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Committee on Small Business  
US House of Representatives

“Conducting Oversight:  
Testimony from the SBA Administrator”

Testimony for the record regarding  
SBA’s FY2025 Budget Submission

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Chairman Williams, Ranking Member Velazquez, Members of the committee, thank you for allowing me to submit this testimony regarding the US Small Business Administration's Fiscal Year 2025 Congressional Budget Justification.

I am the President and CEO of America's SBDC, the Association that represents the nationwide small business development center (SBDC) system of 63 networks, over 900 locations, and more than 2,600 dedicated professional counselors, advisors, specialists and support staff.

For over 43 years SBDCs have been providing services to small business owners and aspiring entrepreneurs. Over the years our member networks have developed a wide variety of services for small businesses of all sizes, services that are tailored to meet the needs of the businesses in their regions.

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

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

Many SBDCs are headquartered at the business schools of their respective colleges and universities providing the ability to leverage the skills and knowledge of the professors and students with the practical experience of our advisers. However, while SBDCs may be headquartered at colleges and universities (or state agencies) our centers are active and engaged in the local communities.

We develop partnerships with local groups to ensure that our services reach as many small businesses as possible in all areas of society. For example, in California our networks are located at sites such as the International Rescue Committee in El Cajon, the Hispanic Chamber in Silicon Valley, or the East Los Angeles Initiative. In Colorado you will find SBDCs at the Municipal Center in Aurora or the Boulder public library. The goal of the SBDC is to be located centrally in the community to increase access for small businesses.

SBDCs provide services to small businesses at all stages of development. The mix of businesses usually varies depending on the region and their unique characteristics. A good rule of thumb is that we have an estimated range of a 60/40 mix made up of existing and nascent (start-up) entrepreneurs. Annually, these ratios vary due to economic conditions and external factors such as disasters or market conditions. Over 50% of our clients are women, 28% are minorities, and 6% of our clients are veterans. Every year we provide over one and a half million hours of counseling to over 300,000 small business owners, free of charge.

SBDCs focus on providing free one-on-one consulting and mentoring on how to improve, finance, market, and manage their businesses. The services SBDCs provide tend to be more in-depth, and our relationships often span several years. SBDCs offer assistance in finance, procurement, rural tourism, energy conservation, SBIR applications, international trade regulation, among many other areas. We are always trying to expand and improve our services to support the growing needs of the small business sector and to adapt to a changing business environment.

SBDCs have provided meaningful results to our clients and the communities we serve. From 1990 to 2022, our conservative estimate is that we helped small businesses access over 80 billion dollars in capital, increased their sales by over 125 billion dollars, and helped over 1.5 million clients create over 2.5 million jobs. All of this also generated over \$10.75 billion in tax revenue.

From 2012 to 2022 alone SBDCs helped their small business clients obtain over \$55 billion in capital, increase their sales by over \$60 billion and helped them create over 738,000 new jobs.

In 2022, according to our most recent national impact survey, SBDCs helped generate \$215.9 million in federal revenue, and \$400.9 million in state revenue. In 2022 SBDCs helped small businesses access \$6.9 billion in capital, increase sales by \$8.4 billion and create 83,329 jobs.

In FY2023, as in years prior, the SBDC program was the mainstay of SBA's small business counseling and assistance programs. SBDCs counseled 325,773 unique clients, 40% of the SBA total. SBDCs also helped start 20,738 new businesses, 69% of the SBA total. Those clients were assisted in obtaining \$6.8 billion in capital, over 90% of the SBA total. Those were over 35,159 transactions with an average amount of \$195,398. We are on track to duplicate those efforts in FY 2024. (see p. 92-93 SBA CBJ)

In light of this record of performance, it is disheartening that the Administration would propose a drastic 13.5% (\$19 million) cut to SBDC services while simultaneously increasing Community Navigators to \$20 million. Communities across the nation, and the small businesses that support those areas, will be greatly affected.

