FULL COMMITTEE HEARING ON LEGISLATION TO REAUTHORIZE AND MODERNIZE SBA'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS

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BEFORE THE

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HOUSE OF REPRESENTATIVES

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FULL COMMITTEE HEARING ON LEGISLATION TO REAUTHORIZE AND MODERNIZE SBA'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS

Wednesday, May 6, 2009

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 1:04 p.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [Chair of the Committee] presiding.

Present: Representatives Velázquez, Moore, Dahlkemper, Schrader, Bright, Graves, King, and Luetkemeyer.

Chairwoman VELÁZQUEZ. Good afternoon. I call this hearing of the House Small Business Committee to order. Just last month, General Motors announced 8,000 new layoffs. Since then, companies like Clear Channel Broadcasting and Johnson & Johnson have followed suit. But while the corporate world may be scaling back, the entrepreneurial spirit is still alive and well. In fact, 400,000 small firms crop up every month. With the right resources and a little hard work, those startups will be the key to our economic recovery.

Starting and running a new enterprise is not a small achievement, even during times of prosperity. As any small business owner will tell you, the learning curve is steep. That is where today's legislation comes in. The Job Creation Through Entrepreneurship Act of 2009 will help small businesses access the resources they need to succeed.

With lending down and credit tightening, small firms are facing significant obstacles on all fronts, particularly when it comes to accessing capital. The proposal under consideration today will help them identify the best way to secure that funding. It will do this by offering training sessions and seminars on everything from repairing damaged credit to seeking out equity investment.

While the rest of the economy is declining, the Federal marketplace is booming. Last year it grew by 9 percent. The new stimulus is only going to add to that increase, and small businesses stand to gain a great deal. In terms of infrastructure contracts alone, they are expected to win $29.9 billion. Still, many of these firms have never competed in the Federal marketplace and need to learn its ins and outs. That takes training, and this bill will provide it.

If entrepreneurs are to emerge stronger from the recession, then they must be able to retool their ventures. Enhanced technology re-

sources will help them do that and help them become more efficient. It will also rejuvenate underserved communities. This is critical, especially in the rural regions and inner cities that are suffering most. Through the use of online, satellite, and video resources, small business owners everywhere can access training on a variety of subjects, and, in doing so, close the gap with their corporate and international competitors.

We are constantly hearing about the need to put people back to work. An important part of job creation is entrepreneurship. Through this legislation, we give people who might not otherwise pursue that line of work a chance to do so, especially those from nontraditional communities.

We know that the face of American business is changing. This bill recognizes that transformation with provisions for women and Native American business owners. It also provides a unique opportunity for veteran entrepreneurship. As our servicemen and women return from war, it is critical that they have a chance to start their own businesses. But in order for ED to have its desired effect, it needs to be running at full capacity. SBA also should be smarter about how it manages these programs. The agency has suffered from chronic underfunding in the past, and it is critical that it make the most of its resources today.

That is why this legislation includes conditions for program coordination. New requirements promote best practices and ensure services are not duplicated. They also contain tough new performance measurements for gauging program success. That way, we will know which initiatives are working, which need to be reevaluated, and which should be scrapped altogether.

The Job Creation Through Entrepreneurship Act of 2009 is a bipartisan product. It is the work of seven different Committee members, including five from the Minority. I would like to thank Chairman Shuler and Ranking Member Luetkemeyer for his leadership in these efforts, and everyone else who contributed to this legislation. Strengthening ED programs will not only bolster small businesses, but will help get our economy moving again.

I look forward to hearing from today's witnesses, and I thank them in advance for their testimony. With that, I yield to Ranking Member Graves for his opening statement.

[The statement of Chairwoman Velázquez is included in the appendix at page 25.]

Mr. GRAVES. Thank you, Madam Chair, and thank you for holding this hearing today examining SBA's entrepreneurial development programs and the challenges that they face in the current economic climate. I would also like to thank all of our witnesses for being here and taking time out of your schedule to be with us today.

It is widely accepted that a good business plan is the cornerstone of any successful business. Creating and executing a business plan requires extensive business knowledge and ingenuity, including the ability to predict potential obstacles to success that may unfold at any time.

The entrepreneurial development programs of the Small Business Administration provide both new and seasoned entrepreneurs with solid business knowledge to help start and grow their busi-

nesses. The entrepreneurial development programs provided by the SBA have become a critical tool for many small businesses across America. Whether it is helping a small business owner export a product, develop a marketing scheme, or obtain financing, that entrepreneur is almost always more successful after working with one of SBA's entrepreneurial development programs.

Unfortunately, the current economic climate provides an even more difficult path to success than before. Small businesses are finding it increasingly difficult to meet their bottom line, much less become a thriving business. Creative methods are being employed by entrepreneurs throughout the country as they try to figure out for themselves how to survive in this new economic climate. As small businesses work to survive, the effectiveness of these programs has become even more important than ever. We must reassess these programs and fine-tune them to ensure that they are as efficient as possible.

Today we are going to discuss six recently introduced bills that aim to modernize and recondition the SBA's entrepreneurial development programs to guarantee they are well suited to serve the challenging needs of today's entrepreneur. As we examine this legislation, we must make certain to eliminate duplication and streamline the efforts of the Federal entrepreneurial development programs.

And once again, Madam Chairwoman, thank you for holding this hearing today, and I look forward to hearing the testimony.

Chairwoman VELÁZQUEZ. Thank you, Mr. Graves.

Chairwoman VELÁZQUEZ. I welcome our first witness Ms. Margot Dorfman. She is the CEO and founder of the U.S. Women's Chamber of Commerce. Ms. Dorfman has championed opportunities to increase women's business growth, career and leadership advancement. She is here to testify on behalf of the U.S. Women's Chamber of Commerce, which was founded in 2001 to increase economic growth opportunities for women.

SATEMENT OF MARGOT DORFMAN

Ms. DORFMAN. Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, I am here today on behalf of the millions of American small businesses who are in need of assistance as they seek to grow strong businesses to provide income for themselves, their families, and their communities.

Thank you for this opportunity to comment on the current legislative proposal to strengthen the SBA's entrepreneurial development programs. I had the opportunity to speak before this Committee several weeks ago. I am pleased to see the thoughtful steps you are taking to extend the reach and effectiveness of these programs. The Committee has appropriately focused on access to capital and contracts, reaching to those in greatest need of assistance, including the likely migration of dislocated workers to small business startups, and prudently managing the amount and focus of funds committed to each of the SBA entrepreneurial development programs.

Previously I provided a number of recommendations, including unifying the entrepreneurial education programs and providing greater coordination between these programs, establishing outreach

specialists, positioning facilities in areas with least mobility and/or greatest economic need, providing one clear channel for assistance, assuring language and cultural needs are addressed, outsourcing the creation of a top-tier e-learning education system, establishing a method to review the impact of SBA entrepreneurial programs on our communities, looking at the macro view of impact to assure our entrepreneurial development programs are the right size and effectiveness to meet our current demands, addressing the revenue disparities for minority, women, handicapped, and veteran-owned firms, and finding ways to expose these emerging small businesses to the mainstream marketplace.

In my written testimony I have detailed comments, and today I will offer highlights. We continue to recommend that programs like the Veterans Business Center program be housed within the Small Business Development Centers so that the veterans can have the best exposure to businesses with better experience, networks, and access to capital. However, we understand that our veterans have some very unique challenges as entrepreneurs, and may require special counseling to achieve best results.

Additionally, there are clear regional needs that can best be served through placing centers in high-density veteran areas. We believe that the Procurement Assistance Grant program duplicates the role of the Procurement Center Representatives and the Procurement Technical Assistance Centers. There should be more PCRs, and their roles should be better defined to remove the obligation to counsel small firms, so that the PCR may focus more internally to uncover and advocate for opportunities for small businesses.

We commend this Committee in bringing the SBA into the 21st century by establishing a high-quality multilingual distance training and education program. The content should use broadband so that the learning may be distributed through all 50 States, small businesses, and the SBA program offices.

We suggest that you consider increasing the budget for this program twofold, as the development and delivery costs may exceed the $2 million that you recommend. This program can efficiently and effectively reach a broad group of individuals in need of quality entrepreneurial training.

We applaud creation of the Office of Native American Affairs within the SBA and the Tribal Business Information Centers, as it will provide a great impact on our tribal communities and provide a platform to extend the e-learning to these communities. We support the continued efforts of this Committee to assure the Women's Business Centers become self-sustaining and serve socially and economically disadvantaged women. We continue to believe that women business owners would be best served through folding Women's Business Centers into SBDCs, and simply establishing women's outreach and support specialists.

We support your efforts in the Expanding Entrepreneurship Act of 2009. The strong focus on jobs is the primary metric for measuring success. It is absolutely appropriate. Job creation must be the number one objective of the SBA. All resources and programs must lead to this end. Even the new sole proprietor can be measured as a new American job created and fulfilled. And if for no other rea-

son, the profound role the SBA can play in job creation in America should compel President Obama to place the SBA Administrator on his Cabinet.

In conclusion, America needs entrepreneurial development programs that match our challenging economic times. Coordinating and aligning the SBA programs is vitally important. Limiting duplication will prevent waste to the taxpayer money. And the economic challenges we face mandate that our small business programs are working efficiently and effectively. Coordination and cooperation between programs is essential to achieve best outcomes. Thank you.

Chairwoman VELÁZQUEZ. Thank you, Ms. Dorfman.

[The statement of Ms. Dorfman is included in the appendix at page 29.]

Chairwoman VELÁZQUEZ. And now I welcome Mr. Scott Hauge. He is the First Vice Chair of the National Small Business Association. He has been a leading advocate for small- and medium-sized businesses. The National Small Business Association is the oldest small business advocacy organization in the United States, representing more than 150,000 small business owners across the country. Welcome.

STATEMENT OF SCOTT HAUGE

Mr. HAUGE. Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, thank you for inviting me here today to be able to speak on the importance of the entrepreneurial development programs of the U.S. Small Business Administration.

The Committee certainly is focusing on job creation through entrepreneurship at an unfortunately opportune time. The U.S. is the in the midst of the worst financial crisis since the Great Depression. Historically, small businesses have led America's resurgence out of periods of economic distress and uncertainty. The Economist recently pointed out Microsoft, Genentech, Gap, and The Limited, just to name a few, were all founded during recessions.

Previous small business-led economic recoveries were based less on the sudden expansion of existing small businesses than they were on the creation of millions of new small firms. Suddenly out-of-work employees, many of them laid off from big businesses, identified a niche they could fill, a product they could provide, or a service they could enhance, and decided to start their own firms.

If today's aspiring entrepreneurs are to succeed, they are going to need support and guidance on an array of issues, and the Job Creation Through Entrepreneurship Act of 2009 seeks to improve the counseling, technical assistance, education and mentoring, outreach, and networking opportunities offered by the Federal Government through the SBA.

The NSBA applauds these efforts. Starting a new business has never been easy, but the task is even more formidable today. This makes entrepreneurial development programs the Job Creation Through Entrepreneurship Act would authorize and modernize all the more important. With America's entrepreneurs, existent and aspiring, suffering through a crippling credit crunch, programs that provide information and technical assistance on the acquisition of capital have never been more important. Even in the best of times,

accessing capital is one of the most persistent obstacles facing small business owners. In fact, the small business members of NSBA consistently have identified access to capital as one of the top 10 issues impacting their firms.

This perennial problem is worse now, given the economic times. According to a nationwide survey of small- and medium-sized business owners commissioned in 2008 by NSBA, 55 percent of small- and mid-sized business owners had difficulty securing credit in the previous 6 months. And this finding was consistent across firm size.

In the past, small business owners chiefly would obtain capital through three avenues, which at the moment are very difficult: borrowing from themselves, borrowing from friends and family, or borrowing from the bank. Home values are down, stocks are down, very difficult to borrow from themselves. Friends and families are struggling also. Same problem. Banks are just not making loans. In addition to tightening their credit standards, hundreds of banks have dropped out of the lending programs offered by the SBA. There has been a very dramatic drop over the last year, the last couple of years, in the number of loans made through the 7(a) and the 504 program.

NSBA commends inclusion in the bill of many sections focused on providing aspiring and existing small business owners with information on how and where to seek capital, improve their financial presentations for lenders, both traditional and nontraditional. NSBA particularly supports the provisions in the bill aimed at coordinating and aligning the various entrepreneurial development programs within the SBA. It is vital that the SBA programs aimed at discrete constituencies complement each other and work in unison.

Establishing a portal through which small business owners will be able to access on the main Web site comprehensive information on all the SBA entrepreneurial development programs is extremely welcome.

NSBA welcomes the legislation's provisions pertaining to contracting. Small businesses need those Federal dollars to work on, but we also bring something to the table in that we bring new services, we bring entrepreneurism, and we bring competitiveness to the country, and the best use of their dollars.

Access to capital is always important, but right now is very important. And we think it is clear that the Job Creation Through Entrepreneurship Act is going to be of great benefit to small businesses.

Finally, I would like to touch on a provision in the bill that is close to my heart; specifically, the creation of a green entrepreneurs program. Through this critical provision, participating Small Business Development Centers will provide education classes and one-on-one instruction in starting a business in the fields of energy efficiency, green technology, and clean technology. This is an overdue but extremely welcome development.

NSBA thanks the Committee for its introduction of the Jobs Creation Through Entrepreneurship Act of 2009 and its efforts to help small business.

I would like to make just one comment that I think shows the way small businesses approach things. Small Business California recently did a survey and asked them would they be in business in 3 years? Even in this very difficult time, 84 percent saw themselves in business in 3 years. I think that is truly remarkable and shows the optimism and doggedness, if you will, of small business. Thank you for the opportunity to speak.

Chairwoman VELÁZQUEZ. Thank you, Mr. Hauge.

[The statement of Mr. Hauge is included in the appendix at page 35.]

Chairwoman VELÁZQUEZ. And now I welcome Ms. Connie Evans. She is the President and CEO of the Association for Enterprise Opportunity. She is the founding President of the Women's Self-Employment Project, and has a long history of leadership within the microenterprise development field. Founded in 1991, The Association for Enterprise Opportunity member organizations bridges the gap between disadvantaged individuals and the tools they need to start and grow successful businesses. Welcome.

STATEMENT OF CONNIE EVANS

Ms. EVANS. Thank you. Chairwoman Velázquez, Mr. Graves, members of the Committee, thank you for the opportunity to testify here today for the SBA entrepreneurial development programs and the role of Women's Business Centers in economic recovery. I am grateful for your strong leadership and commitment to small business and entrepreneurial development.

AEO represents nearly 400 microenterprise development organizations around the country who have served over 2 million microentrepreneurs. Chairwoman Velázquez, I have been involved in enterprise development, as you mentioned, since the mid-1980s, when I started one of the first microenterprise and micro loan programs in the country, assisting urban women in Chicago to become business owners. I am very proud to say that we hosted the original architects of the legislation that was used for a model for designing the SBA Microloan program. I have personally seen how these programs unleashed new economic activity and job creation in communities.

