

**ENTREPRENEURIAL ASSISTANCE: EXAMINING INEF-
FICIENCIES AND DUPLICATION ACROSS FED-
ERAL PROGRAMS**

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WEDNESDAY, MARCH 20, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 1:02 p.m., in Room 2360, Rayburn House Office Building, Hon. Sam Graves [Chairman of the Committee] presiding.

Present: Representatives Graves, Chabot, Luetkemeyer, Tipton, Hanna, Huelskamp, Schweikert, Collins, Velázquez, Schrader, Clarke, Chu, Payne, and Murphy.

Chairman GRAVES. Good afternoon, everyone. I call this hearing to order, and I want to thank everyone for being with us today.

Today America's national debt has surpassed \$16.7 trillion, and, according to the Congressional Budget Office, each of the past 4 years, Federal spending has been between \$3.5 trillion and \$3.6 trillion. It is Congress' duty to put our fiscal house in order, reduce spending, and stabilize our debt to ensure prosperity in our Nation for future generations.

In order to do this, we must ensure that taxpayer dollars are being spent wisely and not on overlapping, fragmented, wasteful, or duplicative Federal programs. It is this Committee's job to examine each Federal program that claims to help entrepreneurs, with a specific focus on the Small Business Administration, to ensure that necessary programs remain intact while advocating for the elimination of those that are redundant and ineffective.

Unfortunately, it has become clear that the numerous entrepreneurial assistance programs run by the Federal Government are all engaging in similar activities with no true metrics to determine which programs are truly beneficial to entrepreneurs. Recent reports by the Government Accountability Office have identified 52 programs across 4 agencies aimed at helping entrepreneurs, but agencies are not adequately measuring the effectiveness and collaboration among these agencies is lacking. That makes figuring out what is helpful and what should be consolidated and what should be cut much more difficult.

On this Committee, we understand the value of encouraging entrepreneurs and facilitating the creation of new businesses. However, I am very skeptical that all 52 Federal programs aimed at entrepreneurs are having a significant enough impact to justify their costs. And a further question, how many individual seeking to start

a small business can look at 52 programs and know which is best suited for them or how the different programs fit together. I certainly can't imagine having the time to focus on establishing a company while navigating a disjointed maze of fragmented and overlapping Federal programs.

And let me be clear about this: There is an immediate need to reduce the Federal budget, but even if the United States were not facing staggering debt levels, program inefficiencies would need to be eradicated to ensure entrepreneurs were receiving the best help.

Today I hope our witnesses can shed light on some of these programs and comment on the GAO's findings.

I thank all of you for taking time out of your busy schedules to be here.

And I now yield to Ranking Member Velázquez for her opening statement.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Across the Federal Government, departments, agencies, and bureaus of all sizes are working to help small businesses. Their efforts run the gamut from providing loans to farmers, to helping manufacturers gain access to foreign markets, to grants improving infrastructure.

Many of these programs have become essential to our Nation's small businesses. However, others have been proven less necessary, duplicative, and even wasteful. Ensuring that these programs work better together is important, not just for taxpayers but also for small businesses that depend on them.

In administering these programs, it is critical that agencies maximize efficiency and minimize waste. In practice, this means ensuring that rules and regulations are clearly articulated, that a framework for evaluation is in place, and that the initiatives are not simply mirroring other agencies' work.

It is imperative that programs are continually evaluated, and it should not take a fiscal crisis to do so. This Committee, both Democrats and Republicans, have repeatedly pinpointed programs at SBA that are wasteful and duplicative, irrespective of budgetary politics. Our views and estimates have annually identified ten of millions in wasteful spending that could be reinvested in other valuable programs.

GAO has also been a regular in this room, as their reports have shown that waste, fraud, and abuse are all too common within the agency. From the HUBZone programs, to disaster lending, to coordination between the SBA and Agriculture, the GAO has recommended improvements, many of which have been enacted into law.

Today I am looking forward to not only hearing GAO's recommendations about government-wide coordination of entrepreneurial assistance programs but also the reactions of the SBA and USDA. Oversight is not only a responsibility of Congress but also for the agencies we oversee. And in this case, for this Committee, it means the Small Business Administration.

Unfortunately, in this regard, the agency has not met expectations. It has established and authorized pilot programs without any performance measures. While these initiatives cost taxpayers mil-

lions of dollars, the agency has failed to use objective metrics to quantify their success or failure.

In the last 3 years, SBA requested funds for seven pilot programs, including the Small Loan Advantage and Community Advantage programs, the Impact Investing and Early-Stage Innovation Fund, regional clusters, the Distance Learning Portal, and the Emerging Leaders programs. The last three of these alone cost \$50 million. That is more than what we spent on the Women's Business Centers, an initiative that is authorized, has performance measures, and is regularly overseen by Congress. While the original intent may be admirable, once launched, these pilot programs often take on a life of their own, drawing funds away from proven initiatives.

Even among programs that we know work, there is a need for better harmonization. In its recent report, GAO found that agencies do not coordinate their services. If they did, the government could lower administrative costs and leverage each program's unique strengths.

Steps must be taken to ensure that agencies are conducting meaningful evaluations of their initiatives rather than simply checking the box. If a program is not working, it should either be fixed or defunded. Doing so will ensure taxpayers get the biggest bang for their buck and, equally important, that small businesses' needs are met. Today, reducing duplication and improving performance are not just nebulous, bureaucratic catchphrases. When applied, they mean better services for entrepreneurs and greater job creation for the economy.

Everyone here recognizes the importance of entrepreneurship to our economic recovery. As we seek ways to make economic development programs more efficient, we cannot afford to shortchange small businesses. Instead, our goal should be ensuring that these programs work in concert together, delivering small businesses the help they need.

I look forward to today's testimony, and I thank all the witnesses for being here.

Thank you, Mr. Chairman. I yield back.

Chairman GRAVES. Thank you very much.

Our first witness Bill Shear, the Director of Financial Markets and Community Investment at the Government Accountability Office.

And, Mr. Shear, I know you testified before our Subcommittee on Contracting and the Workforce just yesterday, so we appreciate you coming to the Hill twice in 1 week. Thank you very much. Look forward to hearing from you.

STATEMENTS OF WILLIAM B. SHEAR, DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, D.C.; MICHAEL A. CHODOS, ASSOCIATE ADMINISTRATOR FOR ENTREPRENEURIAL DEVELOPMENT, OFFICE OF ENTREPRENEURIAL DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.; DOUG O'BRIEN, DEPUTY UNDER SECRETARY FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

STATEMENT OF WILLIAM B. SHEAR

Mr. SHEAR. Okay. And thank you. And so the joke about it is, I was in the same chair yesterday, and it is really quite comfortable. So, at any rate, thank you very much.

Chairman Graves, Ranking Member Velázquez, and members of the Committee, I am pleased to be here this afternoon to discuss our work on economic development programs that provide entrepreneurial assistance. This statement is based on our report issued in August 2012 and information we have received from the four agencies since our report's issuance.

We reported information on 52 programs at SBA, USDA Rural Development, Commerce, and HUD. In summary, we found the following.

First, Federal programs that support entrepreneurs are fragmented and overlap based on the type of assistance they are authorized to offer, such as financial and technical assistance, and the type of entrepreneur they are authorized to serve. Much of the overlap among these programs tends to be concentrated among programs that provide a broad range of technical and financial assistance.

In addition, while agencies have taken steps to collaborate more in administering these programs, they have not implemented a number of good collaborative practices we have previously identified. And some entrepreneurs struggle to find the support they need. The GPRA Modernization Act's crosscutting framework requires that agencies collaborate in order to address issues such as economic development that transcend more than one agency. And it directs agencies to describe how they are working with each other to achieve their program goals.

As my second summary statement, I will offer the following: Agencies do not track program information on entrepreneur assistance activities for many programs—a practice that is not consistent with government standards for internal controls.

In addition, we found that 33 of the 52 programs had set goals for their programs, but 19 of these 33 programs did not meet any of their goals or only met some of their goals. Further, agencies have conducted evaluations of only 20 of the 52 active programs since 2000. As a result, information on program efficiency and effectiveness is limited, and scarce resources may be going toward programs that are less effective.

The GPRA Modernization Act requires agencies to set and measure annual performance goals and recognizes the value of program evaluations because they can help agencies assess programs' effectiveness and improve program performance. In summary, without

enhanced collaboration and coordination, as well as more robust program information, agencies may not be able to administer programs in the most effective and efficient manner.

Based on our findings, we recommended that the four agencies and OMB explore opportunities to enhance collaboration among programs both within and across agencies and that the four agencies track program information and conduct more program evaluations. The agencies neither agreed nor disagreed with the recommendations but did provide information on their plans to address our recommendations.

Chairman Graves and Ranking Member Velázquez, this concludes my prepared statements. I look forward to answering questions you may have.

Chairman GRAVES. Thank you, Mr. Shear.

Our next witness is Michael Chodos. He is the Associate Administrator for Entrepreneurial Development within the Office of Entrepreneurial Development at the SBA. In this capacity, Mr. Chodos is responsible for overseeing SBA's counseling and training programs for entrepreneurs.

And I appreciate you being with us today.

STATEMENT OF MICHAEL A. CHODOS

Mr. CHODOS. Thank you.

Chairman Graves, Ranking Member Velázquez, and distinguished members of the Committee, thank you for inviting me to testify about the Small Business Administration's work to enhance collaboration, avoid duplication, and improve data tracking within our entrepreneurial assistance programs. I look forward to discussing our extensive collaboration with other Federal agencies and our ongoing efforts to evaluate our own programs and to make them more streamlined, effective, and efficient.

Entrepreneurs are the foundation of America's economic success, and SBA is there with the services and support small businesses need to start, grow, and create jobs. In the past year alone, SBA and its resource partners counseled and trained over 1 million small businesses and helped thousands of new businesses start.

SBA and its network of lenders also supported over \$30 billion in loans to small businesses through its 7(a) and 504 loan programs, and we helped agencies across the Federal Government to put over \$90 billion in Federal contracts in the hands of small businesses. SBA also leveraged a record \$3.3 billion in capital for small businesses through the SBIC program and, since 2009, has supported over \$3.3 billion in lending in our export loan programs.

To implement its programs and disaster support services, SBA connects directly with small businesses in communities across America. It does so directly through its nationwide network of SBA district offices, Small Business Development Centers, Women's Business Centers, SCORE chapters, and Veterans Business Opportunity Centers.

And because of so many of SBA's programs are delivered in partnership with others, we also help small businesses every day by collaborating with our very large network of private lenders, micro-lenders, and investment funds in our lending and capital programs, with Federal and State partners in our procurement, Small Busi-

ness Innovation Research, and export programs, and with university and nonprofit partners in several of our innovative programs for supporting veterans entrepreneurship.

We work collaboratively every day to break down silos and to work effectively with our Federal, State, and private-sector partners. But we know that there are always further opportunities to use taxpayer dollars wisely and to make things simpler and easier for our small-business constituents. We know that navigating the Federal Government and its many programs and services can be daunting to a small business.

For that reason, SBA and our network of partners act as the front door to Federal support for small businesses. We help them access our own programs and services and also act as a community-based and online guide to help small businesses get the help they need from whichever Federal, State, or local partners can serve that small business best.

Over the past several years, SBA has focused intensively on opportunities for improving collaboration and coordination within its own network. We want to make sure that network is operating as efficiently and collaboratively as possible.

SBA has participated in and led efforts to collaborate and share resources with USDA, Department of Commerce, and HUD. For example, SBA has been working with the Department of Commerce and numerous other Federal agencies on developing Business-USA.gov, the comprehensive one-stop platform for businesses looking to access information, resources, programs, and services available through the Federal Government.

While more work remains to be done, I am very proud of our accomplishments and progress in the area of collaboration to date. A great deal of the credit should go to our SBA district office leadership; national, State, and local leadership in our SBDC, WBC, and SCORE networks; and our cluster administrators and other partners.

In addition to our work fostering collaboration within our own SBA family and with other agencies, the agency has been working intensively on ways to improve the measurement and evaluation of our programs. Starting in 2012, OED, which is the office which I lead at the agency, undertook a comprehensive modernization project for our resource partner data-collection system, known as EDMIS, to enhance current data fields, improve budget and performance integration capabilities, and expand reporting capabilities.

Additionally, we are also working with all of our resource partners to identify and align all of our respective surveying, polling, and impact-study methodologies to harmonize the data collected through these efforts and to have a coordinated set of data sources between the agency and its partners.

In closing, I want to thank you for the opportunity to testify before you today. SBA, its resource partners, and its many lending, Federal-sector, and other partners share the common goal of collaborating and supporting and strengthening America's 28 million small businesses. Through enhanced collaboration, improved metrics, and new service delivery tools, we are building an entrepreneurial ecosystem for the 21st century and beyond.

I look forward to answering any questions you may have. Thank you.

Chairman GRAVES. Thank you, Mr. Chodos.

Our final witness is Doug O'Brien, who is the Deputy Under Secretary for Rural Department at the U.S. Department of Agriculture. Mr. O'Brien was appointed to this position in August of 2011 and oversees efforts to promote economic development throughout our rural communities.

Mr. O'Brien, I apologize I wasn't able to meet with you on Monday. My flight was delayed. But I appreciate you making the effort, and welcome to the Committee.

STATEMENT OF DOUG O'BRIEN

Mr. O'BRIEN. Chairman Graves, Ranking Member Velázquez and members of the Committee, thank you for this opportunity to appear before the committee to discuss USDA Rural Development's role in supporting economic development of our Nation's rural communities.

Since 2009, President Obama's support for rural America has brought about historic investment in rural communities that has made rural America stronger and more vibrant. Rural development has directly invested or guaranteed more than \$131 billion over the last 4 years in broadband, businesses, housing, safe water, community facilities, and more that have benefitted not only the communities our agency serves but the Nation's overall economy.

