OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT & GOVERNMENT PROGRAMS

OF THE

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THURSDAY, MARCH 2, 2006

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT AND GOVERNMENT PROGRAMS
COMMITTEE ON SMALL BUSINESS
Washington, DC

The Subcommittee met, pursuant to call, at 10:30 a.m., in Room 2360 Rayburn House Office Building, Hon. Marilyn Musgrave [Chairman of the Subcommittee] presiding.

Present: Representatives Musgrave, Bartlett, Fitzpatrick, Lipinski, Davis and Moore.

Also Present: Representatives Velazquez and Bordallo.

chairman MUSGRAVE. This Committee will come to order. Good morning to all of you. And thank you very much for being here today as we conduct this oversight hearing on the Small Business Administration's Entrepreneurial Development Program.

Quite often when one thinks of the types of assistance the SBA provides, the first thing that comes to mind is financial assistance. While it is true that the SBA offers a variety of financing programs including small business loans, fixed asset loans, microloans, and provides debt and equity capital to small businesses, another critical function of the SBA is technical assistance. The SBA and its partners provide technical assistance programs, including training, counseling, mentoring, and information services to more than four million existing and potential entrepreneurs annually.

Overseen by the Office of Entrepreneurial Development, the SBA provides grants to a network of over 950 small business development centers, or SBDCs; 389 SCORE chapters, which match executives with entrepreneurs for business counseling; and over 80 women's business centers.

SBDCs, the largest entrepreneurial network supported by the SBA, offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The program is a cooperative effort of the private sector, the educational community and federal, state, and local governments. It enhances economic development by providing small businesses with management and technical assistance.

SBDC assistance is tailored to the local community and the needs of individual clients. Each center develops services in cooperation with local SBA district offices to ensure statewide cooperation with other available resources.

The SBDC program is designed to deliver up-to-date counseling, training, and technical assistance in all aspects of small business management. SBDC services include, but are not limited to, assisting small business with financial, marketing, production, organization, engineering, and technical problems, and feasibility studies. Special SBDC programs and economic development activities include international trade assistance, technical assistance, procurement assistance, venture capital formation, and rural development.

SBDCs also make special efforts to reach minority members of socially and economically disadvantaged groups, veterans, women, and the disabled. Moreover, they provide assistance to small businesses applying for small business innovation and research grants from federal agencies.

Another important cog in this wheel is the Service Corps of Retired Executives, or SCORE. A 503(a)(3) nonprofit organization, SCORE provides a public service to entrepreneurs by offering small business advice and mentoring. Counselors work with entrepreneurs through every phase of their entrepreneurial venture: generating and assessing ideas, preparing a business plan, raising capital, and managing the operations and finances of a growing venture.

SCORE partners with a wide array of companies and organizations, including Citibank, Ford Motor Company, Vetcorp, and the American Management Association, to expand small business outreach, services, and resources to communities nationwide.

Despite the fact that America's 10.6 million women-owned businesses employ 19.1 million people and contribute $2.46 trillion to the economy, women continue to face unique obstacles in the world of business.

Charged with promoting the growth of women-owned businesses through programs that address business training and technical assistance, and provide access to credit and capital, federal contracts, and international trade opportunities, Women's Business Centers, WBCs, operate with the mission to level the playing field for women entrepreneurs.

I am happy to get started today, but before we hear from our distinguished panel, I would like to yield to our ranking member, the gentleman from Illinois, Mr. Lipinski.

[Chairman Musgrave's opening statement may be found in the appendix.]

Mr. LIPINSKI. Thank you, Madam Chairman.

Our nation continues to face an uphill battle in creating jobs and ensuring that we remain an economic superpower. The global economy presents many challenges to our domestic firms, but this nation has always found a way to adapt and compete.

Small businesses, our main job creators, have proven time and again that when given the proper tools, they have the ability to spur growth by adapting to the changing needs of an evolving economy. Our small business assistance programs are there to provide

these tools. And we must ensure that these programs are able to adjust to meet the changing needs of America's entrepreneurs.

Today's hearing will give us an opportunity to identify ways to better serve small business owners by making sure our entrepreneurial development programs are evolving to meet the needs of the Twenty-First Century. In addition, this hearing will allow us to assess the impact that the F.Y. 2007 budget will have on the programs that serve small businesses.

To achieve success, many aspiring entrepreneurs require solid management training, organizational skills, and technical assistance, all of which are provided by a host of SBA development programs. These initiatives, including the small business development centers, women's business centers, PRIME, and SCORE, have provided businessmen and women with a place to turn for assistance.

SBDCs, the cornerstone of SBA's entrepreneurial programs, have been particularly successful in spurring entrepreneurship in economic development. In 2003, long-term counseling of clients by SBDCs generated over 56,000 new jobs nationwide. In Illinois, SBDCs serving their congressional district counseled and trained over 4,000 clients, resulting in 1,430 jobs created and retained in our local communities.

SBDC funding is money well-spent. Studies have shown that for every dollar spent on SBDC services, the program returned nearly three dollars to the treasury. Long-term clients of the Illinois Small Business Development Center have generated a return of over four dollars in state and federal revenues for each dollar invested.

Small business programs serve a diverse clientele. My state's SBDC network, by partnering with the Illinois Hispanic Chamber of Commerce, provides small business development and start-up assistance to the strong and growing community of Hispanic business owners in southwest Chicago and the surrounding communities.

Women's business centers fill a unique role by serving the nation's fastest growing business sector. As the number of female entrepreneurs continues to grow, so does the importance of this program. A nationally recognized leader in supporting women entrepreneurs, the Chicago Women's Business Development Center has served over 40,000 clients since 1986. It is truly a model for small business development.

We need to ensure in the coming year that new centers are open and existing centers are able to continue operating. Unfortunately, the administration's latest budget has again failed to make these and other programs a priority for small business owners.

We continue to hear that the SBA has been able to do more with less. Yet, many of these initiatives have received severe funding cuts or even faced elimination in the President's budget.

Clearly, this year's budget request is not a good one for small businesses. In a report issued today, we saw that out of 100 programs government-wide that assist small businesses, 75 are facing severe cuts or elimination.

Not only do we need to address funding issues, but the SBA needs to be reauthorized this year. It is not enough to simply throw money at these programs.

Small businesses face a new set of challenges when it comes to rising health care and energy costs as well as increased foreign competition. It is imperative that the SBA and its program evolve and adapt to meet the changing demands of business owners.

The administration's failure to adequately support and fund these programs as well as provide for improvements will only limit their ability to effectively serve America's entrepreneurs. Our nation's small businesses deserve more than that.

We all have a common interest in ensuring our nation's small businesses succeed. If we want to move forward, provide new initiatives, and strengthen existing ones, it is vital that we start here with SBA's entrepreneurial development programs.

I look forward to today's discussion and look forward to hearing from witnesses. Thank you.

[Ranking Member Lipinski's opening statement may be found in the appendix.]

Chairman MUSGRAVE. Thank you.

Are there any other members that have opening statements? Yes, the ranking member of the full Committee is recognized at this time.

Ms. VELAZQUEZ. Thank you, Ms. Chairman.

I'm sorry I just can't be able to give an opening statement. I would ask unanimous consent to submit to the record. But I just would like to say thank you for holding this hearing. And it is really unfortunate that we are not doing this at the full Committee.

So with that, I just ask unanimous consent to submit my opening statement to the record.

[Congresswoman Velazquez's opening statement may be found in the appendix.]

Chairman MUSGRAVE. Without objection.

Chairman MUSGRAVE. Thank you.

Our first witness will be Ms. Cheryl Mills. She is the Associate Deputy Administrator, Entrepreneurial Development of the U.S. Small Business Administration. Welcome to the Committee. We look forward to hearing from you.

Ms. MILLS. Thank you.

STATEMENT OF CHERYL MILLS, U.S. SMALL BUSINESS ADMINISTRATION

Ms. MILLS. Good morning, Chair Musgrave, Ranking Minority Member Lipinski, and other members of the Committee. I am Cheryl Mills, Associate Deputy Administrator for Entrepreneurial Development. Thank you for inviting me here today to tell you about the work about the Small Business Administration's Office of Entrepreneurial Development and what we are doing to help serve the entrepreneur and America's small businesses.

As a former business owner, I am proud to serve the President and to help invigorate the entrepreneurial spirit in this country. Small businesses are the engine of opportunity and the growth vehicle for jobs in America.

Our mission in the Office of Entrepreneurial Development of SBA is to educate entrepreneurs interested in starting a business or small businesses in need of guidance on how to grow their business.

The Office of Entrepreneurial Development manages a strong distribution channel of service centers for small businesses across the country. The services offered include assistance in preparing business plans, loan applications, GSA procurement requests, strategic plans, marketing plans, export advice, pricing plans, and competitive assessments.

We serve these clients through our three resource partners: Small business development centers, women's business centers, and SCORE. In fiscal year '05, our resource partners trained and counseled over 1.1 million clients. In addition, 311,000 clients registered for one of our 23 courses online through our small business training network, and over a million accessed the SBA Web site. In addition, since 1994, the Office of Native American Affairs has worked to address the unique needs of America's First people.

SBA provided almost a million in grants under the Drug Free Workplace program. The agency will continue to promote these grants through our partners.

Let me tell you about recent enhancements to our ED programs. First, as a part of my strategic planning process, we did look to identify some of the characteristics of small business owners of the future. We have concluded future small business owners will primarily be in the 18-25-year-old age group and the plus-50.

Next, we focused on ensuring that all of the programs use the same measurement system. We have now consistent definitions across all programs for counseling sessions, information transfer, online counseling, and training. F.Y. '06 will serve as the baseline for measurement for all ED programs.

To collect this information, we also updated and revised our management information system. The former system was outdated and did not have the capability of delivering management reports and analysis.

We have successfully completed the first comprehensive collection of data using standardized definitions across all programs using the EDMISII system. This will allow us to do an analysis of service provided to clients and of user client demographics.

Online development has become the most cost-effective way to expand and to reach new clients. The SBDCs introduced Microsoft Live Meeting to ten pilot sites last year. Live Meeting allows virtual counseling or training sessions online.

This year we presented the WBC intermediaries with an opportunity to have access to Microsoft Live Meeting. A two-year free licensing of this product has been given to the WBCs to introduce the virtual setting and online counseling to existing and prospective clients.

SCORE has been our pioneer of online counseling. Approximately 34 percent of their total counseling is done online. We are using technology to reach existing and new clients in all of our programs.

We are also reviewing and improving the oversight and evaluation of these programs. We have also instituted a cross-program financial exam process that allows us to take advantage of the expertise of the SBDC financial examination staff to breakdown stovepipes and create efficiencies within the department.

Our resource partners have been responsive to the President's initiatives for increasing assistance to the manufacturing sector

and veteran's assistance. SCORE has recently launched two new Web sites focusing on veteran, National Guard, and reservist small business, and for manufacturers. SBDC lead centers offer manufacturing assistance and reskilling for workers whose plants are closing. And the WBC, for example, has a South Carolina manufacturing extension partnership.

Additionally, we just launched My Biz for Women, a new portal for women to access business information and assistance available to them throughout the federal government. This Web site has been well received, which is an indication of the interest and demand for assistance from those who want to explore the option of owning their own business.

We will continue to assess the needs of small businesses and the entrepreneurs who start and operate them. We are developing an interactive online tool that will allow prospective entrepreneurs to assess their readiness. SBA will provide them with a list of partner resources that they may contact. We expect that this will be helpful to the potential business owner as well as the resource partners because those coming to partners will be better prepared. This is a first step in a broad view looking to ensure that the needs of potential businesses are met.

We plan to continue our commitment to small businesses and entrepreneurs on the path to success.

Chairman MUSGRAVE. If you would just wrap up, please? Thank you.

Ms. MILLS. Absolutely. SBA has requested $154 million for the F.Y. '07 ED budget.

Thank you so much. I appreciate that.

[Ms. Mills' testimony may be found in the appendix.]

Chairman MUSGRAVE. Thank you.

I neglected to mention the time. I apologize for that. But if you will watch the lights if you can and we'll keep this on schedule.

Mr. Donald Wilson is our next witness. He is the President of the Association of Small Business Development Centers. Welcome to Committee.

STATEMENT OF DONALD WILSON, ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

Mr. WILSON. Thank you very much, Chair Musgrave and Ranking Member Lipinski, and all the members of the Subcommittee. We appreciate the opportunity to be here and to testify on both the F.Y. 2007 budget and the issue of reauthorization.

I would like to start my comments by mentioning the role that SBDCs have played in disaster relief in the Gulf Coast. They have played an integral part counseling and training thousands of small businesses that were damaged by those hurricanes.

Disaster relief is not new to SBDCs, as Ms. Velazquez knows so well, the work of Jim King and the New York network on 9/11, the Red River floods in '97, Hurricane Floyd in '99 and 2000, Hurricane Ivan, all of the hurricanes in Florida and so forth. And we are constantly being recognized by various groups for the outstanding work that we do.

SBA recognized the New York network and Mr. King with their prestigious Phoenix Award. The Department of Commerce just rec-

ognized the SBDC in Florida. And, yet, there is not any institutionalization of the role that SBDCs play in the time of a disaster.

The states come to us. The local communities come to us. And they are hamstrung because of resources. Louisiana is a classic example right now. They want more and more out of us. We don't have the capacity to provide it.

In the last 25 years—and this is not being partisan in any way. In the last 25 years, there has not been one, one, supplemental disaster funding proposal come from SBA that has asked for any additional dollars for the SBDC to address those needs. And when you are doing reauthorization, we would encourage you to look at that.

The other issue is because of any lack of institutionalization, FEMA and some of the other federal agencies who are there are not sure exactly what our role is. Sometimes we're welcomed. Sometimes we're not. Small businesses come to the emergency disaster centers looking for assistance in filling out their disaster loan applications. We're not there because sometimes we're included, sometimes we're not.

So in looking at reauthorization, I would encourage the full Committee and this Subcommittee to look very closely. We're there. We're the people on the ground. We are the people who know the local small business community. I think it is very vital that we begin to institutionalize that relationship.

Speaking of relationships, I would like to acknowledge the tremendous improvement in the relationship between small business development centers and the Office of ED. And I credit that to Cheryl Mills, our accessibility to the deputy administrator, our accessibility to Cheryl, we have never had this kind of access before. And on a number of issues, whether it's the EDMIS system, goaling, and other issues, Cheryl has been at the forefront in working cooperatively and trying to resolve some of the issues that have lingered for a number of years.

So we appreciate that, Cheryl, very, very much.

Ms. MILLS. Thank you very much. I appreciate that.

Mr. WILSON. With regard to the budget, I could not have said it any better than Mr. Lipinski did. We're seeing tremendous demands on our system.

Recent research by Dr. Paul Rogers indicates that 60 percent, 60 percent, of small business owners have high school educations or less. Twenty-five million small business owners with high school educations or less, they have had no opportunity for management training. They may have great skills as an auto mechanic or a machinist or a baker, but they have no skills in management.

Dun and Bradstreet has repeatedly noted that the major reason small businesses fail is not because of lack of capital. It's due to management decisions.

Since 1998, our smaller population states have not had one dime in increase. They are being destroyed. They're laying off counselors. They're closing centers.

The great manufacturing and industrial states, Ohio, Illinois, Michigan, Indiana, Pennsylvania, the same story. The census hit. The Mr. Fitzpatrick state, Mr. Davis' state, disastrous reductions in funding.

This has got to be reversed. We cannot continue to dismantle the most powerful economic infrastructure, educational infrastructure, this country has, which is the envy of the rest of the world. They come to my office all of the time wanting to do it in their country. And we're dismantling as we lay off counselors and close centers for lack of resources, falling far behind even an inflationary rate.

We appreciate the language in Congressman Manzullo's letter to the budget urging a cost of living increase. That will make us whole in terms of last year, but over the last decade and the last five years, it would take $110 million, which the Senate passed last year. And, unfortunately, we're not able to get it out of conference in the House.

So I encourage you to look at the statistics, the return to the treasury of nearly three to one, and try to reverse the decline, which has been going on for the last decade.

Thank you, Chair Musgrave.

[Mr. Wilson's testimony may be found in the appendix.]

Chairman MUSGRAVE. Thank you, Mr. Wilson, very much.

Our next witness is Ms. Amanda Zinn. And she is the President and CEO of E Cubed—that's Essential Entrepreneurial Expertise—and co-chair of the Association of Women's Business Centers.

Thank you for being in our hearing today.

STATEMENT OF AMANDA ZINN, E CUBED

Ms. ZINN. Thank you, Chairman Musgrave and Ranking Member Lipinski.

I also wanted to mention that I am the former CEO of Women Entrepreneurs of Baltimore, which is a women's business center in Baltimore, Maryland. And I was the CEO for 12 years there, until this past August. So, in addition to being the chair of the board, I also come with the experience of having run a women's business center.

I appreciate the opportunity to express the AWBC's concern about the President's budget, but before I speak specifically to that, I would like to mention just very briefly some seminal research that has been done in the last several years about the women's business center program.

The research by the National Women's Business Council and the Center for Women's Business Research, as well as U.S. Census Bureau data, and the Association of Women's Business Centers research has shown that the women's business center program has been highly effective since its insemination. During the three years from 2001 to 2003, the businesses counseled by the women's business center program generated an impact, an estimated impact of $500 million in gross receipts on an investment of $37 million in public funds. That's a staggering return on investment.

