



Testimony of

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

U.S. House of Representatives

Committee on Small Business:

Supporting America's Startups: Review of SBA

Entrepreneurial Development Programs

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Testimony of Corinne Hodges: *Supporting America's Startups: Review of SBA Entrepreneurial Development Programs*

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

The Association of Women's Business Centers (AWBC) supports the national network of Women's Business Centers (WBCs) by providing training, mentoring, programming, and advocacy with the goal of improving services to women entrepreneurs. The AWBC's membership includes every WBC throughout the United States. As an advocate for this critical program, it is an honor to be here today.

I would like to thank the Committee for holding this hearing and for the willingness to hear about the progress we are all making to serve American small businesses. Each Small Business Administration (SBA) resource partner provides services in distinct ways, and many of those differences stem from the original statutes that created our programs.

As you know, the Women's Business Center (WBC) program is a public-private partnership with over 30 years of success in providing training, counseling, mentoring, and access to capital to women entrepreneurs across the country. Our network of 114 WBCs reaches into urban, suburban, and rural communities alike to assist America's job creators, particularly the most disadvantaged, in launching and growing their own businesses.

Women's Business Centers are focused on being effective and efficient resources for one of the fastest growing sectors of the economy. Our continued growth leaves an enormous footprint of successful business owners and job creators. In fiscal year 2017 our centers reached more than 148,000 clients and conducted over 93,000 hours of counseling and over 15,000 training sessions in over 35 languages. In 2015, according to the most recently available data, WBCs assisted with nearly \$429 million in private capital infusion.¹ This success is in part a result of the fact that approximately 35 percent of WBCs are co-located with a microlending program and many collaborate with local lenders and microlenders as a way to help more women entrepreneurs access capital.

The WBC program continues to fulfill its Congressional mandate of ensuring that women's entrepreneurial drive is fueled by adequate training, resources, and access to capital to keep the small business engine of the economy thriving. It is the only program statutorily dedicated to serving "economically and socially disadvantaged" women.² Nonetheless, Congress should act to strengthen and modernize the program, in turn supporting entrepreneurial growth nationwide.

History of the WBC Program

¹ From the 2019 CBJ: "Women's Business Centers (WBCs) helped many small businesses work with microlending institutions, helping them access millions of dollars in loans." Pg. 43

https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_19_508-Final-FINAL.PDF

² P.L. 100-533, available at <https://www.gpo.gov/fdsys/pkg/STATUTE-102/pdf/STATUTE-102-Pg2689.pdf>.

The Women’s Business Center Program was created by Congress 31 years ago as part of H.R. 5050 (P.L. 100-533), the Women’s Business Ownership Act of 1988. It was landmark legislation at that time, advancing the women’s business agenda. The legislative history of that bill noted that despite making enormous contributions to the American economy, “women, as a group, are subjected to discrimination in entrepreneurial endeavors due to their gender...adversely impacting the ability to raise or secure capital, to acquire managerial talents, and to capture market opportunities.”³

H.R. 5050 not only established the WBC program, but it also authorized seed funding for WBCs via the SBA, specifying their role in providing technical assistance to women business owners – particularly those who are socially or economically disadvantaged – “from start up to success.”⁴ In its first year, the WBC program received \$2 million and funded four centers. After 10 years, the program grew to 70 centers and \$12 million in funding. Since then, in line with the explosive growth of women entrepreneurship, the program has increased from those four “demonstration sites” to a proven network of 114 grants leveraged to more than 150 locations in 48 states and territories. Unfortunately, resources for the program have not grown in parallel –and the more than 50% increase in centers over the last 15 years has not been matched by a comparative increase in funding.

Throughout its 31-year history the program has continued to be the source for counseling, training, and access to capital for hundreds of thousands of women every year. In the last decade alone, WBCs have served more than two million women entrepreneurs, leading to the creation and expansion of tens of thousands of new businesses and jobs.