In fact, we view rural development programs as building blocks for a successful rural economy. Quality infrastructure encourages business and economic growth, which, in turn, encourages housing development to serve the influx of new employees and leads to additional necessities such as schools, hospitals, and emergency resources. Our programs address all of these needs.

Congress had the forethought to strategically place comprehensive programs for rural America in one agency, USDA Rural Development. Perhaps most importantly is how Rural Development provides these critical programs: with more than 400 offices in rural communities across the country that provide us the ability to work directly with stakeholders that, many times, do not have the capacity to otherwise access Federal programs.

To make sure that the community economic development mission is met, we have always looked for opportunities to collaborate with other agencies to get the best results possible in rural communities. Engaging with members and stakeholders on the White House Rural Council has opened doors to improved cooperation.

Last summer, I participated in the Regional Innovation in Rural America forum to develop strategies for leveraging infrastructure investments in rural communities that create jobs and boost economic development. Two programs highlighted in this forum were the Rural Jobs and Innovation Accelerator Challenge and the Stronger Economies Together initiative.

The Rural Jobs and Innovation Accelerator Challenge leverages existing financial and technical assistance resources from 13 Federal agencies and bureaus. To date, projects across 12 States have received Federal funding to help strengthen regional industry clusters by identifying and maximizing local assets, connecting to re-

gional opportunities, and accelerating economic and job growth across rural regions.

Meanwhile, the Stronger Economies Together, or SET, initiative enables rural communities and counties to work together to implement multicounty economic blueprints to build on a region's current and emerging strengths. Rural Development launched this initiative with land-grant university partners and Regional Rural Development Centers 2 years ago. SET is now active in nearly 40 regions in 19 States.

Over the past year, we have further strengthened our collaborative efforts with the Small Business Administration. We held a series of USDA and SBA joint roundtables across the country focused on increasing investment in rural communities. The meetings have presented opportunities to hear from stakeholders at both agencies about the challenges and benefits of investing in rural America.

In response to these discussions, leaders from our rural business team have been meeting with SBA to increase microlending availability to rural constituents. We determined from these roundtables that there are substantial amounts of resources and revolving funds created through several of our programs that are available for increasing investment in rural communities. We are actively pursuing the relending of these funds.

Participants in these discussions include our revolving fund partners SBA, SBA Certified Development Companies, Small Business Development Centers, commercial lenders, and other community and economic development stakeholders. This is important in light of the challenges entrepreneurs face getting financing in rural areas, where lenders are often small and less likely to shoulder the risk alone, particularly during an economic downturn.

Building on these successes, USDA signed an MOU with the American Association of Community Colleges to strengthen rural economies throughout the Nation. National, State, and local staffs around the Nation are diligently working to find ways to coordinate with stakeholders and colleagues in other Federal agencies to leverage resources and create jobs.

For example, a USDA Rural Development in California has recently joined into a memorandum of understanding with the California Community Colleges Chancellor's Office. In conjunction with this effort, the two agencies are partnering with local community colleges and small-business development centers to present capital readiness events throughout the State, and these events provide information and resources for small businesses seeking financing.

These are just a few of the examples of USDA's collaborative efforts with other agencies across Federal Government to support rural communities that are fostering economic development. Leveraging Federal resources to more effectively support economic development efforts continues to be an agency best practice.

I am proud of our record of collaboration and meeting increased demand for our services in the face of declining funding levels and significant staffing losses. In spite of those challenges, Rural Development has been able to maintain a unique connection to rural America, a connection like no other Federal agency, by aggressively

implementing the Secretary's Blueprint for America and Rural Development's economic development strategies.

I appreciate the opportunity to join my colleagues from SBA and GAO to testify before members of the Committee today, and I welcome the chance to answer your questions. And thank you for your support for Rural Development programs.

Chairman GRAVES. Thank you very much, Mr. O'Brien.

We are going to start with Mr. Huelskamp.

Mr. HUELSKAMP. Thank you, Mr. Chairman.

Mr. Shear, I appreciate your returning to the Committee. I also appreciate the brevity. You had a minute, 25 left in your time—well recognized for that.

But I have a follow-up question, particularly a tough one. And if we are looking at these programs, and, again, many different programs across multiple agencies, are we able to compare the performance or efficiencies of these programs one to another?

Mr. SHEAR. It is a very good question, and it is a very difficult question. And the general answer to that is no.

Each program has program metrics looking at the attainment of certain goals, which there are some differences among them, but the idea is that those metrics provide an opportunity to track outputs over time, such as number of businesses assisted, things of that nature. So they are more output-oriented, but they don't get to the issue of the effectiveness of the programs.

And this is one reason why we say that especially for the programs that don't meet their goals, but even those that do, evaluation is important, where you are trying to benchmark to some degree what would happen without the program and saying, how well does the program work at serving its particular mission, such as training and counseling, and how well does it help the small businesses that participate in training and counseling, is one example.

Mr. HUELSKAMP. And so, well, how do we then—does that mean that we just don't have the data? We are on the other side of the table. I mean, we have a multitude of programs here, two different agencies represented today. And it is time to pick or choose, when we have a \$16.7 trillion deficit. You are telling me that even if we don't have the data or even if we did have the data to collect it, we still couldn't compare it and say, hey, this program is something worth keeping compared to another program?

Mr. SHEAR. There are some indications—there is some information that can be available to look at the usefulness, some programs better than others. As it happens, there is better information on the three counseling and training programs at SBA than other programs, but, really, there is generally a lack of information.

To give you an example, when we issued our GAO-wide report last year, we thought we would be making a recommendation to Congress, what we call a matter for consideration, to tie funding more closely to demonstrate effectiveness. But based on further evaluation on our part, we decided that was premature because the first step in that would be for the agencies, to have a requirement and should consider it their responsibility, both individually and collectively, to collect and evaluate information on how well their programs are serving their intended purposes.

Mr. HUELSKAMP. You know, appreciate that.

And so let me ask the agencies represented here—and thank you for coming here.

Mr. O'Brien, later I will follow up separately on RUS. We can actually make a key difference if we got a key decision out of that agency.

But if you had to pick one particular program, gentlemen, in your purview that you would say, hey, that is the least effective program in our department, would you please identify that for me?

Mr. CHODOS. Well, from the SBA's perspective, in the President's submission in the 2013 budget the SBA proposed that the PRIME technical assistance program not be funded further, that it was duplicative of programs that are essentially micro-assistance counseling and technical assistance already provided in our SBDC, Women's Business Center, and SCORE networks and, therefore, that it was an opportunity for savings.

Mr. HUELSKAMP. Very good.

USDA, Mr. O'Brien?

Mr. O'BRIEN. Thank you for that question, Congressman.

I think two programs that I might point to are somewhat similar programs, one called the Rural Business Opportunity Grant and the one called the Rural Business Enterprise Grant. They have similar purposes; the way that we deliver them is separate. And there has been discussion and we have suggested in the past that we actually merge those two programs and consolidate the implementation of those two programs.

Mr. HUELSKAMP. Are you proposing to save money or simply consolidate and maintain the same—

Mr. O'BRIEN. Well, there would be some streamlining. Each of those programs have their separate competitive process to compete for those Federal dollars, and, by consolidating the program, that would be one less—NOFA process and the attendant staff time that goes on to make sure that we do a good job.

Mr. HUELSKAMP. Indeed. Now, is that in the President's budget proposal?

Mr. O'BRIEN. Well, at this point, of course, with the President's budget not being released, that is something I can't comment on right now.

Mr. HUELSKAMP. Okay. I would have some comments—and I am out of time—on the President's budget proposal, but, Mr. Chairman, I appreciate the opportunity to ask questions. I yield back.

Chairman GRAVES. Ms. Velázquez?

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Mr. Shear, thank you for coming back.

I just would like to clarify for the members of the Committee, when you were answering the gentleman from Kansas, you said that all the programs have metrics and all the authorized programs have metrics. What about pilot projects? Do they all have metrics, the pilot programs?

Mr. SHEAR. My understanding is that they don't.

But one of the things with the pilot programs, and one reason they are not in our universe, we took what was basically the executive branch's approach to what is considered a program, which is from the Catalog of Federal Domestic Assistance. So some of the

programs you talk about—it is a very good point—some of these pilot programs don't appear on that list.

So there are some programs out there that my understanding is don't have metrics, but they have not been included in our universe because they are not identified as such.

Ms. VELÁZQUEZ. Uh-huh. Okay.

So, Mr. Shear, in your 2011 testimony before this Committee, you stated that SBA had only met 16 of 26 requirements of the Small Business Disaster Response and Loan Improvement Act, which was passed to make improvements in the aftermath of Hurricane Katrina.

Where does the agency stand on implementing these requirements?

Mr. SHEAR. The agency—there are 26 provisions. Some of them create some authority but not a responsibility, and we put those down as not applicable. But you take those away, they have implemented—let's say, we made a big deal about having regional outreach-type plans, and they have implemented that.

The three remaining provisions from that act that haven't been implemented are the private and the expedited and the intermediate loan programs, which are programs to operate with private lenders. Those have not been implemented.

In terms of our recommendation around the whole thing, we asked, for things not implemented, to give us a timeline. We still don't have a timeline on those three.

Ms. VELÁZQUEZ. Okay.

As you know, Hurricane Sandy has produced the largest number of disaster loan applications since Hurricane Katrina. Unfortunately, processing times have spiked significantly, causing many to go without the funds they need to fully recover.

Given these delays, wouldn't the unimplemented provisions, particularly those allowing private lenders to assist SBA during periods of high volume, help individuals get their loans more quickly?

Mr. SHEAR. The intent of those programs, as passed, was to provide that type of assistance when you had big disasters. So I can't say exactly how they would have played out if they were available.

But what I can observe is that, ever since, the act went through, SBA said it wanted to conduct pilot programs, which we thought were a good idea. But this is a number of years ago. And they were focused on having pilot programs in the Gulf States, but you can have a disaster anywhere. So they really didn't look at it in the proper way.

Ms. VELÁZQUEZ. But it was a great opportunity now under Sandy, given the magnitude, right?

Mr. SHEAR. Absolutely. And if they would have taken steps to at least be positioned to introduce pilot programs in different parts of the country, they would be in a position now to implement pilot programs. And it not only could help serve that purpose, but it could also provide information on how effective such interventions could be.

Ms. VELÁZQUEZ. Okay.

While there is significant overlap among the populations that these programs serve, you know that GAO did not find duplication. Can you elaborate on this point and the distinction GAO makes be-

tween overlap and duplication? Because I think it is a critical part of GAO's findings.

Mr. SHEAR. Yes. "Duplication" we define as providing the same or similar services to the same types and the same businesses themselves. So it really is serving the same audience, the same types of services. We did not find evidence of duplication.

"Overlap" tends to be when you have a number of programs that are operating in the same space as far as missions and goals. So we do observe overlap. And we do observe an awful lot of fragmentation.

Ms. VELÁZQUEZ. Some of the overlap you talk about has been caused by agencies creating their own initiatives without the authorization of Congress. For instance, the SBA has created programs like Regional Innovation Clusters and Emerging Leaders.

With more than 50 entrepreneurial assistance programs across the government, does it make any sense for agencies to be creating new programs in this area?

Mr. SHEAR. While we didn't look at the pilot programs, we say it doesn't make sense and it goes against the grain of everything we are recommending here.

Under the GPRA Modernization Act, agencies are supposed to work with each other. There is a priority goal established by the administration to serve entrepreneurs and small businesses. And no agency by itself, in that framework and under the law as passed by Congress that everybody seems to have accepted, it is not appropriate for an agency to go off and create its own pilot programs on their own. It just is inconsistent with where we are going on this.

Ms. VELÁZQUEZ. Thank you, Mr. Shear.

Mr. CHODOS, SBA ED programs are funded through a salaries and expenses account, which will face a reduction of \$22 million. Is that correct, \$22 million, right?

Mr. CHODOS. We are speaking about under sequestration?

Ms. VELÁZQUEZ. Yes.

Mr. CHODOS. Approximately, yes.

Ms. VELÁZQUEZ. Based on information we have received from your agency's CFO, it appears that SBA will reduce some of its entrepreneurial development programs by 8 percent, such as SBDC, and others by nearly nothing, such as microloans, technical assistance, and veterans assistance.

I just would like to know, how did you arrive at these decisions, and why did they not apply 5 percent across the board?

Mr. CHODOS. Thank you, Ranking Member Velázquez, for the question.

The whole issue of how best to apply the sequestration, application of sequestration cuts—I am sorry.

Ms. VELÁZQUEZ. I just—I need for you to answer my question. How did the agency arrive at the decision, and why did it not apply the 5 percent across the board? You cut some programs at 8 percent and other programs at 5. How did you get to that decision?

Mr. CHODOS. I will respond by saying this. The overall requirement was to cut 5 percent out of each major line item, budget item, for the agency. The salaries and expenses account includes almost all of the agency's programs and services and expenses for salaries.

The overall cut was required to be 5 percent. The agency engaged in a very deep analysis of where best to apply cuts, either below or above that level, in order to achieve the 5 percent cut across that entire bucket.

Ms. VELÁZQUEZ. So I hope you could share with the Committee what metrics you used to decide which programs to cut at 5 and which programs to cut at 8.

Explain to me, why did you decide to defund the PRIME Program that happens to be the only program that provides technical assistance to low-income, entrepreneurs for example? Or why did you decide to cut 5 percent—let's pick one. Emerging Leaders, you know, where you train 300 people at a cost of \$3 million. Compare that to SBDC. That is only \$2,000 per client, while Emerging Leaders, which is a pilot program with no metrics, costs \$12,000 per client.