Demand for the women's business center program is rising. Seventy-five percent of centers noted an increase in monthly clients served in 2004. During 2001 to 2003, the number of women entrepreneurs served nearly doubled, a 91 percent increase. During 2001 to 2003, the number of new firms created by women's business centers increased by 376 percent.

Women's business centers served women of color at a far higher rate than their prevalence in the general population as well as

serving women who are economically disadvantaged. Centers report that 67 percent of all people served have a household income level of less than $50,000.

And between 45 and 60 percent of economically disadvantaged people entering the women's business center program were no longer in poverty a year or two later.

In addition, the jobs the businesses are creating, the tax base that is being bolstered as well through the personal income tax increase, retail sales tax, personal property taxes, and corporate taxes, all of this to say that the women's business center program has been a very wise investment.

The creation of the sustainability program back in 1996, I believe, was very important. There were three reasons why this sustainability program was so important. First, it acknowledges the importance of women business owners in this economy and how it is the fast growing sector of all small businesses. Secondly, it acknowledges the importance of the SBA funding as it helps us leverage other funds to run the centers. And, thirdly, it acknowledges the hard work that was spent in building the infrastructure of the centers of this long period of time. And the research has shown that the longer a center is in business, the stronger the center is in terms of its outcomes.

In response to the President's budget, we are very concerned about the appropriations. We know that it will take $16.5 million to continue the program by funding the current centers and opening some new centers. The President's budget is only at $11.88 million, which is disastrous for our program.

Last year we had a cut of only a half a million dollars in the program. And several centers had to change. Many centers had to lay off staff. So this reduction is even further detriment to the program.

Sustainability again I would like to say is a very important part of our program. The sustainability centers are the ones that are the most productive centers. And so that is a very important part of our program.

I also wanted to mention the authorization in the President's budget. The authorization is to decrease the program, the authorized amount, to 14.5 million. It is currently at 16.5. Obviously that again will have a very deleterious effect on the program. Again, in order to maintain the existing centers and to add some new centers each year, we definitely need to have a budget of a minimum of 16.5.

The final thing I wanted to say was the performance criteria. Two years ago there was new performance criteria in place to determine what level of funding each women's business center will receive. And we would really very much appreciate the SBA sharing that performance criteria so we can share that with the centers so that they can help increase their funding.

Thank you.

[Ms. Zinn's testimony may be found in the appendix.]

Chairman MUSGRAVE. Thank you very much.

Mr. Pyles, you are up next. Mr. Jim Pyles is the Chairman of the Board of Service Corps of Retired Executives. Thank you for being here.

STATEMENT OF JIM PYLES, SERVICE CORPS OF RETIRED EXECUTIVES

Mr. PYLES. Good morning. Madam Chairman. I am delighted to be here and speak on behalf of SCORE. Thank you for the opportunity to testify today. I would like to request that my written testimony be placed into the record.

First I would like to tell you something about myself. I am from Elkhart, Indiana. I spent 34 years in sales and marketing with the Bayer Corporation. I was a co-founder of a small business and founding director of a local bank. I became a SCORE volunteer in 1996. This is my second year as board chair.

I am here on behalf of 10,500 SCORE volunteers, who donate their time and talent to serve America's entrepreneurs. SCORE offers business counseling and low-cost workshops.

Since its founding in 1964, SCORE has helped more than 7 million businesses. Our volunteers donated more than 1.3 million hours of service in fiscal year 2005. With an appropriation of $5 million, SCORE costs taxpayers less than the federal minimum wage per volunteer hour. By helping small businesses, SCORE supports job creation nationwide.

Today SCORE has 389 local offices plus 800 branches. Last year SCORE's expert volunteers counseled more than 300,000 entrepreneurs and provided workshops for more than 115,000 people.

Last year all of us were deeply saddened by the devastation of Gulf Coast hurricanes. Volunteers at local chapters, some of whom lost homes and suffered hurricane damage themselves, increased efforts to help.

Baton Rouge volunteers worked at recovery centers. They formed a task force to meet local needs and share information on disaster loan programs. Many New Orleans volunteers provide counseling out of the Baton Rouge office.

SCORE in Biloxi, Mississippi suffered a total loss. The chapter opened a temporary location to meet clients two to three times a week. SCORE used the internet to let people know recovery resources within three days of the Hurricane Katrina. For months SCORE updated information weekly. And we continue home page access to the latest recovery resources.

Every day SCORE offers free online information on how to start, manage, and grow a business. Last year more than 1.3 million people visited score.org. SCORE's 1,300 online counselors provide expert advice in more than 600 business areas.

In addition, SCORE offers resources specifically for women, Hispanics and other minorities, young entrepreneurs, and veterans. More than half of SCORE's board and clients are women and minorities.

As a veteran and former small business owner, I know how important SCORE mentoring is for veterans. Last year SCORE created an online center to assist them.

SCORE appreciates the continued federal appropriation and your support in a challenging budget environment. Since 2000, SCORE has been level-budgeted at 5 million. Funding for the SBA was authorized and reauthorized in 2004. At that time, SCORE was authorized to receive up to $7 billion annually. In the following appropriate process, SCORE only received 5 million.

To meet rising costs and to modernize our operations, we request that you consider authorizing the following funding: $7 million in 2007, 8 million in 2008, 10 million in 2009. With additional funding, SCORE will establish a Web-based one SCORE system to better serve both clients and counselors. SCORE can become even more efficient by developing tools to better manage chapters and operations.

For clients, a Web-based system would offer access to online learning, online advice, workshop registration, and face-to-face counseling. Additional funding for technology will make it easier for SCORE to recruit volunteers. New volunteers would be able to take online orientation and training. This will attract diverse volunteers to SCORE and expand SCORE's skills and abilities we then could offer to entrepreneurs.

Madam Chairman, that's why we're here: to help local communities and strengthen the U.S. economy. SCORE appreciates the successful partnership with the Small Business Administration. We also appreciate the support of this Subcommittee and your personal support of SCORE.

I would be pleased to answer any questions that you may have. And thank you for this opportunity to testify.

[Mr. Pyles' testimony may be found in the appendix.]

Chairman MUSGRAVE. Thank you very much.

Our next witness is Ms. Elizabeth Maneval. She is the owner and publisher of We magazine. And she is here on behalf of the Association for Enterprise Opportunity. Welcome to Committee.

STATEMENT OF ELIZABETH MANEVAL, WE MAGAZINE, INC.

Ms. MANEVAL. Thank you very much.

Good morning, Chairman Musgrave, Ranking Member Lipinski, and other members of the Subcommittee. Thank you for the opportunity to present testimony on the Small Business Administration's Microloan Program.

I am Elizabeth Maneval, owner and publisher of We Magazine, an award-winning general interest publication written by women, for women, about women. I am also here today on behalf of the Association for Enterprise Opportunity and Community First Fund.

AEO is the national trade and membership association for micro enterprise development in the United States, with nearly 500 member organizations nationwide. The vast majority of AEO's membership consists of micro enterprise practitioners, including over half of all SBA microloan intermediaries and Small Business Administration PRIME grantees. Community First Fund is a member of AEO and the SBA microloan intermediary that helped me to secure start-up capital for my small business. Community First Fund's mission is to drive community and economic development in the ten counties of Pennsylvania that it serves.

The SBA microloan program played a key role in helping me to achieve my dream of starting a small business, which creates, publishes, and distributes a women's general interest and lifestyle magazine.

The magazine, by the way, has been in publication for over four years. And it truly has become a part of the culture of south central Pennsylvania. I'm sure all of you are aware of Lancaster Coun-

ty and Harrisburg. Chester and York Counties are the primary counties that we serve.

We Magazine is the premier voice for women in central Pennsylvania, which celebrates their diversity, offers valuable information on topics of interest to them, and provides a vehicle in which women and area businesses with products and services targeted to women can promote themselves.

I guess you all know that to promote yourself in a community costs an awful lot of money. We Magazine offers a vehicle that is very affordable fort start-up businesses, which generally are women-owned businesses that want to promote themselves to the community in an affordable way.

Up to 12,000 copies of We Magazine are distributed 6 times a year to 250 high-traffic locations in Lancaster and Harrisburg market areas, Chester, and York.

We Magazine, Inc. was founded in July 2002 with the assistance of Community First Fund, which provided technical assistance and a $9,000 loan, which I needed for start-up capital. A short time later, the first issue of We Magazine premiered October 1, 2002.

The articles reflect the trends and thoughts on a wide array of subjects of interest to women, including health, nutrition, fitness, finance, fashion, arts and entertainment, and personal style.

As a one-woman-owned company, I outsource the various tasks involved in the production of the magazine. By outsourcing the photography, editing to design, printing to other individuals and businesses in the community, We Magazine has helped to support the local economy and indirectly creates jobs.

Since the establishment of We Magazine, Inc., I have continued to receive assistance from Community First Fund, a Small Business Administration microloan intermediary, which provides much needed business assistance to micro entrepreneurs in central Pennsylvania.

On subsequent occasions, I was able to secure two additional microloans from Community First Fund that responded to my application very quickly. This is really important. When I approached Community First Fund for additional money for capital to expand the magazine to improve the looks of the magazine and to offer other programs to the community, Community First Fund responded very rapidly to my telephone call, like "Hello. It's Liz. Could you offer any more assistance, any more capital to me?" And honestly within ten days, I was given a check.

Other institutions that have approached, they have told me that I was on a fast track to receiving loan money. One year and four months later, I received that money. That was no help because by that time, I had already spent the money that I had saved. So I'm really grateful to Community First Fund for the turnaround that they provide for getting money.

I was able to secure two additional loans. And the timing in which financing was obtained is frequently, which I just addressed, a critical matter for small businesses such as mine.

The additional microloans were used as working capital in order to grow my business and maintain the continued viability of We Magazine by improving the quality of the publication. Without the SBA microloan program and microloan intermediaries, such as

Community First Fund, I would not have been able to realize my dream of starting a small business that publishes a magazine written by women, for women, about women.

Chairman MUSGRAVE. Thank you very much.

Ms. MANEVAL. If the Microloan program is terminated, many micro entrepreneurs, such as myself, would not be able to secure financing.

Thank you very much for the opportunity to testify, Madam Chairman. And I will be happy to answer any continued questions you may have

[Ms. Maneval's testimony may be found in the appendix.]

Chairman MUSGRAVE. Our next witness is Dr. Carol Law. She is the President of Drug-Free Workplaces Incorporated. Welcome to Committee.

STATEMENT OF CAROL LAW, DRUG FREE WORKPLACES, INC.

Ms. LAW. Thank you very much.

Chair Musgrave, Ranking Member Lipinski, other members of the Committee, fellow panelists, and attendees, thank you for giving me this opportunity to share with you my experiences and perspectives on the value of companies becoming a drug-free workplace and the important of the Paul D. Coverdell grants in helping with that effort.

As a young social worker in Newark, New Jersey; as a USO director in Vietnam; while assessing homes for possible child abuse in Pensacola, Florida; and as a medical psychotherapist in Scottsdale, Arizona, I witnessed the destruction that drugs have on the lives of the abusers, their families, their employers, and their community.

What I saw consistently was that a person with a drug problem is willing to give up their wives, their husbands, the children, the dogs, but the thing that they hold onto with great ferocity is their job. Is it for the money? Yes. But I think also it's because we as Americans identify ourselves by what it is that we do. Evidence the fact that probably within the first three sentences, the question comes up, "What is it that you do?"

If we want to intervene, the place to do it is in the workplace. Over 75 percent of drug abusers in the United States are employed. They are not in jails. They are not in welfare lines. They are in businesses, both big and small. Big businesses early on realized that this was going to impact their bottom line. And they got very proactive in what they were doing about this.

I had the occasion to speak with the vice president of Tropicana who is head of their HR department. And he said what they had done was put up a sign on the door. And before you entered into their offices to make an application, it said, "Drug Testing Required." What they saw on a videocamera was that people would come up, look at the sign, read it, process what was going on, turn around, and leave.

That in and of itself actually saved the company money, but what was more concerning was the fact that those people then were going on to small companies, the least able to protect themselves. They were unable and had no HR departments to write

their policies, to get drug testing for them, to tell them what to do with an employee that might test positive.

Tropicana actually gave out grants during the early '90s to help Chambers of Commerce help small businesses become drug-free workplaces. The Paul Coverdell grant program through the SBA—and I will tell you the SBA has done great things with a very, very little amount of money—has given out grants. And, in turn, those grants have helped small companies across the United States have drug-free workplaces, assist them with those programs.

I would like to read to you a letter that we got from one of the small companies. A hauling company in Milton, Florida, a rural community in Santa Rosa County and also the home to the U.S. naval station at Whiting Field, got a wake-up call when a fatal crash occurred not too far from their offices. Two young people were killed, and a third was critically injured.

"Given the fact that we're a business of driving, we wanted to make sure that our five employees, including our drivers, would be as safe as possible, both for themselves and for everyone else on the road," said Cassie Durbin, the company's office manager.

"The company decided to take the steps to ensure that its workforce was drug-free and received financial and technical help to create a drug-free workplace from" us, "a subcontractor through The Walsh Group. The program consisted of a written program, employee supervisory training, training for their supervisors, drug testing, and an EAP program.

"Several long-term employees tested positive for drugs when the program started. Instead of dismissing them, the company placed them in non-safety-sensitive positions while they received professional help. Today these employees value their jobs even more than they did before and feel that they have been given another chance," the office manager of the company affirmed.

"We understand the importance of a drug-free workplace. It's improved our morale and our bottom line. We also feel that we are making a difference in the lives of our employees, their families, and our communities."

The funding for this progressively has gotten less and less. At this particular time, I think there is a million dollars. The return on investment for this kind of funding is astronomical when it comes to what we get back in saving lives, saving families, and also in helping small businesses.

Thank you for giving me this opportunity to address you today. And I will be willing to answer any and all questions. Thank you.

[Ms. Law's testimony may be found in the appendix.]

Chairman MUSGRAVE. Thank you very much.

I think I will just come right back to you as we start our questioning. Just what kind of a burden and how difficult is it to get a small business to implement a drug-free program? I'm sure that every employer wants that, but it is hard to get there.

Ms. LAW. It definitely is. This program has assisted many, many companies in doing that. What it does is give them the confidence that there is somebody there who knows how to write a policy, how to implement it, how to get their employees assistance.

What we have tried to do consistently and what we have continued to do is to say, "Listen, if you had a computer that broke down

and you have invested a great deal of money in that, would you then throw it out?" The answer, of course, is no.

What we have helped them do is keep the employee, help them get help, help them get the testing, but I think for the employer, as you said, that has to wear four and five different hats, they're not secure in doing that. This granting process and the technical help that the grantees are able to give those small companies is invaluable.

Before I came here, I asked my staff to look at the number of companies that we helped and then to look at how many stayed in the program over the last five years. Every one of them has stayed with it. I think that speaks volumes.

And that letter that I just read to you, I will tell you that that is only one of countless numbers of other letters that we get. Last week we just had a similar situation. And the person is now going to see a counselor, is going to stay with the company, is going to have post-rehabilitative drug testing for two years. And so the company saved an employee, a family, and definitely had help in doing that.

Chairman MUSGRAVE. Thank you very much.

Mr. Pyles, my next question will be for you. Do you have reporting requirements that you must provide to the Small Business Administration? Does that take a lot of effort? And also, just to follow up, do the Web-based applications help?

Mr. PYLES. The answer is yes to those questions in general. Our new reporting system will allow us to collect data more efficiently and report more accurately on the activities of our branches and our chapters.

Chairman MUSGRAVE. Thank you very much.

I wanted to ask Mr. Wilson a question about Katrina relief. You know, you said that SBDCs can play a major role in that, but it's my understanding that the major relief agencies often neglect to utilize them. Do you agree with that? And if so, why do you think that's the case?

Mr. WILSON. Well, often the folks who come in to work with FEMA and the other agencies may not be particularly familiar with what we do and what we can do. They're also coming in from out of town. They don't have the familiarity with the local business community.

It's one thing to pass out an application for a disaster loan. It's another to fill it out. One of the most important things—and Jim King, I believe, of New York, who worked with 9/11 so effectively with the New York program, is here in the audience. And you might want to ask that same question of him.

I believe the national rate is under 50 percent of folks who fill out loans who actually are successful in getting resources. It's not so much that the application is just absolutely daunting. It's that you have to reconstruct your financial records.

And most small businesses when their records are blown away or flooded or whatever, they truly don't know how to do that. SBDC counselors can work very closely. And one of the things that was most helpful this year—and I want to thank the commissioner of the IRA—a number of members of Congress had a suggestion I made on the Senate side went to the IRS and asked for help in get-

ting IRS documents from past tax years to the SBDC centers and SBDC counselors in Louisiana and Mississippi. That was extremely helpful to be able to help those clients.

I believe that in Florida, New York, North Carolina, when we look back, the clients that we have helped is about a 70-75 percent success rate in terms of the applicant receiving a loan. And so I know when FEMA comes in or other groups come in, they're trying to set up emergency centers. They may find an SBDC counselor, like who are you and what are you here for.