The WBC Program Today

WBCs serve women entrepreneurs in every stage of the business continuum. In 2015, the SBA found that WBC client businesses averaged seven years in age and that 15% were start-ups, while 26% were in business more than 10 years.⁵ Many of the training courses offered by WBCs focus on business and financial planning to help clients improve their financial literacy. WBCs also provide direct one-on-one advising to clients and help them access loans, federal contracts, and exporting opportunities.

The services provided to clients have a profound impact on the outcome of their companies, and subsequently their local communities. According to the SBA Office of Entrepreneurial Development (OED) 2015 Report, the most recently released report, 96% of WBC clients reported revenue growth, totaling a staggering \$658 million dollars.⁶ This led to one in ten businesses hiring at least one new employee, creating nearly 25,000 jobs. The annual reviews of the program submitted to Congress by the SBA show that 2015 was not an outlier; since

³ P.L. 100-533, available at <https://www.gpo.gov/fdsys/pkg/STATUTE-102/pdf/STATUTE-102-Pg2689.pdf>.

⁴ HR 5050 <https://www.congress.gov/bill/100th-congress/house-bill/5050?q=%7B%22search%22%3A%5B%22HR+5050%22%5D%7D&s=4&r=1>

⁵ SBA OED 2015 Report, p. 38

⁶ Ibid, p. 39.

FY2010, WBCs have surpassed their SBA job creation and training goals.⁷ In fiscal year 2017, WBCs supported the creation of 17,000 new businesses, nearly 59% above the target set by the SBA. In that same year, WBCs reached over 148,000 small business owners and saw an almost 20% increase in the number of clients advised.⁸

WBCs have played an increasing role in fueling the growth of minority-owned businesses as well; 45% of clients in 2016 were minorities. Focus on minority women entrepreneurship is critical; while the number of women-owned businesses grew 58% from 2007 to 2018, firms owned by women of color grew at a rate nearly three times that, at an astounding 163%.⁹ As of 2018, women of color account for 47% of all women-owned businesses and make up 64% of all new women-owned businesses launched each day.¹⁰ This diversity has been matched by expanded abilities of the centers. 64% percent of WBCs provide programming in two or more languages and overall, WBC services are provided in more than 35 languages.

Beyond providing services in multiple languages, WBCs meet the needs of their communities by offering flexible hours, including weekends and evenings, and allowing children to attend training classes with their mothers. These are particularly important aspects for a program that primarily services women.

This differentiation of services has not impacted the ability of every center to provide high quality training and counseling to all its clients. As the National Women's Business Council (NWBC) found:

Successful outcomes (clients served, businesses started, jobs created) are not dependent on the size, age, or location of the center: rural centers were as successful as those located in urban areas; high poverty locations had as many successful outcomes as did lower poverty locations; and stand-alone centers were as successful as those that were co-located with other organizations.¹¹

One reason why WBCs are able to meet the unique needs of their communities is that centers design their own programs and delivery models with their communities in mind.

Finally, and perhaps most critically, the WBC program has proven to be a good investment of taxpayer dollars. Private sector fundraising, enhanced by the visibility of the SBA partnership,

⁷ U.S. Small Business Administration (2019). FY 2019 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2017 ANNUAL PERFORMANCE REPORT pg. 84 https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_19_508-Final-FINAL.PDF

⁸ Ibid

⁹ American Express OPEN 2018 State of Women-Owned Business Report (2018) pg. 5

https://about.americanexpress.com/files/doc_library/file/2018-state-of-women-owned-businesses-report.pdf

¹⁰ Ibid pg. 6

¹¹ Womenable (2006). The Performance, Progress and Promise of Women's Business Centers in the United States: A Summary of Three Research Studies, p. 2. Available at

http://www.womenable.com/content/userfiles/ResearchinBrief_WBC_studies.pdf

helps to match federal dollars more than three to one.¹² For every one federal dollar invested in the program, the WBC program returns \$46 to the economy.¹³ The proven return on the program is underscored by the key fact that WBCs serve a unique population that otherwise would not receive the targeted training and counseling needed.