Mr. CHODOS. Actually, the Emerging Leaders Program does not cost \$12,000 per client, and we do maintain metrics on all of our programs, including the two that you have mentioned, Regional Innovation Clusters and Emerging Leaders.

We are highly focused on the need to maintain actual, meaningful measurements of not only participation and activity but also outcomes in all of those programs. And, indeed, we do.

Ms. VELÁZQUEZ. Excuse me 1 second. These are your numbers; these are not my numbers. Emerging Leaders, \$3.776 million to train 300 individuals. The cost per training one individual through that program, if I do the arithmetic, is \$12,500.

Mr. CHODOS. I look forward to and I am happy to provide a detailed summary of all of the budget analysis and expenditures in e200. This year's budget for the e200 Program is approximately \$1.2 million. The number of students who were enrolled in the e200 program last year across the country in our 27 cities in which we operate the program is approximately 400 to 500 per—

Ms. VELÁZQUEZ. Can you explain to the Committee, why did you decide to apply 8 percent to the Women's Business Development Centers compared to any of the unauthorized programs?

Mr. CHODOS. We applied an 8 percent cut across our three primary programs because it is a key principle that we have in all of our dealings with our three main technical assistance, counseling, and training programs that not only do they collaborate and coordinate and provide a complementary suite of services, but as our budget goes up or goes down, all of them need to absorb those increases or decreases in a proportionate way.

Ms. VELÁZQUEZ. Mr. Chodos?

Mr. CHODOS. Yes.

Ms. VELÁZQUEZ. For the record—and this is my last question now—if you cut all the unauthorized pilot programs, that will add up to what?

Mr. CHODOS. Well, I am not sure—I don't believe we have any unauthorized programs. I think every program that the agency has—

Ms. VELÁZQUEZ. Those are pilot programs that are unauthorized.

Mr. CHODOS. Well—

Ms. VELÁZQUEZ. We legislate here. We know which programs have been authorized by this Committee.

Mr. CHODOS. Yes.

Ms. VELÁZQUEZ. And those are not.

Mr. CHODOS. I would like to say, Ranking Member Velázquez—and I am not sure specifically which programs you are referring to. The e200 program, as I said, has a \$1.2 million budget for this year. Now, that is a significant amount in any agency's budget, including our budget.

The Regional Innovation Clusters budget for the agency for 2012 was \$5 million. Under sequestration, it is going to be something less than that.

Ms. VELÁZQUEZ. Well, since you don't know—

Mr. CHODOS. May I—

Ms. VELÁZQUEZ. Excuse me 1 second.

For the record, Mr. Chairman—

Mr. CHODOS. May I answer?

Ms. VELÁZQUEZ. I know what you are going to say. But you said that you don't know what programs are unauthorized, and I am going to tell you. You have \$6 million for BusinessUSA Web site; \$3.4 million for Clusters; \$7 million for national vet training program; \$2.2 million for Emerging Leaders. And these add up to \$22 million.

Mr. CHODOS. Yes. Well, if the question that—I believe the last question that you asked is, do we maintain metrics in those programs? Are we able to measure the effectiveness of those programs? And, in fact, have we cut the only program that provides training to our micro-entrepreneurs? And the answer, I think, to those questions is no.

The reason that the President proposed in his 2013 budget that the PRIME Program be defunded is simply that the allocation in that program and the problems addressed by that program can be addressed by our Women's Business Centers, which are targeted to underserved women and male entrepreneurs all across this country, and by our—

Ms. VELÁZQUEZ. Reclaiming my time, Mr. Chairman.

PRIME is the only program where a loan is tied to technical assistance. If you want to see low-income entrepreneurs succeed, you provide technical assistance, and until they graduate, they will not be able to access capital. And it has been proven that it has been one of the most successful, at least for women—62 percent, 62 percent of borrowers are low-income women.

And, with that, I yield back the balance of my time.

Chairman GRAVES. Thank you, Ranking Member.

Mr. Luetkemeyer?

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Mr. Shear, you were talking a while ago about some of the programs were not—we did not evaluate them, they were not required by law to be evaluated. What is the penalty for not evaluating a program?

Mr. SHEAR. We would hope that through hearings such as this and by initiatives by the administration that there be a recognition that the demonstrated effectiveness of programs should play some role in allocating resources.

Mr. LUETKEMEYER. Okay. So what you are saying is, at this point, there is no penalty?

Mr. SHEAR. There is no legal requirement.

Mr. LUETKEMEYER. There is no outcome that we are looking for that will show some sort of a penalty for not doing evaluation on it; is that right?

Mr. SHEAR. The question there is almost like, how would you as a Committee, Congress, and the administration respond in terms of agencies that run programs—

Mr. LUETKEMEYER. Okay.

Mr. SHEAR.—that don't measure effectiveness.

Mr. LUETKEMEYER. If you can't measure the effectiveness, why should we continue to fund it?

Mr. SHEAR. This is really—it is a great question. It is one of the questions we had in mind when we thought we were going to make the recommendation of tying funding to demonstrated effectiveness. In the absence of such information, it is a difficult situation.

Mr. LUETKEMEYER. Well, the gentleman from Kansas asked a great question, you know, with regards to—he pointed the problem we have with our budget, and we are going to have to find some places where we are going to cut. And, you know, Mr. Chodos made the comment with regard to some of the things he was trying to do.

But, at the same time, if we have no measurement of any of these programs—on half the programs, I was going through here, we have them highlighted. I mean, you look at some of this stuff. Some of the programs didn't meet goals; other ones met some of the goals. Some of them have information on them; some don't have information on them.

I mean, and then when somebody complains, well, we don't have any—you know, well, this is a great program and we have to cut it, it is a bunch of nonsense. If we are supposed to be sitting here setting priorities, you know, I would hope that you and your agency would help set priorities so we know which ones to fund, which ones not to fund.

Mr. SHEAR. This is a very important point, I think, is that what we are trying to do is to provide our evaluation of the situation that we hope provides information that can lead to certain decisions. There are certainly value judgments involved, where we are not going to make those value judgments. We are not here to pick the winners and losers of what programs should stay and which ones should not. But we are trying to do our best, based on the information that we could glean from these agencies, of how well these programs are working. And, there are certain things where we have to look to the agencies to collect and analyze information.

Mr. LUETKEMEYER. It was kind of interesting, when I was—I served on the Appropriations Committee back in Missouri, and when an agency came in and they couldn't explain a program, it was automatically cut.

Mr. SHEAR. Yes.

Mr. LUETKEMEYER. And you should have seen the gasps from the rest of the crowd, who were all full of—the crowd was made up of all the people from the agency. That is why we got their attention, and that is how we managed our budget. This is ridiculous.

Mr. O'Brien, you know, the title of this hearing today is "Examining Inefficiencies and Duplication Across Federal Programs." And

I fail to see anywhere in your testimony on in this hearing you testified today anywhere where you talked about streamlining any programs. All you talked about was collaboration.

Is there anyplace in the USDA that you are streamlining?

Mr. O'BRIEN. Yes. And I thank you for that question, Congressman.

Mr. LUETKEMEYER. Why wasn't it in your testimony?

Mr. O'BRIEN. I believe, actually, in some of the written testimony there was. Some of it should have been in the oral testimony.

Mr. LUETKEMEYER. Okay.

Mr. O'BRIEN. One thing I would like to highlight on streamlining: In 2009, department-wide and including Rural Development, we instituted an effort called Blueprint for Stronger Service. That was focused on, streamlining the operations and the programs across the Department.

Since that time, across the Department we have saved \$700 million in things such as reduced travel, and office closures, as well as a number of things like coordinating procurement contracts, and a list that I would be able to and would be very happy to provide you on the record afterward.

Mr. O'BRIEN. Within Rural Development itself, in the last year and a half we have reduced our workforce by about 18 percent. We have 47 State offices. We have done things in our business programs to create team leads, 10 team leads, in 10 different regions so that they have a higher expertise and that they basically provide the training for our staff in these particular programs. And, also, with some of the staffing shortages that we have, that they have some backup in those places. So it is some streamlining.

Mr. LUETKEMEYER. Okay. With regards to—you talked about all your collaboration. Okay, through your collaborative efforts, have you found places where you can save?

Mr. O'BRIEN. Yes, I—

Mr. LUETKEMEYER. Collaborating with other agencies, have you found where you can save some money?

Mr. O'BRIEN. I think the—I think yes, sir. And thank you for that question.

Mr. LUETKEMEYER. Okay. Since you have found places, have you instituted a program to save that money?

Mr. O'BRIEN. Well, I think that the money—well, you know, instituted a program. I think that with the reduced—I think with those savings what we have experienced as opposed to—because a number of our programs have been cut, and in particular our salaries and expenses have been reduced in the last few years—

Mr. LUETKEMEYER. Okay, we got that part. What about programs now? You know, you have sequestration cuts coming here. Have you found a place where you can cut, other than salaries and associated expenses, somewhere in your programmatic group?

Mr. O'BRIEN. Yes, we have. And—

Mr. LUETKEMEYER. Give me an example.

Mr. O'BRIEN. In the fiscal year 2013 budget, we identified some programs that we thought would—

Mr. LUETKEMEYER. Give me an example, please.

Mr. O'BRIEN. I think the Rural Business Opportunity Grant Program in the 2013 budget was one that we recommended that it not

be funded. There were a number of other programs that we did recommend some reduced—

Mr. LUETKEMEYER. With the new sequestration cuts, what are some of your latest ones you are going to go after?

Mr. O'BRIEN. The latest programs that we will go after?

Mr. LUETKEMEYER. Yes, uh-huh.

Mr. O'BRIEN. Well, with the sequestration cuts, the way that it works with our budget lines so the way that sequestration will affect the programs in the Rural Business Cooperative Service, each of those programs will be cut 5 percent. And we have looked at flexibilities to try and perhaps move some of those dollars around, and—

Mr. LUETKEMEYER. Okay, but you haven't—

Mr. O'BRIEN. I am afraid that we do not have that flexibility.

Mr. LUETKEMEYER.—given an example. You haven't given me an example of a program that you are going to cut or where you are going to make a cut.

Mr. O'BRIEN. In response to the sequestration?

Mr. LUETKEMEYER. Yes.

Mr. O'BRIEN. We do not have the flexibility to pick and choose which program to cut—

Mr. LUETKEMEYER. Okay.

Mr. O'BRIEN.—and which one not to cut.

Mr. LUETKEMEYER. All right. Very good. Thank you.

Thank you, Mr. Chairman.

Chairman GRAVES. Mr. Murphy?

Mr. MURPHY. Thank you, Mr. Chairman. Thank you all for being here today. GAO reported that only half the entrepreneurial assistance programs identified attempted to measure their success. Is that accurate? That only about half the programs are being measured for success?

Mr. SHEAR. Yes.

Mr. MURPHY. It is. Okay. Forgive me. I am new here. I am just trying to get my head around this. But it is hard for me to believe that we are giving all this money and it is not being tracked. And I know we all keep talking about it here, and I don't want to beat a dead horse, but maybe you could start off by maybe telling me what you think should be tracked when this money is given out.

Mr. SHEAR. We don't raise many issues with what is tracked as far as metrics over time, such as how many entrepreneurs are being served, things of that nature.

What we are critical of—evaluations are important but don't have to occur on an annual basis. It would be quite costly to do such. But what we are looking for is certain snapshots in time for evaluations which get at the question as to how well these programs are serving their intended purposes.

Mr. MURPHY. Things such as how many jobs are created, ROI?

Mr. SHEAR. No, and I really appreciate that question.

We actually think it can be very problematic to try to estimate directly how many jobs are created by a program because it is so hard to benchmark what would have happened in the absence of the program.

But let me just give you an example using the three counseling and training programs that Mr. Chodos runs for SBA. And, in that

case, what they look at is, first, for those people who get counseling and training from those programs, how do they value that counseling and training in terms of how much it helps their businesses? But then I think, more importantly, it takes those businesses that are served, and it collects information on how well those businesses do after they receive such assistance.

So the underlying issue is that counseling and training programs are supposed to help businesses succeed. They come up with an estimate of how much it helps them succeed. And if they are succeeding—there is the general notion that if they are succeeding, they are probably providing more jobs in the community because they are successful businesses as a result of the counseling and training.

Mr. MURPHY. Can you provide an example, maybe, of a program you thought was failing and what you did about it?

Mr. SHEAR. It is not like we do anything about it. Again, we don't want to pick out winners and losers. We report on the results of some of these evaluations. It is—

Mr. MURPHY. So you don't want to report on it; you want us to do it.

Mr. SHEAR. Well, the question is, is there a specific program that you might be interested in, or maybe somebody on the panel would be? I mean, I can identify one where the evaluation does not show a lot of success. Would you like me to identify one from our list?

Mr. MURPHY. I think that would be helpful for all of us.

Mr. SHEAR. Okay.

In our list, which is—the table is not in my prepared statement. It is in our report that my statement is based on. We have a table of evaluations that have been conducted. And in that, the SBA program that shows up as not being especially effective at its purpose is the HUBZone program. It is supposed to facilitate economic development in economically depressed areas. And the evaluation conducted on that program suggests that, due to kind of the small nature of the dollars involved over the very large geographic area, that the program has not facilitated economic development, which is the purpose of the program.

So that is one program. I hate picking one program, but that is one program which, if you read the table in our report, I think it stands out.

Mr. MURPHY. Thank you for that.

And since we don't have the measures and since it seems perhaps more complicated for you to give us employment numbers, ROI, that sort of thing, do you provide other areas that we can cut, other programs, instead of that one in particular. I mean, is there a whole list of them?

And that goes for all three of you.

Mr. SHEAR. We are not picking the winners and losers. And part of it, getting back to—

Mr. MURPHY. But you need to give us the information to be able to do so, correct?