As the members of the Committee are well aware, there is a constant tension within the SBA between the intent of its financial assistance programs and the subsidy of the programs. The argument is that microlending programs are too expensive and the return limited.

However, the facts of the SBA microlending programs prove this argument to be false. First, the International Labor Organization estimates that the return on investment in microenterprise development through programs such as PRIME and the Women's Business Centers ranges from $2.06 to $2.72 for every dollar invested. Second, the SBA microloan program, as compared to other SBA lending programs, reaches women, African American, Hispanic, and rural business owners in significantly greater percentages. For example, 48 percent of women are served by the SBA microloan program, as compared to 18 percent by 7(a). Third, these programs, WBCs and microenterprise development, serve low-income clients at least 67 percent of the time.

These facts demonstrate that investment in microenterprise is both cost-effective and market-effective, serving the communities and entrepreneurs most in need. We contend that these dollars are an investment, not a subsidy.

Further, AEO estimates that 2.3 jobs are created annually per business served by our industry, at a cost of less than $5,000 per job created or protected. Notwithstanding this record, it remains difficult for our clients, these small business owners, to receive the capital and technical assistance they need to sustain or grow current employment levels. The public investment in these businesses through the entrepreneurial development services of the SBA, including the Women's Business Centers, SCORE, and the SBDC offices, leads to strong business growth, job creation, and vibrant local communities. In our current economic crisis, we need these programs to fulfill their intent to provide the assistance when traditional private institutions cannot do so at an affordable price, and to provide it to the communities and people that it serves who are most in need.

The country's Women's Business Centers are hubs of activity in urban and rural communities. The WBCs provide unique services to women entrepreneurs with critical business education and access to market and capital resources. These inputs lead to business retention, while creating and retaining thousands of jobs per year.

In these unprecedented times, the WBCs are an important economic development tool for many communities. It is the investment in Women's Business Centers and microenterprise development that allow nonprofit organizations to weave together an important base for business development and job creation.

The Women's Economic Self-Sufficiency Team is one example of a microenterprise development organization that is also a Women's Business Center whose mission is to facilitate economic self-sufficiency through sustained self-employment in the State of New Mexico. They provide a comprehensive set of services, including training, technical assistance, and access to capital targeted to both startup and existing businesses.

In 2009, the organization opened the WESST Enterprise Center, a 37,000 square foot LEED-certified small business incubator in downtown Albuquerque. Once fully occupied, the WEC will house 18 to 22 growth-oriented businesses, each with the ability to create jobs for low- and moderate-income people. It is at this moment that we must increase the investment in these businesses by strengthening the vital programs that serve them, ensuring that the agencies who are implementing these services have the funds to keep their doors wide open. The microenterprise development industry is uniquely qualified to work with emerging business sectors and populations with limited access.

Let me conclude by clearly stating the gratitude that we all hold in our industry toward the Committee and the tremendous leadership of the Honorable Chairwoman Velázquez, who has from your very first days as a Member of the House stood strong and clear in your advocacy for women's businesses.

AEO stands behind the services of the Women's Business Centers, SCORE and Small Business Development Centers. We applaud your support of H.R. 1838, along with your support of fully

funding PRIME. We thank you for acknowledging that the SBA microloan program and TA services, along with Enterprise Development Service Centers discussed here today are not a subsidy, but an investment in the American dream on Main Street and every street. Thank you.

Chairwoman VELÁZQUEZ. Thank you, Ms. Evans.

[The statement of Ms. Evans is included in the appendix at page 41.]

Chairwoman VELÁZQUEZ. I welcome Mr. Justin Brown. He is the legislative associate for Veterans of Foreign Wars. Mr. Brown is a veteran of the United States Navy, having participated in Operation Southern Watch and Operation Iraqi Freedom. The VFW is the Nation's oldest major veterans group, with more than 1.7 million veterans who have served our Nation overseas. Welcome.

STATEMENT OF JUSTIN BROWN

Mr. BROWN. Thank you, Madam Chairwoman. Madam Chairwoman, Ranking Member Graves, members of this Committee, on behalf of the 2.2 million members of the Veterans of Foreign Wars of the United States and our auxiliaries, I would like to thank this Committee for the opportunity to testify and for its rigor in pursuing small business issues on behalf of veterans.

The issues under consideration today are of great importance to veterans, to our members, and to the entire veteran population. During this economic recession, the number of unemployed veterans has increased to more than 1 million as of March 2009. There are twice as many unemployed veterans as there were 1 year ago, and there are more unemployed Iraq and Afghanistan veterans than service members in Iraq and Afghanistan combined. Make no mistake, our service members are leaving Iraq and Afghanistan, coming home and fighting another war against unemployment, homelessness, bankruptcy, and a host of medical conditions.

In this tough economy, many veterans are considering self-employment. Unfortunately, there are scarce resources for transitioning veterans interested in small business. The VFW believes the answer to veterans unemployment is multifold, and that increased resources for veterans interested in entrepreneurship is one of the answers to this national issue. Veterans, if given the opportunity, will succeed in small business because they understand the concept of hard work, can adapt quickly to changing times, and are goal-oriented.

We believe that Title I of the Job Creation Through Entrepreneurship Act of 2009 will have a large impact on veterans, and the VFW is highly supportive of it.

Currently, veterans only have access to eight Veterans Business Centers in the entire United States, and only five that are receiving government funding. These centers have proven successful to veterans interested in receiving entrepreneurial education, information, and resources to assist them in starting or maintaining a business.

This act would expand these services by providing $10 million for Veterans Business Centers in fiscal year 2010 and 12 million for fiscal year 2011. These funds will be issued to centers that meet

the criteria as established by the director of SBA, and are required to seek matching funds for grants they receive. The grants will be broken into two categories, initial grants and growth funding grants. Priority for grant applications will given to areas where the population of veterans, or OEF/OIF veterans exceeds the national median of such veterans.

While we are highly supportive of the intent of the legislation, we do have some concerns. In the future, we do not want to see veterans utilizing these Veterans Business Centers only to find they are unable to secure a loan for their business.

The business centers are half of the equation. Access to capital is the other half. And we strongly urge this Committee to further address it and consider creating a direct loan program. For many veterans, credit was and is negatively affected due to their military service. The VFW has found this to be more common among veterans who participated in the invasion force of Iraq, and Afghanistan veterans, due to a general lack of access to communications and the Internet. In this, many service members were unable to pay bills, receive credit alerts, or learn of any other issues that might negatively affect their credit until the damage was already done.

Another issue for veterans in accessing capital is that they lack equity, property, and lack the credit history necessary for many small business loans. Again, the VFW strongly supports Title I of this legislation. This is a hand-up program in the right direction to correct a long overlooked population in the realm of small business.

Veterans need a substantive veterans business program that will provide the tools and resources necessary to create and maintain business. As America's largest group representing combat veterans, we thank you for allowing the Veterans of Foreign Wars to present its opinion on these very important issues. Veteran entrepreneurship, if expanded, is a win-win for everyone, including the government and America's taxpayers.

Madam Chairwoman, this concludes my testimony, and I will be pleased to respond to any questions you or the members of this Committee may have.

Chairwoman VELÁZQUEZ. Thank you, Mr. Brown.

[The statement of Mr. Brown is included in the appendix at page 45.]

Chairwoman VELÁZQUEZ. Our next witness is Mr. Ken Yancey. He is the CEO of SCORE, counselors to America's small businesses. In this position, Mr. Yancey coordinates all program efforts, prepares the Association's development plan, and manages strategic alliances and fundraising activities for SCORE.

The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth, and success of small businesses nationwide. Welcome.

STATEMENT OF KEN YANCEY

Mr. YANCEY. Thank you, Chairwoman Velázquez, Ranking Member Graves, members of this Committee. I appreciate the opportunity to testify.

As you know, SCORE offers free business mentoring and low-cost workshops. Since its creation by Congress 45 years ago, SCORE has helped more than 8.3 million people. Last year SCORE volunteers helped more than 350,000 entrepreneurs and donated more than 1.3 million hours of service.

According to an SBA report to Congress, SCORE helped to create more than 19,700 businesses in 2007, at a cost of $29 per business. SCORE helps to create more than 25,000 new jobs each year according to an SBA entrepreneurial development impact study. Based upon SCORE's $5 million appropriation, these jobs are created at a cost of $200 per job. Simply put, there is no other program that comes close to delivering the same number of new businesses and jobs at a better rate of return on the taxpayers' investment.

SCORE has developed a rigorous measurement program to ensure that we provide excellent client outreach data. Today SCORE tracks all counseling cases, counseling hours, volunteer hours, and quality in a customer relationship management system.

While H.R. 1839 and H.R. 1842 call for consistent data collection across all SBA partners, it is already in place through the SBA's EDMIS system. The EDMIS system captures all activities for each resource partner based upon consistent definitions. SCORE has adapted from a traditional face-to-face services model to a blended service model, leveraging new Internet-based technologies. This includes the expansion of our online presence, online workshops, and social media. Today we are the national leader of online technical assistance among SBA partners.

H.R. 1807, which calls for distance learning, supports the direction SCORE is going with our efforts to use technologies like Skype to deliver mentoring and training services. We would like to request that SCORE be added to this bill.

Additionally, the SCORE Web site at SCORE.org provides a wealth of knowledge by business stage and by special interest area. We believe that H.R. 1842, which calls for the addition of consumer content on the SBA Web site, duplicates that resource that is available today at the SCORE Web site.

As part of our social media strategy, SCORE will launch its online client community this month in partnership with PartnerUp, a Deluxe Company. This new leading-edge community will offer SCORE mentoring and peer-to-peer networking opportunities within a growing community of 80,000 entrepreneurs. This supports the request in H.R. 1839 related to small business networking.

SCORE supports the outreach to our country's veterans as proposed in H.R. 1803. SCORE would be pleased to partner with the new Veterans Business Centers, if appropriate, to leverage our existing capabilities and to avoid duplication.

Today SCORE faces a serious challenge: our funding. SCORE has been level-funded at roughly $5 million for almost 10 years. Simply put, SCORE needs your immediate support and investment. SCORE is the only resource partner not to receive an increase in funding in the last few years. We do deserve an increase in our appropriation.

We appreciate the Committee's support for $7 million in both 2010 and 2011, as requested in H.R. 1839. Unfortunately, it is not

enough. SCORE is beginning a large-scale transformation process that will enable us to dramatically increase the number of businesses started during the next 5 years. To meet this goal, SCORE is requesting a significant increase in funding to implement new initiatives that will improve client service, access and quality.

We request that the Committee consider authorizing SCORE at $10 million in 2010 and 2011. These funds would be used to develop new online mentoring services through online video and online chat, redevelop and relaunch the new SCORE Web site focused on enhancing interactive client services and content, create a national online registration system for counseling and workshops, create a national standardized counseling methodology, create a certification program for all SCORE volunteers, create a national call center that can assist entrepreneurs 24 hours a day, 7 days a week, and dramatically expand our volunteer recruit efforts to double the number of volunteers to 22,000.

There is nothing more powerful than an army of passionate volunteers dedicated to success of small businesses of America. We currently have the passion, the volunteers, and the leadership to take this organization to the next level immediately. What SCORE has been missing and what continues to be missing today is one important ingredient: It is a higher level of funding.

Chairwoman Velázquez, SCORE has an incredible opportunity to dramatically boost small business creation and survivability rates, but we need your help now. We appreciate the support of this Committee and your personal support of SCORE. Thank you very much for having me today and I look forward to responding to questions.

Chairwoman VELÁZQUEZ. Thank you, Mr. Yancey.

[The statement of Mr. Yancey is included in the appendix at page 51.]

Chairwoman VELÁZQUEZ. Ms. Dorfman, I would like to address my first question to you. As you know, some of these programs of SBA have not been modernized for almost a decade. In order to make the changes necessary, we need to do it based on well-defined performance measures.

The SBA has typically relied on quantity-based indicators, such as the number of clients served or counselor hours provided. A better measure might be outcome-based, such as the number of businesses started or jobs created. Do you believe that such outcome-based indicators are more appropriate than those that are quantity-based?

Ms. DORFMAN. I would say absolutely, especially as a business owner. I would like to see the numbers reflect how many jobs were created from the small business, what was their revenue increase? That is the true indicator of whether a business is successful, and the number of small businesses started and then how they have grown.

So absolutely that makes much more sense than the numbers in and numbers out that we have seen in the past.

Chairwoman VELÁZQUEZ. Aren't you concerned that these type of outcomes will be more difficult to measure?

Ms. DORFMAN. Well, it will be new and different, but I think that this will help the SBA to be very focused in terms of the programs that are there and the outcomes. And in the long run I think it will

be much more efficient and we will see a much better return on the investment.

Chairwoman VELÁZQUEZ. Mr. Brown, as you know, the SBA operates a wide variety of training initiatives targeting specific demographics. What is so unique about the veterans population that they require their own program?

Mr. BROWN. Thank you for the question, Madam Chairwoman.

I think there are a number of things. First and foremost, especially amongst younger service members coming back, they have very specific needs. And they are also going to have their own credit issues in consideration of small business. I think there are a number of fixes we can look at for that. One is either directly assessing their credit issues as a result of their service, or creating a loan program that makes it more likely that they will be able to access capital.

But in regards to the Veterans Business Centers themselves, you know, we obviously do have the set-asides, and I think that veteran business owners, from what I have seen, tend to work very well together. And if we can help facilitate this and find a unique place to kind of get this started, I think it will build upon itself. And I think we have seen that with the Veterans Business Centers that already do exist.

Chairwoman VELÁZQUEZ. Okay. There are two delivery points for veterans to secure business counseling. First, there are SBA's veterans ED programs, which are underfunded. And second, there is the Veterans Corporation that is ineffective.

Mr. BROWN. Right.

Chairwoman VELÁZQUEZ. What aspects of the new Veterans Business Center will make it superior to the existing programs it would be replacing?

Mr. BROWN. I think most importantly would be the quantity and the geographic location. I mean I think if you look at the western United States—in fact I have a map which I don't know if you can see from there, but if you are anywhere in the United States you are going to have a lot of trouble accessing these centers. I think foremost that is the most important issue, is that we have a higher number of them that are more accessible.

Chairwoman VELÁZQUEZ. Okay. Thank you.

Ms. Evans, many of the Nation's smallest businesses are located in areas that lack the entrepreneurial development infrastructure of more affluent communities. And this is why the Women's Business Center is so important. How much of a priority should it be to focus new centers in these low-income communities?

Ms. EVANS. Madam Chair, I think it is incredibly important. As you probably already know, when women start businesses and use their income to not only create jobs in the communities, they also build assets. And when children are raised in asset-positive homes, we see outcomes that go beyond just the job creation and the community development, but also we see increased educational, health and other positive outcomes.