We're here at that community to help rebuild entrepreneurial infrastructures, which is vital to everybody else, to get people back to work and everything. So if somehow—

Chairman MUSGRAVE. Well, thank you very much.

Mr. WILSON. —we can be institutionalized, that I think would help tremendously.

Thank you for the question.

Chairman MUSGRAVE. Thank you.

Mr. Lipinski, do you have questions?

Mr. LIPINSKI. Well, first, Madam Chairman, Ms. Bordallo had to leave. And she had some questions that she wanted to submit to the witnesses. So I will ask unanimous consent if I could submit these questions for the record to the witnesses.

Chairman MUSGRAVE. Without objection.

Mr. LIPINSKI. Thank you.

And, second, I want to right now pass over my turn in line to the ranking member of the full Committee, Ms. Velazquez.

Chairman MUSGRAVE. Yes? Go ahead. I hope you can speak.

Ms. VELAZQUEZ. Well, what I'm going to do, I'm going to make two questions. And then I'm going to submit some questions to Ms. Mills. And I will ask that you commit yourself to send those responses before March 15th because we're going to have the administrator coming before the full Committee.

Ms. MILLS. Absolutely.

Ms. VELAZQUEZ. Thank you.

Chairman MUSGRAVE. It will be done, then, in a timely fashion. Thank you very much.

Ms. VELAZQUEZ. Ms. Mills, I know you are aware of the criticism that SBA has been under because of the poor response regarding Katrina and the Gulf Coast. It has been well-documented. We know the extraordinary backlog that you face over 100,000 long applicants that have not been processed today, 6 months later, the high rejection rates of those disaster loans.

Then you hear Mr. Wilson saying that they have over 1,000 counselors that are ready to assist SBA in providing the assistance that the victims have. But today we are discussing the budget and how this budget is going to be impacted, some of the small business development centers, the women's business center. We got a cut for the small business development center of $1.6 million and for the women's business center of 500,000.

I would like to ask you if SBA is willing to support increased funding for the small business development centers so that they are able to go to the Gulf Coast and provide the assistance that they need.

Ms. MILLS. I appreciate your question, Congresswoman. Let me say I think there are almost two questions there. But, first of all, our disaster relief, as you know, is a different department. And they are involved in long-term disaster relief. So that would be an area that they would need to address for you. And I would be happy to take that question back for you.

I believe that the legislation right now certainly puts a constraint on SBDC counselors traveling across state line.

Ms. VELAZQUEZ. I'm sorry? I didn't hear your response.

Ms. MILLS. I believe the legislation currently constrains counselors from crossing state lines in these situations. So I think we all need to look at that legislation and see what we can do to improve the legislation because we, as you know, have to adhere to the legislation. So that would be an area that I would recommend we start to look at.

Ms. VELAZQUEZ. Would SBA support giving these counselors a greater role as first responders to disasters like this?

Ms. MILLS. I think, one, I support obviously the President's budget. I think that is certainly something that I can take back to the administrator.

Ms. VELAZQUEZ. Okay. Ms. Mills, in the Committee, we haven't reported out too many legislations, too many bills, but we reported out two bills: one, Mr. Sweeney, John Sweeney, regarding regulation relief for small businesses; and the other one is from Mr. Udall that is for Native Americans.

My understanding is that the two bills have not been brought up to the House floor because of SBA objections. Can you tell me what those objections are?

Ms. MILLS. No. I'm sorry, Congresswoman. I'm not aware of the objections, and I'm not familiar with the bills.

Ms. VELAZQUEZ. Would you provide me—

Ms. MILLS. I would be happy to look into that. Absolutely.

Ms. VELAZQUEZ. Thank you.

Chairman MUSGRAVE. Ms. Velazquez, you can have your own five minutes if you would like to continue.

Ms. VELAZQUEZ. No. I will submit those questions for them to respond to me. And I really appreciate if you get those responses before March 15. Previously the record has been three months. And this way we cannot operate effectively.

Ms. MILLS. I appreciate that. I will take that message back.

Chairman MUSGRAVE. Mr. Fitzpatrick, do you have questions?

Mr. FITZPATRICK. I do, Madam Chair. Thank you very much.

As a representative of Pennsylvania, I will go right to Elizabeth Maneval and say we're proud of your business success—

Ms. MANEVAL. Thank you.

Mr. FITZPATRICK. —in Pennsylvania. And you certainly have an aspiring story. I understand why you are a supporter of the microloan funds. There are many in Congress who support microloans internationally for minorities and women. Of course, charity starts at home. And so we should support those programs here in the United States.

You indicate in your testimony that you started with a $9,000 loan. How exactly did you invest that in your business to parlay

it into the success that brings you here today? The $9,000 loan, how do you use it?

Ms. MANEVAL. I used it to pay employees that I outsource generally. I have a graphic designer. I have an editor. I have a photographer. I have a production manager with my printing company. And I do my own distribution. So I have expenses with my car.

I went out, by the way, and bought an energy-efficient car to save some money.

Mr. FITZPATRICK. Do you like it?

Ms. MANEVAL. But I also had to increase some of my equipment. I really wanted to increase the quality of the magazine. So I invested it that way as well. There's paper quality. There's all kinds of details that go into producing a publication.

Mr. FITZPATRICK. Does your business have other employees, other than yourself, at present?

Ms. MANEVAL. No, it does not. I outsource those services.

Mr. FITZPATRICK. You hire printers? You hire drivers?

Ms. MANEVAL. I do. And the employees that I use are all women except for the printer that I use. That is owned and operated by a family, a substantial family, in Lancaster County. However, the other folks, they're all women. And they all own their own small business. And I believe one of them has just received a small loan from Community First Fund.

Mr. FITZPATRICK. Is this Community First Fund called a microloan intermediary? Do the community banks of sort of south or central Pennsylvania support that loan fund as well?

Ms. MANEVAL. Absolutely. I will have to get you the names of the banks from the folks that I work with, but yes, there is a number of banks in the community that work directly with Community First Fund. I only know that because I approached them for article ideas or advertising. And they tell me that they're connected with Community First Fund.

Mr. FITZPATRICK. So these are federal funds that would leverage in private funds as well into a microloan fund.

I should know the answer to this question. Perhaps you can help me with it. Obviously the administration looks at each of these programs, thousands of them, across the spectrum, in the federal government. From a cost-benefit perspective: what works, what doesn't, what's the return on investment. Do you know what the repayment history is for microloans generally?

Ms. MANEVAL. I do not, but I would be happy to research that and get back to you.

Mr. FITZPATRICK. Does the SBA? Do you have any of that information?

Ms. MILLS. I'm sure we do. Now, you know, microloans is not part of entrepreneurial development. That's part of capital access. But I am happy to—

Mr. FITZPATRICK. I suspect it's fairly high.

Ms. VELAZQUEZ. No. The default rate is less than five percent.

Mr. FITZPATRICK. Right. So the repayment rate is not—

Ms. MANEVAL. Excuse me. I just got an answer to that. I'm real quick. It's less than one percent.

Mr. FITZPATRICK. The default rate is less than one percent?

Ms. MANEVAL. Yes.

Mr. FITZPATRICK. So the repayment rate is very high?

Ms. MANEVAL. Yes.

Mr. FITZPATRICK. Which is excellent. Okay.

Ms. MANEVAL. Yes.

Mr. FITZPATRICK. Very good. Very good. A question on the Senior Corps Retired Executives. Is it Service?

Mr. PYLES. The Service Corps of Retired Executives.

Mr. FITZPATRICK. The Service Corps of Retired Executives. I'm a fan of SCORE. There are at least three chapters in my district: one in Levittown, one in Doylestown, one in Perkasie, all in Bucks County, Pennsylvania, southeastern Pennsylvania.

It is interesting that these chapters are co-located with Chambers of Commerce. The chambers like them for the obvious reasons. They bring all of that business experience and acumen back to the table that was retired. People want to give back. It's good for the chambers because there is activity within the chambers. It's good for the chamber members because the members are getting great advice.

Frankly, it's good for the executives. And it's good generally for the country, sort of reminds me of Alexis de Tocqueville and his "Democracy in America," and how he talked about the spirit of America. And how this country was different than other countries because we have that sense of volunteerism.

The number, I guess, that the administration has proposed is 5 million. You may have testified, and I apologize if you did, but did you have a recommended number?

Mr. PYLES. Yes, we do. We have a recommendation of 7 million in 2007, 8 million in 2008, and 10 million in 2009. Our increasing cost for our technology is constantly needing to be upgraded so that we can expand our services and do more directly with our clients and our counselors.

Mr. FITZPATRICK. In addition to money—and funding is important—is there something else that we as members of Congress can do to help support SCORE?

Mr. PYLES. We would like to reach out more to outlying areas and the rural areas, areas that we're not currently serving, although we have 800 branches out in those areas, but we need to expand more. We need to do more recruiting of our volunteers. And that's part of the reason we need additional funding.

Chairman MUSGRAVE. Thank you. We'll do another round if you would like.

Mr. FITZPATRICK. Thank you, Chair.

Chairman MUSGRAVE. Ms. Moore, do you have questions?

Ms. MOORE. Yes, ma'am. Thank you so much, Madam Chair and Ranking Member Lipinski. Thank you so much for holding this hearing.

I just want to say hello to the distinguished panel here. And I want you to know that I have perused through your testimonies that I may not have heard earlier.

I can tell you that I'm from Milwaukee, Wisconsin. It has just been chosen as the sixth city for the White House urban entrepreneur ship project. I've gotten both feet into this. And I'm very excited about the potential of doing things there. And I don't want

to waste all of my time by talking about the challenges and opportunities that are there.

I just want to jump right into the question. And I guess I'll direct it to Ms. Mills. You are the type of person that I would, in fact, consider if you would consider coming out to visit Milwaukee and talk to some of the folks that are involved in this initiative.

The question I guess that I have relates to the testimony of all of these distinguished panelists. You know, Elizabeth Maneval talks about how microloans are just the life blood of her operation. And, of course, the administration is zeroing that out. Mr. Pyles here talks about how technology is very important, how they want to do more outreach of rural areas. But SCORE, of course, is being flat-funded.

In our town, the microloans that my good friend Mr. Fitzpatrick talked about being so successful, we anticipate that we need about $14 million more for that program, which has been wildly successful. And our women's business initiative in Milwaukee relies on those, is the biggest provider of those services, you're zeroing out services or flat-funding services all across the board.

Now, Ms. Mills, as a person who was a small business owner yourself, then recruited by the—I mean, you're just the perfect person to be inside advocating for us. And so my question is, how do you make the numbers work? I mean, I found, you know, that people have a lot of problem with math. They don't know the quadratic equation, but everybody understands subtraction.

And so my question really is, in your testimony, you say that you're "proud to serve the President and to help invigorate the entrepreneurial spirit in this country." Small businesses provide about what, 95 percent of all—just how do you plan to invigorate the entrepreneurial spirit with these kinds of draconian cuts?

Thank you.

Ms. MILLS. Well, I want to thank you first for your question. I am delighted that you are part of the urban entrepreneurial partnership program. I think that is so exciting. And you are one of the six pilot cities. So my congratulations. I know you will be involved in it. Yes, I would love to come out to your district.

I am a small business owner. That is my background. I am a supporter of the President's budget. And I am dedicated to looking at cost efficiencies. And part of the administration and part of my decision-making ability is to look at those cost efficiencies.

In addition, it is my job to make sure we are all part of the Twenty-First Century. So aptly put by the ranking minority member, Congressman Lipinski, in his opening statement is we have got to evolve in the Twenty-First Century.

And oftentimes we need to take a hard look at ourselves and see, are we there yet? And I look at the efficiencies, and I say we are not there yet.

And all of us in this room are stewards of taxpayers' money. We all represent the taxpayers, whether we're elected, appointed, or recipients of grants. And so it's all of our collective efforts to look for these efficiencies.

And technology is really where we need to do some serious work. We're not there yet. And that is really what I would like to do. And that is my point.

Ms. MOORE. Ms. Mills, I don't want to be rude, but my time will expire and I won't get a chance to say this. You know, it is not without cost to become efficient. You might realize cost efficiencies down the line. But I'm sure Mr. Pyles would agree you have to make an initial investment. I can't go to Best Buy, you know, and get a computer without any money.

And so, you know, I realize you work for the President, but, I mean, an investment is just that. You have to make investments. And you can't realize efficiencies, particularly if you are going to rely on technology to be the ways and means of acquiring these efficiencies, without the investment. We need more money.

We want you to go in there when the door is closed and say, "President Bush, give us some more money."

Thank you. My time has expired.

Chairman MUSGRAVE. Thank you.

I have a question for Ms. Mills also. SBA is supposed to issue a report on the Drug-Free Workplace program. And I know that that is due on March 31st, and it seems to be a continual problem. It's habitually late. Do you have any idea on the status of that?

Ms. MILLS. No, but I'm happy to check into that and see if there is any problem. And we will make sure that we get that to you on time.

Chairman MUSGRAVE. That would be wonderful. And, as we talk about all of these issues that are disappointing to small business owners when we look at the budget, I do want to say that the section 179 expensing that's included in the tax cuts is very beneficial for small businesses and helps them to grow. And I hope you are appreciative of our efforts on that and the President's agreement.

I am going to quickly turn it over because I know we have votes coming up shortly and ask, Mr. Lipinski, if you have questions for a second round.

Mr. LIPINSKI. Thank you, Madam Chairman. A couple of questions here.

It concerns me greatly the budget cuts for small businesses. I have many small businesses in my district, many entrepreneurs starting out new businesses in my district.

I want to start out by asking Ms. Mills. I had stated in my opening statement and Mr. Wilson also stated that the return on investment for SBDCs, $3 of the federal treasury for every dollar spent.

Is this accurate? Do you believe that it does have that high return on investment that we put into them?

Ms. MILLS. Well, the SBA has—and certainly Don knows this. We have been very vocal about it. That really comes from the Chrisman study. And we have not recognized the Chrisman study and have not really determined the methodology is something that we support. So, you know, I think every report will have something that one can get behind or not get behind. And I think the agency has taken a position in the past that that is a report that they're not fully comfortable with, methodology.

Mr. LIPINSKI. Okay. Mr. Wilson, is there anything you wanted to add onto that?

Mr. WILSON. Certainly. The methodology of the Chrisman study has been peer-reviewed for 20 years. It has been published in almost every major small business journal in the country.

Sates who have taken the Chrisman data, Oregon, Ohio, repeatedly, they use studies such as the IMPLAN modeling; REMI modeling, which they have used to assess whether or not state programs are effective. And because states invest in the SBDC program, we can't access a federal dollar until we raise a non-federal dollar.

They have studied the Chrisman data. The fascinating thing is all of their modeling shows that the program has a much higher return than Chrisman. The fascinating thing is OMB in its last two presentations has quoted Chrisman. More importantly, while the President was governor of Texas, a requirement by Texas law for us to be funded, we have to be at least revenue-neutral and the comptroller of the State of Texas certifies to the legislature every year that we are at least revenue-neutral.

So we are completely baffled by the fact that SBA does not recognize the modeling in the study of Chrisman. It is a complete mystery to us.

Mr. LIPINSKI. Mr. Wilson, what has been the response with the cut in federal dollars for the money that, the non-federal dollars, the money that SBDCs are getting elsewhere?

Mr. WILSON. Well, I can tell you candidly that obviously, as you know from your own state, that in probably about 2002, 2003, 2004, states had the sharpest decline, the sharpest decline, in state revenues at any time since the Great Depression. And, yet, most states made a heroic effort to try to maintain their state funding of this program because they recognize the contribution it makes to their economy.

And when you realize that small businesses contribute GAO over 41 percent of the revenues to the treasury and then we look back and we see what a tiny percentage of federal funds are invested in small business growth and management, it just doesn't match.

Mr. LIPINSKI. Another question, Ms. Mills, Ms. Zinn had talked about the performance criteria and had suggested that the performance criteria for the women's business centers is not clear that they don't know what that is. Is there anything that you can say about that?

Ms. MILLS. No, but I'd be happy to go back to the program director and find out if they have discussed it, what they have discussed, why it isn't clear because it's not a complicated criterion.

Mr. LIPINSKI. Okay. Well, I would like to make sure we get that. I would like to hear back in regard to that.

One other simpler question for Ms. Mills. What is being done to help manufacturers? Manufacturing is in a terrible condition in this country. My district has seen the loss in so many manufacturers. And we still have some, but they are struggling to hold on. What is being done to help?

Ms. MILLS. Well, I think, you know, my department works through our resource partners. And, as I mentioned in my remarks, I think our partners are doing things. I mentioned the manufacturing assistance program, of which there are 31 of the 63 lead centers for SBDCs that are doing manufacturing assistance. SCORE has I believe 100 or 74 counselors or 174—I'll have to clarify that for you—that are—I think it's 174 counselors, who specialize in manufacturing.

And then there is one women's business center that certainly is dedicated down in South Carolina, Columbia, South Carolina, that was set up for manufacturing assistance.

So I think our resource partners, we continue to talk about that initiative. It's obviously very important to the President. We certainly discussed it this year with our resource partners. They have it on their radar screen. They're continuing to—

Chairman MUSGRAVE. Thank you very much.