Mr. SHEAR. It is like for us or the agencies to evaluate, and we are saying the agencies have a responsibility to collect and evaluate certain information. We collected an extensive amount of data from the agencies, and it only allows us to go so far in terms of what

we can say about these programs or how the agencies use the information to administer the programs and to demonstrate effectiveness.

And we can't make up data. We are a fact-based agency. So we have done what we can with the information made available. And among our biggest recommendations is that agencies, both individually and collectively, should be collecting information and evaluating information that tries to demonstrate how well the programs are working.

Mr. MURPHY. Thank you.

Ms. VELÁZQUEZ. Mr. Chairman, would you indulge me 1 second to make a follow-up question regarding the HUBZone program to Mr. Shear?

Mr. Shear, the HUBZone program is supposed to provide economic development opportunities in low-income communities. Is that the case?

Mr. SHEAR. Yes. It is to foster economic development, yes.

Ms. VELÁZQUEZ. And is there any data to back this up?

Mr. SHEAR. The one evaluation conducted—and I am just going to go through a couple steps.

One of the things that we recommended when we prepared a report on the HUBZone program that was delivered to this Committee in 2008, that there should be evaluations of the effectiveness of the program. SBA acted like they were going to evaluate, but the one evaluation of it by the Office of Advocacy does not show that it has the intended impact.

Ms. VELÁZQUEZ. Thank you. The short answer is no.

Mr. SHEAR. The answer is no, yes.

Chairman GRAVES. Mr. Collins?

Mr. COLLINS. Thank you, Mr. Chairman.

I am relatively new here, and, you know, so I have been listening and watching. And I guess my take of what I am hearing today, Mr. Shear, is that if you are the teacher, you are not giving very good grades to Mr. Chodos or Mr. O'Brien.

So if I look at that as a report card and, you know, I look at what we are talking about, a lack of coordination and efficiency and so forth, I guess—you know, some people know me around the country as the pied piper of Lean Six Sigma, bringing efficiency to government. And I have done that. So I guess I have a simple question.

Some of the concerns that I am hearing Mr. Shear bring up are just screaming for a master black belt to step in and take a project and process-map one or two in the SBA, and in process-mapping what those steps are, look for efficiencies but, more importantly, define outcomes, define metrics, come up with control charts.

Where we say we don't measure it all the time, well, if the process is properly set up, you will get data at every turn that will give you your metrics. They are ongoing, hourly, daily, monthly snapshots. Snap your fingers, you have the data.

And what I am hearing is a lack of data, a lack of accountability, duplication, overlap. I mean, it is just screaming, to me, let's maybe think about something out of the private sector. Lean Six Sigma is what comes to mind.

I mean, do you have a comment to make? Does that make sense to you? Is it something you might want to try, Mr. Chodos?

Mr. CHODOS. Thank you, Congressman.

Let me say—and I just want to make sure that we leave a proper impression and set of facts with the Committee here today. The SBA's Office of Entrepreneurial Development engages in among the most robust tracking and “metricking” of outputs and outcomes across all of our entrepreneurial development programs of just about anywhere in the Federal Government.

We track in detail demographic data about our clients, who they are, how big their business is, what their revenues are. Then we track what services we provide. Then we track what outcomes they report in terms of changes in revenue, changes in number of employees, job starts, business starts, that sort of thing.

And then, in addition to the hard data, which is done on a client-by-client basis, we engage in annual evaluation through surveying of the clients who have received our services to find out attitudinal changes, management changes, and the effectiveness of the programs. And then we track cohorts over time to see how things have improved over time.

We are deeply engaged in exactly the kind of process management that you are describing. We agree with you completely that it is critical.

We recognize that improvements in performance analysis are an ongoing project. You never get it right just once and then stop; you do it on an ongoing basis. We are happy to work with the Committee on an ongoing basis, as we do and look forward to continuing to do, to look at what we measure and how we measure it and to find opportunities for making it even better.

Mr. COLLINS. Mr. O'Brien, do you have a—

Mr. O'BRIEN. Yes, just very quickly. I will also—and sort of a two-part answer is that, at USDA Rural Development, we also track every one of our programs. We take the recommendations on how we improve that tracking and, in particular, how we can do a better job at program evaluation very seriously. And, in fact, we are in the middle of a strategic plan right now on how we can do so.

On your point about Lean Six Sigma, indeed, Secretary Vilsack, when he was the Governor of Iowa, it was something that he brought to State government, Lean Six Sigma in particular, and that is something he brought to the USDA. We have used it across the Department at USDA Rural Development. We have used it in a number of places. So, absolutely, we agree with that.

Mr. COLLINS. Well, I mean, that is encouraging. I will just—not to go to the Agriculture, it was just disappointing when Secretary Vilsack, the other day, said that Lean Six Sigma won't work with food inspectors. It works everywhere.

But, you know, I guess I am hearing a little bit of a disconnect, because it starts with the GAO report of all the opportunities, but then taking it to isolated cases, everything is fine, but everything is not fine.

So, Mr. Shear, do you want to comment on those two answers?

Mr. SHEAR. One of the reasons why I referred to the counseling and training programs, which Mr. Chodos is in charge of, is that is one of the better examples where—so if you are saying what grade to get, his office gets one of the better grades, if not the best

grade, among these agencies. And for the programs within SBA, compared with other SBA programs in other areas, his three programs come out the best. And one of the things that makes it attractive for me, when I am asked questions about it, I can give an example of something that goes down the path that we are looking for. So his programs do a little bit better.

But there is the distinction between, again, metrics, where you can track certain processes and outcomes, and measures of effectiveness and collecting information on how well programs are administered. His programs, among the programs we are talking about today, his three programs are the ones that are the best evaluated.

And I will just make reference to, without commenting on the numbers, but on page 9 of my written statement we have a table which really gets to the internal control issues, what types of information are the agencies collecting to administer their programs. And I will just refer to it. You can get an idea as far as kind of a scorecard, or a grade sheet as such, of how well the different agencies are doing.

Mr. COLLINS. Thank you. My time is up.

Chairman GRAVES. Mr. Payne?

Mr. PAYNE. Thank you, Mr. Chairman, and to the ranking member of the Committee.

Let's see. Mr. Shear, in your effort to identify overlap and fragmentation of the programs across Federal agencies, did the GAO take into account programs that are designed for targeted populations, such as under-represented minorities and women?

Mr. SHEAR. Yes, we did. And we tried to draw on that as far as what are the purposes of the program. And this is one reason why we refer to overlap and fragmentation.

So we still represent—again, I will use the example of Mr. Chodos' three programs. Women's Business Centers are targeted to a lower-income population than Small Business Development Centers, for example. So we take that into account in describing it. Nonetheless, they are programs that do provide similar services.

So one of the questions here—again, we are not picking the winners and losers—is, is there a way to provide services in a better way, or is there a restructured program that could be done, where those populations, including those that are reached by the Women's Business Centers, could be done in a more efficient manner?

Mr. PAYNE. So, you know, in trying to understand what you do, you deal primarily in the facts, and you transfer or make a recommendation to the SBA or the agency, correct?

Mr. SHEAR. Yes, we have made recommendations to the four agencies and to the Office of Management and Budget about serving entrepreneurs and small businesses.

Mr. PAYNE. And the program that you did mention, HUBZone, and your findings and seeing that it is not achieving its goal, Mr. Chodos, when you get information like that, what do you do with it?

Mr. CHODOS. Well, every time we get information from the GAO, we take it extremely seriously, and we evaluate it and try to understand what it is that they were looking at and what the opportunities are for making decisions going forward.

I will say that the HUBZone program falls within the Office of Government Contracting and Business Development at the agency, so it is not primarily under my purview.

Mr. PAYNE. Okay.

Mr. CHODOS. So I am happy to go back and to submit further information to the Committee about what was done after the 2008 GAO report in order to provide sort of a historical context of what occurred from that point forward.

But the effectiveness of the programs is a key area of focus, and I am happy to provide further information on the HUBZone program.

Mr. PAYNE. Thank you.

In an effort to try to remain positive on a very frustrating topic, nice tie.

And I would like to ask you and Mr. O'Brien, in response to the GAO report, the Department of Commerce stated that the GAO should consider the complementary role many agencies play in the field of economic development and need for varied but complementary activities to address the complexities of entrepreneurs.

Can you provide examples within your agency where complementary services may be confused with duplication or overlap?

Mr. CHODOS. I think I can provide at least one example. There are examples within our network of the three programs virtually every day.

Our SBDCs, our Women's Business Centers, and our SCORE volunteers work with each other on the ground in communities across America in order to evaluate entrepreneurs when they come in the door, find out are they nascent, just getting started, do they already have 30 employees and they are looking for the next round of financing, are they developing new products and materials. And they find them the help that is right for them at that particular stage in the life of the business. That is something we do within our own programs every day.

But, more broadly, there are programs across the government, many of which were identified in Mr. Shear's report, which do powerfully valuable work supporting entrepreneurship, either through providing capital, grant-based funding, technical assistance, counseling, et cetera.

And so we have worked in the joint regional cluster initiatives, we have worked with Commerce, Labor, Energy, NIST, agencies across the Federal Government, and Ag, in order to make the real analysis that Mr. Shear has been talking about, which is: What are all of the things that we all do? And how can we bring them together in a single, focused, combined, and coordinated effort so that communities can get the benefit of all those programs and services, can understand what they all are, can navigate through them and get the benefit of them, and have the most bang for the taxpayer buck.

So, that kind of coordination is something at the heart of what all of us are trying to do.

Mr. PAYNE. Mr. Chairman, if I could just allow Mr. O'Brien a brief answer on that.

Mr. O'BRIEN. Thank you, Congressman.

And I would associate myself with the response from Mr. Chodos. And, certainly, there has been, I think, some unprecedented collaboration across the Federal agencies in this administration here in Washington, D.C. I just want to mention, though, some collaboration on the ground.

As we have mentioned, SBA has a very unique field structure, essentially, the way that they work with their intermediaries. We at Rural Development, primarily, almost exclusively, the folks that we work with are our employees in the 400 offices throughout the country. So those Federal employees that live in rural America, are part of that community, really understand the needs of those. And the unique programs that Rural Development has many times can be complemented by the programs from SBA and others.

So we now, partially in response to the GAO report, we send out an evaluation to our staff at Rural Development every other year asking them, how much you collaborating and coordinating with SBA?

I will just mention two or three data points. This is from the 2011 survey. And we asked States—and there were 41 States that responded—do you advise borrowers and grantees about SBA's program? It was universal; every one of our States has now picked up that habit. And to be honest with you, as a field-based organization, if what we talk about in Washington, D.C., doesn't hit the ground, you know, in rural Missouri, then it doesn't matter what we talk about here.

So we found some real highlights about the collaboration that is happening out there, and we found some soft spots. And we continue to do some training to make sure that collaboration happens.

Mr. PAYNE. Thank you very much.

Mr. O'BRIEN. Thank you.

Chairman GRAVES. Mr. Tipton?

Mr. TIPTON. Thank you, Mr. Chairman.

And I would like to thank our panel for being here today.

Mr. Chodos, I just want to make sure that I understood. Part of your testimony, you had indicated, you said that you are working, USDA, SBA, together to be able to recruit small businesses from rural communities into the HUBZone program? Is that accurate?

Mr. CHODOS. Yes. Among the initiatives that we have undertaken with Ag pursuant to our MOU, in addition to co-training and cross-referring through our field networks, is to try to spread the word about the availability of the HUBZone program in order to make it more available and accessible to small businesses in rural communities, because many of our HUBZones are in rural communities.

Mr. TIPTON. Great.

Then I guess I would like to ask you a question on behalf of my rural communities. We have in Archuleta County 8.5 percent unemployment; Delta County, 8.1 percent; Montrose County, 9.6 percent unemployment; Montezuma County, 7.9 percent unemployment; Ouray County, 8 percent unemployment; Rio Grande County, 8.6 percent unemployment; San Miguel County, 10.5 percent unemployment.

And they just had their HUBZones pulled. How are you reaching out and helping those communities? All rural communities. I drive them.

Mr. CHODOS. So, what I imagine you are referring to is that there was just a realignment of all of the HUBZone designations across the country as a result of the last census. And the agency does not dictate or decide what is a HUBZone. It is determined by the census tract and the various data in the tract.

I don't know specifically about what happened in the HUBZones and the designations in those counties—

Mr. TIPTON. I would truly invite you to take a look at that.

Mr. CHODOS. Yes.

Mr. TIPTON. Because I just read your criteria. Every one of these countries, perhaps save the census, meet that criteria.

Mr. CHODOS. May I get back to you with a specific county-by-county explanation of what occurred?

Mr. TIPTON. I would certainly appreciate that. This is important for our areas.

Mr. TIPTON. And I would like to follow up on my colleague from New York's comments in regards to seeking out some volunteerism. You are familiar with SCORE?

Mr. CHODOS. Extremely. SCORE is one of the networks under my supervision.

Mr. TIPTON. Right. You know, I just met with them yesterday, and SCORE's independent research of their 2012 client impact shows that they assisted over 38,000 businesses being formed, 82,000 jobs created. So they are obviously able to actually do some real measurement.

So how does SBA use this data to be able to promote and advocate for SBA programs like SCORE that are effective and efficient?

Mr. CHODOS. So, as we describe the number of clients we counsel and train, the number of businesses that we start, the number of small businesses that we help counsel in specific areas, and the number of trainings that we offer, SCORE's figures are included within those. And, if requested, I can give you very specific numbers for specific locations within SCORE.

But let me just back up to say, there is no force in the world as powerful as that in the heart of a volunteer. We are so grateful for what SCORE and its 13,000 volunteers do across the country every day. They give of their own time and their own experience. We have a collection of over 300,000 years of accumulated experience in the SCORE network. And they go out into communities across the country every day and help small businesses start and grow by offering the benefit and the gift of their experience. It is a powerful tool.

