mobile offices), similar to the funding given to the SBDCs and WBCs received under the CARES Act. This outreach would enable us to have a better physical presence throughout our respective service areas.

Increase our marketing budgets so we can target market to persons in these areas. After all, the first step to getting assistance to these business owners is to increase awareness and let them know we are available to help them on their entrepreneurial journey.

Provide funding for the development and delivery of targeted curriculum to:

- Current and aspiring military spouse business owners
- Native American Veterans
- Veterans interested in agriculture and ranching

Military spouses face challenges in the workforce that their civilian counterparts do not experience. This is primarily because they have to relocate the family often (estimated every 2-3 years) due to military assignments. Often, they cannot find childcare at an affordable rate or there just are not enough childcare facilities available. As a result, many spouses will undertake operation of a home-based business (including working in the gig economy).

Native American Veterans have the highest rate of military service of any other ethnic group, according to the National Congress of American Indians. Many seek to own tribal businesses. Success in their communities requires relationship-building and cultural knowledge, as well as connection to entrepreneurial resources and funding options.

Veterans start farms and ranches to generate wealth for themselves and their families, provide food and fiber, give back to their communities and reconnect to the land for healing. Their farms and ranches are located across the rural areas of our country and many do not have access to broadband or technology. Providing farmers and ranchers with Boots to Business/Reboot classes and specialized small business training requires outreach, creativity, and innovation to reach them where they live and work.

Ensure easier access to funding for military service members, Veterans and Military Spouses to start and/or grow their businesses. To address some of these issues, there has been talk over the years about allowing Veterans to use their GI Bill funds toward their business, but that has not passed and is not before this Committee at this time. However, if Veterans could use these funds, it would increase their ability to start or grow a business. If SBA guarantee requirements for access to capital were reduced and the SBA could give a 100% guarantee (much like the VA Home Loan Guarantee), this would be a great start to increase the number of Veteran and military spouse-owned businesses.

For those service members, Veterans and their families who have a business model that supports equity funding, VBOCs and resource partners can coach them on how to prepare and present a pitch to potential investors. There are also companies who award funding through pitch competitions. VBOCs can refer and prepare our eligible clients so they have the best shot possible to obtain equity or prize funds from these competitions.

In closing, the SBA recognizes the impact that Veterans have on the American economy. According to the most recent data, there is about one veteran-owned business (VOB) for every ten veterans. Veteran-owned firms employ 5.8 million individuals. A recent SBA study also found that military service exhibits one of the largest marginal effects on self-employment and veterans are 45% more likely to be self-employed than non-veterans. A 2016 SBA report using 2012 U.S. Census data, demonstrated Veteran-owned firms had receipts of \$1.14 trillion and had annual payroll of \$195 billion. Additionally, after analyzing four years of credit data from both VOBs and non-veteran-owned-businesses, a recent report from Experian notes that VOBs tend to have improved sustainability and longevity when compared to non-veteran-owned businesses.

VBOCs provide much-needed entrepreneurial support services to Veterans and their military families, a truly underserved segment of our population. As an SBA Resource Partner, VBOC programs and services are designed to specifically help military service members transition back to our communities with an awareness that entrepreneurship is a viable option for them. We also provide the same programs and services to the Guard, the Reserve, Veterans of all eras and their military-connected family members out in our communities across the U.S., who want to follow their dream of starting a small business of their own. We offer continued counseling and training throughout the lifecycle of their business journey.

During these challenging times, which have been particularly tough on independent businesses, the demand for our support with existing Veteran-owned businesses has increased tremendously, as they seek to reposition their businesses to succeed in the post-pandemic economic climate.

Thank you for the opportunity to offer VBOC testimony on the Small Business Administration's Entrepreneurial Ecosystem: An Update and Next Steps with SBA's Resource Partners.