Making sure that Women's Business Centers are in these low-income neighborhoods and communities, where often there are female single heads of households, we think it is very important as

we look at the many impacts that are happening in the communities from these businesses being there.

Chairwoman VELÁZQUEZ. And do you think that the agency's approval of grants should take into account the centers' ability to serve the low-income population?

Ms. EVANS. Again, definitely. We have some of the most entrenched poverty in these communities, and entrepreneurship development must play a key role in providing the necessary opportunities for asset building and wealth creation for these individuals in order to rebuild their communities. And so we must ensure that all the communities throughout the country have access to entrepreneurial development services, particularly those aimed at women.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Hauge, the proposed legislation takes several steps to foster better coordination among the different SBA's entrepreneurial development programs. And this includes the development of a comprehensive strategy that draws upon all the agencies' training and counseling initiatives. Why do you think this is important?

Mr. HAUGE. Well, I think there have been problems in the past of coordination amongst agencies. And clearly if there is a common goal amongst the agencies and there is a direction, it clearly would be more effective. And this has been a problem in the past of agencies going different directions, fighting with each other.Turf battles is not the most effective for small businesses.

Chairwoman VELÁZQUEZ. Ms. Dorfman?

Ms. DORFMAN. You took the words out of my mouth. There has been a competitiveness, and we really need to see focus to move forward and to bring together the consistency across the various agencies. And having even one person kind of coordinating that, bringing people in the door and then identifying what is the best avenue for that individual or for that small business, where they need to start, would be of great assistance, I think, for a small business owner rather than the fragmentation and hearing from different people and not sharing the best way to start.

Chairwoman VELÁZQUEZ. Thank you.

Mr. HAUGE. Could I just ask a question? Are you talking—because I think we have got problems in both areas—are you talking specifically within the SBA programs or across agencies in general?

Chairwoman VELÁZQUEZ. No, SBA.

Mr. HAUGE. Well, I agree with you. But I think there is another problem, agencies in general. And it creates a real problem that you cannot have—we have a situation right now where under the energy bill that was passed in 2005 and 2007, the SBA was to work inter-agencies to assist small business in energy conservation and job creation, and that just has not happened.

Chairwoman VELÁZQUEZ. There are a lot of things that have not happened. But this is the purpose of this Committee's oversight role.

Mr. Graves.

Mr. GRAVES. Thank you, Madam Chair. If each of you could just pick one thing when it comes to the entrepreneurial development program, you know, and you can simplify it or expand on it, but just give me the one quick thing that comes to mind that would

help. And this is coming from each of your individual areas, obviously, of expertise or your focus. But what would be the one thing that would make all the difference in the world? Ms. Dorfman?

Ms. DORFMAN. I think, again, the coordination between the various programs, streamlining, preventing the duplication that could occur, will make the programs more effective and efficient.

Mr. HAUGE. I don't mean to be repetitive, but I think that is—

Mr. GRAVES. I figured both of you kind of answered it. Ms. Evans?

Ms. EVANS. I would expand the PRIME, SBA PRIME program, doubling that program and expanding its reach to all 50 States.

Mr. BROWN. Thank you for the question. In addition to the legislation that is laid out, we would urge increased access to capital through a direct loan program or something to that means, additional financial tools for access to capital.

Mr. YANCEY. From a SCORE standpoint, support totally the need for additional information on outcomes as opposed to outputs. All of our stakeholders, the SBA, the Congress, everybody that we work with, is interested in that number. So the more we do there the better off we are going to be as an organization. And, of course, from a SCORE standpoint, funding would be also very helpful.

Mr. GRAVES. But outcomes are the biggest—emphasis on outcomes?

Mr. YANCEY. Yes, sir. Jobs created, business starts. And I would like to add to that survivability. You know, what we know based on survey is that the toughest time for small businesses are start-up through the first six quarters. And we would like to begin and will attempt to begin to track that as best we can.

Mr. GRAVES. Okay. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Mr. Schrader.

Mr. SCHRADER. Okay. Thank you, Madam Chair.

Ms. Dorfman, given your testimony about unifying and coordinating a lot of the disparate programs within the Small Business Administration, what do you think about the fact that we are actually creating more programs within SBA?

Ms. DORFMAN. Well, I have always said I think that the SBDCs can handle it with specialized people within those agencies to address each of the socioeconomic areas. Given the way we are—if you are developing these programs, I think that is why I say that coordination is key so that there is not the duplicity in that. And then the focus again on the economics of survivability, and the small businesses growth, and just sort of the economic outcome for them would be very important.

Mr. SCHRADER. It would seem that we would want to make sure that we are not adding to the burden, we are actually making sure—or cross-training. I mean the fact that we don't have a lot of extra money to throw around, at least at this point, perhaps cross-training of individuals so they could address the women's issues, veterans issues, appropriately.

Let's see, Mr. Yancey, excuse me, I was heartened by your response to the Chair's and Ranking Member Graves' questions about outcomes, because it has been my experience in my home State of Oregon that it was very difficult to get any outcome data at all. There were a lot of input stuff. As a matter of fact, it would be good

in the legislation, I think, just to line out exactly the outcomes that we are talking about. Because I don't see that bureaucracies, with all due respect, are able to formulate thoughtful ones on their own or actually able to track them.

And we are the legislators, we are the policymakers, not the bureaucracies. It would be nice if we could come up with things that we think the taxpayers are interested in funding. And I think you have hit upon several here, certainly the actual outcomes as they go forward.

Mr. YANCEY. Thank you.

Mr. SCHRADER. I guess a question for Mr. Hauge: How effective do you think SBDCs are?

Mr. HAUGE. Well, at one time—

Mr. SCHRADER. I can tell you how effective I think they are.

Mr. HAUGE. At one time I was the Chair of the National Advisory Committee for the SBDC so I do have some history there. I think the SBDCs can play a tremendous role in assisting small businesses. And in a number of areas around the country, they have done that.

I guess my only comment would be is I would like to see all of the—not all, but more of the SBDCs to be more entrepreneurial.

I sense in some of them that because they are housed in universities, there is an academic, bureaucratic position. And I think that where they function best is where you have entrepreneurs that are running those centers and assisting small businesses.

Mr. SCHRADER. Very good. Well, I would tend to agree. I don't think many businesses know they exist, so part of the education—like in the bill, we talk about the Web site, making portals available, advertising the fact that they are there. And again, frankly, I spent a year trying to get outcomes out of the SBDC in the State of Oregon. And also, Madam Chair, I think these things should be audited. I have a lot of people that tend to say we created X number of jobs. You go back and you audit you find out those jobs never existed, or the SBDC had little or no effect on that, it was actually somebody else that came in and made the major effect.

So I really applaud where this legislation is going in trying to make sure that we are actually doing the best we can with the little bit of money that we have. I might also recommend that we continue to look at getting rid of a lot of the output requirements or the input documentation that make it difficult for small businesses or SCORE or the SBDCs to actually do the job they need to do. They are so busy writing the reports that they, frankly, can't do what they are trained to do or want to do, I think, in their hearts of heart. And with that I yield back my time.

Mr. HAUGE. Could I just add to that if you don't mind? I think the SBDCs have for years been pushing to increase their budgets, and I think that is very good. However, I think there should be a contingency or what else are they going to bring to the table? What are they going to do?

There are tremendous opportunities with the SBDCs in the energy arena. They can serve a tremendous role in helping small businesses lower their energy costs, developing small businesses that are green businesses. And I think those kind of things should

be encouraged and additional funding should be provided where they are doing that.

Mr. SCHRADER. Thank you.

Chairwoman VELÁZQUEZ. Now I would recognize the Ranking Member of the Subcommittee on Rural Development, Entrepreneurship and Trade, Mr. Luetkemeyer. He has worked very hard on this bill and he is a sponsor of the bill.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman. I appreciate those remarks and I want to thank you and Ranking Member Graves for your hard work on this issue of trying to make the SBA more responsive and improve its operations. I think it is extremely important, and your leadership is very much appreciated on this issue. And I think you have done a great job of putting this together and I want to thank you for that.

I will keep my remarks very brief here. Just for Mr. Brown, you made a comment about direct loan. Can you expand on that, what you are looking for with your direct loan stuff?

Mr. BROWN. Sure. Thank you for the question, Congressman. One of the things that we are seeing right now is that with the capital options that are available many, especially younger veterans in consideration of transferability, are not getting approved for these types of business loans, whether it be because they lack credit history, whether it be because they have poor credit scores—sometimes, as I stated in my opening statement, due to their service.

What we are hoping to see is potentially a direct loan program through something like SBA in which, if they did not get approved for, say, the Patriot Loan Express or a loan through a third party, that they would be able to look into accessing capital through SBA and maybe have some additional measures. Maybe they have to do additional small business training and they have to actually sit down and really have someone go over their business plan. And there would be additional mechanisms to someone that was going through it, that was going to get a loan directly through SBA.

We have had this before, I think it was 20, 25 years ago, but that is kind of the idea we were getting at is that it would give veterans that are not getting—that are unable to get access to capital an option.

Mr. LUETKEMEYER. I appreciate your comments.

I am willing to work with you on that issue. Having been in the business for over 30 years, I know a little bit about the direct lending. When the government gets involved, it doesn't do a very good job, quite frankly. I think we are better off from the standpoint of being able to monitor and being able to do a better job of addressing the needs of an individual.

If you leave it in private hands and have SBA guarantee it, I think probably if we could work on some sort of language that would allow it to put some parameters in place—and, boy, I would love to work with you on that and see if there is a way we could—you have indicated a few things here like more training or put some criteria together that if they fall through the cracks of another program that there would be a way you could qualify for a 95 or 100 percent guarantee or something like that in an extreme instance where we have got some credit difficulties. If it is a vet-

eran, we would be able to at least take a shot with those guys, to give them some help.

I appreciate your comment about the direct loan, but having been in the business for 30 years, the government doesn't do a good job in direct loans. The experience has very poor. If you look at what FHA did back in the 1970s, it took it all away from them, because they did such a poor job, and it went back to the lending institutions.

I think that we have seen that that has been very helpful to the farming community over the years to get them back out and get back into the guarantee portion versus direct lending.

I think you have a great idea from the standpoint of, if we have some problems with the VA portion of this SBA program here, we need to find out a way to come up with some new criteria that will enable those folks to get the loans they need to be able to participate in the programs. If they are falling through the cracks, we can find a way.

Chairwoman VELÁZQUEZ. Would the gentleman yield?

Mr. LUETKEMEYER. Yes, Madam Chair.

Chairwoman VELÁZQUEZ. Last year, we passed out such a bill, not with direct lending, but it is loans specifically for veterans returning from the war, 90 percent guaranteed, no fees. All we need to do is to get SBA to implement the program.

Mr. LUETKEMEYER. Appreciate those comments, Madam Chairwoman. If you would like to include something like that in this bill—

Chairwoman VELÁZQUEZ. We don't have to. It is oversight. We will bring SBA to inform us and to report where they are in implementing the program.

Mr. LUETKEMEYER. So we are already there. Fantastic.

With that, I yield back. I appreciate your time.

Chairwoman VELÁZQUEZ. Mr. Moore.

Mr. MOORE. Thank you, and I want to thank the witnesses for being here to share your expertise and your perspective on these things.

My first question is for anyone to answer. As you know, the draft legislation that has been developed to reauthorize the SBA's ED programs is designed to ensure that the programs can effectively meet the demand for counseling, training, and support services, to increase the accessibility of the programs in underserved communities, to improve service delivery, and close gaps in ED services.

In your opinion—whoever would like to answer this or several of you—do you believe the draft legislation would be effective in achieving these objectives? And are there additional suggestions or specific reforms that you would recommend be included in this legislation? Anybody care to answer?

Not all at once. Any suggestions for improving the bill here that would provide better services to people who are trying to serve here?

Ms. DORFMAN. I guess I would just kind of reiterate some of the things that we talked about, the accountability and transparency to make sure the outcomes are very focused on the money that is coming in through revenues, the jobs created, those sorts of things.

I think those are the important aspects. But I think you all have done a great job with what you have done, and I appreciate that.

Mr. MOORE. Anybody else?

Ms. EVANS. I would just add, Congressman, that I think the bill as written is a very good bill.

As it relates to accountability issues, I would urge you to encourage the SBA to look at accountability mechanisms that are already in the field. Our industry, the microenterprise industry, working with the Aspen Institute and Ford Foundation and several others have spent years identifying key indicators and developing, monitoring and evaluation. So rather than kind of come out of the blue with something that no one has had to put systems together, we have actually had longitudinal data, tremendous indicators, and data sets that I think would be very useful in developing accountability and outcome measures. I really encourage you to do what you can to use the existing infrastructure for indicators, for business development organizations, for accountability.

Mr. MOORE. Thank you, Ms. Evans.

Mr. Brown.

Mr. BROWN. Thank you for the question, Congressman.

One thing that isn't clearly written in the bill that we have taken note is we think it should be expanded to include not only veterans but members of the Guard and members of the Reserve and surviving spouses.

Mr. MOORE. Thank you.

Mr. Hauge.

Mr. HAUGE. A specific area that I think needs to be beefed up a little bit is the whole green aspect. Small business is about 50 percent of the economy of this country; and when you look at the resources that are available to small businesses, not just in business startups and job creation but also in the area of energy conservation, there are tremendous opportunities. It has been shown that we waste about 30 percent of the energy that we use; and with some very simple things, which may just include maintenance—

We have got a program that we put together called On Bill Financing, which is a program that takes a business, has an audit, and the utility company then provides the money to do the retrofit. And we have done very successful work with United Illuminating back in Connecticut. Small Business California has implemented a program in California.

That money is paid back at zero percent financing over a 2- to 3-year period. It is a positive cash flow. And right now in United Illuminating, they are doing it as a positive cash flow to the business.

There are almost no defaults. Not only is that helping the global warming situation, but it also is putting capital back into the small business that they can use to hire people and buy equipment.

Mr. MOORE. Thank you.

My final question I would like to direct to Mr. Brown of the VFW.

Mr. Brown, as a veteran myself, I am particularly interested in the opportunities available to those who serve our Nation in uniform. As you know, the structure of entrepreneurial development assistance to veteran entrepreneurs needs to be improved; and I

think this legislation would expand the veteran business center program.

I noticed in your testimony that you feel the legislation does not go far enough in ensuring that the veteran small business owners have access to capital, does not address a lack of entrepreneurial education assistance, and doesn't address a lack of compliance with Federal contracting requirements. Can you go into a little more detail in how those can be addressed, if you think they could?

Mr. BROWN. Thank you for the question.

Much of what I would say is what I would reiterate of what I have said earlier in regards to access to capital, that really there are two ways, in my opinion, that we can look at changing that. That is, either creating new financial tools, whatever they may be, if it is a direct loan program, if it is not a direct loan program. We are actually looking at service members whose credit was affected by their service and looking for some form of relief for those service members.