Mr. TIPTON. No question, you know, very positive. And I think Mr. Collins' point and my point is in tough economic times let's take advantage of that and be able to promote it. Because these are people that did grow businesses and do know how to be able to actually see the results and to be able to stick with the mentoring.

Mr. O'Brien, I did want to ask you about the USDA Rural Development loans. I am concerned about those. It is set to remove communities from qualification, I think, on March 27th. Similar issues

that I am talking about in regards to unemployment with the HUBZone programs.

We have two communities, Fruita and Palisade, in my district that will lose their eligibility for these Rural Development loans based, again, on the latest census formula and calculation.

Mr. O'BRIEN. Yes.

Mr. TIPTON. The unemployment in these areas is about 8.4 percent.

When a community is eligible to utilize a program for 10 years and then all of a sudden this is just pulled, can you see why folks in my district are actually angry about this? This is a rural, depressed—we don't have a recession, we have a depression going on there.

Mr. O'BRIEN. Yes. Thank you for that question, Congressman. And we certainly understand. We have heard from many communities and stakeholders who are concerned about the implementation of the 2010 Decennial.

The three different laws that provide us the authority at Rural Development to implement our housing, business, and utilities programs, each of them essentially says that we must implement the programs pursuant to the latest census. Because of the new 2010 Decennial data, it took us a little bit of time to be able to accumulate that data, and, by that time, we were in continuing resolutions.

Our general counsel advised us that, at the end of this continuing resolution, the one that we are in right now, we have a legal requirement to implement the law, which is to implement the 2010 Decennial, unless Congress extends eligibility in the continuing resolution—which there is some language you probably know about in both of the vehicles that are out there right now.

We understand it is a serious issue, but we look to the law for our authority.

Mr. TIPTON. Thank you, Mr. Chairman. My time has expired.

Chairman GRAVES. Mr. Hanna?

Mr. HANNA. There is a premise—hi, Mr. Shear. It is nice of you to be here 2 days in a row. Thank you.

Thank you, Chairman.

There is a premise, kind of overriding premise here that things are measurable, that somehow there is an empirical method embodied in what you do and that you how to apply it. I don't take that for granted. I doubt if you do either.

But how much of what you do can draw the kinds of conclusions that we need to draw? And how much of what you do and all of you do is fundamentally more subjective? And how do you decide how to weight all of that when you think? If that isn't too obscure a question.

Mr. SHEAR. I think it is a very good question, and it is a good question to draw the distinction of what we might do as a fact-based audit agency that doesn't make the value judgments and the role of those of you who are put into the challenging position of determining the use of taxpayers' money.

There is not a magical evaluation that is going to, simply put, rank-order programs. But, nonetheless, when you do conduct evaluations that get to how well are businesses doing that receive cer-

tain forms of assistance, what businesses are getting that assistance, what does that suggest for what benefits are generated from the program, whether it be counseling and training or loans or whatever it may be, it helps inform those decisions.

As far as a lot of the discussion, in our report we certainly point out certain deficiencies, and, based on that, we make recommendations. I mean, one of the things that you have heard from this panel, and, I will echo, we certainly have gotten responses from the agencies that, whether they agree or disagree with us or not, they have taken actions to implement our recommendations.

Mr. HANNA. Uh-huh.

Mr. SHEAR. Now, as happens with committees across the government, and I will say this Committee, which I have had the pleasure of working with for a number of years, is that there is a need to follow up and just say, okay, are those actions actually being taken, and what are they leading to?

It is promising to us that there is a cross-cutting goal that has been established by the administration to serve small businesses and entrepreneurs, but the idea is that we are looking for something much further. We are glad that there are MOUs between these two agencies and other agencies, but we are looking for, well, are you going to specify roles and responsibilities in those MOUs? Are you going to specify joint strategies for how to achieve things?

And all that requires some form of evaluation. It doesn't necessarily have to be rocket science, but, yet, there just seems to be a lack of information used to figure out how to best serve America's entrepreneurs.

Mr. HANNA. Sure. And the interpretation of that has got to be an extremely difficult part because it must fraught with both empirical/mathematical and subjective outcomes and processes.

I guess my point is that if you make a mistake in this business, in your analysis, it doesn't necessarily lead to the conclusion that the program is good or bad. Is that fair?

Mr. SHEAR. I think that, yes, it is important to basically recognize whatever the limitations of your evaluation are and to respond to the information based on that. So I would agree with that.

Let me put it that way. There are certain times we have taken SBA data on, let's just say, their credit program, their 7(a) program, and geocoded them so that we can analyze who is being served and things of that nature. There have been times where we take data that is available and will evaluate and will say how well we think a program is working or who it is serving.

But, in this case, there is still a lot of information out there that isn't being collected for anybody to evaluate.

Mr. HANNA. Uh-huh. Thank you.

I yield back.

Chairman GRAVES. Any other questions?

Well, I want to thank you all for participating today.

You know, the government has long recognized the need to aid entrepreneurs, but with 52 entrepreneur assistance programs, I think we have more confusion than clarity. And sometimes we can do a whole lot more with less. And I hope today's hearing is going to inspire the USDA and the SBA to reexamine their collaborative

efforts to truly align with the GAO's recommendations and benefit entrepreneurs.

Further, as we seek solutions to our budget crisis, this Committee is going to continue to examine these programs and discover which serve entrepreneurs most effectively, and we are going to look for opportunities to replace the duplicative and ineffective programs. That is all there is to it.

And, with that, I would ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

And, without objection, that is so ordered.

Chairman GRAVES. And, with that, this hearing is adjourned. Thank you.

[Whereupon, at 2:22 p.m., the Committee was adjourned.]

A P P E N D I X

GAO

United States Government Accountability Office

Testimony
Before the Committee on Small
Business, House of Representatives

For Release on Delivery
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**ENTREPRENEURIAL
ASSISTANCE**

**Opportunities Exist to
Improve Programs'
Collaboration,
Data-Tracking, and
Performance Management**

Statement of William B. Shear, Director
Financial Markets and Community Investment



Chairman Graves, Ranking Member Velazquez, and Members of the Committee:

I am pleased to be here today to discuss our work on economic development programs that provide entrepreneurial assistance. Entrepreneurs play a vital role in the U.S. economy, and the federal government provides a variety of support and assistance to them. In August 2012, we reported information on 52 programs at the Departments of Commerce (Commerce), Housing and Urban Development (HUD), Agriculture (USDA), and the Small Business Administration (SBA) that support entrepreneurs.¹ According to agency officials, these programs, which typically fund a variety of activities in addition to supporting entrepreneurs, spent an estimated \$2 billion on economic development efforts in fiscal year 2011. Economic development programs that effectively provide assistance to entrepreneurs, in conjunction with state and local government and private sector economic development initiatives, may help businesses develop and expand. However, the ways that these programs are administered could lead to inefficient delivery of services, such as requiring entrepreneurs to fill out applications to multiple agencies with varying program requirements. These inefficiencies could compromise the government's ability to effectively provide the needed services and meet the shared goals of the programs.

In January 2011, Congress updated the Government Performance and Results Act of 1993 (GPRA) with the GPRA Modernization Act of 2010 (GPRAMA). GPRAMA establishes a new framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Among other things, GPRAMA requires the Office of Management and Budget (OMB) to coordinate with agencies to establish outcome-oriented federal government priority goals covering a limited number of policy areas, as well as goals to improve management across the federal government. The President's 2013 budget submission includes the first interim federal government priority goals, including one to increase federal services to entrepreneurs and small businesses, with an emphasis on start-ups and growing firms and underserved markets.

¹GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO-12-819 (Washington, D.C.: Aug. 23, 2012).

My testimony today is based on information on these 52 programs that is discussed in our August 2012 report. Specifically, this testimony discusses (1) the extent of overlap, fragmentation, and duplication and their effects on entrepreneurs, as well as agencies' actions to address them; and (2) the extent to which agencies collect information necessary to track program activities and whether these programs have met their performance goals and have been evaluated. This testimony also provides information on the agencies' actions to address recommendations we made in our August 2012 report.

In summary, we found the following:

- Federal programs that support entrepreneurs are fragmented and overlap based on the type of assistance they are authorized to offer, such as financial (grants and loans) and technical (training and counseling), and the type of entrepreneur they are authorized to serve. Much of the overlap among these 52 programs tends to be concentrated among programs that provide a broad range of technical and financial assistance. In addition, while agencies have taken steps to collaborate more in administering these programs, they have not implemented a number of good collaborative practices we have previously identified, and some entrepreneurs struggle to find the support they need. GPRAMA's crosscutting framework requires that agencies collaborate in order to address issues such as economic development that transcend more than one agency, and GPRAMA directs agencies to describe how they are working with each other to achieve their program goals. Without enhanced collaboration and coordination, agencies may not be able to make the best use of limited federal resources in the most effective and efficient manner.
- Agencies do not track program information on entrepreneurial assistance activities for many programs, a practice that is not consistent with government standards for internal controls. In addition, we found that 33 of the 52 programs had set goals for their programs, but 19 of these 33 programs did not meet any of their goals or only met some of their goals.² Further, agencies have conducted

²Two programs have goals but did not have goal accomplishment information. Goal accomplishment information for HUD's Section 4 Capacity Building for Affordable Housing and Community Development program is unknown because HUD did not provide it. In addition, goal accomplishment information for USDA's Small Business Innovation Research program is not available because the program goals are based on 2-year time periods and the current period has not yet ended.

evaluations of only 20 of the 52 active programs since 2000. As a result, information on program efficiency and effectiveness is limited, and scarce resources may be going toward programs that are less effective. GPRAMA requires agencies to set and measure annual performance goals, and recognizes the value of program evaluations because they can help agencies assess programs' effectiveness and improve program performance. Without more robust program information, agencies may not be able to administer programs in the most effective and efficient manner.

Based on our findings, we recommended that the four agencies and OMB explore opportunities to enhance collaboration among programs, both within and across agencies, and that the four agencies track program information and conduct more program evaluations. The agencies neither agreed nor disagreed with the recommendations but did provide information on their plans to address them.

For our August 2012 report, on which this testimony is based, we focused our analyses on 52 economic development programs at Commerce, HUD, USDA, and SBA that are authorized to support entrepreneurs. We reviewed statutory and regulatory authority on the activities and services the agencies can conduct to administer each of the programs, and we found significant overlap and fragmentation among programs that provide technical assistance to entrepreneurs (35 of the 52 programs). Therefore, we focused on how the agencies provide this assistance. We reviewed agency documents and conducted interviews in both headquarters and field offices to determine how technical assistance is provided to entrepreneurs and the extent of agency collaboration at the local level, including both urban and rural areas. We assessed this technical assistance information against promising collaborative practices that we have previously identified.³ For all 52 programs, we also evaluated the agencies' methods for tracking the activities conducted and assistance provided against standards for internal controls that we have previously identified.⁴ For each program, we reviewed information on program mission and goals, performance goals and accomplishments, and

³GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

⁴GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1, 1999).

program evaluations conducted during the last decade. We evaluated this information against promising practices of leading organizations and the requirements of GPRAMA. In addition, we obtained and reviewed the agencies' statements on their plans for implementing the recommendations made in our August 2012 report. The work on which this statement is based was performed from June 2011 through March 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Fragmented Programs Overlap, and Agencies' Efforts to Collaborate Have Been Limited

Federal efforts to support entrepreneurs are fragmented, which occurs when more than one agency or program is involved in the same broad area of national interest. In fiscal year 2011, the 52 programs we reviewed that support entrepreneurial efforts were distributed across four agencies: Commerce (8 programs), HUD (12 programs), SBA (19 programs), and USDA (13 programs). Based on a review of the statutes and regulations for these 52 programs, we determined that the programs overlap in both the type of assistance they provide and the characteristics of the beneficiaries they target. The programs generally can be grouped according to at least one of three types of assistance that address different entrepreneurial needs: (1) technical assistance, (2) financial assistance, and (3) government contracting assistance. Many of the programs can provide more than one type of assistance, and most focus on technical assistance, financial assistance, or both:

- *Technical assistance:* Thirty-five programs distributed across the four agencies provide technical assistance, including business training, counseling and research, and development support. SBA administers 10 of the 35 programs.
- *Financial assistance:* Thirty programs distributed across the four agencies support entrepreneurs through financial assistance in the form of grants, loans, and venture capital. SBA administers 10 of the 30 programs.
- *Government contracting assistance:* Five programs, all of which are administered by SBA, support entrepreneurs by helping them qualify for federal procurement opportunities.

Appendix I lists the programs GAO identified that may have similar or overlapping objectives, provide similar services, or be fragmented across government missions.

We found that overlap tends to be concentrated among programs that provide technical and financial assistance. Within the technical assistance category, 24 of the 35 programs are authorized to provide or fund a broad range of technical assistance both to entrepreneurs with existing businesses and to nascent entrepreneurs—that is, entrepreneurs attempting to start a business—in any industry, including SBA's Small Business Development Centers Program. Similarly, 16 of the 30 financial assistance programs can provide or guarantee loans that can be used for a broad range of purposes to existing businesses and nascent entrepreneurs in any industry, including SBA's 7(a) Loan Program.

