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**Statement
to the
U.S. House Small Business Committee,
Subcommittee on Rural and Urban Entrepreneurship
U.S. House of Representatives
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Chairman Shuler and members of the subcommittee: my name is Ken Yancey and I am the chief executive officer of SCORE, the Service Corps of Retired Executives, also known as the “Counselors to America’s Small Business.”

Thank you for the opportunity to offer this testimony. 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 Herndon, Va., makes this possible.

I offer testimony on the U.S. Small Business Administration (SBA) Entrepreneurial Development Programs, including SCORE, and the fiscal year 2009 budget. I am here on behalf of the more than 10,500 SCORE counselors who donate their time and talent to serve America’s entrepreneurs. Since its founding in 1964, SCORE has helped nearly 8 million businesses from idea to start-up to success.

SCORE’s primary product is the knowledge and wisdom of its volunteers who collectively represent more than 300,000 years of business expertise. SCORE volunteers donated more than 1.1 million hours of service to America’s existing and aspiring entrepreneurs in fiscal year 2007. At a discounted hourly consultant fee of \$100, these services would have cost small business owners more than \$100 million dollars. With a current appropriation of just under \$5 million, SCORE is a great return on investment for the Federal government.

By helping small businesses succeed, SCORE supports job creation in communities nationwide. According to the February 2006 Impact Study of SBA Entrepreneurial Resources, SCORE helped create more than 25,000 new jobs nationwide in 2004, or one for every seven new clients.

SCORE Represents Diverse Communities

Today's SCORE volunteers increasingly reflect the communities they serve. SCORE includes 25 percent women and minority volunteers, achieving the goal set by us, the SBA and the House Small Business Committee. The SCORE Board includes 50 percent women and minority directors. Although the SBA does not require SBDC and Women's Business Centers to report their counselor diversity numbers, we believe that SCORE offers the most diverse counselors out of all the Entrepreneurial Development (ED) programs offered by the SBA.

SCORE's clients are representative of the diversity of business owners in the United States. A comparison of 2002 U.S. Census data for business owners and the SBA impact study shows the following results:

African-American Business-owned firms	5 percent
SCORE African-American clients	15 percent
Hispanic/Latino-owned firms	7 percent
SCORE Hispanic/Latino clients	7 percent
Asian-American-owned firms	5 percent
SCORE Asian-American clients	4 percent
Women-owned firms	28 percent
Women SCORE clients	46 percent
Veteran SCORE clients	10 percent

SCORE continues to work diligently to increase our level of counselor diversity, which will assist us in our efforts to serve the increasing diversity of our client base.

SCORE also offers business advice for the nonprofit and faith-based communities. As part of its efforts to help nonprofits grow, a team of SCORE counselors worked with the W. K. Kellogg Foundation, plus materials from Executive Coaches of Orange County, Calif., to develop a workshop for nonprofits that need help expanding their services. The goal of the workshop is to teach nonprofits how to develop funding resources to become more sustainable.

The workshop is available at SCORE chapters nationwide, along with a resource workbook and presenter's guide. The resource workbook, which was funded by the W. K. Kellogg Foundation in cooperation with several organizations, includes valuable planning tools and financial advice to help nonprofits grow. SCORE also provided resources and advice as part of the White House Faith-Based and Community Initiative.

SCORE Offers Online Resources & Advice

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 place that entrepreneurs seek information about SCORE. Last year, more than 2.6 million people visited www.score.org, up from 405,000 people in the year 2000. SCORE's 1,200 online counselors provide expert advice in more than 600 business areas, and last year they conducted nearly 119,000 email sessions. SCORE provides updated online resources to meet today's challenges.

SCORE added a section to the Web site specifically for minority entrepreneurs at www.score.org/minority.html. It offers articles, resources and statistics on the growing number of African-American, Hispanic, Asian and Native American entrepreneurs. SCORE offers Spanish-language materials at www.score.org/hispanic.html and www.score.org/guides.html. SCORE also provides information, articles and business research for women, manufacturers, baby boomers and young entrepreneurs

SCORE is committed to helping small business owners with disaster preparedness and relief. Many SCORE counselors have disaster recovery experience, and they are available to share their advice. SCORE offers learning guides and business tools online at www.score.org/disaster_preparedness.html, including links to SBA Disaster Loan Assistance, the FEMA Application for Assistance and SCORE's email counseling. Last year, SCORE and HP launched a series of 11 free disaster preparedness workshops nationwide. At these workshops, nearly 900 business owners have gained insight into the steps they can take to keep their business safe, along with simple solutions for protecting core assets, such as customer records, accounting systems, technology, records and databases. An additional 16 workshops will be held in cities across America this year.