Our Role in SBA Services

The WBC program and AWBC work collaboratively with our resource partners. As shared by the testimony of my colleagues, we care most that the entrepreneur is being served—not who is serving them. Often WBCs will refer entrepreneurs to other services, including Small Business Development Centers (SBDCs), Procurement Technical Assistance Centers (PTACs), SCORE counselors, Veterans Business Outreach Centers (VBOCs), Community Development Financial Institutions (CDFIs), and more.

Nonetheless, the WBC program was created because of the need for services that addressed the unique challenges faced by women. While there has been concern that WBCs may duplicate services provided by other resource partners, available data indicates that this is not the case. A study by NWBC found that WBCs saw no difference in outcomes if there was an SBDC located nearby, which indicates that WBCs and SBDCs are not competitive with one another for clients, either because they are serving different populations or because many clients receive services from more than one resource partner.¹⁴ This also indicates the high demand for services. Moreover, latest figures find more than 30 million entrepreneurs in this country, and only 1.5 million receive support from SBA-supported programs. There is more need than can be met by any one of us alone.

In many ways, the nuances and differences of WBCs stem from the statute that created the program. For example, whereas all SBDC are hosted by a university, WBCs can stand alone or be paired with different types of institutions. This flexibility is important. Most WBCs are hosted within a larger economic development organization or university, however, older and, for the most part, larger WBCs are stand-alone organizations which provide a robust diversity of services that often include a variety of sector-specific expertise and access to capital.

The statute that created WBCs expressly requires that the program serve a significant number of economically and socially disadvantaged individuals, including women and minorities—the only resource partner expressly required to do so. As a result, WBCs make concerted efforts to reach underserved populations. A recent AWBC survey found 64% of visitors were economically

¹² AWBC 2013 Economic Impact Survey (latest available data). The survey found average center revenues to be \$635,668, of which a maximum could be \$150,000 from SBA.

¹³ SBA OED 2015 Report, p. 39. In 2015, the program received \$14.5 million in federal funding and generated \$658 in revenue growth for client companies.

¹⁴ Womenable (2006). The Performance, Progress and Promise of Women's Business Centers in the United States: A Summary of Three Research Studies, pg. 3. Available at http://www.womenable.com/content/userfiles/ResearchinBrief_WBC_studies.pdf

disadvantaged.¹⁵ Data from 2006 showed that two-thirds of clients reported a total household income below \$50,000, and fewer than 50% had a high school education.

What makes WBCs unique is the depth and breadth of their services. Women come to WBCs because they address four critical issues: competence, confidence, capital, and connection. Women view their local WBC as a trusted advisor and partner for the lifetime of their company. A study of WBC clients done by the Center for Women's Business Research found that, aside from general business management information, gaining financial management skills, and learning about the legal aspects of organizing a business, what the clients valued highly from their experience in the center was finding a community of other women with whom to build relationships. According to survey data, interest driven programming and a focus on relationships, such as mentorship, are critical to overcoming both situational and cultural barriers faced by women attempting to start businesses, particularly those that are economically and socially disadvantaged.¹⁶ It is clear from client testimonials that WBCs provide a safe place to learn, peer support, mentoring opportunities, and a sense of community that optimizes the training and technical assistance provided. The result is real economic impact felt by the client and their community.

Take for example, Janay Brower, a client of Grand Rapids Opportunity for Women, the WBC which services Grand Rapids, Michigan, who perhaps put it best. She owns an upcycling manufacturing company, Public Thread, which originally launched in her kitchen in 2016. Her mission was to create a sustainable business that supported people in her community while honoring the environment through a closed-loop textile manufacturing concept. This culture of women supporting women, and valuing people beyond numbers, is what motivated her and the support network in her community to move her business out of her kitchen and into a commercial manufacturing location in an Opportunity Zone. As she puts it, women are uniquely positioned to see the long-term benefits that sustainable businesses such as hers can bring to communities, rather than just the short-term financial gains.