In addition, a number of programs overlap based on the characteristics of the targeted beneficiary. Most programs either target or exclusively serve one of four types of businesses: businesses in rural areas, businesses in economically distressed areas, disadvantaged businesses, and small businesses.⁵ For example, SBA's 19 programs are all limited to serving small businesses, with several programs that either target or exclusively serve disadvantaged businesses. Entrepreneurs may fall into more than one beneficiary category—for example, an entrepreneur may be in an area that is both rural and economically distressed. Therefore, these entrepreneurs would be eligible, based on program authority, for more than one subset of programs. For example, a small business in a rural, economically distressed area, such as Susquehanna County, Pennsylvania, could, in terms of program authority, receive a broad range of technical assistance through at least nine programs at all four of the

⁵The definition of rural varies among these programs, but according to USDA—the agency that administers many of the economic development programs that serve rural areas—the term rural typically covers areas with population limits ranging from less than 2,500 to 50,000. Based on statutory language, we characterize economically distressed areas as communities with high concentrations of low- and moderate-income families or high rates of unemployment, underemployment, or both. See, e.g., 42 U.S.C. § 3141; 42 U.S.C. § 5301. Likewise, based on statutory language, we characterize disadvantaged businesses as those owned by women, minority groups, or veterans, among other factors. See, e.g., 15 U.S.C. § 637(a); 15 U.S.C. § 656. The definition of small business varies among these programs, but according to SBA—the agency that administers many of the economic development programs that serve small businesses—the term small business refers to businesses that have annual receipts or total employee numbers under an agency-defined value for their specific industry.

agencies, including SBA's SCORE and Small Business Development Centers programs and USDA's Rural Business Enterprise Grants and Rural Business Opportunity Grants programs. Similarly, a small business that is both minority- and women-owned in an urban, non-economically-distressed area, such as Raleigh, North Carolina, could receive financial assistance in the form of guaranteed or direct loans for a broad range of uses through at least four programs at two of the four agencies, including SBA's 7(a) Loan and Small Business Investment Companies programs. While many programs overlap in terms of statutory authority, entrepreneurs may in reality have fewer options to access assistance from multiple programs. For example, while entrepreneurs seeking technical assistance in Susquehanna County, Pennsylvania, are eligible to receive this support through USDA's 1890 Land Grant Institutions program, the closest funded third-party intermediary (e.g., nonprofit or local government) that actually provides this service is in Delaware, making it unlikely that such an entrepreneur would utilize services through this program.

SBA administers five programs that provide government contracting assistance to entrepreneurs, but our analysis did not identify significant overlap in the types of assistance these programs provide or the types of entrepreneurs they serve. These programs tend to target specific types of entrepreneurs and provide unique types of assistance. For example, the Procurement Assistance to Small Businesses program coordinates access to government contracts for small and disadvantaged businesses with other federal agencies, while the 8(a) Business Development Program coordinates certification of eligible disadvantaged businesses for the contracts made available at these other agencies, in addition to providing business development assistance during their 9 years of eligibility.⁶

Although we identified a number of examples of statutory overlap, we did not find evidence of duplication among these programs (that is, instances when two or more agencies or programs are engaged in the same activities to provide the same services to the same beneficiaries) based on available data. However, as discussed later, most agencies were not

⁶SBA's 8(a) program, named for a section of the Small Business Act, is a development program created to help small, disadvantaged businesses compete in the U.S. economy and access the federal procurement market. Participating businesses, which are generally referred to as 8(a) firms, are eligible to participate in the program for 9 years.

able to provide the programmatic information, such as data on users of the program, that would be necessary to determine whether or not duplication actually exists among the programs.

Some entrepreneurs struggle to navigate the fragmented programs that provide technical assistance. For example, some entrepreneurs and various technical assistance providers with whom we spoke—including agency field offices, intermediaries, and other local service providers—told us that the system can be confusing and that some entrepreneurs do not know what services are available or where to go for assistance.⁷ Technical assistance providers sometimes attempt to help entrepreneurs navigate the system by referring them to other programs, but these efforts are not consistently successful. In addition, programs' Internet resources can also be difficult to navigate. Each agency has its own separate website that provides information to entrepreneurs, but they often direct entrepreneurs to other websites for additional information. SBA, Commerce, USDA, and other agencies have collaborated to develop a joint website called BusinessUSA with the goal of making it easier for businesses to access services. Some technical assistance providers and entrepreneurs we spoke with suggested that a single source to help entrepreneurs quickly find information instead of sorting through different websites would be helpful.

Enhanced collaboration between agencies could help address some of the difficulties entrepreneurs experience and improve program efficiency. In prior work we identified practices that can help to enhance and sustain collaboration among federal agencies, which can help to maximize performance and results, and we have recommended that the agencies follow them.⁸ These collaborative practices include identifying common outcomes, establishing joint strategies, leveraging resources, determining roles and responsibilities, and developing compatible policies and procedures. In addition, GPRAMA's crosscutting framework requires that agencies collaborate in order to address issues such as economic

⁷Federal funds typically flow from the federal agencies to different eligible intermediaries, which are third-party entities that receive federal funds, such as nonprofits or universities. These intermediaries in turn may provide technical assistance to entrepreneurs by, for example, helping them to develop a business plan or put together a loan package to obtain financing. Although intermediaries are the primary providers of technical assistance, agency field offices may also provide some technical assistance.

⁸GAO-06-15.

development that transcend more than one agency, and GPRAMA directs agencies to describe how they are working with each other to achieve their program goals. While the agencies have agreed to work together by signing formal agreements to administer some of their similar programs, they have not implemented a number of other good collaborative practices we have previously identified. For example, SBA and USDA entered into a formal agreement in April 2010 to coordinate their efforts aimed at supporting businesses in rural areas. We previously testified that USDA's April 2011 survey of state directors indicates progress under the memorandum of understanding in several areas, including field offices advising borrowers of SBA's programs, referring borrowers to SBA and its resource partners, and exploring ways to make USDA and SBA programs more complementary.⁹ However, as we reported in August 2012, the agencies have not implemented other good collaborative practices, such as establishing compatible policies and procedures to better support rural businesses.

Agencies Lack Information to Track Program Activities and Measure Performance

While the four agencies collect at least some information on program activities in either an electronic records system or through paper files, most were unable to summarize the information in a way that could be used to help administer the programs. Table 1 summarizes the type of information that the agencies maintain in a readily available format that could be tracked to help administer the programs. For example, SBA collects detailed information on the type of technical assistance provided and type of entrepreneur served for 5 of its 10 technical assistance programs. SBA categorizes the types of technical assistance it provides into 17 categories of training and counseling, such as helping a business develop its business plan. All of this information is maintained in an electronic database that is accessible by agency staff. Although USDA does not collect detailed information on the type of technical assistance provided for its eight programs that provide technical assistance, it does collect detailed information on the industry of each of the entrepreneurs it supports for all of its programs. USDA also collects detailed information (19 categories) on how entrepreneurs use proceeds, such as for working capital, provided through five of its financial assistance programs. USDA

⁹GAO, *Entrepreneurial Assistance: Efficiency and Effectiveness of Fragmented Programs Are Unclear*, GAO-12-601T (Washington, D.C.: Mar. 29, 2012).

maintains this information in an electronic database, and officials stated that they can provide this type of detailed information upon request.

Table 1: Programs that Can Support Entrepreneurs and Maintain Readily Available Information, by Agency

		35 Technical Assistance Programs				
Information Maintained		Commerce (8)	HUD (9)	SBA (10)	USDA (8)	Total (35)
Type of technical assistance provided?	yes	2	0	5	0	7
	no	6	9	5	8	28
Industry entrepreneur is working in?	yes	8	0	5	8	21
	no	0	9	5	0	14
Type of entrepreneur by targeted categories? ²	yes	8	1	5	7	21
	no	0	8	5	1	14
		30 Financial Assistance Programs				
		Commerce (2)	HUD (10)	SBA (10)	USDA (8)	Total (30)
Type of financial assistance provided?	yes	2	8	9	8	27
	no	0	2	1	0	3
Use of proceeds?	yes	2	1	7	5	15
	no	0	9	3	3	15
Industry entrepreneur is working in?	yes	2	0	5	8	15
	no	0	10	5	0	15
Type of entrepreneur by targeted categories?	yes	2	3	8	5	18
	no	0	7	2	3	12

Source: GAO analysis of information provided by Commerce, HUD, USDA, and SBA.

Note: This table is based on 50 of the 52 programs that can support entrepreneurs because we excluded the 2 SBA programs that only support government contracting assistance. Some of the 50 programs can provide both financial and technical assistance.

²Targeted categories can include businesses in rural or economically distressed areas, disadvantaged businesses, or small businesses.

According to OMB, being able to track and measure specific program data can help agencies diagnose problems, identify drivers of future performance, evaluate risk, support collaboration, and inform follow-up actions. Analyses of patterns and anomalies in program information can also help agencies discover ways to achieve more value for the taxpayer's money. In addition, agencies can use this information to assess whether their specific program activities are contributing as planned to the agency goals. Government internal control standards state that agencies should promptly and accurately record transactions to

maintain their relevance and value for management decision making.¹⁰ Furthermore, this information should be readily available for use by agency management and others so that they can carry out their duties with the goal of achieving all of their objectives, including making operating decisions and allocating resources.

We also found that for fiscal year 2011, a number of programs that support entrepreneurs failed to meet some or all of their performance goals. Table 2 summarizes accomplishment data for the programs that support entrepreneurs and set goals for fiscal year 2011. For example, 7 of the 14 SBA programs that set goals either did not meet any of their goals or only met some of their goals.

Table 2: Accomplishment Data for Programs that Support Entrepreneurs and Set Goals, Fiscal Year 2011

	Programs that did not meet goals	Programs that met some goals	Programs that met all goals
Commerce	1	5	2
HUD	2	0	0
SBA	2	5	7
USDA	4	0	3
Total	9	10	12

Source: GAO analysis of data from Commerce, HUD, SBA, and USDA.

Note: Two programs have goals but did not have goal accomplishment information. Goal accomplishment information for HUD's Section 4 Capacity Building for Affordable Housing and Community Development program is unknown because HUD did not provide goal accomplishment information. Goal accomplishment information for USDA's Small Business Innovation Research program is not available because the program goals are based on 2-year time periods and the current period has not yet ended.

Measuring performance allows organizations to track the progress they are making toward their goals and gives managers crucial information on which to base their organizational and management decisions. Leading organizations recognize that performance measures can create powerful incentives to influence organizational and individual behavior. Some of their good practices include setting and measuring performance goals. GPRAMA also requires agencies to develop annual performance plans that include performance goals for an agency's program activities and

¹⁰GAO/AIMD-00-21.3.1.

accompanying performance measures. According to GPRAMA, these performance goals should be in a quantifiable and measurable form to define the level of performance to be achieved for program activities each year.

Further, since 2000 the agencies have conducted program evaluations of only 20 of the 52 programs that support entrepreneurs. Based on our review, we found that SBA has conducted performance evaluation studies on 9 of its 19 programs, including 3 programs that provide counseling and training. We also found that USDA has conducted an evaluation on 1 of its 13 programs, but the study did not address the extent to which the program was achieving its mission. Although GPRAMA does not require agencies to conduct formal program evaluations, it does require agencies to describe program evaluations that were used to establish or revise strategic goals, as well as program evaluations they plan to conduct in the future. Additionally, while not required to do so, agencies can use periodic program evaluations to complement ongoing performance measurement. Program evaluations that systematically study the benefits of programs may help identify the extent to which overlapping and fragmented programs are achieving their objectives. In addition, program evaluations can help agencies determine reasons why a performance goal was not met and give an agency direction on how to improve program performance.

To address these issues and to help improve the efficiency and effectiveness of federal efforts to support entrepreneurs, in our August 2012 report, we made the following recommendations:

- The Director of the Office of Management and Budget; the Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development; and the Administrator of the Small Business Administration should work together to identify opportunities to enhance collaboration among programs, both within and across agencies.
- The Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development and the Administrator of the Small Business Administration should consistently collect information that would enable them to track the specific type of assistance programs provide and the entrepreneurs they serve and use this information to help administer their programs.

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- The Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development and the Administrator of the Small Business Administration should conduct more program evaluations to better understand why programs have not met performance goals and the programs' overall effectiveness.

The agencies, together with the administration, have taken some steps to address our recommendations. For example, the administration has initiated steps that provide the agencies with a mechanism to work together to identify opportunities to enhance collaboration among programs. In particular, it introduced a cross-agency priority goal to increase services to entrepreneurs and small businesses in the fiscal year 2013 budget submission.¹¹ One of the objectives under this goal is to utilize programs and resources across the federal government to improve and expand the reach of training, counseling, and mentoring services to entrepreneurs and small business owners. According to the fiscal year 2012 fourth quarter status update for this goal, the administration established an interagency group (including Commerce, SBA, USDA, and others) that aims to streamline existing programs, improve cooperation among and within agencies, ease entrepreneurs' access to the programs, and increase data-based evaluation of program performance. The update also notes that the interagency group will develop an action plan outlining opportunities to enhance collaboration among programs across agencies and a strategy for increasing data collection and outcome-based program evaluation. However, the update does not specify a timeframe for the completion of these actions. It will be important for the interagency group to follow through on developing an action plan, including milestones, that identifies opportunities to enhance collaboration among programs across agencies and for the agencies to pursue such opportunities.

In addition, the four agencies said that they have taken steps to improve program evaluation and collect information to help track program activities and administer programs that support entrepreneurs. For example,

¹¹GPRAMA, among other things, required OMB to coordinate with agencies to establish outcome-oriented federal government priority goals—otherwise referred to as crosscutting goals—covering a limited number of policy areas, as well as goals to improve management across the federal government. Entrepreneurship and small businesses was one of 14 interim crosscutting priority goals included in the President's 2013 budget submission.

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- SBA noted that it is engaged in a comprehensive analysis and review of its performance measures and metrics to identify opportunities to make them more efficient and transparent. SBA added that in coordination with its Office of Performance Management, all of its offices are working together to achieve more efficient and effective data-driven performance measures.
 - Commerce's Economic Development Administration noted that it has partnered with two universities to develop a comprehensive set of performance measures that can be used to evaluate the effectiveness of its programs and has engaged a third-party firm to assess best practices within the agency's University Center Program, with the findings scheduled to be completed in 2015.
 - USDA noted that its Rural Business-Cooperative Service is developing a strategic plan that includes an initiative to improve the quality of performance measurement within the next 2 years.
 - HUD noted that it included a proposed study of its Community Development Block Grant economic development activities in its draft research roadmap for fiscal years 2014 to 2018.