Respectfully Submitted,

*Stephen Watts-Oelrich*

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 253-232-6822

**Questions for the Record**  
**Committee on Small Business**  
**Subcommittee on Innovation, Entrepreneurship, and Workforce Development**  
**Hybrid Hearing: The Small Business Administration's Entrepreneurial Ecosystem: An**  
**Update and Next Steps with SBA's Resource Partners**  
**Wednesday, May 19, 2021, 10:15 A.M.**

**Questions for Mr. Tee Rowe, President and CEO, America's SBDC**

- Mr. Rowe, we have heard of potential staffing shortages at SBA over the past year. How do you think SBA can more efficiently and effectively staff the Office of Entrepreneurial Development and the Office of Small Business Development Centers to improve relations with the SBDC network?

*While additional staffing would be helpful, because SBA has had an enormous amount of work put on it during the pandemic, a larger problem is the drift away from negotiating and consulting with the SBDCs on program goals and operations. What would serve us all better is communications and cooperation. The Resource Partners need to be embraced as partners.*

- We have heard of a delay in the grant amendment application approval that would allow you to utilize paid marketing for the Resource Partner consolidated platform. Can you provide an update on the grant amendment application?

*SBA approved that amendment in August. It is already paying dividends in increased outreach and traffic to the site.*

- Mr. Rowe, how can SBA improve and expedite their grant amendment and grant disbursement process?

*The SBDC program has been operating for over forty years. The program announcement (NOFO) and the application process could and should be significantly streamlined. The most recent effort to streamline the application merely resulted in adding over 10 pages to the Terms and Conditions. A truly streamlined process would enable both SBA and the SBDCs to expedite the award and amendment process. For grants in general I believe that SBA has simply been overwhelmed by the volume in the past 18 months. However, if a standardized process and instructions system could be established that would ease a lot of the burden. In most cases problems and delays arise from misunderstandings.*

- Over the previous year, the Committee has heard issues of SBDCs receiving conflicting guidance from SBA. Can you elaborate on this issue?

*This problem seems to arise mostly in the payments and reimbursement area. In the area of financials reviews SBDCs often receive conflicting reviews, areas where different examiners have conflicting findings. Also, guidance on indirect rate calculations have been different between when budgets are prepared and when they are later reviewed.*

*In addition, recently during the application process SBDCs were told to negotiate goals with SBA district offices. Several did, and then were told the negotiations were denied.*

- *Follow-up: How can SBA better communicate verbally and through guidance? The Small Business Act specifically requires that the OSBDC negotiate with SBDCs. We would like to have those open negotiations.*

**Questions for the Record**  
**Committee on Small Business**  
**Subcommittee on Innovation, Entrepreneurship, and Workforce Development**  
**Hybrid Hearing: The Small Business Administration's Entrepreneurial Ecosystem: An**  
**Update and Next Steps with SBA's Resource Partners**  
**Wednesday, May 19, 2021, 10:15 A.M.**

**Questions for Ms. Bridget Weston, CEO, SCORE**

- Can you provide an update on SCORE's current involvement with the Community Navigator Pilot Program?

Knowing that the pandemic has hit some businesses harder than others, one of SCORE's key areas of focus is fostering diversity, equity and inclusion – both for clients and volunteers.

Women and minority volunteers climbed to 38% of total volunteers last year. This 5% increase represents the single biggest annual growth since we began tracking these metrics in 2012.

SCORE currently serves a diverse range of small business owners. 60% of our clients are women and 46% are minorities. Early this year, we launched SCORE for Black Entrepreneurs as part of our SCORE for All initiative to help serve disadvantaged businesses. We plan to add more SCORE for All campaigns to help these businesses survive and thrive – supporting women, rural entrepreneurs, veterans, the 50 and older community and disabled entrepreneurs.

SCORE is working harder than ever to reach underserved entrepreneurs, leveraging our community relationships nationally and locally.

National partnerships include the BIPOC Support Foundation, Women Entrepreneurs Grow Global and The Latino Coalition, who introduce us to new communities of small business owners.

Across the nation, SCORE chapters are already operating as effective Community Navigators, by working in local communities to help underserved business owners.

For example, over the past year, SCORE Cleveland has rededicated itself to bring its services to the minority business community. The chapter has partnered with leading nonprofits that target these communities, and services have more than doubled over last year.

When the pandemic hit, SCORE pivoted to delivering virtual mentoring and education without missing a day of service. We accommodated a 30% increase in services last year, without any increase in funding. Now, we are at capacity and will not be able to grow without additional resources.