Mr. Fitzpatrick, any more questions?

Mr. FITZPATRICK. Yes. I would like to follow up with Mr. Wilson on that colloquy you had with Chairman Musgrave on the issue of small business development centers' presence at the disaster relief centers.

Mr. WILSON. Yes.

Mr. FITZPATRICK. You spoke specifically about Hurricanes Rita and Katrina in the Gulf Coast, but it is an issue, really, for disasters throughout the country.

Mr. WILSON. Absolutely.

Mr. FITZPATRICK. And relief centers opened all the time. My understanding of the way that the centers work is it's sort of a bottom up approach. These disaster relief centers are chaired and organized at the city and county level. It's a county emergency management director that would organize them.

And I have been to them, to the relief centers, after disasters in Pennsylvania and in my district. And the major governmental and nongovernmental organizations or organizations like the Salvation Army, the Red Cross, the county emergency management, individuals are coming to those disaster centers a day or two after, say, a flood, trying to figure out how to get the water and the mud and the debris out of their home or the business, as the case may be. And it's more of an immediate need they have. They're looking for a solution. And they're getting it mainly from those sort of nonprofit organizations.

The SBA will be there as well because, I believe, the SBA has a loan, some sort of a low-interest loan, program to provide—

Mr. WILSON. Absolutely, absolutely.

Mr. FITZPATRICK. —to not just businesses but to individuals who need to—

Mr. WILSON. They maintain two programs: one for businesses and one for homeowners.

Mr. FITZPATRICK. I guess my question is if you're looking for some leadership on the federal level, or from the SBA, to bring in the SBDCs to the disaster relief center. But the other way to do it is to have the SBDCs on the local level develop a relationship with the emergency management directors, state to state and city to city. Many times these natural disasters now were getting good with technology and predicting when they're going to happen. You actually have a couple of days to get the disaster relief center up and running.

The sort of emergency management folks in a particular locality should be contacting you, either directly or through the SBA, knowing what you can provide.

Do you know what I'm saying, that there are two approaches? One is the top down. And as a local government guy myself as a

county commissioner for ten years, I sort of prefer the local approach and get the SBDCs integrated with the emergency management individuals throughout the country and say, "This is what we can provide for you" because it is a complicated process. And if you get there a day or two after a disaster, people are all over the place. So they're trying to organize.

I just want to know what your thoughts are.

Mr. WILSON. I would concur with that. And our local SBDCs are usually very familiar with all of the local resources in a community. This is not to criticize anyone, but at times when you bring someone in from FEMA, often their resources are the ones that are the largest resources and they are leading the effort in setting up the emergency centers. And I can tell you candidly that any number of state directors have had in various regions, not always by any stretch of the imagination, but it's a very uneven reception.

Sometimes the FEMA folks will say, "Not today."

Mr. FITZPATRICK. They say that to the SBDC?

Mr. WILSON. Yes, sir.

Mr. FITZPATRICK. So what if your advice?

Mr. WILSON. Well, I think that Ms. Mills would be very willing to work with this Committee in trying to develop language in the statute such that when federal monies and centers are set up in disaster areas, that we're included as one of those first responders.

Mr. FITZPATRICK. Okay. Thank you.

Chairman MUSGRAVE. Thank you very much.

Ms. Moore, I don't know how you could top the other round, but would you like to ask any more questions?

Ms. MOORE. Madam Chair, I do have a problem. I talk a lot. And it's frustrating to be a member of Congress when you don't get to talk a lot, but I am geared up.

Ms. Mills, I am just really excited about this UEP thing. I guess I want you to show me the money. You have said that we need to realize more cost efficiencies. What the UEP project really seeks to do is what the SBDCs have been doing, the women business initiatives have done, the SCORE has done. And UEP proposes to be a one-stop shopping service for all of these things.

We have had a cut in SBA staff. These programs have been either zeroed out or flat-funded. And if we don't know if there is any money connected with the UEP initiative.

Is it possible that by being the sixth city, we are going to see some funds come down the pike in lieu of having additional resources through these other services?

Ms. MILLS. You know, I really can't answer that because I don't know all of the structure on UEP. That is not something I am working on personally. I do know it's a public-private partnership. And I know that all parties are coming to the table excited about this. They are pilots. So nothing is cast in stone.

And I think all voices will be heard and should be heard. So I think as we move forward, as in any pilot, we will see what we want to recommend, "we" being you as well, "we" being the collective we.

Ms. MOORE. So I am really happy about the private sector being involved. Of course, the private sector is involved in SCORE and numbers of other initiatives. So the cost efficiencies that could be

realized by this one-stop initiative, I mean, if there is no funding connected to it, certainly we cannot lay claim to that as a cost efficiency. I mean, this is just a not funded sort of thing.

I guess the other question since the green light is still on, I wanted to ask a question about the PRIME loans. These are investments in micro entrepreneurs to nonprofit micro enterprise development organizations that provide a lot of technical assistance. I mean, there is a lot of evidence and research out there that businesses survive at a much greater rate when they are offered mentoring technical service. And there's no doubt that that is important.

Can you share with us why the President has not chosen to fund this initiative?

Ms. MILLS. PRIME is not one of my programs. So I'm sorry that it was here today. It should be with capital access. And so I'm sorry. But in general terms, you know, certainly you have heard from my partners here, SBDC, SCORE, WBC. And I know that they certainly give technical assistance to loan program.

Ms. MOORE. Well, there is really no doubt. Okay? I appreciate your answer this is not one of your programs.

Chairman MUSGRAVE. Mr. Bradley will be having that topic brought up in his subcommittee hearing.

Ms. MOORE. Okay. Good. Well, you know, Madam Chair, I just want to reserve the right to write to Ms. Mills and to the department about these programs because I can tell you that as an American, not just representing my district but representing the entire country, I know we have got to come up with a strategy that keeps us in the game globally.

And there is absolutely—I don't think anybody on your panel or you or anybody in the administration, Democrat or Republican, would disagree that helping our small businesses, 95 percent of our employers, to generate, to grow is the strategy. And how we do that without this being a high priority, you know, behind funding for terrorism and other things that we know we have to do is simply beyond me.

I don't know how you grow businesses and cut funding, flat-fund it, zero it out, not fund it in the first place and eliminate programs that focus on mentoring and technical assistance.

I hope that you will go back and be our advocate. Thank you.

Thank you, Madam Chair, for you indulgence.

Chairman MUSGRAVE. You're welcome. And, of course, you can exercise your prerogative to write to them or contact anyone at any time. That concludes our—

Mr. MOORE. Plane fare to come out to our district, we have funds for that, Madam Chair.

Chairman MUSGRAVE. Thank you to all of our witnesses. We certainly appreciate your testimony. And this concludes the hearing.

[Whereupon, at 11:59 a.m., the subcommittee adjourned.]

Opening Statement
Marilyn Musgrave, Chairman
Subcommittee on Workforce, Empowerment, & Government Programs
Oversight Hearing—The mall Business Administration's Entrepreneurial Development Programs

- Good Morning and thank you all for being here today as we conduct this oversight hearing on the Small Business Administration's Entrepreneurial Development Programs.

- Quite often, when one thinks of the types of assistance the SBA provides the first thing that comes to mind is financial assistance.

- While it is true that through a variety of financing programs, the SBA guarantees small-business loans, fixed asset loans, and microloans, and provides debt and equity capital to small businesses, another critical function of the SBA is technical assistance.

- The SBA and its partners provide technical assistance programs, including training, counseling, mentoring, and information services to more than four million existing and potential entrepreneurs annually.

- Overseen by the Office of Entrepreneurial Development, the SBA provides grants to a network of over 950 Small Business Development Centers, or SBDCs; 389 SCORE chapters, which match executives with entrepreneurs for business counseling; and over 80 Women's Business Centers.

- SBDCs, the largest entrepreneurial network supported by the SBA, offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations.

- The program is a cooperative effort of the private sector, the educational community and federal, state and local governments. It enhances economic development by providing small businesses with management and technical assistance.

- SBDC assistance is tailored to the local community and the needs of individual clients. Each center develops services in cooperation with local SBA district offices to ensure statewide coordination with other available resources.

- The SBDC Program is designed to deliver up-to-date counseling, training and technical assistance in all aspects of small business management. SBDC services

include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies.

- Special SBDC programs and economic development activities include international trade assistance, technical assistance, procurement assistance, venture capital formation and rural development.

- The SBDCs also make special efforts to reach minority members of socially and economically disadvantaged groups, veterans, women and the disabled.

- Moreover, they provide assistance to small businesses applying for Small Business Innovation and Research (SBIR) grants from federal agencies.

- Another important cog in this wheel is the Service Corps of Retired Executives, or SCORE.

- A 501 (c) (3) nonprofit organization, SCORE provides a public service to entrepreneurs by offering small business advice and mentoring.

- Counselors work with entrepreneurs through every phase of their entrepreneurial venture: generating and assessing ideas, preparing a business plan, raising capital and managing the operations and finances of the growing venture.

- SCORE partners with a wide array of companies and organizations, including Citibank, Ford Motor Company, Vetcorp, and the American Management Association to expand small business outreach, services and resources to communities nationwide.

- Despite the fact that America's 10.6 million women-owned businesses employ 19.1 million people and contribute $2.46 trillion to the economy, women continue to face unique obstacles in the world of business.

- Charged with promoting the growth of women-owned businesses through programs that address business training and technical assistance, and provide access to credit and capital, federal contracts, and international trade opportunities, Women's Business Centers WBCs operate with the mission to level the playing field for women entrepreneurs.

- I am eager to get started, but before we hear from our panel, I would like to yield to our Ranking Member, the Gentleman from Illinois, Mr. Lipinski.

STATEMENT
of the
Honorable Daniel Lipinski, Ranking Member
Subcommittee on Workforce Empowerment and Government Programs
Hearing on "Oversight of SBA Entrepreneurial Programs
and Recommendations for Change"
House Committee on Small Business
March 2, 2006

Thank you, Madam Chairman.

Our nation continues to face an uphill battle in creating jobs and ensuring that we remain an economic superpower. The global economy presents many challenges to our domestic firms, but this nation has always found a way to adapt and compete.

Small businesses – our main job creators – have proven time and again that when given the proper tools, they have the ability to spur growth by adapting to the changing needs of an evolving economy.

Our small business assistance programs are there to provide those tools, and we must ensure that these programs are able to adjust to meet the changing needs of America's entrepreneurs.

Today's hearing will give us an opportunity to identify ways to better serve small business owners by making sure our entrepreneurial development programs are evolving to meet the needs of the 21st Century. In addition, this hearing will allow us to assess the impact that the FY 2007 budget will have on programs that serve small businesses.

To achieve success, many aspiring entrepreneurs require solid management training, organizational skills, and technical assistance – all of which are provided by a host of SBA development programs. These initiatives – including the Small Business Development Centers (SBDC), Women's Business Centers (WBC), PRIME and SCORE – have provided new businessmen and women with a place to turn for assistance.

SBDCs, the cornerstone of SBA's entrepreneurial programs, have been particularly successful in spurring entrepreneurship and economic development. In 2003, long-term counseling of clients by SBDCs generated over 56,000 new jobs nationwide. In Illinois, SBDC's servicing the 3rd Congressional District counseled and trained over 4,000 clients in 2005, resulting in 1,430 jobs created and retained in our local communities.

SBDC funding is money well-spent. Studies have shown that for every dollar spent on SBDC services, the program returned nearly three dollars to the Treasury. Long term clients of the Illinois Small Business Development Center have generated a return of over four dollars in state and federal revenues for each dollar invested.

Small business programs serve a diverse clientele. My state's SBDC network, by partnering with the Illinois Hispanic Chamber of Commerce, provides small business development and start-up assistance to the strong and growing community of Hispanic business owners in southwest Chicago and surrounding communities.

Women's Business Centers fill a unique role by serving the nation's fastest growing business sector. As the number of female entrepreneurs continues to grow, so does the importance of this program. A nationally recognized leader in supporting women entrepreneurs, the Chicago Women's Business Development Center has served over 40,000 clients since 1986. It is truly a model for small business development. We need to ensure in the coming year that new centers are opened, and existing centers are able to continue operating.

Unfortunately, the administration's latest budget has again failed to make these and other programs a priority for small business owners. We continue to hear that the SBA has been able to do more with less – yet many of these initiatives have received severe funding cuts or even face elimination in the President's FY 2007 budget request.

Clearly, this year's budget request is not a good one for small businesses. In a report issued today, we saw that out of 100 programs government-wide that assist small businesses, 75 are facing severe cuts or elimination.

Not only do we need to address funding issues, but the SBA needs to be re-authorized this year. It is not enough to simply throw money at these programs. Small businesses face a new set of challenges when it comes to rising health care and energy costs, as well as increased foreign competition. It is imperative that the SBA and its programs evolve and adapt to meet the changing demands of business owners.

The administration's failure to adequately support and fund these programs, as well as provide for improvements, will only limit their ability to effectively serve America's entrepreneurs; our nation's small business owners deserve more than that.

We all have a common interest in ensuring our nation's small businesses succeed. If we want to move forward, provide new initiatives, and strengthen existing ones, then it is vital that we start here, with SBA's entrepreneurial assistance programs. I look forward to today's discussion, and hearing the testimony of the witnesses. Thank you.

STATEMENT
of the
Honorable Nydia M. Velázquez, Ranking Democratic Member
House Committee on Small Business
Small Business Workforce, Empowerment and Government Programs
Subcommittee Hearing
Thursday, March 2, 2006

Thank you Mr. Chairman. I also want to thank Congressman Lipinski for letting me sit in on this hearing. I appreciate all of the hard work you are doing on this issue.

We have heard a lot about the need for innovation and new opportunities for this nation's working people – and it is entrepreneurial development that lies at the very core of this sentiment. Not only do these programs spur technological advancement, but they also serve a vital role in boosting the U.S. economy.

In the past, when we have needed innovation - small businesses have been the ones to deliver it. In the early 1990's when our nation witnessed an extraordinary tech boom we saw a lift in the number of budding entrepreneurs. This was fueled by approximately 50 percent of the middle managers leaving larger businesses to start their own companies. Many of these entrepreneurs were successful because of the assistance that was provided to them by the very programs we are talking about today.

Whether it is helping high tech firms, manufacturers, or even a mother start her own business so she can spend more time with her children, SBA's entrepreneurial programs make the American dream a reality. In this country you can go to school to become a lawyer or doctor, and get trained to be an electrician or plumber – but no where can you go to school to be an entrepreneur.

These programs help individuals who have the bright ideas, get the business training they need to be successful. Studies have shown that individuals who start their own business with some type of entrepreneurial training are twice as likely to succeed in the end.

That is why it is so unfortunate that a number of these programs, all of which have a wealth of potential, are being under-funded, understaffed, ignored and mismanaged by the SBA. We need to ensure entrepreneurial programs are continually evolving in order to help small businesses meet the current challenges they face – including regulatory compliance, energy and disaster relief.

Democrats believe that these are the critical issues we should be examining when discussing entrepreneurial development programs. However, until the agency commits to funding these initiatives, and managing them properly – we are not going to be able to move forward.

To the groups present today – from SBDC's, WBC's and SCORE – we know very well the good job you are doing. We also know that with insufficient budgets, these programs are just getting by. But we should not be satisfied with getting by. We should be working to ensure that these programs have the resources they need in order to reach their fullest potential.

Small businesses were the primary generator of jobs and economic growth in this country during the 1990's. The administration's lack of investment in entrepreneurship has been a major cause in why the United States economy fails to prosper and experience weak growth.

I look forward to hearing the witness's testimony today, and what they have to say about their programs, their successes and their challenges.

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Congressman Tom Udall (NM-03)
House Small Business Committee
Subcommittee on Workforce, Empowerment and Government Programs
Hearing on Oversight of the Small Business Administration's Entrepreneurial Development Programs
March 2, 2006

Ms. Chairman and Ranking Member Lipinski:

Thank you for holding this important hearing today. As we are all aware, small business entrepreneurship is vital to the health of our economy. The 25 million small businesses in America create three-quarters of all new jobs in this country and help provide economic growth and development to their communities. The entrepreneurial development programs we are examining today play a vital role by giving these entrepreneurs the technical assistance they need to start and expand their businesses.

I have introduced a piece of legislation that would expand this help to those places in this country where economic development and the prosperity experienced by so many has yet to reach. My bill, which I have introduced in the past three Congresses, authorizes grants that SBDCs can apply for to provide assistance with outreach, development, and enhancement on Indian lands of small business startups and expansions that are owned by Indian tribe members, Alaska Natives, or Native Hawaiians.

My bill has strong bipartisan support and has passed the House overwhelmingly during the 107th and 108th Congresses. During this session of Congress, both the Chairman and Ranking Member of this Committee are original cosponsors of my bill and it was reported out of Committee by unanimous consent last July. Yet, this important bill has still not come up for a vote. I continue to wonder why a piece of legislation that aims to help Native Americans, Native Alaskans, and Native Hawaiians create, develop and expand their small businesses has stalled.

In addition to continuing to work for passage of this bill, I will also work to improve the programs already in existence. Many of these programs, such as 8(a), Women's Business Centers, and SBDCs, need modernizing and must have their authorized funding levels increased. Otherwise, existing programs will be unable to continue to assist our nation's entrepreneurs continue the progress and expansion that fuel the U.S. economy.