Chairman Graves and Ranking Member Velazquez, this concludes my prepared statement. I would be happy to answer any questions at this time.

Contacts and Staff Acknowledgements

For further information on this testimony, please contact me at (202) 512-8678 or sheanw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Key contributors to this testimony include Marshall Hamlett, Assistant Director; John McGrail; and Jennifer Schwartz.

Appendix I: List of Programs That Support Entrepreneurs and Related Budgetary Information

Agency	Program	FY 2011 obligations ^a
Department of Commerce	Grants for Public Works and Economic Development Facilities	114,529,000
	Economic Development/ Support for Planning Organizations	31,352,000
	Economic Development/ Technical Assistance	13,373,000
	Economic Adjustment Assistance	78,720,000
	Trade Adjustment Assistance	15,418,000
	Global Climate Change Mitigation Incentive Fund	17,466,000
	Minority Business Centers	17,948,122
	Native American Business Enterprise Centers ^b	0
	Woody Biomass Utilization Grant Program	3,000,000
U.S. Department of Agriculture	1890 Land Grant Institutions Rural Entrepreneurial Outreach Program/Rural Business Entrepreneur Development Initiative ^c	0
	Small Business Innovation Research	22,635,200
	Biomass Research and Development Initiative Competitive Grants Program	2,075,000
	Value Added Producer Grants	1,318,000
	Agriculture Innovation Center	0
	Small Socially-Disadvantaged Producer Grants	2,940,000
	Intermediary Re-lending	7,364,000
	Business and Industry Loans	70,202,000
	Rural Business Enterprise Grants	38,588,000
	Rural Cooperative Development Grants	8,424,000
	Rural Business Opportunity Grants	2,581,000
	Rural Microentrepreneur Assistance Program	6,668,000
	Community Development Block Grant (CDBG)/Entitlement Grants ^d	325,549,306
	CDBG/Special Purpose/Insular Areas ^e	214,396
CDBG/States ^f	559,961,961	
CDBG/Non-entitlement CDBG Grants in Hawaii ^g	338,257	
CDBG/Brownfields Economic Development initiative	0	
CDBG/Section 108 Loan Guarantees	6,000,000	
Section 4 Capacity Building for Affordable Housing and Community Development	50,000,000	
Rural Innovation Fund ^h	0	
CDBG Disaster Recovery Grants	0	
Indian CDBG	64,000,000	
Hispanic Serving Institutions Assisting Communities	0	
Department of Housing and Urban Development		

**Appendix I: List of Programs That Support
Entrepreneurs and Related Budgetary
Information**

Agency	Program	FY 2011 obligations ^a
	Alaska Native/Native Hawaiian Institutions Assisting Communities	0
Small Business Administration	8(a) Business Development Program	58,274,000
	7(j) Technical Assistance	6,502,000
	Procurement Assistance to Small Businesses	21,171,000
	Small Business Investment Companies	26,305,000
	7(a) Loan Program	88,000,000
	Surety Bond Guarantee Program	4,865,000
	SCORE	12,980,000
	Small Business Development Centers	130,323,000
	504 Loan Program	38,888,000
	Women's Business Centers	19,446,000
	Veterans' Business Outreach Centers	8,995,000
	Microloan Program	38,729,000
	PRIME	8,863,000
	New Markets Venture Capital Program ^c	0
	International Trade	7,681,000
	HUBZone	15,569,000
	Small Business Technology Transfer Program	352,000
	Small Business Innovation Research Program	781,000
	Federal and State Technology Partnership Program	1,885,096
Total		1,950,272,338

^aSource: GAO analysis of information provided by Commerce, HUD, SBA, and USDA.

^bFiscal year 2011 obligations were provided by agency officials for each program. HUD's figures represent fiscal year 2011 actual budget authority rather than obligations. SBA figures represent fiscal year 2011 fully allocated costs rather than obligations.

^cCommerce's Native American Business Enterprise Centers program incurred obligations in fiscal year 2011, but Commerce officials could not provide funding data at the program level. Funding for this program is included in the fiscal year 2011 obligations for Commerce's Minority Business Center program.

^dUSDA's 1890 program does not have a congressional appropriation but is instead funded through USDA's Salaries and Expenses account. Funding is not reported separately for this program and is listed as \$0 here, but the program is active and funded.

^eThis figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

^fThis figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

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Entrepreneurs and Related Budgetary
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¹This figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

²This figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

³HUD officials noted that \$31,355,236 in 5-year grants was awarded in September 2011 through this program, but those funds will not be obligated until after fiscal year 2011. These funds include \$25,000,000 that was appropriated in fiscal year 2010 for the program and additional funds recaptured through HUD's Rural Housing and Economic Development program.

⁴According to SBA officials, the New Markets Venture Capital program is a one-time pilot program that received one-time funding in fiscal year 2001.

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GAO

United States Government Accountability Office
Report to Congressional Committees

August 2012

ENTREPRENEURIAL ASSISTANCE

Opportunities Exist to
Improve Programs'
Collaboration, Data-
Tracking, and
Performance
Management



GAO-12-819



Highlights of GAO-12-819, a report to congressional committees

Why GAO Did This Study

Economic development programs that effectively provide assistance to entrepreneurs may help businesses develop and expand. GAO focused on 52 economic development programs, with an estimated \$2.0 billion in funding, at Commerce, HUD, SBA, and USDA that support entrepreneurs. In response to a statutory requirement, this report discusses (1) the extent of overlap and fragmentation, the effects on entrepreneurs, and agencies' actions to address them; and (2) the extent of tracked program information and whether these programs have met their performance goals and been evaluated. To address these objectives, GAO analyzed program information and interviewed agency officials in headquarters and selected field offices, entrepreneurs, and third-party entities, such as nonprofits, that use federal grants to provide assistance directly to entrepreneurs.

What GAO Recommends

GAO recommends that the agencies and the Office of Management and Budget explore opportunities to enhance collaboration among programs, both within and across agencies; track program information; and conduct more program evaluations. Commerce, HUD, and USDA provided written comments and each neither agreed nor disagreed with the recommendations. However, USDA commented that the recommendations were not explicit. In the report, GAO provides specific actions that agencies can take to address each recommendation.

View GAO-12-819. For more information, contact William B. Shear at (202) 512-8678 or wshear@gao.gov.

August 2012

ENTREPRENEURIAL ASSISTANCE

Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management

What GAO Found

Federal efforts to support entrepreneurs are fragmented—including among 52 programs at the Department of Agriculture (USDA), Commerce, and Housing and Urban Development (HUD) and the Small Business Administration (SBA). All overlap with at least one other program in terms of the type of assistance they are authorized to offer, such as financial (grants and loans) and technical (training and counseling), and the type of entrepreneur they are authorized to serve. Some entrepreneurs struggle to navigate the fragmented programs that provide technical assistance. For example, some entrepreneurs and technical assistance providers GAO spoke with said the system can be confusing and that some entrepreneurs do not know where to go for assistance. Collaboration could reduce some negative effects of overlap and fragmentation, but field staff GAO spoke with did not consistently collaborate to provide training and counseling services to entrepreneurs. The agencies have taken initial steps to improve how they collaborate by entering into formal agreements, but they have not pursued a number of other good collaborative practices GAO has previously identified. For example, USDA and SBA entered into a formal agreement in 2010 to coordinate their efforts to support businesses in rural areas; however, the agencies' programs that can support start-up businesses—such as USDA's Rural Business Enterprise Grant program and SBA's Small Business Development Centers—have yet to determine roles and responsibilities, find ways to leverage each other's resources, or establish compatible policies and procedures. Without enhanced collaboration and coordination agencies may not be able to make the best use of limited federal resources in the most effective and efficient manner.

Agencies do not track program information on entrepreneurial assistance activities for many programs, a number of programs have not met their performance goals, and most programs lack evaluations. In particular, the agencies do not generally track information on the specific type of assistance they provide or the entrepreneurs they serve, in part because they do not rely on this information to administer the programs. Rather, agencies may rely, for example, on data summaries in narrative format, which cannot be easily aggregated or analyzed. According to government standards for internal control, this information should be available to help inform management in making decisions and identifying risks and problem areas. GAO also found that 19 programs failed to meet their annual performance goals related to entrepreneurial assistance, including USDA's Rural Business Opportunity Grants, Commerce's Economic Development/Support for Planning Organizations, HUD's Indian Community Development Block Grants, and SBA's 504 loans to finance commercial real estate. Programs could potentially rely on results from program evaluations to determine the reasons why they have not met their goals, as well as to gauge overall effectiveness. However, the agencies lack program evaluations for 32 of the 52 programs. Therefore, information on program efficiency and effectiveness is limited, and scarce resources may be going toward programs that are less effective. In addition, without more robust program information, agencies may not be able to administer programs in the most effective and efficient manner.

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Abbreviations

BEDI	Brownfields Economic Development Initiative
CDBG	Community Development Block Grant
CDC	Community Development Corporation
CFDA	Catalog of Federal Domestic Assistance
Commerce	Department of Commerce
EDA	Economic Development Administration
FAST	Federal and State Technology Partnership
GPRA	Government Performance and Results Act
GPRA MA	GPRA Modernization Act of 2010
HUBZone	Historically Underutilized Business Zone
HUD	Department of Housing and Urban Development
MBC	Minority Business Center
MBDA	Minority Business Development Agency
NABEC	Native American Business Enterprise Centers
NMVC	New Markets Venture Capital
OMB	Office of Management and Budget
PRIME	Program for Investment in Micro-Entrepreneurs
SBA	Small Business Administration
SBDC	Small Business Development Center
SBIC	Small Business Investment Company
SBIR	Small Business Innovation Research
STTR	Small Business Technology Transfer
TAA	Trade Adjustment Assistance
USDA	U.S. Department of Agriculture
VAPG	Value Added Producer Grants
WBC	Women's Business Center

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United States Government Accountability Office
Washington, DC 20548

August 23, 2012

Congressional Committees

Entrepreneurs play a vital role in the U.S. economy. The federal government provides a variety of support and assistance to them, and dozens of programs exist to support entrepreneurs across numerous federal agencies. Economic development programs that effectively provide assistance to entrepreneurs, in conjunction with state and local government and private sector economic development initiatives, may help businesses develop and expand. However, we have previously raised questions about the potential negative effects of fragmentation and overlap among federal programs that can support entrepreneurs. Specifically, we have questioned how efficiently federal agencies are administering these programs and how effective the programs are at achieving their mission. This report focuses on 52 programs administered by the U.S. Departments of Agriculture (USDA), Commerce (Commerce), and Housing and Urban Development (HUD) and the U.S. Small Business Administration (SBA) that provide assistance to entrepreneurs.¹ In 2011, we examined these programs and found that each program overlapped with at least one other program in terms of the economic development activities that they are authorized to fund.² According to agency officials, these programs, which typically fund a variety of activities in addition to supporting entrepreneurs, spent an estimated \$2.0 billion on economic development efforts in fiscal year 2011.

Section 21 of Public Law 111-139, enacted in February 2010, requires GAO to conduct routine investigations to identify federal programs, agencies, offices, and initiatives with duplicative goals and activities within

¹The number of programs administered by Commerce, HUD, SBA, and USDA that we identified in February 2012 as supporting entrepreneurial efforts decreased from 53 to 52 because USDA's Empowerment Zones program was ended by Congress during fiscal year 2010 and has been excluded from this review. See GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012).

²GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington D.C.: Mar. 1, 2011) and *Efficiency and Effectiveness of Fragmented Economic Development Programs Are Unclear*, GAO-11-477R (Washington, D.C.: May 19, 2011).

departments and governmentwide, and report annually to Congress.³ This report discusses (1) the extent of overlap, fragmentation, and duplication and their effects on entrepreneurs, and agencies' actions to address them; and (2) the extent to which agencies collect information necessary to track program activities and whether these programs have met their performance goals and have been evaluated.

While we identified a more comprehensive list of federal programs that can fund economic activities more generally, we focused our analyses on these 52 economic development programs that are authorized to support entrepreneurs because these are the programs that appeared to overlap the most within the four agencies whose missions focus on economic development. We reviewed statutory and regulatory authority for each program on the activities and services the agencies can conduct to administer each of the programs. Because there was significant overlap and fragmentation among programs that provide technical assistance (for example, business training and counseling and support for research and development) to entrepreneurs (35 of the 52 programs), we focused on how the agencies provide this assistance. We reviewed agency documents and conducted interviews in both headquarters and the field to determine how technical assistance is provided to entrepreneurs and the extent of agency collaboration at the local level. We interviewed 14 officials from four federal agencies, 9 officials from two regional commissions, four entrepreneurs who have received federal support, and five state and local partners in select geographic areas where there was evidence of ongoing collaboration between the federal agencies. These geographic areas included both urban and rural areas. We assessed this technical assistance information against promising collaborative practices that we have previously identified.⁴ For all 52 programs, we also evaluated the agencies' methods for tracking the activities conducted and assistance provided against standards for internal controls that we have previously identified.⁵ For each program, we reviewed information on

³In a letter dated August 31, 2011, to the Comptroller General, the Chairwoman of the Senate Committee on Agriculture, Nutrition and Forestry asked, among other things, that we address a number of issues involving the potential for overlap, duplication, and fragmentation in economic development programs administered by the four agencies.

⁴GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

⁵GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1, 1999).

program mission and goals, performance goals and accomplishments, and program evaluations conducted during the last decade. We evaluated this information against promising practices of leading organizations and the requirements of the GPRA Modernization Act of 2010. Appendix I provides more information on our scope and methodology.