With 240+ chapters across the SCORE network, and an existing infrastructure that allows us to access the entire wealth of resources and people, SCORE is well-positioned to scale our efforts

to connect with partners and provide vital resources and connections to disadvantaged business owners. SCORE will be applying as a National Tier 1 grantee.

**Questions for the Record**  
**Committee on Small Business**  
**Subcommittee on Innovation, Entrepreneurship, and Workforce Development**  
**Hybrid Hearing: The Small Business Administration's Entrepreneurial Ecosystem: An**  
**Update and Next Steps with SBA's Resource Partners**  
**Wednesday, May 19, 2021, 10:15 A.M.**

**Questions for Ms. Corinne Hodges, CEO, Association of Women's Business Centers**

- In the May 4, 2021 Office of Inspector General (OIG) Report, the OIG raised concerns regarding WBCs accounting systems and practices and made 10 recommendations for SBA to improve oversight of the WBC program. Ms. Hodges what is the timeline for closing all 10 recommendations?

*While a number of individual centers are addressing concerns in the report, AWBC has limited insight into internal SBA policy changes. We support the OED and OWBO offices, however, they would be in a better position to ascertain the current status.*

*As noted in the testimony, however, we do believe an accreditation program for WBCs as envisioned in H.R. 4405 of the 116<sup>th</sup> Congress would address a number of the challenges new and small centers have and provide greater accountability in the program.*

- Ms. Hodges, what lessons has the WBC network learned from the pandemic that may change the way WBCs operate, counsel and train, and fundraise going forward?

*WBCs have learned how to be stewards of ever-changing information for their client base and have understood the capacity that is possible with additional funding and without the restrictions of a match requirement. This capacity of service to entrepreneurs across the nation should be permanently enabled for all WBCs.*

*Equally important, the pandemic and the additional CARES Act grants demonstrated what is capable for WBCs to achieve with sufficient resources. As detailed in the testimony, we have done incredible work with those resources and we hope that as demand continues to grow, not shrink, Congress will ensure resources are adequate.*

- Last year, the previous Administration announced the planned formation of 20 new WBCs. Could you please provide the Committee with an overview of the plan and what is the current operating status of these 20 new WBC's?

*We would be happy to provide the latest notes on the new centers – all of whom are now members of AWBC, however, the contractual status of their opening is better directed toward SBA. We hope AWBC can play a larger role in supporting new centers through best practice sharing, mentorship and training and urge Congress to enable this change via statute and appropriation.*

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**Questions for Mr. Patrick Montgomery, Founder/CEO, Kansas City Cattle Company**

- Mr. Montgomery, how can SBA's Resource Partners can better serve and reach veterans specifically looking to start their own small businesses?
  - There are multiple touch points any person starting a company go through. Filing the articles of organization with a state and completing the document for an EIN with the IRS are two that immediately make sense to me. The SBA should be able to grab the mailing address for these individuals to follow up with resources for veterans and non-veterans. They could also use this info for serving ads on social media, google paid search, etc. This would allow for a better ROI from their marketing spend.
  - For veterans specifically, most universities throughout the country have a veteran center. These resource centers help navigate job searches, GI bill questions, and help the veteran network. Veterans need to know starting a business is a career option. The SBA could coordinate with these centers to gather school emails or target individuals majoring in entrepreneurship/business or getting a minor in the same.
  - A private entity that jumps to mind that I used when gathering info on how to start a business is Bunker labs. There are a lot of natural synergies here for the SBA to reach veteran business owners. <https://bunkerlabs.org/>
- The pandemic has truly been devastating for America's small business owners and entrepreneurs. How can SBA continue to support small business owners as we move into a post-pandemic economy?
  - Our biggest concerns moving forward are the labor market, inflation, and competing with big business for talent and customers. All three of these were echoed by other small businesses I polled in preparation for my testimony.
  - I believe there needs to be resources for small businesses to help shop benefits for their employees. The SBA would be a great candidate for this because they are non-interested third party.
  - Access to capital continues to be the most important factor for new small businesses.