



**STATEMENT REGARDING WOMEN'S BUSINESS CENTERS  
AND REAUTHORIZATION OF THE U.S. SMALL BUSINESS ADMINISTRATION**

**SUBMITTED TO THE  
U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP  
THE HEARING:  
“EXPANDING OPPORTUNITIES FOR WOMEN ENTREPRENEURS: THE FUTURE  
OF WOMEN'S SMALL BUSINESS PROGRAMS”  
September 20, 2007**

**To The Honorable John F. Kerry, Chairman, The Honorable Olympia J. Snowe, Ranking Member and other members of the Senate Committee on Small Business and Entrepreneurship:**

The Association of Women's Business Centers (AWBC), a national not-for-profit organization representing women's business centers and the women and men they serve, is pleased to provide both a written statement and oral testimony to the Committee on the occasion of this important hearing regarding women's enterprise development.

The AWBC was founded in 1998 to support entrepreneurial development for 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 the 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 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, advocates on behalf of women's business centers and women business owners and otherwise promotes women's business development nationally and internationally.

I am honored and pleased to participate in this Committee hearing, both to thank the members of the Committee for your steadfast and continuing support for women's enterprise development, and to raise some important issues for the Committee to consider as you move forward with SBA reauthorization.

First of all, in the wake of our recently-completed WBC Entrepreneurial and Leadership Training Conference, I bring **rousing, unanimous and heartfelt thanks** from leaders of women's business centers from each one of our 50 states for the introduction of the amendment to what became **Public Law 110-28** on May 25 of this year, which brings **permanent funding to the**

**Women’s Business Center Program.** Our thanks especially to Senators Kerry, Snowe and Sununu for introducing that amendment and working for its passage.

As the Committee members are well aware, the Women’s Business Center program has been an important part of the SBA’s entrepreneurial development efforts since the passage of The Women’s Business Ownership Act of 1988. The program has grown from 4 “demonstration sites” in its first year to 99 SBA-funded Women’s Business Centers (WBCs) in FY2007, with an additional 16 Centers currently operating outside the formal program.

Women’s Business Centers have a remarkable record of achievement over the past 19 years, including impressive results in recent years as the program has come into its own. WBCs provide entrepreneurial training, technical assistance and counseling to over 150,000 clients annually, emphasizing outreach to economically disadvantaged women and women of color. We are also proud to report that nearly 20% of our clients are men. Results from research conducted by the National Women’s Business Council in 2004 documents that WBCs provide **a staggering 15 to 1 return on investment of Federal taxpayer dollars** in businesses launched, business revenues generated, and jobs created.

Yet, in our dealings with the SBA, we have often been treated as a step-child because of our “demonstration project” status. With the passage of the legislation in May, we finally feel recognized for the hard work that WBCs have accomplished over the past 19 years. We are truly grateful that the program has now been made permanent – not the least because it will empower our discussions with Congress and the U.S. Small Business Administration to improve the program going forward.

That brings us to three important areas that we would like to make the members of the Committee aware of as you deliberate the reauthorization of the SBA – all of which could use significant improvement. These are:

- Unequal and non-transparent funding levels for individual WBCs,
- Lack of communication and uneven application of performance standards and evaluations, and
- Significant delays in grant disbursements for WBCs.

### **1. Per-Center Funding Allocations Should be Consistent and Transparent**

In our discussions with our members – women’s business center leaders – we hear constantly that the amount of the grants awarded not only vary significantly across the centers, but from year to year within each center. While we realize that part of this variance may be due to changing appropriations levels, when one looks back at the program over the past six years, funding has been nearly flat.

