



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

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May 19, 2008

The Honorable John F. Kerry
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your recent letter inquiring about the Small Business Administration's Emerging 200 initiative. I hope you find this letter responsive to your questions and that it gives you additional information about the initiative.

Let me start by saying that the goal of the SBA Emerging 200 initiative is to identify 200 inner-city businesses across the country that show a high potential for growth. We will provide them the network, resources, and tools required to develop and execute a sustainable growth strategy. The objective of the initiative is to stimulate long-term job creation by supporting the development of inner city businesses of size and scale.

SBA is launching the initiative out of a desire to increase outreach to areas historically challenged by high levels of unemployment and poverty. Bolstering entrepreneurial success in these areas will generate new jobs, attract investment, and provide a more sustainable economic base in distressed areas.

According to SBA's Office of Advocacy, small businesses are the greatest source of net new employment in inner cities and account for 80 percent of total employment. However, the job growth rate in inner cities still lags behind the rest of metropolitan areas ("State of Inner City Economies: Small Businesses in the Inner City," Oct. 2005). SBA hopes to accelerate inner city small business growth in inner cities through the Emerging 200.

To clarify the funding structure, the initiative is not being expanded from \$250,000 to \$400,000. The \$400,000 refers to FY 2008 7(j) funds applied directly to training costs. In FY 2008, the administration of the initiative is being managed through resources in the Office of Entrepreneurial Development and Field Operations. The \$250,000 is a budget request for FY 2009 to accommodate agency administrative costs for long-term management for the initiative as it scales and expands.

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We expect training costs in FY 2009 to again come from 7(j) funding. As you know SBA has been authorized, under Section 7(j) of the Small Business Act, 15 U.S.C. 638(j)(1) to enter into grants, cooperative agreements, or contracts, with public or private organizations that can deliver management or technical assistance to individuals and enterprises eligible for assistance under the Act. Emerging 200 assistance will be delivered through the 7(j) Management and Technical Assistance Program to small businesses operating in areas of high concentration of high unemployment or low income individuals. Emerging 200 is fully aligned with allowable uses of 7(j) funds. Furthermore, no current services are being negatively impacted because of Emerging 200.

As to your question about the trainer(s) for Emerging 200, the SBA will provide a uniform, national training curriculum that will form the baseline for the initiative. Cooperative agreements may be made to one or more recipients as needed to deliver the services. The training is a portal to other SBA programs and services including appropriate referrals to resource partners.

Lastly, let me assure you that Emerging 200 is not duplicating the efforts of our existing resource partners. Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE each serve a different mission and have different mandates based on the law. For example, SBDCs are required to provide statewide coverage while WBCs serve women in low income areas and SCORE focuses on potential entrepreneurs—those who have not yet started a business. The Office of Entrepreneurial Development's (OED) latest Impact Study data show the median revenue for SBDC, WBC, and SCORE clients is \$122,500, \$16,500, and \$94,500 respectively. This information is derived from survey respondents.

The Emerging 200 initiative will be most beneficial for existing businesses that have been in operation for at least 3 years and generate revenues of at least \$400,000. This varies from the client base currently seen by OED's resource partners—nascent and start-up entrepreneurs.

I am excited about the opportunities that this initiative will bring to the inner-city, and SBA has recently been recognized with the Initiative for a Competitive Inner Cities (ICIC) 2008 National Inner City Economic Leadership Award in part due to the creation of this initiative.

If you have any additional questions, I invite you or your staff to contact me directly at (202) 205-6239.

Sincerely,



Anoop Prakash
Associate Administrator
Office of Entrepreneurial Development