In summary, WBCs provide a community-specific critical blend of training, counseling services, and access to capital aimed at serving a broad cross-section of the population including minority, socially and economically disadvantaged women, as well as men.¹⁷ The WBCs strategic approach is relational: they establish long-term relationships with clients and serve them from inception through the lifespan of their businesses, creating a cycle of value added services. WBC services are distinctly different, yet complementary, to services provided by other SBA resource partners.

¹⁵ AWBC 2013 Economic Impact Survey (latest available data).

¹⁶ Langowitz, Nan, Norean Sharpe, and Mary Godwyn. (2006). *Women's Business Centers in the United States: Effective Entrepreneurship Training and Policy Implementation*. Journal of Small Business & Entrepreneurship, 19:2.

¹⁷ Numerous federal statutes including the 1964 Civil Rights Act (P.L. 88-352), as well as judicial decisions based on the 14th amendment of the Constitution require federally funded programs to provide services regardless of race, sex, or national origin. Grant proposals for the WBC program, for example, require a non-discrimination statement. In our view, the attendance of male entrepreneurs is a testament to the equality of services provided.

Successes

WBC clients consistently say that they come to the WBCs not just for the business education and consulting, but for the supportive environment that helps build self-efficacy and confidence in their ability to succeed. The evidence bears this out. Evaluation data from WBC programs indicate that women who receive business assistance from their programs build larger businesses, create more jobs, and have a significantly higher survival rate than the national average.

For example, Women's Economic Ventures (WEV), which serves Ventura and Santa Barbara Counties, developed the Thrive in Five® program. Clients participating in this long-term program show median sales of \$400,000 and have created an average of five new jobs. Client businesses show an 80% survival rate after five years as opposed to the national average of 50% for all businesses in the U.S., and over 40% of WEV's clients have employees compared to the national average of only 12% of all woman-owned firms. Moreover, 85% of WEV's clients who were in poverty at intake have moved beyond poverty.

Such success is visible throughout the program where local centers tailor their efforts to clients. Brooklyn Women's Business Center @ the LDCENY, in New York, found that a number of their clients were interested in the fashion and beauty industries, so they have created training and service offerings to meet the needs within that industry. One of their most successful clients now leads training on fashion and beauty, and she has partnered with the center to facilitate seminars and workshops on those topics. With the growth of interest in these areas, the center has also brought in beauty experts, celebrity hair and makeup stylists, O Magazine, and intellectual property experts to help protect their clients' creations. The center plans to expand further by bringing in illustrators to teach clients how to sketch designs for product labeling, and by purchasing sewing machines and offering sewing classes onsite for those interested in creating fashion prototypes or textile manufacturing.

The REI Women's Business Center, headquartered in Durant, Oklahoma and covering the state, offers the opportunity for their clients to expand markets by making regular trips to nearby Dallas, Texas and the 15-floor, 5 million square foot Dallas Market Center. In Portland, Oregon, Mercy Corps Northwest Women's Business Center partners with a regional corrections facility to offer entrepreneurial training to returning citizens, as well as a six-week business foundation course entirely in Russian to serve a local immigrant population. The Denver Women's Business Center in Colorado offers the "ProBoPat Initiative" in partnership with the U.S. Patent and Trade Office (USPTO), to develop patents for low-income inventors. The Patent Office has issued 26 patents to inventors in the ProBoPat program for products such as an assistive technology navigation system for a sight impaired person, snow board bindings and mounting system, and a sushi rolling machine. 13 of the patents issued to ProBoPat inventors were issued in 2018.