In regards to the set-asides themselves, I testified recently before Congressman Nye's committee; and, really, we just need the agencies on that side to step it up. Some are doing excellent, DOD particularly is not, and others are egregiously failing that mandate.

It has been 10 years since we passed Public Law 106-50, and we are not even halfway there. We are not even at 1.5 percent. We could really use any help from your side of the aisle and really try to get these agencies to follow the laws that you have created.

Mr. MOORE. Thank you, Mr. Brown and the other witnesses. I yield back.

Chairwoman VELÁZQUEZ. Mr. King.

Mr. KING. Thank you, Madam Chair.

I appreciate the testimony of the witnesses, and I hope you appreciate the intensity of our schedule around this Hill.

I have a particular interest in distance learning; and it is something that I have worked on for quite a number of years, more than a decade. I just frame my belief in this, that certainly education needs a mentor, someone with their hands on the shoulder of the student; and that is an important component of this. But, also, I have not watched technology develop in a fashion in education and I think it has a potential.

When I look at distance learning in the area of military or the private sector, I see that, at least by my judgment, they are far ahead of especially our public education. We have some universities and some schools of higher learning that have taken some leads in distance learning. I have, of course, communicated with them.

When I look at a whole combination of things with distance learning—for example, there is a Virtual Reality Center at Iowa State University. It has been there for some years. It is a 12 by 12 by 12 cubicle, and you can go inside that and put on a set of 3-D glasses and take a controller that gives you an XYZ coordinate and you can go virtually visit the Taj Mahal or the cathedral of Notre Dame and levitate up into the air, look at it from a bird's eye view, go in the window up above the gussets and the trusses, et cetera. It is a fascinating tool, but it is only one of many different kinds of tools out there, all the things that are available on the Internet.

The virtual reality component of this, text base, the text that is a rolling quiz test system that would allow students to grow their education at the pace of their ability. It seems to me that distance learning has the potential not only to be a useful tool for the entrepreneurs out there so they can continue to get themselves up to speed at any hour of the day or night, but it also is a tool that can take us to the point to transform education and be able to have every student learn at the pace of their ability rather than the pace of their class.

So I would ask if there is anything in this bill we are talking about or any ideas out here in the panel that would care to expand upon that thought that I have offered to you. A general question to whoever grabs the microphone.

Mr. YANCEY. If I may, thank you for the question.

I will tell you from a SCORE standpoint we believe technology is an enabler that will allow us to develop relationships between counselors and clients in a variety of different methods and manners, and we are beginning to do more of that with communities and social media and so on.

It is not a desire that is limiting. It is the investment ability. These things are not easily developed. You can do them in partnership.

A good example is the new community that we will launch in a couple of weeks in partnership with a company that provides private label communities. They have donated that, so we are very appreciative. But you can't always get these technology donated. So what limits our ability to enhance our offer and create more relationships using technology, distance learning, whatever it might be is the investment.

I have got a plan. It is a $14 million plan, and we are Implementing it little bit by little bit, because the funding just doesn't exist.

Thank you for the question.

Mr. KING. I thank Mr. Yancey.

And I would add to this question and offer back out, what do you think of the idea of providing education as well as technical assistance under a distance learning proposal? And perhaps, Ms. Dorfman, you were leaning ahead more than anyone else.

Ms. DORFMAN. I am a great proponent of it. We have been using at the Chamber various technologies to connect with members or participants at our various educational seminars. And I think that, yes, it can be accomplished; and for what we have seen it is also for a business owner who is very busy and doesn't have time to go to a meeting somewhere because of the time it takes to drive them, to get there, attend the class, drive back. Whereas if they can put it on mute and listen, and if there is an emergency that comes in through the business, they can take it and then get back to class. It really does well for small businesses.

Well, there are some very expensive technologies out there. There are also very affordable technologies out there as well. We know where they are, and I would be glad to help with that information.

Mr. KING. I thank you. I thank all the witness, and I yield back the balance of my time.

Ms. EVANS. May I also answer, please? I think it is a very good question. I would like to respond on a couple of issues.

One, because our members serve many communities, rural and urban, that are low income. We still have the issue of broadband coverage. So even though this technology would be great in terms of reaching scale, we also must be aware that not all of our communities have access to broadband coverage to make that possible.

Secondly, I want to also reiterate the issue of investment. AEO, my association, is moving to create a fund, raising social capital that we can invest in these kinds of platforms that our member organizations around the country can link into. I have not seen anything in the present bills that actually will help support our efforts in raising that capital. And so, looking at the issue of broadband, looking at how do we get the investment dollars to create platforms so—

For example, one of our members in Albuquerque, New Mexico, has actually designed technology that is distance learning, delivering technical assistance throughout the State. I mentioned earlier Aspen Institute, one of our partners, has already evaluated the use of the pilot. So they have done the due diligence. We know it is an effective strategy for delivering TA to the entrepreneurs. So we are now trying to again put together a fund that can build a platform to expand that to more members throughout the country in our association to be able to use that. But broadband and investments opportunities are clearly needed to make your ideas a reality.

Mr. KING. I thank you very much for getting that in the testimony.

Thank you, Madam Chair. I yield back.

Chairwoman VELÁZQUEZ. Mrs. Dahlkemper.

Mrs. DAHLKEMPER. Thank you, Madam Chair.

Given my experience as a small business owner, I certainly understand the daunting task of starting a new business and making that business grow; and these entrepreneurial development programs are critical in providing these businesses assistance.

I do have a couple questions for a few of you.

Mr. Hague, what effect would the proposed legislation to strengthen entrepreneurial development programs have on our local economies? Do you have any sense of that in terms of do these small businesses use other—use of other locales for their workforce, for technologies, other needs?

Mr. HAUGE. Clearly, if you strengthen the assistance to the small businesses and provide them the tools to be able to effectively develop their business and hire employees, that is going to have a positive effect on the local economy.

The other thing that I would like to point out on that is locally owned businesses have a disproportionate effect on the economy, the local economy, as opposed to businesses that are headquartered outside of the locality and taking capital away from the economy in that specific area. There have been numerous studies that shows that the return to the local—as a result of the locally owned business versus the business that is headquartered outside of that particular locality is much, much greater and has a greater effect on that particular local economy.

Mrs. DAHLKEMPER. Ms. Dorfman, do you want to comment on that at all?

No, okay.

Mr. Brown, you showed your map; and I think there were five locations for your veterans business outreach centers. One of them is in my State of Pennsylvania, but it is still an hour drive from my district. And, obviously, the whole western part of the country, I think, from your viewing of your map, looked pretty empty. So what do we need to do to make sure—

First of all, will this legislation make these centers more accessible? And, if not, how do we need to change that? And, also, what do you see are the needs going into the future here?

Mr. BROWN. Thank you for the question, Congresswoman.

I think this legislation is an excellent start with a step in the right direction, being that it would clearly create more of the veteran business centers and it would concentrate them where the veterans are by basing a priority of application for the centers that have a higher than the median for the respective veterans, veterans at large and then OEF and OIF veterans especially.

Geographically, I think that is really one of the big things hurting us. I have veterans calling me that are interested in going into small business. They are looking for resources, and I am over here praying that they are near one of these eight veteran business centers. Because they have really done a good job. I think what we are looking to do is duplicate something that is working, which is, I think, a good way to start. And does that answer your question?

Mrs. DAHLKEMPER. Yes, thank you.

Ms. Dorfman, in a 2004 survey, members of the National Association of Women Business Owners cited as their top concerns business marketing and business growth. How can the legislation assist women-owned firms in expanding their market, despite the current economic downturn?

Ms. DORFMAN. I think the program focused—when you get into the small business development centers and the other programs out there, that the focus of making sure that their needs in terms of business growth, whether it be marketing or, in our case, when we did our survey door to door, it was really access to Federal contracts and access to capital and access to affordable health care that are key. And all these components I think start that process.

I think what we want to make sure that has happened is make sure there is quality to the programs, that it is consistent so when you walk into one SBDC or women's business development center or any centers that it will be the same across the United States. There is not a disparate where one you might get better quality service in one locale than another. So I think those are some of the key things.

Mrs. DAHLKEMPER. Thank you. I yield back.

Chairwoman VELÁZQUEZ. Mr. Graves?

Are there other questions by any other members?

Well, let me take this opportunity to thank all the witnesses for your contribution and your insights on the pending legislation before the committee. Hopefully, soon we will be marking it up in the full committee and we will have legislation ready to be sent to the floor.

Chairwoman VELÁZQUEZ. I ask unanimous consent that members will have 5 days to submit a statement and supporting materials for the record.

Without objection, so ordered.

This hearing is now adjourned.

[Whereupon, at 2:21 p.m., the committee was adjourned.]

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

SAM GRAVES, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
Washington, DC 20515-6315

STATEMENT
of the
The Honorable Nydia Velazquez, Chairwoman
House Committee on Small Business
Full Committee Hearing on Legislation Modernizing SBA's Entrepreneurial Development Programs
Wednesday, May 6, 2009

Just last month, General Motors announced 8,000 new layoffs. Since then, companies like Clear Channel Broadcasting and Johnson & Johnson have followed suit. But while the corporate world may be scaling back, the entrepreneurial spirit is still alive and well. In fact, 400,000 small firms crop up every month. With the right resources and a little hard work, those startups will be the key to our economic recovery.

Starting and running a new enterprise is no small feat - even during times of prosperity. As any small business owner will tell you, the learning curve is steep. That's where today's legislation comes in. The Job Creation Through Entrepreneurship Act of 2009 will help small businesses access the resources they need to succeed.

With lending down and credit tightening, small firms are facing significant obstacles on all fronts, particularly when it comes to accessing capital. The proposal under consideration today will help them identify the best way to secure that funding. It will do this by offering training sessions and seminars on everything from repairing damaged credit to seeking out equity investment.

While the rest of the economy is declining, the federal marketplace is booming. Last year, it grew by 9%. The new stimulus is only going to add to that increase, and small businesses stand to gain a great deal. In terms of infrastructure contracts alone, they are expected to win $29.9 billion. Still, many of these firms have never competed in the federal marketplace, and need to learn its ins and outs. That takes training, and this bill will provide for it.

If entrepreneurs are to emerge stronger from the recession, then they must be able to retool their ventures. Enhanced technology resources will help them do that, and help them become more efficient. It will also rejuvenate underserved communities. This is critical, especially in the rural regions and inner cities that are suffering most. Through the use of online, satellite and video resources, small business owners everywhere can

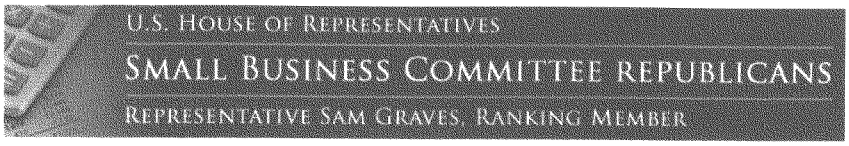
access training on a variety of subjects. And, in doing so, close the gap with their corporate and international competitors.

We are constantly hearing about the need to put people back to work. An important part of job creation is entrepreneurship. Through this legislation, we give people who might not otherwise pursue that line of work a chance to do so - especially those from non-traditional communities.

We know that the face of American business is changing. This bill recognizes that transformation with provisions for women and Native American business owners. It also provides a unique opportunity for veteran entrepreneurship. As our servicemen and women return from war, it is critical that they have a chance to start their own businesses.

But in order for ED to have its desired effect, it needs to be running at full capacity. SBA also should be smarter about how it manages these programs. The agency has suffered from chronic underfunding in the past, and it is critical that it make the most of its resources today. That's why this legislation includes conditions for program coordination. New requirements promote best practices, and ensure services are not duplicated. They also contain tough new performance measurements for gauging program success. That way, we will know which initiatives are working, which need to be revaluated, and which should be scrapped altogether.

The Job Creation Through Entrepreneurship Act of 2009 is a bi-partisan product. It is the work of 7 different committee members - including 5 from the minority. I'd like to thank Chairman Shuler for his leadership in these efforts, and everyone else who contributed to the legislation. Strengthening ED programs will not only bolster small businesses, but will help get our economy moving again.



Opening Statement for Hearing on
Legislation to Reauthorize and Modernize SBA's
Entrepreneurial Development Programs
Sam Graves
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, DC
May 6, 2009

I would like to thank the Chairwoman for holding this hearing today examining the SBA's Entrepreneurial Development programs and the challenges they face in the current economic climate. I also would like to thank our witnesses for taking time out of their busy schedules to be here with us today.

It is widely accepted that a good business plan is the cornerstone of any successful small business. Creating and executing a business plan requires extensive business knowledge and ingenuity, including the ability to predict potential obstacles to success that may unfold at any time.

The Entrepreneurial Development programs of the Small Business Administration provide both new and seasoned entrepreneurs with solid business knowledge to help start and grow their businesses. The entrepreneurial development programs provided by the SBA have become a critical tool for many small businesses across America. Whether it is helping a small business owner export a product, develop

a marketing scheme, or obtain financing, that entrepreneur is almost always more successful after working with one of the SBA's entrepreneurial development programs.

Unfortunately, the current economic climate provides an even more difficult path to success than before. Small businesses are finding it increasingly difficult to meet their bottom line much less become a thriving business. Creative methods are being employed by entrepreneurs throughout the county as they try to figure out for themselves how to survive in this new economic climate. As small businesses work to survive, the effectiveness of these programs have become more important than ever. We must reassess these programs and fine tune them to ensure that they are as efficient as possible.

Today we will discuss six recently introduced bills that aim to modernize and recondition the SBA's entrepreneurial development programs to guarantee they are well suited to serve the challenging needs of today's entrepreneur. As we examine this legislation we must make certain to limit duplication and streamline efforts of federal entrepreneurial development programs.

Once again, I thank the Chairwoman for holding this hearing and all of the witnesses for being here today. I look forward to hearing your testimony.

Testimony
of
Margot Dorfman, CEO
on behalf of the
U.S. Women's Chamber of Commerce

Before the House Small Business Committee

Legislation to Reauthorize and Modernize SBA's Entrepreneurial Development Programs
May 6, 2009

Chairwoman Velázquez, Ranking Member Graves, Members of the Committee. I am here today on behalf of the U.S. Women's Chamber of Commerce representing our 500,000 members and the millions of American small businesses who are in need of assistance as they seek to grow strong businesses to provide income for themselves, their families and communities. Thank you for providing me the opportunity to comment on the current legislative proposal to strengthen SBA's entrepreneurial development programs.

I had the opportunity to speak before this committee several weeks ago as you began consideration of the SBA Entrepreneurial development programs. And, I am very pleased to see the thoughtful steps you are taking through this legislation to extend the reach and effectiveness of these important programs. Through this legislation the committee has appropriately focused on access to capital and contracts, reaching to those in greatest need of assistance – including the likely migration of dislocated workers to small business startups, and prudently managing the amount and focus of funds committed to each of SBA Entrepreneurial development programs.