Again, I want to thank you for holding this hearing to examine these vital programs and I look forward to hearing from our witnesses.

Testimony
House Small Business Subcommittee on Workforce Empowerment and Government Programs

Entrepreneurial Development Oversight Hearing

Thursday, March 2nd, 2006

Cheryl Mills
Associate Deputy Administrator for Entrepreneurial Development

Good morning, Chair Musgrave, Ranking Minority Member Lipinski, and other members of the committee. I am Cheryl Mills, the Associate Deputy Administrator for Entrepreneurial Development. Thank you for inviting me here today to tell you about the work that the Small Business Administration's Office of Entrepreneurial Development is doing to help serve the entrepreneur and America's small businesses.

As a former business owner, I am proud to serve the President and to help invigorate the entrepreneurial spirit in this country. Small businesses are the engine of opportunity and the growth vehicle for jobs in America.

Our mission in the Office of Entrepreneurial Development at SBA is to educate entrepreneurs interested in starting a business or small businesses in need of guidance on how to grow their business.

The Office of Entrepreneurial Development manages a strong distribution channel of service centers for small businesses across the country. The services offered include assistance in preparing: business plans, loan applications, GSA procurement requests, strategic plans, marketing plans, export advice, pricing plans and competitive assessments.

We serve these clients through our three resource partners: Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE (Service Corps of Retired Executives). In FY05, our resource partners trained and counseled over 1.1 million clients. In addition, 311,000 clients registered for one of our 21 courses online through our Small Business Training Network and 1.04 million accessed the SBA website.

Small Business Development Centers (SBDCs)

The SBDCs are a network of state lead centers and service centers primarily located on University and Community College campuses and at local Chambers of Commerce that are easily accessed and central to the various communities across the country. There are 63 lead centers, one in each state, the District of

Columbia, Guam, Puerto Rico, America Samoa and the U.S. Virgin Islands. California and Texas are exceptions, with California having six regional lead centers and Texas having four lead centers. Of the 63 total lead centers, five specialize in technology assistance to address the unique needs of science and technology-based small businesses.

Additionally, there are 938 service centers across America, housing experienced counselors ready to serve America's small business. At these centers, counselors provide extensive one-on-one counseling to prospective and existing small businesses. The counselors are often former business men or women, bankers, MBA professionals, with many having expertise in the technology, manufacturing and science arenas. The total number of clients served by the SBDCs in FY05 was 707,000.

Women's Business Centers (WBCs)

There are 90 Women's Business Centers also distributed across the United States and its territories. New York, California, Michigan, Illinois and Texas have multiple centers. WBCs provide long-term, in-depth training and counseling to their clients and target socially and economically disadvantaged women.

The WBCs counseled and trained over 144,000 clients in FY05.

The centers are usually located in the heart of the communities that they serve, often on public transportation routes. They offer classes at convenient hours, such as weekends and evenings, because these women often have to balance the responsibilities at work and at home. Some centers also provide childcare services.

The training courses and one-on-one counseling are often offered in several languages representing the demographics of the community they serve. Mi Casa Women's Resource Center (www.micasadenver.org) in Denver, Colorado, for example, developed their own Spanish curriculum because of the strong Spanish speaking presense there.

SCORE

For over 40 years, SCORE's 10,500 volunteer business counselors have been providing business coaching, mentoring, and training seminars to America's small businesses. These counselors have either owned or operated a business. There are 389 chapters across the country.

Small Business Training Network (SBTN)

The Small Business Training Network (SBTN) has 23 courses online. In FY05, 311,000 clients registered for these courses.

During FY05, we instituted a registration. Of those who registered for these courses online in FY05, we learned that 69% are thinking about going into business and 31% were established businesses. Also, more than 1 million web users visited SBTN to access links and online courses available at this site.

Native American Outreach

Since 1994 the Office of Native American Affairs (ONAA) has worked to address the unique needs of America's First people.

There are a myriad of issues and challenges to building Sustainable Economies that vary from Tribe to Tribe. In the past, ONAA has worked with both Tribally owned and individually owned Native businesses. We have assisted in developing business plans, helping with financing, and helping them to secure contracts.

Paul D. Coverdell Drug Free Workplace

In 2005, SBA provided almost $1 million in grants under the Drug Free Workplace program. As a result of previous legislation, there are a wider variety of grantees now eligible. We have also established a data collection and evaluation reporting system that will help us assess program effectiveness. The Agency will continue to promote these grants through our partners.

By focusing on greater interagency cooperation and participation from the private sector, we intend to leverage our internal resources to achieve even greater outcomes.

Strategic Planning

Let me tell you about recent enhancements to our OED programs.

First, as part of our strategic planning process, we looked to identify some of the characteristics of the small business owners of the future. We have concluded future small business owners will primarily be in the 18-25 age groups or the 50 and older group.

Next, we focused on ensuring that all of the programs use the same measurement system. We now have consistent definitions across all programs for counseling sessions, information transfer, online counseling, and training. FY '06 will serve as the baseline for measuring all ED programs.

To collect this information, we also updated and revised our Management Information System. The former system, EDMIS I, was outdated and did not have the capability of delivering management reports and analysis.

We have successfully completed the first comprehensive collection of data using standardized definitions across all programs, using the EDMISII system. This system will allow us to do an analysis of services provided to clients and of user client demographics.

Online development has become the most cost effective way to expand and to reach new clients. The SBDCs introduced Microsoft™ "Live Meeting" to ten pilot sites last year. "Live Meeting" allows virtual counseling or training sessions online.

This year we presented the WBC intermediaries with an opportunity to have access to Microsoft™ "Live Meeting". A two-year free licensing of this product has been given to the WBCs to introduce the virtual setting and online counseling to existing and prospective clients.

SCORE has been our pioneer of online counseling. Approximately 34% of their total counseling is done online.

Let me explain how this works, a potential SCORE client makes contact online through the SCORE website. This initial virtual meeting may result in matching this client with another counselor in a specific industry as requested by the client, a face-to-face meeting with a geographically proximate counselor to view documents, begin the process of developing a business plan, and establishing a face-to-face rapport. Adopting this approach is a way to stretch budget dollars and expand our consumer base. It has been SCORE's experience the most positive results have been generated by a combination of online counseling and face-to-face interaction.

We are also reviewing and improving the oversight and evaluation of these programs. We have also instituted a cross program financial examination process that allows us to take advantage of the expertise of the SBDC financial examination staff and processes to provide more comprehensive and consistent financial oversight for the WBC program.

New Resources

Our resource partners have been responsive to the President's initiatives for increasing assistance to the manufacturing sector and veteran's assistance. SCORE has recently launched two new websites focusing on Veteran, National Guard & Reservist Small Business Owners, and for Manufacturers. In the last 3 years the system has served more than 62,000 small manufacturers by providing assistance on topics such as financing, international trade, innovation, strategic planning and industrial marketing.

Additionally, we just launched "My Biz for Women", a new portal for women to access business information and assistance available to them throughout the Federal Government. This website has been well received, which is an indication of the interest and demand for assistance from those who want to explore the option of owning their own business.

Conclusion

We will continue to assess the needs of small businesses and the entrepreneurs who start and operate them. We are developing an interactive on-line tool that will allow perspective entrepreneurs to assess their readiness. SBA will provide them with a list of partner resources that they may contact. We expect that this will be helpful to the potential business owner as well as the resource partners because those coming to partners will be better prepared. This is a first step in a broad view looking to ensure that the needs of potential businesses are met.

We plan to continue our commitment to small businesses and entrepreneurs on the path to success. SBA has requested $154 million for the FY 2007 ED budget.

In all of our activities, ED is taking a forward-looking view of entrepreneurial development that will support all citizens in their pursuit of the American dream and contribute to the American economy.

Statement of

Donald Wilson

President, Association of Small Business Development Centers

March 2, 2006

Before the

Subcommittee on Workforce, Empowerment and Government Programs

Of the

U.S. House of Representatives Committee on Small Business

Regarding the Reauthorization of SBA Programs
and the FY 2007 SBA Budget

Statement of

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March 2, 2006

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Regarding the Reauthorization of SBA Programs and the FY 2007 SBA Budget

Chair Musgrave, Ranking Member Lipinski, and members of the Subcommittee, I am Donald Wilson, President and CEO of the Association of Small Business Development Centers (ASBDC). ASBDC's members are the 63 State, Regional and Territorial Small Business Development Center programs comprising America's Small Business Development Center Network. SBDC programs are located in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and American Samoa. The SBDC network is the Federal government's largest small business management and technical assistance program, with over 1,000 service centers nationwide, serving more clients than all other Federal small business management and technical assistance programs combined.

Madam Chair, I would like to thank you and the members of the Workforce, Empowerment and Government Programs Subcommittee on behalf of ASBDC, and the nearly 6,000 dedicated men and women who are a part of America's Small Business Development Center Network, for inviting the Association to testify at this important hearing on the reauthorization of SBA programs and the Administration's FY 2007 budget proposal for the U.S. Small Business

Administration. We commend you and the Subcommittee for holding a formal public hearing on the reauthorization of the Small Business Administration's programs and the Administration's budget request for the SBA for FY 2007. We believe that hearings on SBA programs are particularly appropriate in light of public and media focus on the agency in recent months, as the agency has tried to respond to the unprecedented devastation inflicted on the nation's Gulf Coast by Hurricanes Katrina, Rita and, subsequently, Wilma.

The SBA has major responsibilities when a disaster, natural or manmade, occurs. Much of the SBA's disaster responsibilities under current law focus on loans for homeowners. It seems that at times the needs of small businesses become secondary to the assistance for homeowners, whose needs are so visibly dramatic. However, economic recovery for small businesses in a disaster zone is critical to recovery of the disaster stricken community.

Assisting small businesses in the wake of disasters is not new to Small Business Development Centers. The California SBDC played an important role in assisting small businesses following the Northridge earthquake in 1994. The North Dakota SBDC was a key player in 1997 when that state endured major flooding and devastation along the Red River. The North Carolina SBDC helped lead that state's recovery efforts following Hurricane Floyd in 2000, and more recently in responding to the destruction inflicted on Western North Carolina by Hurricane Ivan. The New York State Small Business Development Center network brought counselors from across the state into Manhattan in September, 2001, to address the needs of thousands of small businesses following the devastation and economic dislocation that occurred as a result of the terrorist attacks on the World Trade Center towers on 9-11. The work of the New York State SBDC was recognized during Small Business Week in the Spring of 2002, when New York State SBDC State Director Jim King was awarded SBA's prestigious Phoenix Award. In the months following the terrorist attack, the New York State SBDC helped a total of 2,500 small businesses, which were able to secure more than $54 million in assistance. The Florida SBDC was a major player in responding to Hurricanes Charley, Frances, Ivan and Jeanne. The Economic Development Administration (EDA) at the U.S. Department of Commerce recognized the efforts of the Florida SBDC network when the EDA presented that agency's prestigious Excellence in Economic Development Award to the Florida Small Business Development Center Network, in the category of economic adjustment. Florida SBDC State Director Jerry Cartwright accepted the award on behalf of the Florida SBDC network at ceremonies last fall, here in Washington.

Last September, within less than a week after Hurricane Katrina hit the Gulf Coast, the Association of Small Business Development Centers trained over 150 SBDC counselors from across the nation in disaster response. The trainers were experienced SBDC personnel from states like New York, North Carolina and Florida, who had been intimately involved during the last six years in responding to major natural or manmade disasters. Forty-six SBDC counselors from 23 states traveled to Mississippi, Louisiana, and Alabama in October and November, to assist the SBDC networks in those devastated states. Why was outside assistance needed? Tens of thousands of small businesses had been gravely impacted. Also, the Mississippi SBDC network had three of its service centers destroyed by Hurricane Katrina. The Louisiana SBDC for weeks did not know where some of its counselors were or even if they were alive. Hundreds of local business owners in dire need were seeking to access SBDC services. The ASBDC sought to provide loans from its own resources to those state networks. Corporate partners of the Association responded with incredible generosity. Intuit gave $50,000 each to the SBDC networks in Alabama, Louisiana and Mississippi. Federal Express gave $25,000 each to the Mississippi and Louisiana SBDC networks. Microsoft gave computers and printers. Others volunteered in-kind resources. Despite the overwhelming tasks facing the Louisiana and Mississippi SBDCs, no supplemental funds were requested by the Administration. We recognize that we are a program of modest size and that in the rush to address disasters, we might be easily overlooked.

The House Small Business Committee, as it crafts the SBA reauthorization bill, needs to take into account the indispensable role played by Small Business Development Centers in assisting small businesses that have been adversely impacted in times of disaster. SBDC personnel should be viewed by Federal agencies as critical responders when disasters strike. SBDC personnel often are more familiar than any other entity with the local small business economy and the various community resources available to assist small businesses. SBDC trained counselors have the skill sets and the experience to assist small business owners in reconstructing lost or destroyed business financial records, that are so necessary in making a successful filing for SBA loans and other financial assistance. It is absolutely imperative that, when FEMA or other Federal agencies set up Disaster Recovery Centers (DRCs), SBDC personnel be included so that small business owners have a one-stop shop, not only to get loan applications, but also expert assistance to enhance the likelihood that the loan application will be approved the first time. Business disaster loan applicants who have had SBDC assistance have decidedly higher loan approval rates than those who do not. This has been demonstrated in North Carolina,

New York and Florida. In many instances, SBDC personnel are welcomed into Disaster Recovery Centers. In other instances they are not. We believe that full participation of SBDC personnel at Disaster Recovery Centers should be standard operating procedure.

State and local governments, who in most instances are funding partners of state and local SBDC programs, expect SBDC personnel to play an integral part in helping small businesses to recover from a natural or manmade disaster. Unfortunately, FEMA and SBA personnel who come into the community from outside frequently do not recognize the critical role that SBDC counselors play, and are expected by state and local government to play, in helping disaster stricken small business owners to reconstruct financial records, access capital, and rebuild their businesses.

It is also vitally important that, when supplemental funding requests for disaster relief are crafted by SBA, there be an understanding of the heightened demands on local SBDC capacity. Often the SBDC capacity has been diminished but the demands on that capacity have been increased exponentially. I am not aware of a single disaster in the last quarter century where SBA has included in its supplemental funding requests increased resources for the SBDC network in the disaster stricken area. Adequate supplemental funding for SBDCs to meet the demands placed on them should be a standard line item in any disaster supplemental funding request.

I would like now to turn my attention to the Administration's FY 2007 Budget Request for the Small Business Administration. Once again the Administration proposes to reduce or eliminate funding for most entrepreneurial development programs. I am not an authority on other SBA Entrepreneurial Development programs, so I will focus by remarks on the Administration's funding request for the national Small Business Development Center program.

Congress has invested hundreds of millions of dollars over the last 25 years to build an entrepreneurial management and technical assistance educational infrastructure that is the envy of the world. Other nations are constantly contacting SBDCs, ASBDC and SBA, to try and learn how they can emulate what Congress and the American people have built with tax dollars. State and local governments and educational institutions have invested even more in the program than the Federal government. As a result of this investment by Federal, state and local funding partners, SBDCs were able to provide one-on-one business counseling in FY 2005 to a quarter of a million small businesses and aspiring small business owners. Unfortunately, that was a decline from the

280,000 small businesses and aspiring business owners to whom we provided counseling services in FY 2004. Total counseling hours were down from 1,472,417 to 1,341,399 hours in FY 2005, compared to FY 2004. Some of this decline may be due to improving economic conditions. However, with the significant increase in entrepreneurial activity in 2005, we suspect the vast majority of the decline in counseling hours is due to diminished capacity resulting from declining Federal funding.

The members of this Subcommittee, probably more so than others in Congress, are aware that small businesses represent 98 percent of all businesses and employ 50 percent of the nation's non-public workforce. You understand that small businesses are responsible for over two-thirds of net new jobs year in and year out. You understand that small businesses contribute over 40 percent of receipts to the Treasury, according to GAO.

You understand that small business is big business in America. What you may not know however, is that 60 percent of small business owners have a high school education or less based on the latest research by Dr. Paul Rogers. As a result, they have had little or no formal training in business management. They may have a wonderful skill set as a machinist or a cook, or an auto mechanic, or a dress maker or a carpenter. The list is endless. However, millions of ambitious, hardworking Americans start a business but quickly confront major issues such as financial management, inventory control, marketing issues, or human resource issues for which they are totally unequipped. Dun and Bradstreet has repeatedly reported that the major reason for small business failure is bad management decisions, not a lack of capital. The Small Business Committees of the Congress a little over 25 years ago recognized the enormous need for business management assistance for small business owners and aspiring business owners. Since then, you and your predecessors have invested great public resources in this vital infrastructure. Unfortunately, Congress has now begun to let that educational infrastructure deteriorate.