Veterans Can Succeed with SCORE

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

For veterans who owned a business before being called into service, SCORE can help with marketing, business recovery and other plans to re-establish and grow the business. SCORE counselors also offer advice on business readiness plans, emergency loan applications and other business issues. SCORE counselors can provide assistance for the new SBA Patriot Express Pilot Loan Initiative, which offers loans to help start or grow a small business.

SCORE works with The Veterans Corporation to offer online business mentoring to disabled veterans as part of the Disabled Veterans Entrepreneurship Training Solutions

(D-VETS) program. Veterans also can get help online at www.buzgate.org. This is a search portal to find SCORE offices, SBDC and Women's Business Centers by utilizing a free, Web-based mentoring platform.

Many SCORE offices have established programs or outreach specifically for veterans, National Guard and Reservists. These include:

- California SCORE chapters teamed up with the California National Guard to offer business mentoring and workshops.
- Bucks County SCORE offers the “Welcome Home Vets” program, which assists returning troops with starting a new business or reviving a current one. The free services are also available for spouses of returning veterans.
- Rapid City SCORE worked with the Ellsworth Air Force Base to provide a monthly workshop for airmen getting discharged or who are retiring.
- St. Paul SCORE offers free classes on building effective Web sites for veterans of the Iraq war.
- Buffalo Niagara SCORE waives workshop fees for veterans and members of the National Guard and Reserves.
- Brooklyn SCORE has made presentations to hundreds of veterans at Fort Hamilton Hospital in Brooklyn on how SCORE can help with business issues.

SCORE chapters often work with clients through the Transition Assistance Program (TAP). This program helps service members move from their military service to a civilian career, which can include starting a business. Some SCORE offices that participate in the program include:

- Washington, DC SCORE with the Washington Navy Yard
- Colorado Springs SCORE with the Peterson Air Force Base
- Waco SCORE with Fort Hood

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

SBA Adjusts SCORE’s Administrative Costs

Although SCORE appreciates the more than 40 years of partnership with the SBA, we remain concerned about several SBA practices and how they affect SCORE. This includes the SBA’s practice of assigning administrative costs to SCORE with no measurable or defined benefits. By working with SBA, the administrative resources that SBA assigns to its support of SCORE has declined from \$16.9 million in FY06 to \$10 million in FY08. While we believe this number is still too high, it better reflects the efficiency and value of SCORE’s operations. We continue to urge a full review of the SBA cost allocation process.

Even without direct additional funding, SCORE has continued to grow as an organization to better serve its clients. Today SCORE has 389 chapters with more than 800 additional

branches and continues to serve more clients. In fiscal year 2007, SCORE volunteers assisted nearly 340,000 individuals and provided almost 7,000 workshops on topics related to starting or growing a business. SCORE has increased its online counseling to 38 percent of total counseling; re-launched its award-winning Web site, www.score.org; developed and delivered annual leadership and training meetings; and took on a substantially increased administrative burden and cost at both the local and national level as a result of SBA's EDMIS implementation. SCORE pioneered small business counseling and training on its Web site and continues to add new resources and information. Despite being funded at nearly \$5 million since FY02, SCORE meets or exceeds its annual goal set by the SBA each year.

SBA Competes with SCORE's Services

While the SBA continues to allocate higher costs to SCORE, it also has entered into direct competition with the resource partners who are charged with providing business counseling and technical assistance on behalf of the SBA. The SBA's Small Business Training Network (SBTN) offers online workshops to existing and start-up entrepreneurs, which directly competes with SCORE, SBDC and Women's Business Centers training, both face-to-face and online. According to the SBA, they will invest \$309,000 in this training initiative this year, and they already invested more than \$600,000 the past two years. We believe that an investment of \$309,000 in any of the existing resource partners, who provide this service already, would be more efficient and produce results at a much lower cost. For example, SCORE offers more than 30 online workshops at a total cost to SCORE of less than \$10,000.

The SBA also requests funds for new programs that compete with SCORE and the other resource partners. For instance, the SBA has requested \$250,000 for inner-city counseling that would benefit just 250 people. This cost-per-client of \$1,000 greatly exceeds SCORE's cost-per-client of \$29. SCORE, SBDC and Women's Business Centers could easily provide these counseling services instead. The SBA administrator said in recent testimony before the Senate Small Business Committee that one of the SBA's goals is to provide more efficient and effective programs. Yet this request is another example of inefficiency and duplication of services on the part of the SBA.