In my previous testimony, I provided a number of recommendations including: unifying the entrepreneurial education programs and providing greater coordination between programs, establishing outreach specialists, positioning facilities in areas with least mobility and/or greatest economic need, providing one clear channel for assistance is paramount to the average business owner seeking help, assuring language and cultural needs are addressed, outsourcing the creation of a top-tier e-learning educational system, establishing a method to review the impact of SBA entrepreneurial programs on our communities, looking at the macro view of impact to assure our entrepreneurial development programs are the right size and effectiveness to meet current demands, addressing the revenue disparities for minority-, women-, handicapped-, and veteran-owned firms, and finding ways to expose these emerging small businesses to the

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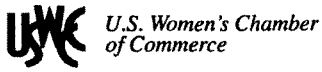

mainstream marketplace instead of segregating them away from businesses with better experience, networks and access to capital.

I offer the following suggestions for the legislation you are considering.

Veterans Business Center Program

We continue to recommend that programs like the Veterans Business Center Program should be housed within Small Business Development Centers so that veterans can have the best exposure to businesses with better experience, networks and access to capital. However we understand that our veterans have some very unique challenges as entrepreneurs and may require special counseling to achieve best results. Additionally, there are clear regional needs that can best be served through placing centers in high-density veteran areas.

We believe the Procurement Assistance grant program duplicates the role of the Procurement Center Representative (PCRs) whose objective is to increase the small business share of Federal procurement awards by initiating small business set-asides, reserving procurements for competition among small business firms; providing small business sources to Federal buying activities; and counseling small firms – and the Procurement Technical Assistance Centers (PTACs) which are administered by the Department of Defense Defense Logistics Agency.

There should be many more PCRs and their roles should be better defined to remove the obligation to counsel small firms so that the PCR may focus more internally to uncover and advocate for opportunities for small businesses. We recommend that PTAC staff should be viewed as part of the broader federal entrepreneurial programs and be employed to provide general contracting education. PTACs could also serve as a bridge between the PCR (working internally within agencies) and the small business owner (seeking opportunity). The PTACs have a well organized training system to prepare their counselors. This system should simply be scaled up to reach more businesses and interface with other federal agencies (like the SBA). Or, at the very least, the new advisors in the Veteran's procurement program should be held to the same standard as the PTAC advisors and be viewed as part of the broader PTAC delivery system.

Educating Entrepreneurs through Technology

We are really pleased to see this committee bringing the SBA into the twenty-first century by establishing a high-quality multilingual distance training and education program. We agree that the SBA should contract with qualified third-party vendors for the development of this program with a mixture of live and archived opportunities. But we caution, in the past, the SBA has used these big outreach programs to secure corporate sponsors who would seek to piggy back on American taxpayer dollars for the purpose of brand marketing through the SBA. We strongly encourage you to prevent this from happening with the e-learning curriculum and delivery platform.

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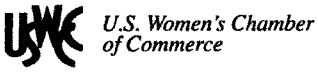

You mention that the content should use broadband as much as possible so that the learning may be distributed through all 50 states, small businesses, home based businesses, Small Business Development Centers, Women's Business Centers, Veterans Business Centers, and SBA District Offices. We recommend that you go further to assure that all of the SBA entrepreneurial centers be setup to allow for small business owners to freely access these materials at computer terminals on site. And, we suggest the SBA explore other government facilities and programs that might provide computer terminals to access the e-learning programs. For example – military bases, veteran's hospitals and therapeutic centers, prisons, high schools, libraries, faith-based facilities and community centers.

We suggest that you consider increasing the budget for this program two-fold as the development and delivery costs may easily exceed the $2M you recommend for 2010 and 2011. And yet, you have the best opportunity through this program to efficiently and effectively reach a very broad group of individuals in need of quality entrepreneurial training.

We suggest you take advantage of the Internet to gather detailed information on the location of individuals using the online system (home or special facility and IP address), time of day, time spent, number of return visits, and number of classes/modules completed. These metrics can help measure the usage and inform your future decisions regarding the e-learning platform.

Enhancing Native American Entrepreneurship

We applaud the creation of the Office of Native American Affairs within the SBA and the Tribal Business Information Centers (TBIC). We think this platform will provide great impact on our tribal communities. We hope you also see the TBICs as a great opportunity to bring e-learning to tribal communities – and understand that the e-learning programs will need special content that address cultural differences among our entrepreneurs.

We hope you will provide the resources and support necessary to the Office of Native American Affairs to help them bring to you recommendations of how Congress might bridge some of the unique legal and financial hurdles that exist for tribal entrepreneurs – and then communicate solutions through the TBICs.

We applaud the links you are building between the Small Business Development Centers and the tribal areas, Alaska Natives, and Native Hawaiians. However, we would suggest that a clear relationship be defined between the Small Business Development Centers and the Tribal Business Information Centers so that we continue to connect our entrepreneurial development programs.

Broadening the Women's Business Center Program

We support the continued efforts of this committee to assure the Women's Business Centers become self-sustaining and serve socially and economically disadvantaged women. However,

we caution that the funding model for the Women's Business Centers makes them very vulnerable to corporate sponsorship that leverages our tax payer supported structures as a way to reach women with their marketing messages. We continue to believe that women business owners would be best served through folding women's business centers into SBDC's and simply establishing women's outreach and support specialists. We applaud the emphasis you have placed on outcome-based performance measurements including job creation.

National Women's Business Council

We applaud your specific requests for two studies from the National Women's Business Council and suggest the focus of these studies be more specific. For example, the impact of the 2008-2009 financial markets crisis on women-owned businesses should include recommendations for how the SBA could be of greater assistance to women-owned firms during challenging economic times. And, the use of SBA's programs by women-owned firms should include observations of comparative outcomes between programs. We strongly urge you to focus the activities of this council through your requirements for needed studies that will inform future actions by the Congress to support the growth and success of women-owned firms.

SCORE Program Improvements

We appreciate your efforts to focus the SCORE program, assure that it serves socially- and economically-disadvantaged sectors, provide one-on-one mentoring and counseling, and include a networking program that will help to pull participants into the full industry and/or geographic community.

Expanding Entrepreneurship Act of 2009

We support your efforts in the Expanding Entrepreneurship Act of 2009. This Act sets a course for real progress in focus, regional coordination of programs, and measurement of outcomes. The systemic change that is needed at the SBA will happen through a combination of these measures, a strong executive level champion for progress, and persistent oversight by this committee.

The strong focus on jobs as the primary metric for measuring success is absolutely appropriate. Job creation must be the number one objective of the SBA. All resources and programs must lead to this end. Even the new sole proprietor can be measured as a new American job created and fulfilled. And, if for no other reason, the profound role the SBA can play in job creation in America should compel President Obama to place the SBA Administrator in his Cabinet.

We support your request that each SBA region detail a strategy for job creation and retention. And, we suggest that these objectives be made public along with progress reports.

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Coordinating and aligning SBA programs is vitally important. The economic challenges we face mandate that our small business programs are working effectively and efficiently. Coordination and cooperation between programs is essential to achieve best outcomes. Limiting duplication will prevent waste of taxpayer money. We also encourage SBA leadership to make recommendations on effectiveness from a macro view – so that this committee might measure whether or not our commitments to the small business entrepreneurial development programs and the job creation that flows from small business development are the right size to match our economic needs.

We support the development of the online economic development service provider database and suggest the data from this repository could be used to overlay community demographic and financial characteristics to assess the strengths/weaknesses of the reach of the SBA entrepreneurial development programs. Zip code level geographic information should be included in this repository accurately reflecting the reach of each government supported program.

We support the creation of community specialists but believe this role should specifically include both coordination of federal resources and internal/external training on the effective coordination of federal programs to achieve quality financially efficient outcomes. This committee should guard against the creation of yet another federal employee who attends events with a dozen other federal employees so they can say they were represented and coordinated. In many instances, the effective coordination of federal programs through the efforts of a community specialist should mean less federal employees attending a meeting or event while still delivering quality information on how to access regional programs.

Many, many of the statistics reported by our entrepreneurial development programs about business owners served include employees from multiple federal programs appearing at one event handing out materials and getting a copy of the attendee list. The SBA should look at how to use these lists to continue their outreach to the community pulling event attendees in to the appropriate entrepreneurial programs. The SBA needs to learn what all good business owners know --- the list of attendees is just the starting place for their outreach. Add a standard set of queries to the attendee list requesting details of the business owners' needs like access to capital, business planning, and federal contracting. Then use this information to outreach to the business owner and help them find the right resources. A community specialist could take charge of coordinating federal resources and connecting business owners to the resources that are best suited to their needs. Through this action the community specialist would see the system through the eyes of the business owner.

The web-based entrepreneurial development portal is a very important part of the next step for the SBA. The effective communication of resources is vital to seeing a strong return on investment from our taxpayer dollars used to support of SBA entrepreneurial programs. We strongly support empowering visitors to rate and comment upon the usefulness of the materials. And, we suggest you consider requiring opportunities for visitors to comment on the experiences they have had in trying to reach and take advantage of a service provider.

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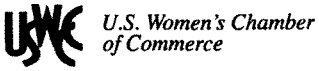

We agree with your provision to prohibit pilot programs.

Modernizing the Small Business Development Center Program

This section takes good action to strengthen the SBDC network. The equal partner relationship with grant recipients is crucial to assuring the cooperative nature of the community academic relationship. Limiting the number of SBDC grantees will continue to bring strength to the SBDC. And we support eliminating women's business centers from the pool of eligible entities for the SBDC program – as they have the ability to secure separate government funding.

We support the Access to Credit and Capital Program. We also suggest the SBDC publish a monthly report of small business lending in the region that includes the top active lenders. The SBA publishes this data – it should be promoted to the community consistently.

Main Street Stabilization Program

Small business help lines will be a tremendous resource to small business owners and can also help individuals from remote regions to get connected to assistance. We suggest the Small Business Help Line team use the web-based entrepreneurial development portal as their primary tool to look-up and communicate resources. This process could help in keeping the data contained in the portal relevant and current. And, allow the help line team to push out follow-up emails to individuals who have called in. The small business help line should include multi-language capabilities and email/support desk options.

We suggest you consider a national operation for managing the support line that assures a standard of service and language capabilities combined with the ability to hand off to a local help desk team member when more detailed local information is needed.

We support the prohibition of using funds obtained through the assessment of fees to small business clients as program matching funds.

In closing, we believe this committee is making good progress towards unifying, streamlining, modernizing, and right sizing the SBA entrepreneurial development programs. America needs entrepreneurial development programs that match our challenging economic times.

We encourage you to keep the SBA focused on modernizing the delivery of information through the use of the Internet and e-learning platforms, leveraging the Internet to reach more widely, bringing greater coordination between the entrepreneurial development programs, and removing duplication of services.

Thank you.

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TESTIMONY OF SCOTT HAUGE, FIRST VICE CHAIR

NATIONAL SMALL BUSINESS ASSOCIATION

"The Job Creation Through Entrepreneurship Act of 2009"

Before the U.S. House Committee on Small Business

May 6, 2009

Chairwoman Velázquez, Ranking Member Graves, and members of the committee, thank you for inviting me here today to testify on the importance of the entrepreneurial development programs of the U.S. Small Business Administration (SBA).

I am Scott Hauge, owner and president of CAL Insurance and Associates, which specializes in providing insurance for small to medium-sized businesses. Founded in 1927, the firm currently has 32 employees in San Francisco. I also serve as president of Small Business California, a nonpartisan, grassroots, small-business advocacy organization, and first vice chair for the National Small Business Association (NSBA).

NSBA is the oldest small-business advocacy organization in the United States. It reaches more than 150,000 small-business owners across the nation and has a proud history of working in a nonpartisan manner to promote pro-small-business policies.

The Committee certainly is focusing on job creation through entrepreneurship at an unfortunately opportune time. The U.S. is in the midst of the worst financial crisis since the Great Depression. Historically, small businesses have led America's resurgence out of periods of economic distress and uncertainty. As *The Economist* recently pointed out, "Microsoft, Genentech, Gap, and The Limited were all founded during recessions. Hewlett-Packard, Geophysical Service (now Texas Instruments), United Technologies, Polaroid and Revlon started in the Depression."

Previous small-business led economic recoveries were based less on the sudden expansion of existing small businesses than they were on the creation of millions of new, small firms. Suddenly out-of-work employees—many of them laid-off from big businesses—identified a niche they thought they could fill, a product they thought they could improve, or a service they thought they could enhance and decided to start their own firms. During these troubled economic times, millions of other small businesses failed. In the aggregate, however, there were many more small businesses in existence after the recessions and Depression than there were before it.

If today's aspiring entrepreneurs are to succeed, they are going to need support and guidance on an array of issues and the "*Job Creation Through Entrepreneurship Act of 2009*" seeks to improve the counseling, technical assistance, education and mentoring, outreach, and networking opportunities offered by the federal government through the SBA. NSBA applauds this effort.

Scott Hauge
First Vice Chair
National Small Business Association

SMALL BUSINESS CHALLENGES IN FINANCING

Starting a new small business has never been easy, but the task is even more formidable in the current economic environment. This makes the entrepreneurial-development programs the "*Job Creation Through Entrepreneurship Act of 2009*" would reauthorize and modernize all the more important. With America's entrepreneurs—existent and aspiring—suffering through a crippling credit crunch, programs that provide information and technical assistance on the acquisition of capital have never been more critical.

Even in the best of times, accessing capital is one of the most persistent obstacles facing America's small-business owners. In fact, the small-business members of NSBA consistently have identified access to capital as one of the top-10 issues impacting their firms—as they did again this February, during NSBA's biennial Small Business Congress.

This perennial problem is greatly exacerbated during troubled economic periods. According to a nationwide survey of small- and mid- sized business owners, commissioned in 2008 by the NSBA (henceforth: NSBA Survey), 55 percent of small- and mid- sized business owners had difficulty securing credit in the previous six months—and this finding was consistent across firm size and revenue. It stands to reason that credit is even more elusive today. This is true globally as well as locally. In a November 2008 survey of eight emerging markets carried out for Endeavor, 85 percent of entrepreneurs reported having already felt the impact of the credit crisis and 88 percent thought the worst was yet to come.

In the past, aspiring small-business owners chiefly would obtain capital through three avenues, which at the moment are mostly impassable: (1) Borrowing from themselves; (2) Borrowing from friends and family; or (3) Borrowing from a bank.

Aspiring business owners would be hard pressed in the current environment to self-finance their entrepreneurial dreams. With the S&P/Case-Shiller U.S. National Home Price Index reporting the largest drop in its 21-year history, it is unlikely many aspiring small-business owners are in a position to take a second mortgage on their homes. And with the stock market flirting with lows not seen in over a decade, it also is unlikely that aspiring entrepreneurs will turn to their retirement savings. The aforementioned circumstances also make it improbable that many aspiring small-

Scott Hauge
First Vice Chair
National Small Business Association

business owners will seek loans from their friends and family, who have suffered just as acutely from plummeting stock and home values. And banks simply are not lending right now.