And that is unfortunate for small businesses like the Flower Petaler in your District, Congresswoman Musgrave, who was helped by the SBDC in Fort Morgan Colorado. Or Entertain with Ease, a direct selling firm that was assisted by the Chicagoland SBDC in Congressman Lipinski's District; or Shoes 'N Boots, a shoe store in Congressman Udall's District that was served by the Luna Community College SBDC; or Antietam Ironworks, served by the Saint Francis University SBDC in Congressman Shuster's District; or Global Education Corporation in Congressman Davis' District in Illinois; or Universal Industrial Gases, assisted by the Lehigh University SBDC in Congressman

Fitzpatrick's District; or Columbus Cooks Inc., served by the Columbus, Georgia SBDC in Congressman Westmoreland's District; or the Savannah Bee Company in Congressman Barrow's District; or Superb Fabricating, served by the Schoolcraft Community College SBTDC in Congressman McCotter's District; or System Associates Inc., assisted by the College of Lake County in Congresswoman Bean's District.

You see, our clients are your constituents. They are men and women who contribute greatly to the economic vitality of your Congressional Districts by creating jobs, and to the local, state and Federal treasuries through the taxes they and their employees pay.

Over a dozen SBDC programs in low-population states, such as Rhode Island, Wyoming, Alaska, Delaware, etc., have had no increase in Federal funding since 1998. Imagine the impact on those programs simply as a result of rising costs. Larger-population states such as Illinois, Indiana, Michigan, Ohio, Pennsylvania, Massachusetts, etc., have suffered major losses of funds as a result of the last Census, not because they did not have higher populations and more businesses to serve, but because their state populations did not grow as fast as other state populations such as Florida, or Arizona or New Mexico.

As a result of funding decreases in the last three years, state SBDC programs are closing service centers and laying off counselors. The decline in counseling hours is significant. The President speaks so passionately about the ownership society, but unfortunately, some who work for him apparently do not understand or appreciate the indispensable role that the national Small Business Development Center Program plays in creating a true ownership society.

In-depth clients of the SBDC national program, that is those businesses or startup firms that received five hours of counseling or more, generated nearly 75,000 new jobs in 2004. Those clients attribute nearly 81,000 jobs saved to the assistance they received from their local SBDCs. This data is based on extensive research by Dr. James Chrisman of Mississippi State University, who has been studying the SBDC national program for roughly 20 years. What these statistics mean is that a new job is created by an SBDC in-depth client every seven minutes. $100,000 in new sales are generated by SBDC in-depth clients every nine minutes. $100,000 in new financing is obtained by SBDC in-depth clients every 20 minutes. SBDC in-depth clients create job growth at ten times the rate of the average U.S. business.

ASBDC recognizes that Federal resources are scarce. Small businesses and their SBDC counselors understand that when resources are scarce they must be allocated carefully and wisely. Resources need to be allocated to realize the best return on that investment. Based on Dr. Chrisman's research, SBDC in-depth clients directly generated $233,674,930 in new Federal revenues in 2004. This represents a return to the Federal Treasury of $2.66 for every Federal dollar invested in the SBDC national program. I think if any of you knew where you could get that type of return on your own money, you would readily make that investment.

The SBDC program is the Federal program of choice for most small business owners and aspiring business owners. SBDCs serve more clients than all other Federal management and technical assistance programs combined. Forty-one percent of our counseling clients are women and 43 percent of our training attendees are women. Thirty-one percent of our counseling clients are minorities and 21 per cent of our training attendees are minorities. Ten percent of our counseling clients are veterans. We understand that the real percentage of veteran clients is higher than that, but many veterans do not self-declare.

We are grateful to Chairman Manzullo for requesting a cost of living increase for the SBDC national program for FY 2007 in his Budget Views and Estimates letter to the House Budget Committee. However, that request, as helpful as it may be, will not make up for the past five years of level or declining funding.

If we are to generate jobs for our nation's young people coming out of colleges and universities and high schools, we must stimulate job growth. The cost per job created by SBDC in-depth counseling clients, including Federal dollars and non-Federal dollars, is $2,439 per job. We would challenge this Subcommittee, members of the Budget Committee or the Appropriations Committee to find many Federal jobs programs that could approximate that cost per job created. Most state economic development agencies consider $10,000 per job to be a successful program.

When I first came to Washington in 1974, SBA received <u>six-tenths of one percent</u> of Federal resources. Today that number is about <u>three one-hundredths of one percent</u> of Federal resources. I do not think, and hope that you do not think, that that is a fair allocation when you consider that small businesses generate 52% of our nation's Gross National Product.

The fastest area of entrepreneurial growth is among women and minorities, an area where we have a demonstrated experience, expertise and success. SBDCs work with these under-served populations. SBDCs have specialized programs for minorities, women, veterans, people with disabilities, 8(a) firms, individuals in low or moderate income urban and rural areas and individuals in HUB Zones and Empowerment Zones. We believe we are doing a highly commendable job. And we know we could do so much more with adequate resources.

ASBDC is deeply concerned about the impact that call-ups of Guard and Reserve units are having on tens of thousands of small business owners. We believe the SBDC program can help assure that when these young men and women return home, their businesses will still be viable. But we cannot address these needs with ever declining capacity.

The challenges facing the network are many. One in every 10 Americans is today considering starting a business. In the face of ever increasing demand for services, the capacity of this remarkable educational infrastructure is declining due to declining Federal resources. It will take $110 million to restore most SBDC programs in the national network to the capacity they had just a few years ago. This is the figure approved by the Senate last year. Unfortunately, that figure was sharply reduced in conference. If Congress does not support a meaningful increase in funding to approximate the FY 2006 Senate-passed figure, the result will continue to be fewer businesses served, fewer jobs created, fewer sales, and fewer state and Federal tax revenues generated.

We believe the American people and the nation's 25 million small business owners deserve better. This Subcommittee and the members of the full House Small Business Committee have historically been advocates for the SBDC national program on a bi-partisan basis. We ask that you become advocates again so that together we can reverse the decline in this remarkable program's capacity to serve our nation's entrepreneurs.

Chair Musgrave, we again thank you and the Subcommittee for inviting ASBDC to testify. We hope you will carefully consider our concerns.

At this time I would be pleased to try and answer any questions you or other members of the Subcommittee might have.

STATEMENT
OF
THE ASSOCIATION OF WOMEN'S BUSINESS CENTERS

PREPARED BY

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AND

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MARCH 2, 2006

HOUSE SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT AND GOVERNMENT PROGRAMS OF THE COMMITTEE ON SMALL BUSINESS
HEARING ON OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S ENTREPRENEURIAL DEVELOPMENT PROGRAMS

Background of Women Entrepreneurs of Baltimore, Inc.

Women Entrepreneurs of Baltimore, Inc. (WEB) is a 501(c)(3) organization that was founded in 1989 in response to then-Mayor Kurt Schmoke's request of the Baltimore City Commission for Women to find ways to increase the economic status of women in Baltimore City. According to census data at that time, 36% of all Baltimore City heads of household were single females; and, 54% of those lived below the US federal poverty level.

Members of a task force of the Commission went about identifying and meeting with small groups of women in some of Baltimore's poorest communities. The task force wanted to understand the skills the women had, what kinds of jobs they had, if any, what their challenges were with respect to employment, etc. After meeting with hundreds of women, the task force discovered that an overwhelming number of women eked out a living through their own "kitchen table" businesses. In fact, the entrepreneurial spirit was alive and well in these low-income communities.

Further, they learned that the same issues kept popping up as barriers to growing or expanding their businesses. These barriers were:

- Lack of knowledge or skills in marketing, financial management, etc.

- Lack of experience running a business
- Lack of capital
- Lack of networks in the larger community
- Lack of knowledge or access to expertise in law and accounting
- Lack of business machines, a space to do business and other essential resources
- Many social issues such as inadequate housing, poor health care, no child care, etc.

After recognizing that these same barriers were sited over and over again, the task force members decided to spin off from the Baltimore City Commission for Women to launch a new non-profit entrepreneurial development organization. They designed the program to specifically address each of the barriers that were identified in their meetings with their target market. Hence, WEB was founded with the following program design:

- 12-week comprehensive Business Skills Training Course
- Mentoring by volunteer experienced women entrepreneurs
- Microloan fund
- Community Networking & Partnerships to "mainstream" the women and their businesses
- Professional Business Consultations by volunteer attorneys, accountants and marketing specialists
- Resource sharing to enable women to utilize the resources that were available in the community and fully utilize idle resources
- Assistance with social issues so the women could remain focused on their businesses

Incorporated in 1989 WEB was created and designed to specifically address the needs of very low-income in Baltimore City.

Since its inception WEB has expanded to provide entrepreneurial skills training, technical assistance, access to capital, access to markets, computer and Internet training, assistance with government certification and procurement, assistance with social services and serves both women and men across the state of Maryland.

WEB's Experience with the Women's Business Center Program

WEB was funded by the SBA's Office of Women's Business Ownership under the Women's Business Center Program in 1997 as a new Women's Business Center and in 2002 as a Sustainability Center. Since that time nearly 1000 women have benefited from intensive long-term training, one-to-one business counseling, workshops, seminars, peer lending groups, access to microloans, social service support, information and referral and other program activities. Thousands of others have benefited from shorter term program activities.

WEB's customers range from women who are contemplating starting a business to women who have been in business for many years; from low-income women struggling to become economically self-sufficient to women who are interested in enhancing their profitability and creating good jobs for other women; from home-based service businesses to manufacturing operations; from traditional crafts to technology-based enterprises. They are brought together by their desire to build their management skills and the importance that they place on being part of a program that is targeted to women.

WEB's approach is characterized by innovation, flexibility and interaction. Innovation comes from working closely with customers to develop services for existing women business owners, such as peer groups and developing services, such as training and technical assistance in uses of the Internet and E-commerce, to help women business owners remain competitive in the 21st Century. Flexibility is evidenced by a willingness to design programs specifically to meet the needs of more experienced business women or to design a program to address the growth needs of women who graduated from our intensive business skills training course and are ready to grow their business but aren't sure about how to mitigate the risks or to provide technical assistance on-site at a business. Interaction comes from designing the curriculum to include group exercises, games and role-playing to maximize interaction and facilitate peer support and networking.

In sum, WEB has developed its Women's Business Center in the context of the Maryland economy, building on its experience-based understanding of the needs of women business owners and the explicit need for targeted services for women business owners in Maryland. WEB is customer-driven and provides innovative services that fill unmet needs and complement Maryland's other technical assistance services.

Background: Association of Women's Business Centers

The Association of Women's Business Centers (AWBC) is a national not-for-profit organization representing women business owners and women's business centers. The AWBC was founded to support entrepreneurial development among women as a way to achieve self-sufficiency, to create wealth and to expand participation in community economic development through educational, training, technical assistance, mentoring, development and financing opportunities. The vision of AWBC is a world where economic justice, wealth and well-being are realized through the collective leadership and power of successful entrepreneurial women.

As an organizing force of women's business centers and women business owners, the mission of the AWBC is to develop and strengthen a global network of women's business centers to advance the growth and success of women business owners. The AWBC builds the capacity of women's business centers, develops public and private resources to support member centers and the women business owners that they serve, advocates on behalf of women's business centers and women business owners and otherwise promotes women's business development nationally and internationally.

History and Impact of the Women's Business Center Program

The Women's Business Center Program began as a demonstration program created by Congress in 1988 as a response to women's organizations that presented evidence to Congress that women continued to face discrimination in starting and running small businesses. A leveraged federal investment in women's economic development, the Women's Business Center Program, quickly demonstrated its value and has enjoyed consistent, widespread, bi-partisan support from Congress. The Program has grown from four to 104 Centers.

Seminal research by the National Women's Business Council[1], the Center for Women's Business Research[2], the US Census Bureau[3]and the Association of Women's Business Centers[4] validate the breadth and depth of the women's entrepreneurial market in the United States. This body of research builds the quantitative and qualitative case that women in enterprise development are a strategic and visionary solution for economic improvement.

Composite data from these studies provide specific economic growth detail.

- As of 2004, there were 15.6 million majority-owned, privately held women-owned firms, 48% of which were privately held firms by women who employ 19.1 million workers.
- By 2004, women business owners employ a gender-balanced workforce, 52% women and 48% men.
- Aggregate sales in 2004 of the majority-owned, privately held women-owned firms totaled $2.5 trillion dollars.
- Between 1997 & 2004, privately held women firms diversified into all industries with the fastest growth in construction, transportation, communications, public utilities and agriculture.

Consistently, the AWBC and the network of WBC's are the training grounds for women's entrepreneurship in the US:

- By January 2005, there were well over 125 WBC's throughout the United States as well as women business resource centers abroad that continue to train women.
- During the three years from 2001-2003, the businesses counseled by Women's Business Centers generated an estimated impact of $500 million in gross receipts on an investment of $37 million. Producing a staggering return on investment!
- Since 1989, U.S. Women's Business Centers have collectively served over 500,000 clients.
- The Women Business Centers in the United States annually train over 100,000 entrepreneurs. In 2003 alone, Women's Business Centers trained over 106,000 clients.
- Women's Business Centers have an average of 79 client visits per month, ranging as high as 350 clients per month. On average, centers serve just fewer than 950 clients annually.
- Demand for Women's Business Centers services is rising; 75% of centers noted an increase in monthly client visits in 2004.
- During 2001-2003, the number of women entrepreneurs served *nearly* doubled- a 91% increase.
- During 2001-2003, the number of new firms created by WBC's increased by 376%.
- Approximately 50% of Women's Business Centers are co-located with another organization; 38% are part of a local economic development organization.
- The average WBC budget is just under $750,000 but the median budget is $320,000.
- Women's Business Centers serve women of color at a rate far higher than their prevalence in the general population; 42% of clients served are women of color.
- WBC's serve an economically disadvantaged population; on average, Centers report that 67% of clients served are in a household income bracket of less than $50,000.
- Women's Business Centers produce entrepreneurs; 60% of clients assisted are currently leading a start-up business.

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[1] National Women's Business Council, *Analyzing the Economic Impact*, September 2004

[2] Center for Women's Business Research, 2003 and2004

[3] US Census Bureau, 2004

[4] The Center for Women's Leadership at Babson College and the Association of Women's Business Centers, *The Impact and Influence of Women's Business Centers in the United States*, April/June 2005

- WBC's continue to provide critical entrepreneurial support, technical assistance and access to finance and markets in a constrained financial and staffing resource environment.
- In a safe, comfortable, relationship-oriented setting, staffed primarily by other women, women's business centers succeed in attracting clients and delivering a valuable entrepreneurial learning experience.
- The success of these Women's Business Centers is clear as the majority of clients form businesses and maintain their connections to the Women's Business Centers, creating a cycle of business connection, mentoring, and value creation.

Current Outcomes: WBC's deliver on their promise:

- Between 45 and 60% of economically disadvantaged people entering the WBC program, were no longer in poverty a year or two later.
- Studies of micro-enterprise programs, such as the Women's Business Centers, produce a return to society of two dollars to every dollar invested over 1 to 5 years.
- The 2 to 1 ROI does not account for the additional economic benefits of increased taxes paid by entrepreneurs and their businesses.
- Although many microenterprises are self-employment businesses, many others hire 10 to 20 employees.
- In addition to the jobs these businesses are creating, the tax base is bolstered through increased personal income, retail sales, personal property and corporate taxes.

There is no doubt that the investment of public funds in the Women's Business Center Program has generated a significant return that has benefited the country in general. One way to understand this is to look at the level of appropriations relative to the level of activity. In 1995, Congress appropriated $4 million for the program, and in 2003, there was an appropriation of $12.5 million, an increase of 312 percent. During that same period, however, the number of clients served increased more than 1600 percent, from 8000 in 1995 to over 134,000 in 2003. That the services delivered to clients leads to income, employment and, of course, ultimately tax revenues has been discussed.

The structure of the Women's Business Center Program has also changed as it has grown. The Program was initially conceived as a demonstration with three-year funding and an expectation that Centers would graduate to other funding. In 1997, the Program was made permanent and funding was extended to cover a five-year period. In 1999, with the overwhelming support of Congress, the Program was changed again to incorporate a sustainability pilot program that allowed Centers to apply on a competitive basis for an additional five years of funding.

The creation of the Sustainability Pilot Program is the result of the recognition of several important points. The first is the importance of the Women's Business Centers in providing essential services to a significant and growing market of women who want to be business owners and who also want to be part of a program targeted to women. Secondly, it acknowledged the importance of the SBA's role as a funder. Not only does the SBA contribution provide an important foundation from which Centers can build, but the SBA brings credibility to the work of the Centers and its funding serves as a catalyst for raising the necessary matching funds. Finally, it acknowledges the value of the investment made in the existing Centers and the need to sustain the infrastructure so painstakingly constructed over the life of the program.

The Sustainability Centers have demonstrated their capacity to deliver the program in conformance with the program's goals and purposes. That means more than just delivering technical assistance and training; it also means that they have developed the skills and expertise of their staff, that they have established solid reputations in their communities and that they have developed the relationships and partnerships needed to sustain their organizations over a long period of time. The importance of experience and longevity to a Center's capacity and the likelihood of achieving significant economic impacts were also addressed in the NWBC report. The researchers found a strong correlation between success and the length of operation of a Center. In these times of fiscal restraint, it is more important than ever to make each dollar invested count. Both common sense and the NWBC research point to the same conclusion: investing in the infrastructure of the WBC program, including those Centers with proven track records and experience is an investment that is worth preserving.