Finally, Women's Business Development Center in Chicago, Illinois created the Developing Your Childcare Business course designed to provide business insight to prospective and existing child care entrepreneurs for home and center-based businesses. This program was created 21

years ago and throughout the last two decades it has helped fuel the creation of new center-based childcare businesses, as well as supported the expansion and growth of home-based businesses into center-base businesses.

What is Needed

The aforementioned growth in women entrepreneurs, particularly minority women entrepreneurs, makes the WBC program more relevant than ever. Everyday thousands of would-be job creators, existing business owners, and innovators seek WBC assistance to move their business forward. Many centers are ten or more years old and are established and respected resources in their communities. These centers consistently demonstrate an ability to effectively and efficiently serve entrepreneurs and they deserve a modernization of the grant system and access to additional resources to expand their impact. While the network of centers spans across 48 states and territories, too many communities do not have access to the unique services provided by WBCs. In addition to allowing for the expansion of existing centers, new centers are needed in geographies so far unaddressed by the WBC program. Moreover, the program continues to suffer from arbitrary requirements and limitations that constrain the ability of centers to succeed.

We need legislation that re-authorizes the WBC program with some key changes. First, since the program was established in 1988, the total amount of the grant available from SBA to qualified WBCs has remained \$150,000 a year. Adjusted for inflation, that amount in 2019 dollars would now be \$319,161.45¹⁸. Legislation to reauthorize the program should increase that cap of \$150,000 per center and bring that number more in line with the realities of the 21st century allowing well-established centers to expand their impact with increased funds.

Second, we need legislation that removes unnecessary requirements that force resources to be diverted from training and counseling to back-office bureaucracy. For example, if a center raises more money than is required to meet the federal match that additional money is subject to federal spending guidelines and verification requirements even though it is not taxpayer money. This is a key inefficiency in the program and actually provides a disincentive for centers to overmatch federal funds.

In addition to re-authorization, the upward trajectory of the program is deserving of more federal funding. Congress should focus on providing a robust level of funding for programs that have a proven track record of success. Increased funding for the program is critical. Ensuring adequate resources is a key component to continuing the growth of the WBC program and women's entrepreneurship more broadly.

Lastly, we need more data. As discussed, women business owners have almost unlimited potential for continued growth, but significant barriers still remain. Without updated figures from the U.S. Census Bureau, and the SBA's Office of Entrepreneurial Development, it is difficult for Congress, the Administration, or even advocates like AWBC to quantify just how much growth

¹⁸ CPI Inflation calculator available at <https://www.officialdata.org/1760-dollars-in-2018?amount=1>

is happening, in what industries, and how to further foster an environment for women's entrepreneurship.

Increasing Awareness

Strategically increasing the number of centers to reach women in previously underserved areas is not enough to increase the awareness of the WBC program among the potential client base. SBA's office Entrepreneurial Development has collaborated to help increase program awareness, but much more work is needed to make the program known to American women. Today, we ask that you and your colleagues promote the WBC program in your districts where centers exist. And, we look forward to finding new ways to build on the current outreach methods which include earned media, social media, and event marketing. Clearly, creating awareness of our program nationwide is expensive, but allocating resources to serving the client takes precedent in the day to day operation of a center.

Conclusion

In the formation of the WBC program, Congress determined that ongoing limitations on access to capital and markets warranted the creation of a network of centers to assist women entrepreneurs. Those challenges persist, as must the commitment of a new Congress to advancing policies that foster the expansion of women's business ownership. We appreciate this Committee's willingness to hear from the programs that are serving entrepreneurs across the country.

The WBC program is a proven program, an effective public-private partnership, and fills a growing need for the distinct population we serve. The directors and staff at WBCs are committed to helping women and their families prosper and achieve financial security through business ownership. I remain in awe of our centers incredible power to bring a dream, an innovation, or an idea to fruition.

We urge Congress to strengthen the WBC program and provide the necessary investment women entrepreneurs need to reach their full potential making a substantial impact to the American economy. Thank you for the opportunity to testify and I am happy to answer any questions.