In its April 2009 Senior Loan Officer Opinion Survey, the Federal Reserve reported that the number of respondents who reported having tightened their business lending policies over the previous three month remained "very elevated." The April survey also marked the tenth consecutive quarterly survey that domestic banks reported tightening their credit standards on commercial and industrial loans to small firms.

In addition to tightening their lending standards, hundreds of banks have dropped out of the lending programs offered by the SBA or have simply stopped making—at least as many—SBA loans. Between 2001 and 2007, there was a 47-percent decrease in the number of banks making at least one 7(a) loan. There were 57 percent fewer 7(a) loans in the first quarter of 2009 than during the same period in 2008 and 62 percent fewer than 2007. The number of loans made through the 504 program (which finance real estate and other fixed assets) was down 46 percent from 2008. Total dollars loaned through the 7(a) program also fell—by 40 percent, to almost $2 billion.

NSBA commends the inclusion in the bill of the many sections focused on providing aspiring and existing small-business owners with information on how and where to seek capital, improve their financial presentations for lenders—both traditional and non-traditional.

NSBA particularly supports the provisions in the bill aimed at coordinating and aligning the various entrepreneurial development programs within SBA. It is vital that the SBA programs aimed at discreet constituencies complement each other and work in unison.

Establishing a portal, through which small-business owners will be able to access on the main website comprehensive information on all of the SBA's entrepreneurial development programs, is an extremely welcome initiative. The easier it is for small-business owners to access the multitude of information available to them, the better.

Scott Hauge
First Vice Chair
National Small Business Association

SMALL BUSINESS CONTRACTING

NSBA welcomes the legislation's provisions pertaining to contracting. Federal procurement is not just of singular importance to many small businesses—small-business participation is crucial to a healthy and competitive federal procurement process. Small businesses provide high-quality goods and services to federal-contracting agencies and infuse the federal procurement system with much-needed competition. In turn, the federal government invests in the most-dynamic and innovative sector of the U.S. economy.

America's small businesses annually have created 93.5 percent of all net new jobs since 1989. Small businesses also "produce 13 to 14 times more patents per employee than their larger counterparts, and... these patents are more likely to be cited in other patenting applications," according to a recent SBA Office of Advocacy working paper.

This unrivaled success has been achieved with less than adequate governmental support, however. In FY 2007, for instance, small companies received 22 percent of federal contracting dollars, according to the SBA. While this is shy of the small-business contracting goal the U.S. Congress set for the federal government a decade ago, it actually represents something of an improvement, as small businesses received a mere 17 percent of federal contracting dollars in 2005, according to Eagle Eye Publishers.

It especially is crucial that America's small businesses have improved access to federal contracting opportunities, as the government disperses an unprecedented amount of stimulus dollars into the U.S. economy. It is clear that the "*Job Creation Through Entrepreneurship Act*" seeks to achieve this overdue goal.

GREEN ENTREPRENEURS TRAINING PROGRAM

Finally, I would like to touch on a provision in the bill that is close to my heart, specifically the creation of a green entrepreneurs training program. Through this critical provision, participating Small Business Development Centers (SBDCs) will provide education classes and one-on-one instruction in starting a business in the fields of energy efficiency, green technology, or clean technology. This is an overdue but extremely welcome development.

Scott Hauge
First Vice Chair
National Small Business Association

As Congress and the administration seek to invest billions of dollars into various green job initiatives, it is imperative that they remember the source of most new innovation and jobs in America: small business. With small businesses creating over 90 percent of net new jobs in the last two decades, it stands to reason that if America is to forge a new economy—complete with millions of new "green" jobs—the source of this transformation (and these jobs) will be "green" small businesses.

In my opinion, mobilizing America's small businesses in the effort to confront the specter of global climate change, the deficiencies of its national energy policy, and the environmental, economic, and security threats posed by the country's oil dependence is of singular importance. While the Green Entrepreneurs Training Program the bill would create cannot be the culmination of governmental support for these nimble and innovative small firms, it is an extremely welcome development.

CONCLUSION

NSBA thanks the Committee for its introduction of the "*The Job Creation Through Entrepreneurship Act of 2009*" and its efforts to help America's small businesses lead the nation out of this economic crisis. With a national unemployment rate of 9 percent, there are literally millions of potential small-business owners across the country, who with just a little guidance and support, might start the next big thing…or simply a thriving small business that employs a dozen of their out-of-work neighbors, supports those employees' families, and contributes to the communities in which they live. Either way, America wins.

I thank you for your time and welcome any questions.

Statement of Connie Evans, President and CEO of the Association for Enterprise Opportunity

SBA Entrepreneurial Development Programs and the Role of Women's Business Centers in an Economic Recovery

Submitted to the
U. S. House Committee on Small Business
May 6, 2009

To the Honorable Nydia M. Velázquez, Chair, the Honorable Sam Graves, Ranking Member and the members of the House Committee on Small Business:

Chairman Velazquez, Mr. Graves, members of the Committee, thank you for the opportunity to testify here today. I am grateful for your strong leadership and commitment to small business and entrepreneurial development. My name is Connie Evans and I am the President and CEO of the Association for Enterprise Opportunity, AEO, representing nearly 400 microenterprise development organizations across the country who have served over 2 million entrepreneurs.

Chairman Velazquez, I have been involved with enterprise development since the mid 1980s when I started one of the first microenterprise and micro loan programs in the country assisting urban women in Chicago to become business owners. I am very proud to say that we hosted the original architects of the legislation and was used as a model for designing the SBA Microloan program. I have personally seen how these programs unleash new economic activity and job creation in communities.

As the members of the Committee are well aware, there is a constant tension within the SBA between the intent of its financial assistance programs and the subsidy of the programs. The argument is that the microlending programs are too expensive, and the return limited. However, the facts of the SBA's **microlending program prove this argument to be false**. First, the International Labor Organization estimates that the return on investment in microenterprise development (through programs such as PRIME and the Women's Business Centers) ranges from $2.06 to $2.72 for every dollar invested. Second, the SBA microloan program as compared to other SBA lending programs reaches women, African American, Hispanic, and rural business owners in significantly greater percentages. For example, 48% of women are served by the SBA microloan program as compared to 18% by 7a. Third, these programs (WBC's **and microenterprise development) serve** low-income clients at least 67% of the time. These facts demonstrate that investment in microenterprise is both cost-effective and market effective, serving the communities and entrepreneurs most in need. We contend that these dollars are an investment not a subsidy. Further, AEO estimates that 2.3 jobs are created annually per business served by the industry, at a cost of less then $5,000 per job created or protected.

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Notwithstanding this record, it remains difficult for our clients [redacted] to receive the capital and technical assistance they need to sustain or g[redacted] levels. The public investment in these businesses through the entrepreneurial development services

of the SBA including the Women's Business Centers, SCORE, and the SBDC offices leads to strong business growth, job creation, and vibrant local economies. In our current economic crisis we need these programs to fulfill their intent, to provide assistance when traditional private institutions cannot do so at an affordable price, and to provide it to communities and people in need.

The country's Women's Business Centers (WBCs) are hubs of activity in urban and rural communities. The WBC's provide a unique service to women entrepreneurs with critical business education and access to market and capital resources. These inputs lead to business retention while creating and retaining thousands of jobs per year. In these unprecedented times, the WBCs are an important economic development tool for many communities.

It is the investment in Women's Business Centers and microenterprise development that allow nonprofit organizations to weave together an important base for business development and job creation. The Women's Economic Self-Sufficiency Team (WESST) is a 501(c)(3) organization, a microenterprise development agency and a Women's Business Center whose mission is to facilitate economic self-sufficiency through sustained self-employment in the state of New Mexico. Founded in 1988, WESST promotes entrepreneurial development by offering clients a comprehensive array of training, technical assistance and access to capital services targeted to both start-up and existing businesses. Since its inception 20 years ago, WESST has facilitated the start-up of 2,025 businesses, the creation of over 3,100 jobs and the provision of $3.5 million in capital to 420 entrepreneurs.

In 2009, WESST opened the WESST Enterprise Center (WEC), a 37,000 square foot LEED-certified small business incubator in downtown Albuquerque. Once fully occupied, the WEC will house 18-22 growth-oriented businesses, each with the ability to create jobs for low and moderate income individuals.

When Krysia began making candles in her garage in 1998 she and her husband Greg could not envision that their company's annual sales would exceed $5 million and employ 12 people just ten years later. Plenish is a women-owned, formally home-based, green business in Taos, New Mexico. The company makes organic, chemical free skin care products. In its earlier years the business was labeled a cottage industry – finding financial support was a problem. So Krysia contacted WESST to seek business consulting and financial assistance. After meeting with Krysia and Greg, the advisors at WESST found Plenish to be a promising and viable small business, granted them the first of several loans, and became a business mentor to her. In just six months, Plenish doubled the size of its facility and the business began to blossom.

Krysia's story is echoed throughout the country, and as the economy has collapsed, more and more individuals are seeking the refuge of owning their own businesses, finding hope in working for themselves, hiring a neighbor, and being a part of the renewed American economic engine.

Members of the Committee, you know that our nation's smallest businesses are the foundation of the American economy. Also known as microenterprises, these very small businesses with five or fewer employees create new jobs at an average of 900,000 per year; between the years of 2000-2006 they created 36% of all new jobs in our country, they increase the tax base, and lessen dependency on federal and state assistance. Historically, small business creation is counter-cyclical: when the economy is healthy and experiencing consistent growth, fewer people start their own business, but when economic conditions deteriorate and layoffs increase, individuals and families start their own businesses in increasing numbers.

It is at this moment when we must increase the investment in these businesses, by strengthening the vital federal programs that serve them, ensuring that the agencies who are implementing these services have the funds to keep their doors wide open and to provide critical technical assistance and access to capital. I call on the Committee today to silence the discussion about subsidy to these programs, and instead to move forward to strengthen these services, while maintaining appropriate oversight and insisting on the highest of standards as we serve the American people.

The Women's Business Centers serve a unique purpose. They are charged with providing access to capital, technical assistance in the form of financial literacy, business acumen, and market place awareness specifically but not exclusively to women entrepreneurs. The Centers work with other SBA agencies to address the needs of their clients, partnering with SCORE to provide high-level business coaching and mentorship, and in parallel with the SBDC's to ensure all members of the community have access to business plan development and assessment. AEO is in full support of H.R. 1838 and its intent to strengthen the Women's Business Centers, providing additional support, and improving communication.

Here is a second example of why the SBA investment in our communities is so important. Mary Langer of Wisconsin started her own business after 15 years in the real-estate industry. Serving Madison, Dane County and surrounding areas, Active Sign Installation introduced PVC plastic posts, which maintains its appearance through a Wisconsin winter better than traditional painted wood posts. With a loan from the Wisconsin Women's Business Initiative Corporation for equipment and working capital, and ongoing business assistance and mentorship, Active Sign celebrates its first year in business this spring. Starting a new business is risky, but it is also the American way. According to a 2009 Kauffman Foundation study funded by the U.S. Census Bureau, in severe recessions start-up companies like Active Sign Installation are major contributors to job creation.

This year the Wisconsin Women's Business Initiative Corporation (WWBIC) celebrates more than 21 years of entrepreneurship, opportunity and success. WWBIC is a nonprofit, statewide, economic development corporation with an emphasis on low-wealth individuals, women, and people of color. They provide direct loans and access to capital, quality business education, one-on-one business assistance, financial awareness and asset-building programs.

The achievements and success of this Women's Business Center emphasize the work that is done all over the country. To date, WWBIC has: directly financed more than 880 businesses, assisted in the creation of 2,900 jobs statewide, loaned nearly $16 million to small business owners, and served more than 31,500 individuals. In 2008 alone, WWBIC assisted in the start-up, expansion and sustainability of more than 200 businesses impressively boosting the economy through the creation and retention of 500 jobs. Each WWBIC loan client created an average of 2.2 jobs and retained an average of 3.3 jobs. The WWBIC story emphasizes the need for strong entrepreneurial development services as many American's turn to business ownership to sustain their families.

The microenterprise development industry, including the Women's Business Centers, stands ready to partner with Congress in its mission to re-set and revitalize the economy. The industry works in America's most destabilized communities in terms of business sector and population. We work in rural, urban, and suburban environments, supporting those who need it most, including but not limited to: Veterans and families of Veterans, youth entrepreneurs, women, minorities, Native American Indians, refugee and immigrant communities, and differently abled entrepreneurs. One-third of our agencies have or are developing specialized services to ensure that our main street entrepreneurs capture opportunities in growth business sectors like green, organic and new energy.

The microenterprise development industry is uniquely qualified to work with emerging business sectors and populations with limited access to traditional educational and business resources. This unique positioning is supported by a strong national network of affiliates like the Association for Women's Business Centers, Statewide Microenterprise Associations, SCORE Offices, and the Small Business Development Center's who can deploy national resources to local communities where impact is matched with need.

My last story to emphasize the importance of your investment is Jacquelyn Swint, a single mother who came to The Edge Connection in Georgia in 2002. After being laid-off and suffering through short-term employment jobs, she decided to forego corporate America and set off on a journey of self-employment. Jacquelyn enrolled and graduated from Plan for Profit, an Edge Connection class. Subsequently, she formed her own business, Jazzy Fresh, Inc.

Jacquelyn utilized The Edge Connection's technical assistance services to build her marketing strategy and to expose her product in Georgia with a goal to expand throughout the east coast. Jazzy Fresh, Inc.'s sales grew dramatically, up to 25% per year for the first three years. In 2006, Jacquelyn received a DHL award through the DHL Cares Program. For six years the business consistently grew with revenues reaching a peak of $63,000. However, with the downward trend of the economy Jacquelyn fears her business may not be as strong, but she also knows the Edge Connection will be there to support her, and to provide the entrepreneurial development services that she needs. Jacquelyn states, "My life has never been the same since coming to The Edge Connection. They gave me direction and support. They became my second family."

Let me conclude by clearly stating the gratitude that Jacquelyn and the microenterprise industry feel towards the Committee and the tremendous leadership of the Honorable Nydia M. Velázquez, who has from your very first days as a member of the House of Representatives stood strong and clear in your advocacy for women and minority owned businesses. We thank you for your tireless commitment to secure investment and opportunity for these businesses. AEO stands behind the services of the Women's Business Centers, SCORE, and the Small Business Development Centers. We applaud your support of H.R. 1838, along with your support of fully funding PRIME, and knowing that the SBA microloan and TA services along with the Entrepreneurial Development Service Centers discussed here today are an investment not a subsidy in the American Dream on Main Street and every street.

Thank you again for this opportunity. I would be happy to answer any questions at the appropriate time.