Responses to the President's FY2007 Budget request for the SBA:

In their brief history, Women's Business Centers have become a key SBA Resource Partner. They have been acknowledged as an integral component of the SBA's primary infrastructure, being highly effective and having established a well-developed infrastructure

The following recommendations and comments are designed to support and sustain the Women's Business Development Centers, affirming their demonstrated effectiveness as an essential source of assistance for women business owners and their role as a key element of the SBA's infrastructure.

1. Appropriations

The President's budget recommends that the Women's Business Center program be funded at $11.88 million in FY2007. We appreciate the fact that the program was included in the President's budget even as many other programs with demonstrated impact, such as the SBA Microloan and PRIME Programs, were recommended to be eliminated. Nonetheless, we are deeply concerned about the proposed decreased level of funding and its effect on the program.

The program experienced a decrease in funding last year of $500,000. With that exception, it had been funded at the same level for the past four years. Another year of decreased funding will mean a further reduction in funding for individual Centers. Quite apart from the effect of inflation and increasing costs of operation, new Centers have been added to the program, spreading even further the limited available resources. The result has been a significant and detrimental reduction in funding for individual centers. From a macro level, there are obvious inefficiencies: a higher number of program grants to manage, a higher number of programs having to fulfill the myriad administrative requirements that the SBA imposes upon each WBC; and, overall less client-driven activities and more administrative activities per dollar as the number of funded Centers increases while the total appropriation decreases. Currently, the program is so administratively intensive that as the amount of each cooperative agreement decreases, it becomes increasingly debatable as to whether or not it is worth an individual Center's time.

The AWBC is requesting that funds be appropriated consistent with current authorized levels: $16.5 million. This is the level of funding needed in order to meet current commitments and possibly to continue to grow the program to meet unmet demand in areas currently not served by the program. This

level of funding would also be more in alignment with the administrative requirements for each individual Center.

Even in times of fiscal restraint, we feel able to request full funding, because of the documented impact of the program. Funding for the Women's Business Centers is an investment in the country's small business economy. The returns are the businesses started, strengthened and expanded, the jobs sustained and created, and the income generated by the growing number of women owned businesses served by the program. As noted above, the National Women's Business Council issued a report in July 2004 entitled: Analyzing the Economic Impact of the Women's Business Center Program. The research drew on data from the SBA's Office of Women's Business Ownership from 2001, 2002, and 2003. Among other things, the report revealed that the WBCs generated a substantial economic impact. In 2003 alone, the WBCs generated $407 million in gross receipts, started 3,578 new businesses and created 6,493 new jobs. By any measure, this is a significant return on investment. The report also noted the long lead-time needed to develop a small business. In other words, we can look forward to even greater returns in the future from dollars invested to date.

2. Sustainability

In 1999 Congress overwhelmingly supported the creation of Sustainability Centers, e.g., enabling those Centers who had completed their first five years of funding to apply for renewal grants. Under the initial legislation, a funding allocation was established that was designed to ensure that appropriations would be distributed equitably among new, current and sustainability centers. The percentages were held constant over time while the authorization levels increased modestly to accommodate program growth.

Unfortunately, as noted above, the level of funding has not increased, while the number of Centers eligible for sustainability has grown. The combination of the funding formula and flat funding, individual sustainability centers experienced budget cuts of between 57 and 62 percent the year before last. Some centers were compelled to close; others reduced staff and struggled to cut expenses. Regardless of the decisions that were made, the impact was a loss of skilled professional capacity and a reduction of services.

Why do we care so much about sustainability? In order to be funded as a Sustainability Center, a WBC has to have demonstrated its capacity to perform and its ability to meet the program's goals. The NWBC reported cited above also found that years in operation were highly correlated with success. In other words, the greatest return on investment is most likely to come from those Centers with the most experience. Further, positive economic impacts were generated through the efforts of Centers to respond effectively to the needs of their local markets and their targeted populations. As the report noted, this is a hallmark of program sophistication and integration, and a function of experience. Particularly in times of fiscal restraint, it is essential that the return on public investment be maximized. Clearly, support for the Sustainability Centers is one way to achieve this.

The AWBC has long supported the idea of supporting WBCs that are successfully delivering on their performance commitments. We believe all performing WBC's, whether operating under sustainability status or not, should be able to compete for funding if they are indeed meeting performance commitments. After a great deal of effort, conversation and negotiation, the AWBC deeply regrets that 11 performing and highly successful WBC's were not allowed to compete for grant funding in 2005 due

to a misguided interpretation and application of sustainability language. These 11 WBC's operated successfully throughout their tenure as SBA funded WBCs meeting the guidelines and expectations of the WBC program.

In addition to the level of funds appropriated to the WBC program, there are several other issues that will have an impact on the Sustainability Centers. One is the funding formula. In allocating FY2004 funds, only 30.2 percent of funds were awarded to Sustainability Centers, resulting in the reduction of services noted above. In the FY2005 appropriations bill, Congress directed the SBA to allocate 48 percent to Sustainability Centers, an amount that more appropriately relates to the proportion of Sustainability Centers in the overall program.

A second issue relates to the reauthorization of the Women's Business Center program. In the last Congress, legislation was passed in the Senate that would have created the opportunity for WBCs to apply for funding on a five-year cycle subject to performance. On the House side, there was legislation, which unfortunately did not pass, that included a provision for renewable funding. For all the reasons noted above, it is critical that this issue be addressed to provide a sound framework for the program going forward.

In the past, the SBA has expressed a preference for funding new Women's Business Centers as a strategy to encourage innovation and to ensure Women's Business Center services in currently underserved markets. The AWBC has always supported the establishment of new Centers and shares a vision of having a Women's Business Center within reasonable proximity of every woman who wants access to these services. However, for all the reasons cited in this testimony, we do not support the establishment of new Centers at the expense of those who have demonstrated a capacity to deliver the program. It is important that we invest in what has been built and continue to strengthen what has already been tested and proven to be effective.

3. Performance Criteria

The AWBC has long supported the development of performance criteria for the Women's Business Center Program with the goal of ensuring the delivery of the highest quality services possible. As previously noted, the AWBC has as one of its primary purposes building the capacity of the WBCs which it does through the delivery of training and technical assistance, the facilitation of mentoring relationships and the development of resources to support the work of the WBCs.
Two years ago, the SBA developed performance criteria for the WBCs, which have been shared with the Committee on Small Business. These criteria were used to determine levels of funding for the Sustainability Centers in allocating the FY2004 and FY2005 appropriations. Each Sustainability Center was graded on each criterion on a scale of 1-3 and the total score was used to slot the Center into one of three levels of funding. In order to understand how the criteria were applied so that it can support those Centers interested in improving their rankings, the AWBC has asked for information about the standards used in applying the criteria to the Centers. Unfortunately, the SBA has not been forthcoming with information about the standards that they used in determining their scores. Going forward, the AWBC hopes that the SBA will share this information so that we can continue to work together to build on the accomplishments of the program and achieve even higher levels of impact.

4. Authorization

The AWBC is deeply concerned about the proposed decrease in the authorization levels through 2010. The recommendation of decreasing the authorization levels will have a particularly deleterious effect on the WBC program. As a result of the decrease in appropriations we have already lost some Centers while new ones are being funded and had funding cuts across the board for Centers. If the authorization levels fall and appropriations fall in accordance with the authorized levels, the impressive economic growth that the WBC has demonstrated will surely be compromised. In a time of tight funding, we must prioritize programs that serve to drive our economy: The Women's Business Center Program has proven to do just that.

James W. Pyles
Board Chair
SCORE "Counselors to America's Small Business"

Statement
to the
House Small Business Subcommittee on
Workforce, Empowerment and Government Programs
U.S. House of Representatives
March 2, 2006

Madam Chairman and members of the subcommittee: my name is James W. Pyles and I am chairman of the board of SCORE, the Service Corps of Retired Executives, also known as the "Counselors to America's Small Business."

Thank you for this opportunity to testify today. SCORE provides free counseling and low-cost workshops that help hundreds of thousands of entrepreneurs each year live their dreams of small business success. Congressional support of SCORE, which is headquartered in Washington, DC, makes this possible.

First, I'd like to tell you a little bit about myself. I spent 34 years in sales and marketing with the Bayer Corporation, helping to develop a number of well-known national promotions for Alka Seltzer and One-a-Day Vitamins. I was a co-founder of a real estate management firm and a founding director of a local bank, Citizen's Northern Bank, which eventually was acquired by Bank One, now Chase Bank. I joined SCORE as a volunteer counselor in 1996. I've been an active leader in my local SCORE chapter, and I've served on the SCORE Board of Directors, now in my second year as board chair.

I am here at your invitation to offer testimony on the subcommittee's oversight of the U.S. Small Business Administration Entrepreneurial Development Programs, such as SCORE, as well as the fiscal year 2007 budget. I am here on behalf of the more than 10,500 SCORE volunteers who donate their time and talent to serve America's entrepreneurs. Since its founding in 1964, SCORE has helped more than 7 million businesses from idea to start-up to success. Our volunteers, who have more than 300,000 years of total business experience, donated more than 1.3 million hours of service in fiscal year 2005. With an appropriation of $5 million, SCORE costs the taxpayer less than the federal minimum wage per volunteer hour. SCORE represents a very low cost and an excellent value for business advice from successful business men and women. By helping small businesses succeed, SCORE supports job creation in communities nationwide.

SCORE volunteers reflect the communities they serve more and more each day. Today SCORE's counselors include 22 percent women and minority volunteers, up from 20 percent the previous year. The SCORE Board includes 50 percent women and minority directors. SCORE is working to increase the diversity of its volunteer counselor base in order to provide opportunities for all communities nationwide. Locally, SCORE chapters have set goals for diversity to reflect the diverse makeup of the markets they serve.

SCORE relies on both public and private money to fund our services. In addition to the Congressional grant, SCORE raises private funds through The SCORE Foundation to support projects, such as workbooks, disaster relief and chapter grants. This year, the foundation is seeking to raise more than $500,000. All donations are tax-deductible.

The public and private partnership between SCORE and the SBA provides entrepreneurs with the advice and training that SCORE offers along with information about SBA-guaranteed loans. Access to capital continues to be a key need among entrepreneurs. This partnership brings together both education and access to funding that are vital to small business success. SCORE has been a partner with the SBA since its formation. SBA Administrator Hector Barreto is a strong advocate for technical assistance for small business and the importance of mentoring to business success.

Last year, SCORE adopted the new definitions for client services, which were implemented by the SBA across all Entrepreneurial Development resource partners. While this implementation meant significant changes in the way SCORE volunteers accounted for client contacts, SCORE continues to work through the new reporting process at all levels of the organization. As a result of the new client definitions and implementation of the new reporting requirements, SCORE's goal for FY05 was actually less than the FY04 number of clients served. The SBA projected a 20 percent decrease in client activity in FY05. SCORE outperformed that goal, reporting only a 14 percent decline in clients served. It is important to note that we strongly believe that client activity, measured by the previous client definitions, was consistent with FY04 activity.

In 2005, the SBA began a three-year impact study on all Entrepreneurial Development resource partners, including the SBDC and Women's Business Centers. The study represents a response to the Office of Management and Budget's Program Assessment Rating Tool, or PART. The survey methodology was approved by OMB. Through PART, the OMB conducts systematic reviews by a third party of all federal programs. The impact study from 2004 shows that SCORE, SBDC and Women's Business Centers serve distinctly different sections of the small business market. Nearly 73 percent of the clients surveyed said that the information they received from SCORE was of high value and that the counselors they spoke to were effective at meeting their needs. The results from the 2005 impact study have yet to be released.

SCORE remains concerned about the dramatic increase in the SBA's reported cost to operate the SCORE program. In 2001, the SBA allocated a total cost of $9.8 million to SCORE including direct cost, indirect costs and administrative overhead . For 2006, the SBA reports a total cost of $17.4 million and estimates a cost of $19 million in 2007.

This represents an increase of nearly 94 percent in just seven years. During this time, SCORE's appropriation has remained at $5 million and SCORE has experienced no measurable increase in support at the SBA headquarters or in any of the SBA district offices. In fact, according to many SCORE chapters, the support received from the SBA district offices is less than in 2001. Additionally, there has been no corresponding increase in clients served that can be attributed to the substantial increase in SBA costs allocated to the SCORE program. We continue to question the SBA, without success, on the results of their cost allocation process and its methodology. We are very concerned that the cost allocation for SCORE, and possibly other SBA resource partners, is inaccurate. The dramatic increase in cost with no corresponding increase in output or outcome wrongly indicates that the program is becoming less efficient over time calling into question SCORE's operating methods and its future. The results of the current cost allocation process do not reflect well on both SCORE and the SBA, and the process should be reviewed in detail.

With just 14 paid staff members in Washington, DC, SCORE is entirely managed in the field by volunteers. Some chapters contract for temporary clerical support to offset the increased administrative burden that is required. While SCORE understands and supports SBA data collection requirements, its implementation has increased the administrative burden on SCORE chapters.

SCORE developed a Web-based reporting system called WebIt to meet chapter needs for data collection, in addition to providing electronic reporting to the SBA. SCORE spent on its development about $250,000 covering vendor costs or about $2.8 million, which includes both vendor costs and the estimated value of SCORE volunteer time. We are working with the SBA so that they will be able to accept the electronic transfer of SCORE data. The data standards we are using were established by following SBA guidelines.

Through WebIt, counselors and clients are able to enter their information directly over the Internet, thus lessening the chapter's workload and increasing the accuracy of data supplied to SCORE. The value to the client is easier access to forms, including an online Request for Counseling form. In addition, chapters using WebIt have an outstanding database to use for marketing, follow-on sessions and communications with their clients.

Last year, all of us at SCORE were deeply saddened by the loss and devastation of the Gulf Coast hurricanes. SCORE responded to this disaster by expanding outreach to small businesses along the Gulf Coast. SCORE CEO Ken Yancey recently met with SCORE volunteers in that area. The businesses in the affected area continue to need SCORE's help to re-establish their operations.

Immediately following Hurricane Katrina, SCORE conducted weekly calls with local chapters to discuss support for business owners. Volunteers at SCORE's local chapters, some of whom lost homes or suffered hurricane damage themselves, also increased their efforts to help. Atlanta SCORE volunteers assisted more than 200 evacuees at four rescue

centers that were set up shortly after the disaster. SCORE had 17 volunteers working at these centers—some of them working six and seven days a week providing counseling.

Baton Rouge SCORE volunteers provided counseling at SBA disaster recovery centers. The chapter formed a Hurricane Katrina Task Force to react to the local community's needs. SCORE volunteers were trained by the Louisiana State University Small Business Development Center on disaster loan programs.

New Orleans SCORE continues to provide services on a limited basis. Many of the New Orleans volunteers are working out of Baton Rouge. Both chapters ran local newspaper ads letting small business owners know that counseling is available.

Gulf Coast SCORE in Biloxi, MS, suffered a total loss of their office. The chapter is now open in a temporary location and assisting clients two to three days a week. Chapter Chair John Philo says it best: "I am very proud of our volunteers, who continue to do an exceptional job even under very trying circumstances."

Finally, by using the Internet, SCORE acted quickly to provide up-to-date disaster relief information and resources online. Within three days of Hurricane Katrina, SCORE re-launched its Web site with recovery information, mentoring resources, and FEMA, state and other links to help hurricane victims. For the next three months, SCORE updated information on a weekly basis and created prominent access points for SBA loans and disaster assistance. SCORE has continued to support disaster relief through February with instant home page access to the latest disaster recovery resources.

In addition to free face-to-face counseling and low-cost workshops at local chapters, SCORE offers free online information on how to start, manage and grow a business. The SCORE Small Business Web Site is often the first choice of entrepreneurs who seek information about SCORE. Last year, more than 1.3 million people visited www.score.org, up from 405,000 people in the year 2000. SCORE's online counselors conducted nearly 100,000 email sessions. More than 170,000 people visited SCORE's Web site in January of this year. SCORE's 1,300 online counselors provide expert advice in more than 600 business areas. In addition, SCORE provides information, articles and business research for women, minorities, Hispanics, young entrepreneurs and veterans. Later this month, SCORE will re-launch these sections with expanded content, links and resources. More than half of SCORE clients are women and minorities.

SCORE was honored for Web site excellence with a prestigious Webby Award from the International Academy of the Digital Arts and Sciences in 2005. Last fall, Google awarded SCORE with a grant for an online AdWords campaign to build awareness about SCORE. And, thousands of visitors to the SCORE Web site continue to sign up for one of SCORE's monthly eNewsletters. *SCORE eNews*, which offers the latest trends and resources to help small businesses succeed, reaches nearly 65,000 subscribers. More than 38,000 people receive *SCORE Expert Answers*, which provides marketplace trends and advice from small business experts and industry leaders.

As an armed forces veteran and former small business owner, I know how important SCORE mentoring is for entrepreneurs called up for or returning from active duty. SCORE works closely with Walt Blackwell, the president & CEO of the Veterans Corporation, as well as the National Committee for Employer Support of the Guard and Reserve. Last year, SCORE created a special online center for veterans, National Guard and reservists to centralize information on resources to assist them, including loan programs, Veteran Business Outreach Centers and information about mentoring. SCORE counselors are prepared to help small business owners leaving for and returning from active duty with business readiness plans, emergency loan applications, business recovery and other business issues. Veterans and National Guard and reserve members can seek 24/7 online business advice by selecting the keywords "veteran" or "national guard & reserve."