The SBA has put in place a “tiering” system for per-center funding, but the formula for tiering is not clear. The SBA is neither communicating the amounts of upcoming disbursements to centers nor the reasons why the amounts vary each year and across different centers. More clarity and transparency is essential to our WBC leaders – each of whom must have this critical information for cash-flow planning and program management

In a recent survey of our members, here is what they said about funding allocations:

- *Clarify tiering*
- *Clarify how to move to the top tier*
- *Specify the factors in weighting WBCs*
- *Suggest quality assurance committee*
- *Do away with tiering. Give everyone \$150K. If not performing, put on probation and then if not performing – out.*
- *Transparency –<communicate> why WBCs are in certain tiers*
- *Transparency in the tiering system (rural vs. urban)*
- *Tiering is subjective; make the decisions based strictly on performance*

We are heartened that WBC funding will now be permanent, and performance-based. However, funding levels should be communicated clearly, and any formulas for per-center funding should likewise be communicated a priori. The process as it is applied now seems neither transparent nor fair, and makes it nearly impossible for WBC leaders to manage their centers' budgets effectively. We recommend that the SBA reauthorization legislation address this matter.

## **2. Performance-Based Funding Allocations Should be Communicated Clearly and Applied Evenly**

Women's Business Centers have struggled in recent years with a great deal of uncertainty – not only regarding whether or not they will receive funding, but how much funding they will receive. Title II, Section 201, Subsections 2 and 3 of the SBA Women's Programs Act of 2007 will remove that uncertainty – establishing three "tiers" or cohorts of WBCs (new, adolescent, and established) and setting funding levels and budget allocations for each tier. We believe that the 40-20-40 allocation is eminently fair, and recognizes the economic contributions made by WBCs that have an established track record of service. It also acts to curtail the "black box" approach that has been taken lately by the SBA with respect to per-center funding level decision-making.

Knowing the performance is the cornerstone for continued improvement and client delivery services, Women's Business Center leaders request clearer information and transparency in the performance evaluations:

- *We need transparency of how milestones & benchmarks are set and how we can improve*
- *Results driven in addition to the numbers coming through the door*
- *Performance criteria should be in line with the center populations not cookie-cutter criteria*
- *Accept input from WBCs for performance criteria*
- *The performance criteria needs to be TRANSPARENT at all levels for all WBCs*
- *Standardize the milestones and performance goals based on market size*
- *10% [goal growth] every year infinitely is unrealistic – not applied to District offices*
- *The make-up of the individual centers need to be taken into consideration, i.e. of the center's service area has a small minority population to serve.*
- *New centers need to be given 2-3 years to get up and running before funding is based on performance criteria*

We urge the Committee to clarify that performance standards should be developed with sensitivity to the age of the center, demographic composition of the community in which it is based, and communicated widely and in advance of the period of performance.

### **3. Program Grant Disbursements Should be Made in a Timely Manner**

We believe that both the names of the grant recipients and the value of the awards should be made public. As we stated earlier, in the past the SBA has not fully disclosed such information. We suggest further, though, that there be a deadline established during which time the SBA should disburse the program awards. In recent years many WBCs have waited months – often until the very end of the fiscal year – before they receive the funds for the services that they were delivering throughout the course of the year. This puts our members – all of whom are relatively small non-profit organizations – in a severe cash-flow crunch. This does not set a good money-management example for the Centers’ clients, and it violates the Federal government’s Prompt Payment Act. We would urge the Committee to communicate with the SBA on this matter.

The cry for an improved payment process rings loudly across metropolitan, urban and rural areas where Women’s Business Centers continue to provide services on scarce resources:

- *Streamline the process for submission and pay in a timely manner*
- *The manual antiquated cumbersome system needs to be upgraded*
- *Automate it and make the process available online*
- *Turnaround time needs to be turned around (advances, notices of award, reimbursements)*
- *Speed it up*
- *Be able to submit electronically & easier to navigate*
- *We appreciate that OWBO has improved in this area. Cross training of staff so reimbursements won’t be held up.*
- *We don’t know the rules of the game – we just want the rules. This is like a lottery.*

While many Women’s Business Centers have noted improvement in the payment paying process, there is still room for significant improvements. An executive of the Women’s Business Development Center in Chicago bitterly notes that she has reluctantly given the US government an interest free loan of \$220,000 during the past two years as she waits for her reimbursements.

Improving the consistency of program funding, performance evaluation and communication, and timely disbursement of grant awards will go a long way to improving WBC program success.