STATEMENT OF

JUSTIN BROWN, LEGISLATIVE ASSOCIATE
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

Legislation to Update SBA's Entrepreneurial Development

WASHINGTON, DC MAY 6TH, 2009

MADAM CHAIRWOMAN AND MEMBERS OF THIS COMMITTEE:

On behalf of the 2.2 million members of the Veterans of Foreign Wars of the United States and our Auxiliaries, I would like to thank this committee for the opportunity to testify and for its rigor in pursuing small business issues on behalf of veterans. The issues under consideration today are of great importance to our members and the entire veteran population.

During this economic recession the number of unemployed veterans has increased to more than one million as of March 2009. There are twice as many unemployed veterans as there were one year ago and there are more unemployed Iraq and Afghanistan veterans than servicemembers serving in Iraq and Afghanistan combined. Our servicemembers are leaving Iraq and Afghanistan, coming home, and fighting another war against unemployment, homelessness, bankruptcy, and a host of medical conditions. In this tough economy many veterans are considering self-employment. Unfortunately, there are scarce resources for transitioning veterans interested in small business. The VFW believes that the answer to veterans' unemployment is multi-fold and that increased resources for veterans interested in entrepreneurship is one of the answers to this National issue. Veterans, if given the opportunity, will succeed in small business because they understand the concept of hard work, can adapt quickly to changing times, and are goal oriented.

The strongest predictor that an individual will become self-employed is military service. Currently, 14.6% of veterans are self-employed and with our economic climate this number will likely rise, especially if we give them the tools they need to succeed. Also, veterans' entrepreneurship creates a win-win for veterans' unemployment because veterans are more likely to hire veterans thereby reducing veterans' unemployment. However, for a veteran interested in entrepreneurship the reality is quality resources are extremely scarce and available to few.

Job Creation Through Entrepreneurship Act of 2009

Per this Committee's request the VFW has reviewed the *Job Creation Through Entrepreneurship Act of 2009*. Since the entirety of the bill is not concentrated on veterans we will only comment on Title I of the bill titled "Establishment of Veterans Business Center Program." Most importantly, the *Job Creation Through Entrepreneurship Act of 2009* addresses many of the VFW's key issues we have outlined working with your staff as necessary for the advancement of veterans' entrepreneurship and in previous testimony before your Subcommittee on Contracting and Technology. Particularly, this legislation calls for the expansion of veteran small business centers under the purview of the Small Business Administration (SBA).

Currently veterans only have access to eight veteran business centers, and only five that currently are receiving government funding, which have proven successful to veterans interested in receiving education, information, and resources to assist them in starting or maintaining a business. This act would provide $10,000,000 for these veteran business centers in fiscal year 2010 and $12,000,000 in fiscal year 2011. These funds will be issued to centers that meet the criteria as established by the Director of SBA and are required to seek matching funds for grants received. The Grants will be broken into two categories, "initial grants" and "growth funding grants." Priority for grant applications will be given to areas where the population of veterans exceeds the national median or the population of veterans of Operation Iraqi Freedom or Operation Enduring Freedom exceeds the national median of such veterans.

The initial grants will provide up to $150,000 to an approved center for up to a period of five years. This translates into 66 veteran business centers in fiscal year 2010 and 80 veteran business centers in 2011. After five years these business centers can then apply for growth funding grants in the amount of $100,000. Each veteran's business center receiving grants will use them primarily on veteran entrepreneurial development, counseling of veteran-owned small business through one on one instruction and classes, and providing government procurement assistance to veterans. After three years of receiving this grant the centers can continue to apply for this grant but will be required to meet performance benchmarks as established by the SBA Secretary. The VFW strongly believes that this will dramatically increase veterans' access to entrepreneurial resources.

The Job Creation Through Entrepreneurship Act of 2009 also addresses veterans' need for additional resources to assist them with access to capital. The proposed legislation would provide up to $4,500,000 for three different types of grants each payable up to $75,000. While the VFW is supportive of these measures, particularly the procurement assistance grant program and the small business grant program, we are concerned that the access to capital grant program will still not be sufficient to provide veterans with adequate and timely access to business capital. Furthermore, the VFW is concerned that the grant's level of assistance, if provided to the limit of $75,000, would only provide 20 grants for each of the three types of additional grants. The VFW believes that the services outlined in this legislation should be provided for all of the veteran business centers. Also, current funding would only provide up to 60 total grants at the $75,000 level which could potentially be fewer grants than centers.

The VFW continues to strongly advocate for the provision of additional financial tools and assistance for veterans restoration of credit. Particularly, if a veteran's credit was negatively affected due to his military service. The VFW has found this to be more common with veterans that participated in the invasion force of Iraq, and Afghanistan veterans, due to a general lack of access to communications and the internet. Due to this many servicemembers were unable to pay bills, receive credit alerts or learn of any other issues that might negatively affect their credit, until the damage was already done. The Veterans of Foreign Wars remains committed to increasing the credit protections provided under the *Servicemembers Civil Relief Act* and for the creation of a direct loan

program and a hybrid loan program that would mix various factors of a loan guarantee and a direct loan from SBA.

The VFW has four primary concerns that we believe need to be addressed in regards to veterans' small business assistance. The Job Creation Through Entrepreneurship Act of 2009 strongly addresses our call for an increase in veteran's business centers and addresses veteran's need for access to capital, albeit the VFW believe that the bill does not do enough to assist veterans' access to capital. We have attached our four primary concerns below.

1- Many Veterans Have Little or No Access to Capital

Veterans' entrepreneurship faces four fundamental issues; little or no access to capital, little access to entrepreneurial education, the failure of government agencies to comply with Federal Procurement laws, and the lack of parity for Small Disabled Veteran Owned Businesses (SDVOSB) versus other programs. First, and of the utmost importance, veterans access to capital needs to be increased. For many veterans the Patriot loan program is not an option because they are being denied by lenders even with the guarantee. The VFW suggests creating a direct loan program funded in conjunction with a stronger Patriot loan program or a hybrid loan that would mix certain characteristics of the guarantees and direct loans. This would create an array of financial tools available to veteran startups and veterans in business. Different types of loans would constitute different conditions of lending based on the situational factors of the veteran.

2- Veterans Lack Entrepreneurial Educational Assistance

There is a very small amount of resources being diverted towards educational programs for veterans' entrepreneurship. Part of the problem is that the National Veterans Business Development Corporation (TVC), which was created by Congressional funding in 1999, was supposed to do just this. Unfortunately, this program lacked necessary oversight and much of the funding was abused and misused by its leadership.

The VFW fully supports the concept of moving and expanding TVC's veteran business centers under the purview of the SBA as is currently suggested by the Job Creation Through Entrepreneurship Act of 2009. SBA currently maintains five business centers and would be the likely fit to fund and conduct oversight of the three business centers that were being occasionally funded by TVC. However, eight veterans' business centers are insufficient for the national demand for these services. Not one member of this entire committee has a veteran small business center located in their Congressional district.

In fiscal year 2008, SBA's operational budget (excluding personnel costs and overhead) was $888,000. This funded SBA's five business centers and various forms of outreach. The VFW would like to see these programs greatly expanded to include various locations throughout the country.

3- Lack of Legal Compliance by Federal Agencies

The Veterans of Foreign Wars is periodically notified of governmental agencies failure to abide by the laws outlined in *P.L. 106-50, P.L. 108-183, P.L. 109-461*, and *P.L. 110-186*.

In regards to *P.L. 106-50* nearly every agency has continually and consistently failed to reach their outlined mandate of 3% of all federal contracts for SDVOSB's. In Fiscal Year 2008, preliminary numbers suggest 1.4% of all federal contracts went to SDVOSB's. It has been 10 years since *106-50* was signed into law and we can say we are halfway there, almost.

In regards to P.L. *108-461* and *109-461*, the VFW believes the VA and other agencies utilize sole-source and noncompetitive procedures to help them meet their mandated minimum of 3% of all federal contracts. The VFW strongly believes that this procedure should particularly increase in federal agencies like DoD that are egregiously failing to abide by government mandates and are failing its former servicemembers.

P.L. 110-186 is intended to increase the number of veterans' small business centers. SBA has not received any funds in order to carry out this mandate. Furthermore, *P.L. 110-186* calls for the creation of an Interagency Task Force. Nearly one year later the Task Force is still non-existent.

4- Lack of Parity for SDVOSB's

GAO recently issued a report that states "a contracting agency, before proceeding with an SDVOSBC set-aside, must first reasonably consider whether the conditions for a HUBZone set-aside exist, and, if they do, agency must proceed with a HUBZone set-aside." This decision rests solely between the interpretations of two words—shall and may. Because HUBZone's language in the Federal Acquisition Regulation includes "shall" instead of "may" GAO ruled that HUBZone has priority and the programs lack parity. The Veterans of Foreign Wars strongly objects to this determination and strongly urges Congress to return parity to the aforementioned programs.

Capital, Training, Compliance, Parity

In order for veterans to succeed in small business they need training, capital, compliance, and parity. If the VFW were to sum up the current state of veterans business and procurement in one word it would be complacency. There are extremely limited options in regards to veterans' access to capital, few options for education, and a host of federal agencies that after nearly a decade continually, and willfully, fail to abide by their public mandates. These agencies's failure to abide by these mandates for such an extended period of time challenges the very authority of this body by woefully ignoring the laws it passes.

As America's largest group of combat veterans, we thank you for allowing the Veterans of Foreign Wars to present its opinion on this very important legislation. We also thank you, and your staff, for your rigor in passing legislation that will make these long overdue, much needed, changes for America's veterans. Veteran entrepreneurship if expanded is a win-win for everyone including the government and America's taxpayers.

Madam Chairwoman, this concludes my testimony and I will be pleased to respond to any questions you or the members of this Committee may have. Thank you.

W. Kenneth Yancey, Jr.
Chief Executive Officer
SCORE "Counselors to America's Small Business"

Statement
to the
U.S. House Small Business Committee
U.S. House of Representatives
May 6, 2009

Chairwoman Velázquez, Ranking Member Graves and members of the committee: my name is Ken Yancey and I am the chief executive officer of SCORE, the Service Corps of Retired Executives, also known as SCORE "Counselors to America's Small Business."

Thank you for the opportunity to offer this testimony about the proposed amendments to the Small Business Act related to SCORE, including the FY 2010 and FY 2011 budget authorization bill. I represent SCORE and the 11,200 volunteer counselors who donate their time and expertise to serve America's entrepreneurs.

SCORE fulfills a vital role for America's small business owners and aspiring entrepreneurs by providing much needed technical assistance. As you know, many small businesses continue to struggle with layoffs, access to capital, cash flow and overall management issues. SCORE has a proven track record of both creating and saving jobs by improving small business survival rates and accelerating small business formation.

Many of those laid off by corporate America will find opportunities through self-employment or by being employed in a small business. Technical assistance provided by SCORE and other SBA resource partners must be available to assist these aspiring and growing businesses as they contribute significantly to economic recovery and consumer confidence. Research shows that small businesses are five times more likely to start if they get assistance from a government supported program such as SCORE.

SCORE Offers an Excellent Return on Investment

According to an SBA report to Congress, SCORE helped create 19,732 new small businesses in 2007 at a cost of $29 per business. SCORE helps create more than 25,000 new jobs each year, according to an SBA Impact Study. Based on SCORE's $5 million appropriation from Congress, these jobs are created at a cost of $200 per job. Congressional funding and support of SCORE makes this possible.

SCORE has helped more than 8.3 million people since it was founded 45 years ago. In FY 2008, SCORE helped 357,637 people through its mentoring and workshop programs, an

increase of 13 percent over the previous year. SCORE volunteers donated more than 1.3 million hours of service.

At a standard hourly consulting fee of $150, these services would have cost small business owners more than $195 million dollars. According to Independent Sector, the average value of a volunteer hour is $19.51. Even based on that heavily discounted hourly rate, SCORE's volunteer services are valued at $25.4 million dollars annually, five times SCORE's $5 million appropriation.

We support the committee's request that all counselors have a minimum of 10 years experience in a given field, although it is difficult to measure independent of the counselor's own word. Based on existing surveys, SCORE volunteers average 17 years of managing and owning a small business and 24 years managing and working in a medium to large business.

In addition to measuring outputs and outcomes, SCORE also measures the quality of its services. A recent survey of SCORE's email counseling clients, completed by the Center for Entrepreneurial Excellence at George Washington University, reports that 76 percent of SCORE's email clients indicated that their overall experience with SCORE counselors was relevant or extremely relevant. In addition, 73 percent responded that their overall experience with SCORE counselors was valuable or extremely valuable.

SCORE has expanded its focus on measuring quality at the client/counselor level and has implemented additional tools to measure and track the quality of that relationship. After a year of successful beta testing, SCORE now surveys 100 percent of both face-to-face and email counseling clients and develops a Net Promoter Score (NPS) at the national, chapter and volunteer level. NPS is a survey process based on "the ultimate question," which is, "On a scale of zero to 10, how likely is the client to recommend SCORE services to a friend or family member?" The three highest scores are considered promoters, six and seven are neutral, and a score of five or less indicates a detractor and an unsatisfied customer.

This methodology was developed at Harvard University and is widely used by corporate America. It has proven useful to SCORE in identifying individual counselors who are providing excellent service and those who require additional training or need to be removed from counseling altogether. SCORE's NPS for face-to-face counseling is currently 86 percent, while email counseling is 76 percent. Since this quality measurement has been in use for less than a year, we do not have solid comparisons. However, the trend since implementation has been positive.

SCORE Increases Small Business Success

Dr. Jianwen Liao from the Illinois Institute of Technology found that "Entrepreneurs who contact and participate in government programs (such as SCORE) are about five times more likely to successfully start a new business." There are three types of clients served by SCORE:

- **Pre-start-up.** SCORE provides counseling, mentoring and coaching for aspiring business owners in person at one of more than 1,000 chapters and branches across

the country or online through "Ask SCORE," our email counseling system at www.score.org. In addition, SCORE provides business related templates and workbooks for assigned tasks to clients, as well as pre-business workshops both online and in person.

- **Start-up:** SCORE provides business counseling, mentoring and coaching both online and in person to start-up businesses in operation from zero to one year. SCORE also offers start-up specific templates and workbooks for clients, as well as a variety of start-up workshops online and in person.

- **Existing businesses:** SCORE provides business counseling, coaching, mentoring and support both online and in person to existing small businesses. SCORE offers team counseling, templates and a variety of workshops online and in person for existing businesses.

Research has shown that businesses that survive four years have a better chance of surviving long-term. According to the *Survival and Longevity in the Business Employment Dynamics Database, Monthly Labor Review, May 2005*, 80 percent of new employer firms survive one year, while 44 percent survive four years. After the fourth year, the rate of firm closings declines considerably. By entering into a long-term mentoring relationship with a SCORE counselor, small business owners have a greater chance of success.

SCORE Takes Action during the Recession

Small businesses face challenges on many fronts, including lower consumer spending, rising unemployment and tightening credit. Many small business owners have been coming to SCORE for help with cutting costs, managing cash, finding capital, streamlining operations and developing new customer channels.