SCORE Faces Funding Challenges

Although SCORE is not required by the SBA to do so, we are working diligently to increase nongovernmental funding. Last year, SCORE raised more than \$1 million in total contributions from corporate, foundation and volunteer sources. Most of these donated funds are restricted gifts for specific projects, and the funds cannot be used beyond their intended purpose. These include the HP disaster preparedness workshops I mentioned previously, as well as OPEN from American Express speed mentoring seminars being held in cities across the country.

The "Small Business Speed Coaching Test Drive" series offers exclusive, 30-minute, one-on-one evaluation sessions with experienced business coaches from SCORE. Small

business owners also attend interactive workshops focused on areas that directly affect small business growth. These one-day seminars have been held in Orlando, Phoenix and Atlanta, with additional ones scheduled for Chicago and Dallas / Ft. Worth. About 350 business owners have participated in each of these events, with 100 signing up for more SCORE mentoring in Phoenix alone.

Bank of America recently funded a reprint of the *Small Business Basics* workbook, available for free at SCORE offices nationwide, as well as a Spanish-language version of the workbook. More than 200,000 of these workbooks have been distributed to entrepreneurs since 2006. While all of these targeted donations have helped to fund local and national SCORE resources, they cannot go into SCORE's general fund and they cannot replace the dedicated appropriation we receive from Congress each year.

Nonprofits, including SCORE, are becoming more and more challenged by the lack of discretionary funds. While major corporations are interested in reaching out to entrepreneurs and small business owners through SCORE, they mainly provide funds for specific projects—not infrastructure, general support and organizational growth. As the *New York Times* noted on January 6:

“Critics say project-based funding allows grantees to collect only a fraction of their real overhead costs. According to “In Search of Impact,” a 2006 study of foundation grant-making practices from the Center for Effective Philanthropy, foundation chief executives will allow a nonprofit to add only 10 to 30 percent of direct project costs for overhead. Some refuse to provide any operational costs at all...In 2005, according to the Foundation Center, only 20 percent of grants from the largest private and community foundations were designated for general operating support.”

SCORE will continue to rely on the federal grant for operational funds. Congress set SCORE's annual funding level at \$5 million from FY02-FY07, although in some years, Congress mandated an across-the-board rescission of up to one percent that reduced the amount SCORE actually received. In FY08, Congress reduced SCORE's appropriation to \$4.95 million. Based on inflation, the \$5 million that SCORE was appropriated in FY02 has a purchasing power of about \$4.4 million today, or a decline of \$600,000. With a paid staff of just 15 people, SCORE's ability to generate additional funds is limited.

SCORE represents a great bargain and a great value for the federal government. According to the SBA Fiscal Year 2007 Annual Performance Report:

- SCORE assisted 336,411 small businesses and helped create 19,732 new small businesses last year.
- SBDC assisted 44,242 long-term clients and helped create 7,331 new small businesses last year.
- SCORE's cost to assist an individual business was \$29, while SBDC's was \$13,810 to help a start-up and \$2,288 to help a long-term client.
- Women's Business Centers' cost to assist an individual business was \$139.

These charts from the SBA's report illustrate the funding and cost comparisons between SCORE, SBDC and Women's Business Centers:

SCORE									
Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Output	468,152	403,724	308,710	325,389	336,411	3%	325,389	362,094
Small Businesses Created (#)	Outcome	N/A	N/A	N/A	Baseline	19,732	-	TBD	TBD
Cost Per Small Business Assisted (\$)	Efficiency	\$ 37	\$ 46	\$ 55	\$ -	\$ 29	-	\$ 31	\$ 28
Budgetary Resources		Budgetary Obligations Incurred					Budget Requests		
		FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2007 Actual	FY 2008 Request	FY 2009 Request	
Total Administrative Resources (\$000)		\$ 17,209	\$ 18,507	\$ 16,932		\$ 9,799		\$ 10,030	\$ 10,222
SBDC									
Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Long-term Clients Counseled (#)	Output	N/A	N/A	N/A	Baseline	44,242	-	45,026	55,000
Capital Infusion (\$ Billion)	Outcome	N/A	N/A	N/A	Baseline	3.4	-	2.5	2.5
Small Businesses Created (#)	Outcome	N/A	N/A	N/A	Baseline	7,331	-	13,145	13,145
Cost Per Small Business Created (\$)	Efficiency	N/A	N/A	N/A	Baseline	\$ 13,810	-	\$ 8,404	\$ 7,729
Cost Per Long-term Client Counseled (\$)	Efficiency	N/A	N/A	N/A	Baseline	\$ 2,288	-	\$ 2,453	\$ 1,847
Budgetary Resources		Budgetary Obligations Incurred					Budget Requests		
		FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2007 Actual	FY 2008 Request	FY 2009 Request	
Total Administrative Resources (\$000)		\$ 103,541	\$ 105,593	\$ 103,007		\$ 101,241		\$ 110,468	\$ 101,600
WBC									
Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Output	122,712	144,316	129,373	130,809	146,828	12%	134,733	135,000
Jobs Created/ Retained (#)	Outcome	7,921	9,442	6,879	6,879	N/A (1)	-	6,879	7,085
Small Businesses Created (#)	Outcome	N/A	N/A	N/A	Baseline	N/A (1)	-	TBD	TBD
Cost Per Small Business Assisted (\$)	Efficiency	\$ 177	\$ 163	\$ 170	\$ -	\$ 139	-	\$ 162	\$ 160
Cost Per Job Created/ Retained (\$)	Efficiency	\$ 2,736	\$ 2,495	\$ 3,203	\$ -	N/A (1)	-	\$ 3,176	\$ 3,049
Budgetary Resources		Budgetary Obligations Incurred					Budget Requests		
		FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2007 Actual	FY 2008 Request	FY 2009 Request	
Total Administrative Resources (\$000)		\$ 21,670	\$ 23,555	\$ 22,033		\$ 20,432		\$ 21,848	\$ 21,601
(1) Data will be available in February 2008.									

Yet, while SCORE's appropriation has remained level at just under \$5 million, SBDC's appropriation has grown from \$88 million in FY02 to \$97 million last year, and the Women's Business Centers appropriation has increased from \$12 million to \$13 million.

All of the SBA resource partners—SCORE, SBDC and Women’s Business Centers—offer valuable training and assistance to help entrepreneurs succeed. SCORE continues to demonstrate its value in both cost and efficiency, and we also deserve an increased appropriation as authorized by the House Small Business Committee.

SCORE Requests Additional Support

To meet rising costs, expand services and modernize operations, we request that the subcommittee consider urging the House Appropriations Subcommittee on Financial Services and General Government to fully fund SCORE at \$7 million in FY09.

Additional funding would allow SCORE to better serve our clients by:

- Developing a national recruiting plan to add new volunteers who represent a diverse range of communities;
- Opening more chapters and branches in previously underserved geographical areas, including inner-city and rural markets;
- Providing additional financial support to local SCORE offices to fund outreach campaigns and handle increased expenses since 2001;
- Using new technologies and the Internet to increase the efficiency and effectiveness of SCORE services.

With a higher level of funding from Congress, SCORE can offer more support to chapters and volunteers; provide mentoring and workshops to more clients; and support job creation in communities across the country. Our clients say it best.

Bill Rasmussen, a respiratory therapist in civilian life, got the idea for a medical product that would help speed care to victims of disaster situations when he was a corpsman with the U.S. Marines. He worked with a Cheyenne SCORE mentor via email while serving a one-year tour in Iraq in 2006. “SCORE Counselor David Sneed provided me and my business partner with the information we needed to develop our business plan while we continued to work on the product development and patents,” he says. “SCORE also put me in touch with Ed Crabtree, a patent attorney who provided us with information and documents to use to file a patent on our prototypes.”

Shannon and Fred Converse shared a passion for children and education, but neither had owned a business before. Shannon was an educator and Fred worked in the corporate world. Through face-to-face monthly meetings, Fairfield County SCORE helped them start My Tutor and Me, which offers private, in-home tutoring for public and private school K-12 students. “SCORE Counselor Ray Wolfe talked about the basics of creating a business plan, and also provided competitive research advice,” Shannon says. “He also referred us to other SCORE counselors for legal and accounting advice.”

Gene Davis learned about SCORE from the newspaper and decided to seek counseling to start a cleaning service. Chicago SCORE helped him create marketing materials and turn his disability, a major hearing impairment, into a positive selling point. “SCORE Counselor Elliot Shear is on my side and shows me how to run the business,” he says. “I

wanted to improve myself and my service, and SCORE has helped me do that. I feel like my business will only continue to grow.” Gene’s goals are to get more clients and hire other hearing-impaired African-Americans to help them become independent too.

Chairman Shuler and members of the subcommittee: that’s why we’re here—to help entrepreneurs reach for their dreams of success and strengthen the economy of our great nation, especially during a time of economic uncertainty. SCORE appreciates the support of this subcommittee and your personal support of SCORE.

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

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