SCORE volunteers across the country also help members of the military in their communities. Mike Baron, founding chair of the newly-formed Brooklyn, NY Chapter, provides online counseling to Eric Aslakson, an active duty Army officer currently in Iraq who is researching business opportunities for his transition to civilian life. A team from Silicon Valley SCORE and Santa Cruz County SCORE counseled John Ferrara, a small business owner and Guardsman who was recently deployed to Iraq. SCORE Counselor Louis J. Celli, Jr., founded The New England Veterans Business Resource Center. He also started Leaders Advantage, which counsels troops in Iraq via email. Louis was named a U.S. Small Business Administration 2005 Veteran Business Champion for New England. Buffalo Niagara SCORE waives workshop fees for veterans and members of the National Guard and Reserves. California SCORE chapters have formed an alliance with the California National Guard. And, Nebraska SCORE chapters have a similar partnership with the Nebraska National Guard.

SCORE has continued to grow as an organization to better serve its clients. Today SCORE has 389 local offices with more than 800 additional branches to better serve the community. SCORE's online counseling continues to improve and now represents nearly 25 percent of SCORE's total services. SCORE chapters develop, lead and promote workshops on how to start, grow or manage a small business. In fiscal year 2005, SCORE's expert volunteers counseled more than 300,000 entrepreneurs and provided nearly 6,800 workshops and seminars for more than 115,000 people. Most small business owners cannot afford high-priced seminars. For a small fee, typically $30-70, they can learn valuable tips and information to help their business grow.

SCORE is committed to client satisfaction through the delivery of high-quality services by each SCORE chapter. SCORE's formed a task force to set goals for chapter leaders to achieve excellence in operations. The task force consists of 13 SCORE district and chapter leaders who represent both large and small chapters and markets. Members have collaborated on recommendations in the areas of chapter administration and operations, community awareness, chapter leadership and planning, and counselor excellence. Last year, the SCORE Board approved Chapter Minimum Standards that all SCORE chapters will follow and maintain to be in good standing. The Criteria for Excellence, which is based on the Malcolm Baldrige National Quality Award, helps chapter leaders to better

assess all aspects of their organization while offering a roadmap of options to improve effectiveness.

SCORE clients who build long-term mentoring relationships achieve great success with the assistance of SCORE counselors. SCORE developed a 5-Step Counseling Process to provide a framework for counselors that focuses on providing clients with a rewarding SCORE experience. By focusing on the methodology and the high-quality skills of SCORE counselors, SCORE provides every client with the best opportunity to succeed. And, the experience and enthusiasm demonstrated by each SCORE volunteer helps to maintain high quality business counseling and services.

SCORE's strategic plan focuses on serving more clients. We are working to meet clients on their terms by offering evening hours, more branch locations and a national Web site that offers quick access to SCORE services and business resources. In New York City, SCORE established a Brooklyn chapter that has three branches at the local Chamber of Commerce, a state senator's office and the Caribbean-American Chamber of Commerce. We are reaching out nationwide to serve more people with expert mentoring and advice.

SCORE is working diligently to increase nongovernmental funding. SCORE is a valuable service with dedicated volunteers who donate their time to serve America's small businesses. We appreciate the continued federal grant and your support in a challenging budget environment. Since 2000, SCORE has been level-funded at $5 million. With rising costs and a desire to modernize operations, we request that the committee consider the following funding: $7 million for 2007, $8 million for 2008 and $10 million for 2009. This funding will allow SCORE to complete a technological infrastructure to better serve clients using the Internet as a portal, develop online training and increase efforts to recruit diverse counselors.

As a national network of volunteers, SCORE does not have a nationwide technology infrastructure. As use of the Internet has matured, SCORE is now in a position to establish a Web-based "One SCORE" system for both clients and counselors. SCORE can become more efficient by developing this software, databases and Web interface to better manage our chapters, infrastructure and operations. For clients, a Web-based system that integrates chapters would offer an enhanced ability to find chapter locations, contact counselors, attend local workshops and learn about resources of specific interest to the client. Additional funds would provide for the development of the Web architecture to operate this system. Funding for the SBA was reauthorized in 2004, and at that time, SCORE was authorized to receive up to $7 million annually. In the subsequent appropriation process, however, SCORE received only $5 million.

As part of this effort and with the additional funding we request, SCORE will make it easier for volunteers to join SCORE. Prospective volunteers will be able to take part in a standard volunteer orientation and training online. Technology makes it easier than ever to volunteer and learn online. This convenience will attract a more diverse range of potential volunteers to SCORE, and expand the skills and abilities we then can offer entrepreneurs.

Every day across the country, thousands of SCORE's expert volunteers provide high-quality, confidential advice. Through their skills, wisdom and dedication, they support the prosperity of the American economy—and the success of small businesses in your community. SCORE recently launched a new marketing campaign: *Live Your Dream. SCORE Can Help.* We are reaching out to all entrepreneurs nationwide with people-oriented materials that illustrate the aspirations of small business owners to achieve success.

One of the most heart-warming aspects for me about volunteering with SCORE is how we make a difference in people's lives. Our clients say it best. Richard Hale, who was partially paralyzed after an accident ten years ago, owns a trucking company in Illinois. He talks about his SCORE experience: "SCORE Counselor Jim Rilott knew how determined I was to drive again, so he showed me different aspects of the business. He helped me develop a business plan. Then, we went over several different types of funding and I got a start-up loan." Beatriz Bonnet, who owns a language-translation service in Colorado, says, "I go to SCORE Counselor Phyllis Milway with both big challenges and small obstacles—and she's always ready to help me find the answer. She's been a wonderful influence in my life. We're a better company because of her." John Wilhelmsen, who owns a screen printing business in Arizona, says, "SCORE Counselor Irving Kaplan stuck with me the whole way. He taught me how to be my own accountant. I learned more from him than I did in the two accounting courses I took in college."

Chairwoman Musgrave, Ranking Member Lipinski, and members of the subcommittee: that's why we're here: to help local communities and strengthen the economy of our great nation. SCORE appreciates the more than 40 years of successful partnership with the U.S. Small Business Administration. SCORE also 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,
James W. Pyles
Board Chair
SCORE Association

TESTIMONY OF ELIZABETH MANEVAL
OWNER AND PUBLISHER OF WE MAGAZINE
BEFORE THE SMALL BUSINESS SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 2, 2006

Good morning Chairman Musgrave, Ranking Member Lipinski, and other members of the Subcommittee. Thank you for the opportunity to present testimony on the Small Business Administration's (SBA) Microloan Program. My name is Elizabeth Maneval, and I am the Owner and Publisher of We Magazine, an award-winning general interest publication written by women, for women, about women. I am also here today on behalf of the Association for Enterprise Opportunity (AEO) and the Community First Fund.

AEO is the national trade and membership association for microenterprise development in the United States, with nearly 500 member organizations nationwide. The vast majority of AEO's membership consists of microenterprise practitioners, including over half of all SBA Microloan Intermediaries and SBA PRIME grantees. Community First Fund (CFF) is a member of AEO and the SBA Microloan Intermediary that helped me to secure start-up capital for my small business. CFF's mission is to drive community and economic development in the 10 counties of Pennsylvania that it services.

The SBA Microloan Program, the single largest source of funding for microenterprise development in the nation, was created in 1992 to help small business owners in need of small amounts of capital (less than $35,000) that are not yet "bankable" in the private sector lending community. Locally-based SBA Microloan Intermediaries provide credit, training, and technical assistance to microentrepreneurs to help them succeed. Microenterprise technical assistance is typically more intensive to meet the unique needs of disadvantaged entrepreneurs. Conventional sources of business credit, such as bank financing, are often beyond the reach of microentrepreneurs. The SBA Microloan Program continues to solve this problem by funding community-based intermediaries to help microentrepreneurs gain access to credit. To date, Microloan Intermediaries have made over $286 million in loans to more than 20,000 entrepreneurs.

The Administration contends that banks will now lend to Microloan borrowers through the 7(a) Community Express Program, which is just not the case. Microloan borrowers often have FICO credit scores as low as 550, past credit problems, little or no collateral, and lack business experience. Traditional banks will simply not lend to these borrowers, with or without a SBA guarantee. Also, it is important to note that over 40 percent of SBA Microloans go to start-ups while 7(a) loan guarantees require that individuals already be in business anywhere from one to three years.

Despite lending to the riskiest borrowers, the Microloan Program has experienced a default rate of almost zero percent. This accomplishment can be primarily attributed to the countless hours of intensive technical assistance that Intermediaries provide to

Microloan borrowers. The technical assistance acts as a driver for business success and greatly improves the chances for successful business repayment.

As you know, the SBA Microloan Program has been recommended for elimination in the Administration's FY 2007 budget proposal. Based on the continuing business assistance needs of low- and moderate-income entrepreneurs who are not served by the private sector and do not qualify to receive SBA guaranteed loans like 7(a) or Community Express, I respectfully request that the Small Business Committee include the SBA Microloan Program in its Budget Views & Estimates at $25 million in lending capital for the SBA Microloan Program and $17 million for SBA Microloan Technical Assistance.

The SBA Microloan Program played a key role in helping me to achieve my dream of starting a small business which creates, publishes, and distributes a women's general interest and lifestyle magazine. We Magazine is the premiere voice for women in central Pennsylvania which celebrates their diversity, offers valuable information on topics of interest to them, and provides a vehicle in which women and area businesses with products and services targeted to women can promote themselves. Up to 12,000 copies of We Magazine are distributed six times a year to 250 high traffic locations in the Lancaster and Harrisburg areas.

We Magazine, Inc. was founded in July 2002 with the assistance of the Community First Fund which provided technical assistance and a $9,000 loan which I needed for start-up capital. A short time later, the first issue of We Magazine premiered on October 1, 2002. The articles reflect trends and thoughts on a wide array of subjects of interest to women, including health, nutrition, fitness, finance, fashion, arts and entertainment, and personal style. As a one-woman company, I outsource the various tasks involved in the production of the magazine. By outsourcing the photography and editing to design and printing to other individuals or businesses in the community, We Magazine helps to support the local economy and indirectly create jobs.

Since the establishment of We Magazine, Inc., I have continued to receive assistance from the Community First Fund, an SBA Microloan Intermediary which provides much needed business assistance to microentrepreneurs in central Pennsylvania. On subsequent occasions, I was able to secure two additional Microloans from the Community First Fund that responded to my applications very quickly due to a system it established to provide answers in a couple of weeks instead of a couple of months. The timing in which financing can be obtained is frequently a critical matter for small businesses such as mine. The additional Microloans were used as working capital in order to grow my business and maintain the continued viability of We Magazine by improving the quality of the publication. Without the SBA Microloan Program and Microloan Intermediaries such as the Community First Fund, I would not have been able to realize my dream of starting a small business that publishes a magazine written by women, for women, about women. If the Microloan program is terminated, many microentrepreneurs will find it difficult, if not impossible, to secure financing to fund their new or growing small businesses.

Therefore, I am deeply concerned by the Administration's proposed elimination of the SBA Microloan Program which would wipe out an essential federal funding source for microenterprise development in the United States and effectively terminate a primary source of business assistance for me and thousands of other underserved entrepreneurs across the country. I respectfully request that the Committee do what is truly best for small business in America by working to ensure that the SBA Microloan Program is provided with funding of $25 million for lending capital and $17 million for technical assistance services.

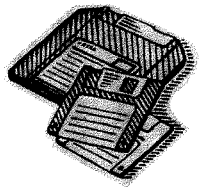
Again, thank you for the opportunity to share with you how the SBA Microloan Program made my dream of starting a small business a reality. I would be happy to answer any questions at the appropriate time.

Paul D. Coverdell Drug-Free
Workplace Program

Drug-Free Workplace Program

- Established by the Drug-Free Workplace Act of 1998
- Renamed Paul D. Coverdell Drug-Free Workplace Program in 2000 in memory of late Senator who co-sponsored the Act
- Only federal program geared toward eliminating drugs and alcohol abuse in the workplace

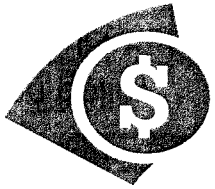
Elements of a Drug-Free Workplace Program



- Written policy
- Drug & alcohol abuse prevention training
- Drug testing
- Employee assistance program
- Continuing alcohol & drug abuse prevention education

Act permits SBA to:

- Award funds to intermediaries & SBDCs to assist small businesses financially & technically in establishing drug-free workplace (DFWP) programs



What is an intermediary?

- Organization that has at least two years experience in carrying out DFWP programs
- Has its own DFWP policy in effect
- Develops comprehensive DFWP programs or supplies DFWP services
- Examples of intermediaries: drug testing firms, EAPs, occupational medicine clinics, & non-profits such as Drugs Don't Work; Councils on Alcoholism & Drug Abuse

SBA's Federal DFWP Partners

- White House Office of National Drug Control Policy (Drug Czar)
- Working Partners for an Alcohol- and Drug-Free Workplace (DOL)
- Substance Abuse and Mental Health Services Administration (HHS)

How do intermediaries & SBDCs help?

- Educate small business employers, supervisors, & employees on the benefits of a DFWP
- Educate parents on how to keep their children drug-free
- Provide financial assistance to small businesses as they set up DFWP programs – includes: free or reduced costs for training sessions, management consultants, EAP services, and/or drug testing

Help - continued

- Provide technical assistance to small businesses starting DFWP programs – includes: performing needs assessments, writing/reviewing policies & procedures, providing consultation to management on program development, providing consultation to supervisors on when & how to enforce the DFWP policy and how to make referrals to drug testing or EAPs

DFWP Difficult to Promote to Small Business Community

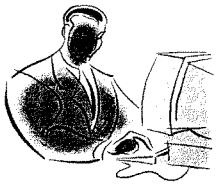
RESOURCES:

- No human resources office
- Time is spent on immediate issues such as payroll
- No knowledge of connection between DFWP & business' bottom line

ATTITUDES:

- Denial – "If my business had a drug problem, I'd know about it."
- Personal entanglements w/employees
- Disloyal to test seasoned employees

More Difficulties



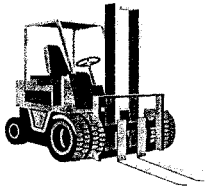
- No requirement for DFWP (except those who must comply w/DOT regs or are federal contractors)
- Few states have financial incentives (such as reduced worker's compensation premiums and/or preferred vendor status

10

Connection between DFWP & Bottom Line

- Increased productivity
- Increased morale
- Decreased absenteeism, tardiness, & employee turnover
- Decreased theft
- Decreased accidents & worker's compensation claims

DFWP Best Practices

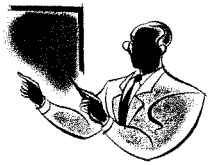


- Targeting specific business sectors – forestry, construction, manufacturing, warehouse, hospitality
- Video-conferencing, on-line training, on-line policy development
- Bilingual web sites & bilingual training materials
- Distributing materials at trade fairs
- 1-800 business advisory lines
- Billboard campaigns
- Guests on local TV and radio call-in shows

Partnerships

- Trade associations
- Chambers of commerce
- Minority supplier development councils
- PR firms
- Insurance companies
- Banks that process SBA loans
- Law firms
- Local National Guard Counter-Drug Programs

Creative Training Sessions



- "Hold the Dope: A Program for Creating Drug-Free Restaurants"
- "Methamphetamine: They Say Meth Won't Kill You, But You'll Wish It Had"

Difficulties with Parent Component

- Many small business employers do not want to take time from work to educate employees who are parents – state this is a personal issue that does not belong in the workplace.
- Other employers are willing to have training sessions for parents, but the parents don't want to attend because "everyone will think my kid has a drug problem"

Parent – Best Practices

- Grantees incorporate parent training into employee drug-free workplace training – not just parents are involved in keeping children drug-free – nearly every employee has a connection to a child – as a grandparent, aunt, uncle, coach, etc.
- On-line parent education
- ONDCP Anti-Drug Campaign

DFWP Statistics- 3 years

- 32,267 businesses were educated on the benefits of DFWP programs
- 85,464 working parents were educated on how to keep their children drug-free
- 9,916 businesses received financial assistance
- 30,662 businesses received technical assistance

DFWP Programs

- 4,014 small businesses established drug-free workplace programs
- Most claim they would not have done so without financial & technical assistance from SBA's Coverdell DFWP Program

DFWP Database

- http://aap1.sba.gov/sbdc
- Userid & password required
- Recipients insert quarterly stats
- Generate reports
  - Individual recipient
  - All intermediaries
  - All SBDCs
  - All recipients

SBA DFWP web site

www.sba.gov/news/drugfree

Attachment A

DFWP Statistics for Paul D, Coverdell Drug-Free Workplace Grant

September 17, 1999 – December 31, 2005

Number of small businesses financially assisted	1,796
Number of small businesses technically assisted	1,699
Number of small businesses that implemented a complete DFWP Program (all 5 elements)	709
Number of small businesses that implemented a partial DFWP Program (less than all 5 elements)	45
Number of small businesses educated	12,588
Number of employees educated	17,026
Number of supervisors educated	3,955
Number of working parents educated	10,400
Number of brochures distributed	43,742

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