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

"Fuel prices were up. My interest rate went up, making my loan all but impossible to cover," says Sandra Lowe, owner of Service West Delivery in Phoenix, Ariz. "Thanks to SCORE's advice, I stabilized my cash flow. As the economy went down, I was able to downsize real costs. I am not sure what would have happened if I had not gone to SCORE."

In response to this growing need, SCORE recently launched the "Accelerate Your Success" Campaign to help small businesses survive and thrive during the economic downturn. Each month in 2009, SCORE adds a new toolkit with focused articles, templates, podcasts and workshops on helping entrepreneurs weather the current economic storm. These tools can be found at www.score.org/accelerate.

In addition, SCORE volunteers are contacting their clients to offer to assess their business conditions and map a plan for success. Many SCORE chapters are working with local chambers of commerce to help their members through the recession

SCORE mentors themselves have faced economic opportunities and difficult economic times. They know how important it is to make payroll, repay a line of credit, anticipate the drag of a down economy, and most importantly, what to do next. All of us at SCORE want to help small businesses hire more people and keep current employees working and their jobs safe.

SCORE Starts Online Community & Social Media Outreach

SCORE is working hard to be where the client is. We're not waiting for the client to find us. SCORE's LinkedIn network now has more than 600 SCORE counselors and clients sharing information and networking. In addition, SCORE has an active page on Facebook and is continuing to explore opportunities to increase online awareness. SCORE is active on Twitter with a small but growing following. Our goal is to use online social networking opportunities to attract and serve more existing and aspiring small business owners.

In May, SCORE will launch its first-ever online client community in partnership with PartnerUp, a Deluxe Company. This new leading edge community will offer peer-to-peer networking opportunities within the community, pursuant to a request by the House Small Business Committee.

The community also will be populated with easy-to-identify SCORE volunteers who will participate in discussions and respond to questions. This is a particularly valuable opportunity for SCORE as the new SCORE Online Community will be aligned with other communities through PartnerUp. These communities currently have more than 80,000 active small business participants, which provides an existing networking framework and opportunity for SCORE counselors to serve more clients.

Last year, SCORE launched the Women's Success Blog, the first blog from SCORE at the national level. Women SCORE experts offer their insights and advice on issues facing women entrepreneurs. The blog won the prestigious 2009 Interactive Media Award (IMA) for Outstanding Achievement with high marks for design, content, functionality and usability. The new SCORE Ask an Expert Blog, which features SCORE experts who offer advice and answers to questions, continues to grow in popularity.

SCORE Serves Many Communities

We are the SBA's most diverse resource partner. SCORE includes 25 percent women and minority volunteers, achieving the goal set by us, the SBA and the House Small Business Committee. The SCORE Board includes 50 percent women and minority directors. SCORE continues to focus on increasing our level of counselor diversity, which will assist us in our efforts to serve the increasing diversity of our client base.

According to the 2006 Impact Study of SBA Entrepreneurial Resources, 13 percent of SCORE clients are African-American, and another six percent are Hispanic/Latino. SCORE offers a section on the website specifically developed for minority entrepreneurs at www.score.org/minority.html. It offers articles, resources and statistics on the growing number of African-American, Hispanic, Asian and Native American entrepreneurs. SCORE offers Spanish-language materials at www.score.org/hispanic.html and www.score.org/guides.html.

Almost half of SCORE clients are women. A key SCORE focus is helping women grow their business from a sole proprietor to an employer firm by hiring workers. Last year, SCORE launched a new Web site for women at www.score.org/women. The Web site provides interactive tools, mentoring, workshops and articles that can help women entrepreneurs achieve their business dreams.

More than half of SCORE clients are between 35 and 54 years of age. Many SCORE chapters also work with local high schools and colleges to reach younger entrepreneurs. SCORE provides information, articles and business research in Web sections for women, minorities, veterans, manufacturers, baby boomers, rural entrepreneurs and young entrepreneurs.

SCORE Helps Meet Diverse Needs

Through a national network of 370 offices and 800 branch locations, SCORE has a presence on main streets in small towns and urban centers in the United States. By working with leading national and local organizations, SCORE can reach new clients and help provide opportunities for all communities.

At the 8th Annual eWomen Network International Conference and Business Expo in July 2008, 14 women SCORE volunteers provided counseling and advice in a round table setting to more than 200 attendees on a wide range of topics, including SBA-backed loans, time management, Internet marketing and franchising. Based on our success in 2008, SCORE has been invited to fill a bigger role in the 2009 meeting scheduled for August 6-9.

SCORE is cross-promoting its mentoring and resources with the Initiative for a Competitive Inner City (ICIC). Volunteers with SCORE have helped several clients get listed on the Inner City 100, a ranking of fast-growing, competitive companies in America's inner cities. SCORE is also supporting ICIC's "Growing up CEO" program for young inner city entrepreneurs. SCORE is working with ICIC on the development of the agenda for their upcoming fall meeting in Washington, D.C.

SCORE is working with the Brooklyn Economic Development Center to serve existing and aspiring entrepreneurs in their community. Last year, SCORE helped more than 800 people in the Brooklyn area.

The Hispanic Business Initiative Fund (HBIF) and SCORE are developing a unique partnership to expand the HBIF model of support to Hispanic small business owners in new markets, including markets outside of Florida. Initial efforts include pilot expansion to south Florida and Atlanta. Using SCORE's reach within these communities, SCORE and HBIF

will offer HBIF start-up workshops to gauge community interest and support. Based on the level of success, SCORE and HBIF will identify and develop local community, federal and corporate support to launch the HBIF education and support model for existing and aspiring Hispanic business owners.

"Our developing partnership with SCORE offers HBIF a significant opportunity to leverage our model and brand with SCORE's brand and reach to serve more Hispanic businesses," says Ed Bustos, president and CEO of HBIF. Bustos adds, "SCORE's respected presence and knowledgeable volunteers in markets across the country, as well as their desire to support the Hispanic business community, make this a partnership a significant opportunity for HBIF."

SCORE is developing a new partnership with The Latino Coalition. SCORE will participate in a new direct mail project call Excito. SCORE's email counseling is now available on The Latino Coalition/Excito Web site through our email counseling widget.

SCORE continues to focus on minority business owners with specialized mentoring and resources to improve business survival and success rates. We also continue to explore new alliances to continue to provide additional support.

SCORE supports the committee's request for additional volunteer diversity, including individuals from socially and economically disadvantaged backgrounds. SCORE's new National Diversity Taskforce is made up of SCORE volunteers from across the country representing diverse backgrounds. The taskforce recently developed and presented a peer-to-peer learning session through ReadyTalk on recruiting for diversity. This session was recorded and can be viewed by any SCORE leader or volunteer anytime in the Volunteer Center of the SCORE Web site. The members of this taskforce are also available to mentor SCORE chapters by telephone. More training sessions are in development.

Veterans Can Succeed with SCORE

Men and women serving in the U.S. Armed Forces can count on SCORE for business mentoring and advice. After returning from duty, veterans face a unique challenge: to join or rejoin a competitive job market. For some of them, starting a small business is an attractive option, especially if they had previous business experience or acquired entrepreneurial skills.

"I wasn't a neophyte when it came to starting a business, but everybody needs to think outside the box. And the only way to do that is to have someone from outside take a look at what you do," says Jack Licata, U.S. Air Force veteran and owner of Fast Bags Corporation, which produces biodegradable trash bags in Basking Ridge, New Jersey. "That's what the people at SCORE do best. Even if you've done all this before, they'll give you insights and ideas that you might never have thought of."

Many SCORE volunteers are Vietnam, Korea and WWII veterans. Eleven percent of SCORE clients are veterans, with one percent service-disabled. SCORE counselors can provide assistance for the new SBA Patriot Express Pilot Loan Initiative, which offers loans to help start or grow a small business.

Many SCORE offices have established programs or outreach specifically for veterans, National Guard and Reservists. SCORE chapters often work with clients through the Transition Assistance Program (TAP). This program helps service members move from their military service to a civilian career, which can include starting a business.

SCORE volunteers, many of whom served in the military themselves, are proud to support the success of entrepreneurs in the military community.

SCORE Faces Funding Challenges

Although SCORE is not required by the SBA to do so, we continue to seek to increase non-governmental funding. Last year, SCORE raised more than $1 million in total contributions from corporate, foundation and volunteer sources. Most of these donated funds are restricted gifts for specific projects, and the funds cannot be used beyond their intended purpose. These include Disaster Preparedness/Greening Your Business workshops, sponsored by HP, and Speed Mentoring Seminars, sponsored by OPEN from American Express, that are being held in cities across the country. These events, along with Business Matchmaking which we also cosponsor, have peer-to-peer networking components consistent with the committee's request related to client networking sessions.

Sony recently funded a reprint of the *Business Basics* workbook. The Office Depot Foundation supports the SCORE disaster preparedness Web section and American Express OPEN supports the SCORE Web site home page. Donors sponsored the popular *SCORE eNews* and *SCORE Expert Answers* eNewsletters. UPS, Visa and Concentric sponsored online workshops to help small businesses create success in a tightening economy. Constant Contact provides free email marketing resources to SCORE offices nationwide.

Even with this support, educational programs, diversity outreach, online tools and training remain woefully under-funded. These targeted donations have helped to fund local and national SCORE resources, but they are often restricted and cannot be used to support critical initiatives that enhance our client services and strengthen our organizational growth efforts. Private funds cannot replace the dedicated appropriation we receive from Congress each year. While major corporations are interested in reaching out to entrepreneurs and small business owners through SCORE, they mainly provide funds for specific projects. The funds provided by Congress are absolutely critical to help SCORE expand new client services, build its infrastructure, and further develop its mentor training program.

SCORE will continue to rely on the federal grant for operational funds. Congress set SCORE's annual funding level at $5 million from FY 2002-FY 2007, although in some years, Congress mandated an across-the-board rescission of up to one percent that reduced the amount SCORE actually received. In FY 2008, Congress reduced SCORE's appropriation to $4.95 million. Congress increased SCORE's funding back up to $5 million for FY 2009.

Based on inflation, the $5 million that SCORE was appropriated in FY 2002 has a purchasing power of about $4.3 million today, or a decline of $700,000. With a paid staff of just 16, SCORE's ability to generate additional funds is limited.

While SCORE's appropriation has remained stable at about $5 million, SBDC's appropriation has grown from $88 million in FY 2002 to $110 million, and the Women's Business Center's appropriation has increased from $12 million to $13.75 million. All of the SBA resource partners—SCORE, SBDC and Women's Business Centers—offer valuable training and assistance to help entrepreneurs succeed. SCORE continues to demonstrate its value in both cost and efficiency. We deserve an increased appropriation and appreciate the Committee's support for $7 million in both FY 2010 and FY 2011. Unfortunately it is not enough to allow SCORE to fulfill its mission of service to America's entrepreneurs at this critical time in our economic history.

SCORE Requests Additional Financial Support

SCORE is grateful for the support that has been provided over the years by this committee. However, to meet rising costs, expand services and modernize operations, we request that the committee consider authorizing SCORE for $10 million in FY 2010 and in FY 2011. We also request that the committee urge the House Appropriations Subcommittee on Financial Services and General Government to fully fund SCORE at the authorized level in FY 2010. SCORE has not been funded at its authorized level in more than five years.

SCORE is in the midst of a large-scale transformation process that will enable us to dramatically increase the number of businesses started during the next five years. In order to meet this goal, SCORE is requesting a significant increase in funding in order to implement these new initiatives that will be targeted at improving client service, access and quality. These new initiatives include:

- **Develop new online mentoring services via online video and online chat.** SCORE would like to implement a new system to allow SCORE chapters to conduct video counseling, such as Skype, between counselors and clients, plus enable online counseling via chat with clients.

- **Redevelop and deploy a new SCORE Web site focused on enhancing client services** and taking advantage of new technologies, social networking capabilities and the new SCORE Online Community.

- **Create an online centralized national workshop registration and payment system.** Currently, there is no way to register for chapter workshops from one central location. The proposed system would allow a client to search and register for local workshops they would like to attend.

- **Begin the development of a national online client scheduling system for mentoring services**. SCORE would like to implement a new client scheduling system for its mentoring services. Clients could submit a request for counseling from an online system. They could select whether they prefer face-to-face and/or email counseling.

- **Create a standardized counseling methodology.** Based on research and proven experience, SCORE plans on developing a standardized counseling framework that

will be the first in the country to demonstrate that entrepreneurs who are counseled by SCORE volunteers will experience superior business start-up success rates and survivability rates when compared with the national average against the Panel Study of Entrepreneurial Dynamics (PSED).

- **Significantly expand volunteer recruitment efforts.** As part of SCORE's expansion goals, SCORE plans to grow its volunteer base from 11,200 to 22,000 during the next five years. Funds will be utilized to support recruitment growth and outreach in developing minority counselors.

- **Begin development of a national call center.** Under this program, a national call center will be developed that will answer entrepreneur questions 24 hours a day, seven days a week. It would filter callers to the appropriate chapter and counselors.

- **Develop a Mentor Certification Program (MCP).** SCORE would develop a counselor certification process. All new and current counselors would be required to meet certain criteria and pass a rigorous exam process before counseling clients. By having a counselor certification process, SCORE can better serve clients by ensuring that all counselors are trained in a similar manner and that mentoring is consistent across all SCORE chapters.

- **Develop and implement a new client intake model with a SCORE relationship manager** who would guide the client to and through the many resources offered by SCORE.

- **Develop communities of expert counselors** around specific businesses and functional disciplines that will act as a resource for SCORE clients nationwide.

- **Provide more accurate reports to Congress** and other stakeholders related to measurable economic impact outcomes.

In order to take SCORE to the next level, additional financial resources are required to implement these strategies. There is nothing more powerful than an army of 11,200 passionate volunteers dedicated to the success of small businesses in America. We currently have the passion, volunteers and leadership to take this to the next level, immediately. What SCORE has been missing the past few years and what continues to be missing today is just one important ingredient—a higher level of funding from Congress. With an increase of just $10 million dollars per year, for a total appropriation of $15 million—millions of start-up and current small business owners would benefit by expanded and improved SCORE services, much of this leveraged through technology.

What could be more economically important than to make the small businesses of America stronger? The proper sowing of these entrepreneurial seeds will be the measure of America's success well into the future. Help us make sure that all small businesses discover SCORE. Help us make sure that this army of volunteers has enough resources to make an enormous difference in the lives of everyday entrepreneurs.

Chairwoman Velázquez, Ranking Member Graves and members of the committee: Every entrepreneur SCORE helps is a company, a job and a contributor to the economy. Every small business matters, and SCORE mentors make a difference. SCORE appreciates the support of this committee and your personal support of SCORE.

I would be pleased to answer any questions you may have. Thank you again for this opportunity to testify.

Respectfully submitted,
W. Kenneth Yancey, Jr.
Chief Executive Officer
SCORE Association

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