## Helping Underserved and Rural Communities

Today's hearing is focused on oversight, but the recent release of the President's FY2025 budget proposal makes this testimony relevant. How does the SBA intend to carry out its mission and achieve its goals based on this proposal?

The Administration has a laudable stated goal of expanding access to its services in underserved communities. How does it plan to accomplish this?

As SBA cites in their Congressional Budget Justification, *“In FY 2023, MSIs hosted SBDC Lead Centers in 18 states and territories and over 140 SBDC Service Centers and points of service delivery. These efforts extended outreach to underserved communities, providing more than \$44.3 million, or approximately 32 percent of core program funding, to MSIs to help minority-owned and other small businesses. An additional \$7 million of core program funding was allocated to MSI-hosted SBDC Service Centers and points of service delivery.”* (p.94 FY25 CBJ)

When SBA says *“additional...core program funding was allocated”* please understand – Those allocations are directed by the SBDC network leadership as part of their commitment to expanding outreach to underserved communities.

As stated above, 51% of SBDC clients are women, and over 28% are minorities. Recently, when SBDCs were discussing their annual goals with SBA, fully two-thirds of SBDCs chose to focus on an optional fourth “regional focus” goal for rural and underserved communities. SBDCs are regularly conducting outreach efforts to underserved communities and working to ensure they are covering every community possible.

As this shows, SBDCs appreciate and support the SBA’s dedication to equity and improving the delivery of SBA resources to all communities. That is why we are concerned with SBA’s proposed cuts to SBDC services. SBDCs are accomplishing and exceeding SBA’s stated goals and are poised to do more. The proposed reduction in funding is directly contrary to those stated goals and our performance record in meeting and exceeding those goals to date.

Whether the SBA continues the Community Navigator Program or not, reducing SBDC funding will negatively impact SBA’s efforts to aid underserved communities.

Reducing SBDC funding by 13.5% percent will reduce SBDC ability to serve our clients at the current level of support and effectiveness. There is no evidence that Community Navigators, or any other program, will fill the ensuing gap. We are currently, and have been for years, meeting the goals set by SBA and there is no data that shows a reduction is needed.

It is important for the Administration to understand that a \$19 million cut in SBDC funding will result in closed centers, reduced services, in some areas - potentially no service, for underserved communities, particularly rural. America's SBDC expects that this cut, if enacted, will eliminate counseling for 47,000 clients, cost over \$900 million in capital, and approximately 2,700 new business starts.

In 2023 with \$11 million in funding Community Navigators counseled 21,692 Unique clients, 281 New business Starts and \$115.3 million in Capital Infusion. With that same \$11 million SBDCs would have helped 25,735 clients, helped start 1,638 new businesses, and provided \$537,000,000 in capital.

A drastic move to sacrifice the SBDC program while attempting to expand Community Navigators will merely result in reducing the overall services and results for underserved communities. The performance numbers are clear and SBDCs far exceed the impact of Community Navigators. A \$19 million reduction in federal funds will result in a corresponding \$19 million reduction in matching funds. SBDCs are successful because they leverage the resources of our host institution, thus creating a multiplier effect driving and greatly expanding our reach and efforts in these communities.

*As SBA states, "Research shows a direct positive correlation between the hours of business advising and related assistance that a client receives to the amount of improvement in the longevity, profitability, and growth of their business. Evidence also shows that small businesses that receive more than three hours of counseling have higher 1-year survival rates than firms that receive fewer hours of counseling." (p. 92 FY25 CBJ)*

Again, I want to make sure this committee understands the impact of this proposed cut in funding. SBDCs provide over 1.5 million hours of counseling, hours that cannot be sustained if our budget is slashed and will not be replaced by shifting funds. If SBA wants to expand small business support, they need to rethink their methods. The results they seek are achievable but not through the cannibalization of successful, proven programs like our SBDC network.