#### **The WBC at Coastal Enterprises in Maine is a case in point:**

Maine's population is predominantly rural; less than a dozen communities have populations greater than 20,000 and the largest urban area has only 65,000 people. Maine is a poor state, with sharp regional disparities: there are pockets of poverty where rates approach 20 percent and unemployment is as high as 12 percent. Overall, the growth in the economy trails that of the nation and the region, and per capita income consistently lags behind those for the rest of the region and the country. Approximately thirty-four percent of Maine’s businesses are women-owned.

The Women's Business Center at Coastal Enterprises, Inc. (CEI) headquartered in Wiscasset, Maine provides essential business development services to its clients. The WBCs clients range from women who are contemplating starting a business to women who have been in business for over twenty 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.

The CEI 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 Advisory Boards 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 21<sup>st</sup> Century. Flexibility is evidenced by a willingness to design programs specifically to meet the needs of marginal business owners clustered in rural communities or to design a three-part, nine-hour start-up training for low-income women to fill a gap in the range of business assistance services available in Maine or to provide technical assistance on-site at a business. Interaction comes from limiting the size of workshops and training sessions to maximize interaction and facilitate peer support and networking.

Renewable funding will enable the Women's Business Center in Maine to continue its good work, understanding of the needs of women business owners and providing targeted services for women business owners in Maine. The following profiles illustrate just a few of the ways that the Women's Business Center benefits women business owners in Maine:

*Mary and her husband Henry own a dairy farm in rural Maine. The fifth generation of farmers in the family realized that they could not support themselves and their three children with dairy farming alone. They decided that diversifying their operation was their only option. Mary approached the Women's Business Center at CEI for help. Two years later, after working one-on-one with a business counselor on planning, marketing and financial management and participating in a peer support group, Mary and her family have transformed their farm. There are new products: hormone and antibiotic free chickens, beef and veal animals, pigs and laying hens; and there are new markets: up-scale restaurants and individual consumers. The new plan has had the added benefit of involving Mary's sons and a nephew in the operation, hopefully, laying the groundwork for a transition when Mary and her husband are ready to retire. Not only is this family now fully supporting itself with the farm, but also they have built a new barn and improved the dairy barn and the manure and drainage systems. In addition, the local high school vocational class built a small shed to house the retail meat operation. They are poised for continued success.*

*Jennifer owns a small store and gas station in rural Maine. After 17 years in operation, family illness nearly drove her out of business. Cash flow problems left her with virtually no inventory and most of her vendors had stopped supplying her. Rather than take the advice of those urging her to file for bankruptcy, she approached the Women's Business Center for support. With the help of her business counselor, she prepared an excellent business plan and used it to attract investors. Two members of her community responded to her plan and invested a total of \$75,000, one is just an investor; the other wants to be a working partner and eventually purchase the store. Thanks to her investors, Jennifer has paid off old debt, renegotiated with her vendors, restocked the store and drawn her customers back. Sales have increased dramatically, and are approaching the level they were at before the financial problems began. She narrowly avoided total financial disaster, and now has a plan for on-going recovery. She continues to work with her business counselor on her accounting system and developing the skills to assess the profitability of each department of her store. In addition, they are working on ways to structure the new infusions of capital to best meet the needs of the business and the investors.*

We thank the members of the Senate Committee on Small Business for your long-standing support of the Women's Business Center program, for **your recommended funding of \$16.8 million for the WBC program** – a level that will allow full funding of existing centers as well as the addition of 6 new centers – and for your other efforts to support women's enterprise development in general, such as your support for the National Women's Business Council and for increasing access to Federal procurement opportunities to women-owned firms.

We are in solid agreement that the SBA procurement process is long past is due the date for implementation.

We look forward to continuing to work with you to increase the economic and social contributions of this Nation's estimated 10.4 million women-owned enterprises, and to the countless others that are on the drawing board, awaiting support and assistance from Women's Business Centers to launch and grow successfully.

***Respectfully submitted for the record***

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