We conducted this performance audit from June 2011 to July 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Fragmentation, Overlap, and Duplication

Fragmentation refers to circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national interest. Overlap involves programs that have similar goals, devise similar strategies and activities to achieve those goals, or target similar users. Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same assistance to the same beneficiaries. In some instances, it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort. However, we have previously identified instances where multiple government programs or activities have led to inefficiencies, and we determined that greater efficiencies or effectiveness might be achievable.⁶

⁶See GAO-12-342SP.

**Defining Federal
Economic Development
Programs**

In September 2000, we reported that there is no commonly accepted definition for economic development.⁷ Absent a common definition, we subsequently developed a list of nine activities most often associated with economic development.⁸ In general, we focused on economic activities that directly affected the overall development of an area, such as job creation, rather than on activities that improved individuals' quality of life, such as housing and education. The nine economic activities are

- supporting entrepreneurial efforts,
- supporting business incubators and accelerators,
- constructing and renovating commercial buildings,
- constructing and renovating industrial parks and buildings,
- strategic planning and research,
- marketing and access to new markets for products and industries,
- supporting telecommunications and broadband infrastructure,
- supporting physical infrastructure, and
- supporting tourism.

Appendix II provides illustrative examples of each of these economic activities. Appendix III provides more information on the 52 economic development programs we focused on for this report. Appendix IV includes a list of additional programs that are administered by federal agencies we identified that can fund at least one of these activities.

⁷See GAO, *Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities*, GAO/RCED/GGD-00-220 (Washington, D.C.: Sept. 29, 2000).

⁸See GAO, *Rural Economic Development: More Assurance Is Needed That Grant Funding Information Is Accurately Reported*, GAO-06-294 (Washington, D.C.: Feb. 24, 2006).

GPRA Modernization Act of 2010

In January 2011, Congress updated the Government Performance and Results Act of 1993 (GPRA) with the GPRA Modernization Act of 2010 (GPRAMA). GPRAMA establishes a new framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of GPRAMA could play an important role in clarifying desired outcomes; addressing program performance spanning multiple organizations; and facilitating future actions to reduce unnecessary duplication, overlap, and fragmentation. Among other things, GPRAMA requires the Office of Management and Budget (OMB) to coordinate with agencies to establish outcome-oriented federal government priority goals covering a limited number of policy areas, as well as goals to improve management across the federal government. It also requires OMB—in conjunction with the agencies—to develop a federal government performance plan that outlines how they will make progress toward achieving goals, including federal government priority goals. The President's 2013 budget submission includes the first interim federal government priority goals, including one to increase federal services to entrepreneurs and small businesses with an emphasis on start-ups and growing firms and underserved markets.⁹

Fragmented Programs Overlap, and Agencies' Efforts to Collaborate Have Been Limited

The identified economic development programs that support entrepreneurs overlap based on both the type of assistance they provide and the characteristics of the beneficiaries they target. This overlap among fragmented programs can make it difficult for entrepreneurs to navigate the services available to them. In addition, while agencies have taken steps to collaborate more in administering these programs, they have not implemented a number of good collaborative practices we have previously identified, and some entrepreneurs struggle to find the support they need.

⁹GAO, *Managing for Results: GAO's Work Related to the Interim Crosscutting Priority Goals under the GPRA Modernization Act*, GAO-12-620R (Washington, D.C.: May 12, 2012). We identified additional programs at Commerce, HUD, SBA, and USDA that can assist entrepreneurs with access to financing, mentorship and counseling services, and government contracts and research grants, and we recommended that the Director of OMB review the additional departments, agencies, and programs that we identified, and consider including them in the federal government's performance plan, as appropriate. OMB staff agreed with our recommendation that OMB review the additional departments, agencies, and programs that we have identified and determine if they are relevant to achieving the crosscutting goals.

Many Programs Are Authorized to Provide Similar Types of Assistance and Target Similar Beneficiaries

Federal efforts to support entrepreneurs are fragmented, which occurs when more than one agency or program is involved in the same broad area of national interest. Commerce (8), HUD (12), SBA (19), and USDA (13) administered 52 programs that could support entrepreneurial efforts in fiscal year 2011. Several types of overlap—which occurs when programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries—exist among these programs, based on the type of assistance the programs offer and characteristics of the programs' targeted beneficiaries.

Many of the programs provide entrepreneurs with similar types of assistance. The programs generally can be grouped according to at least one of three types of assistance that address different entrepreneurial needs: help obtaining (1) technical assistance, (2) financial assistance, and (3) government contracts. Many of the programs can provide more than one type of assistance, and most focus on technical assistance, financial assistance, or both.¹⁰

- *Technical assistance:* Thirty-five programs distributed across the four agencies can provide technical assistance, including business training, counseling and research, and development support.¹¹
- *Financial assistance:* Thirty programs distributed across the four agencies can support entrepreneurs through financial assistance in the form of grants and loans.¹²

¹⁰SBA administers two programs that solely provide entrepreneurs with assistance in obtaining government contracts: the Historically Underutilized Business Zone (HUBZone) program, which supports small businesses located in economically distressed areas, and the Procurement Assistance to Small Businesses program, which serves small businesses located in any area.

¹¹The number of programs administered by Commerce, HUD, SBA, and USDA that were identified in GAO-12-342SP as supporting technical assistance decreased from 36 to 35 because USDA's Empowerment Zones program is no longer active.

¹²The number of programs administered by Commerce, HUD, SBA, and USDA that were identified in GAO-12-342SP as supporting financial assistance decreased from 33 to 30 because USDA's Empowerment Zones program is no longer active and because subsequent to that report, Commerce told us that its Minority Business Centers and Native American Business Enterprise Centers programs only support technical assistance.

-
- *Government contracting assistance:* Five programs, all of which are administered by SBA, can support entrepreneurs by helping them qualify for federal procurement opportunities.¹³

We reviewed the statutes and regulations for each program and found that overlap tends to be concentrated among programs that provide a broad range of technical and financial assistance. Within the technical assistance category, 24 of the 35 programs are authorized to provide or fund a broad range of technical assistance both to entrepreneurs with existing businesses and to nascent entrepreneurs—that is, entrepreneurs attempting to start a business—in any industry. This broad range of support can include any form of training or counseling, including start-up assistance, access to capital, and accounting. Examples of programs in this category include Commerce's Minority Business Centers, five of HUD's Community Development Block Grant (CDBG) programs, SBA's Small Business Development Centers, and USDA's Rural Business Opportunity Grants.¹⁴ Eight additional programs can support limited types of technical assistance or industries.¹⁵ For example, Commerce's Trade Adjustment Assistance for Firms only supports existing businesses negatively affected by imports, and USDA's Small Socially-Disadvantaged Producer Grants only serves agricultural businesses.

Similarly, 16 of the 30 financial assistance programs can provide or guarantee loans that can be used for a broad range of purposes to existing businesses and nascent entrepreneurs in any industry. Examples of programs in this category include Commerce's Economic Adjustment Assistance programs, six of HUD's CDBG programs, SBA's 7(a) Loan Program, and USDA's Business and Industry Loans. Five other programs

¹³The number of programs administered by Commerce, HUD, SBA, and USDA that were identified in GAO-12-342SP as supporting government contracting assistance decreased from seven to five because subsequent to that report, Commerce told us that its Minority Business Centers and Native American Business Enterprise Centers programs only support technical assistance.

¹⁴Of the eight HUD CDBG programs, five operate in different areas of the United States that do not geographically overlap, one can only provide support to areas recovering from presidentially declared disasters, and two can operate in any area of the United States.

¹⁵The other three technical assistance programs are Commerce's Economic Development—Support for Planning Organizations, Economic Development—Technical Assistance, and Grants for Public Works and Economic Development Facilities, which support assistance to economic development organizations and local governments, which in turn support businesses.

can support loans for a more narrow range of purposes or industries, while the other nine programs can only support other types of financial assistance, such as grants, equity investments, and surety guarantees.¹⁶

In addition, a number of programs overlap based on the characteristics of the targeted beneficiary. Most programs either target or exclusively serve one of four types of businesses: businesses in rural areas, businesses in economically distressed areas, disadvantaged businesses, and small businesses.¹⁷ For example, all of HUD's 12 programs that can provide support to entrepreneurs are focused on serving beneficiaries in economically distressed areas or target benefits at low- to moderate-income individuals. SBA's 19 programs are all limited to serving small businesses, with several programs that either target or exclusively serve disadvantaged businesses and microenterprises.¹⁸ Eight of USDA's 13 programs are limited to rural service areas, and four of these programs are limited to small businesses or microenterprises. Among Commerce's eight programs, six are limited to serving beneficiaries in economically distressed areas, while two exclusively serve disadvantaged businesses.

¹⁶Equity investments are capital provided to a business to purchase common or preferred stock, or a similar instrument. SBA can guarantee surety bonds (that is, an agreement between a surety company and the owner of a project that a contract will be completed) for contracts up to \$2 million. These contracts can cover bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors and thereby strengthens a contractor's ability to obtain bonding and greater access to contracting opportunities.

¹⁷The definition of rural varies among these programs, but according to USDA—the agency that administers many of the economic development programs that serve rural areas—the term rural typically covers areas with population limits ranging from less than 2,500 to 50,000. Based on statutory language, we characterize economically distressed areas as communities with high concentrations of low- and moderate-income families or high rates of unemployment and/or underemployment. See, e.g., 42 U.S.C. § 3141; 42 U.S.C. § 5301. Likewise, based on statutory language, we characterize disadvantaged businesses as those owned by women, minority groups, and veterans, among other factors. See, e.g., 15 U.S.C. § 637(a); 15 U.S.C. § 656. The definition of small business varies among these programs, but according to SBA—the agency that administers many of the economic development programs that serve small businesses—the term small business refers to businesses that have annual receipts or total employee numbers under an agency-defined value for their specific industry.

¹⁸Microenterprises are generally defined as commercial enterprises that have ten or fewer employees.

Entrepreneurs may fall into more than one beneficiary category—for example, an entrepreneur may be in an area that is both rural and economically distressed. Therefore, these entrepreneurs would be eligible, based on program authority, for more than one subset of program. For example, a small business in a rural, economically distressed area, such as Susquehanna County, Pennsylvania, could, in terms of program authority, receive a broad range of technical assistance through at least nine programs at all four of the agencies, including:

- Commerce's Economic Adjustment Assistance;
- HUD's CDBG/States, Rural Innovation Fund, and Section 4 Capacity Building;
- SBA's SCORE and Small Business Development Centers;¹⁹ and
- USDA's 1890 Land Grant Institutions, Rural Business Enterprise Grants, and Rural Business Opportunity Grants.²⁰

Similarly, a small business that is both minority- and women-owned in an urban, noneconomically distressed area, such as Seattle, Washington, could in terms of program authority, receive a broad range of technical assistance through at least seven programs at three of the four agencies, including:

- Commerce's Minority Business Centers;
- HUD's CDBG/Entitlement and Section 4 Capacity Building; and
- SBA's Program for Investment in Micro-entrepreneurs (PRIME), SCORE, Small Business Development Centers, and Women's Business Centers.

¹⁹SCORE, formerly Service Corps of Retired Executives, provides technical assistance support for small business, start-ups and entrepreneurs.

²⁰HUD's Rural Innovation Fund program did not receive funding in fiscal year 2011 but is still active. USDA's 1890 Land Grant Institutions received an unspecified amount of funding through USDA's Salaries and Expense account rather than program appropriations.

Entrepreneurs may also be eligible for multiple subsets of financial assistance programs based on their specific characteristics. For example, a small business in a rural, economically distressed area, such as Bourbon County, Kansas, could in terms of authority, receive financial assistance in the form of guaranteed or direct loans for a broad range of uses through at least eight programs at the four agencies, including:

- Commerce's Economic Adjustment Assistance;
- HUD's CDBG/States, Rural Innovation Fund and Section 4 Capacity Building;
- SBA's 7(a) Loan Program and Small Business Investment Companies; and
- USDA's Business and Industry Loans and Rural Business Enterprise Grants.

A small business that is both minority and women-owned in an urban, noneconomically distressed area, such as Raleigh, North Carolina, could receive financial assistance in the form of guaranteed or direct loans for a broad range of uses through at least four programs at two of the four agencies, including:

- HUD's CDBG/Entitlement and Section 4 Capacity Building; and
- SBA's 7(a) Loan Program and Small Business Investment Companies.

Five programs provide government contracting assistance to entrepreneurs, but our analysis did not identify significant overlap in the types of assistance these programs provide or the types of entrepreneurs they serve. While these five programs are all administered by SBA and can serve businesses in any industry, they tend to target specific types of entrepreneurs and provide unique types of assistance. For example, the Procurement Assistance to Small Businesses program coordinates access to government contracts for small and disadvantaged businesses with other federal agencies, while the 8(a) Business Development Program coordinates certification of eligible disadvantaged businesses for

the contracts made available at these other agencies, in addition to providing business development assistance during their 9-year term.²¹

While many programs overlap in terms of statutory authority, entrepreneurs may in reality have fewer options to access assistance from multiple programs. Agencies often rely on intermediaries (that is, third-party entities such as nonprofit organizations, higher education institutions, or local governments that use federal grants to provide eligible assistance directly to entrepreneurs) to provide specific support to entrepreneurs, and these intermediaries vary in terms of their location and the types of assistance they provide. For example, while entrepreneurs seeking technical assistance in Susquehanna County, Pennsylvania, are eligible to receive this support through USDA's 1890 Land Grant Institutions program, the closest funded intermediary is in Delaware, making it unlikely that such an entrepreneur would utilize services through this program. Additionally, intermediaries we spoke to in several areas said they typically provide a more limited range of services to entrepreneurs than are allowed under their statutory authority. For example, two intermediaries that we interviewed in Texas that were authorized to provide a broad range of technical support to entrepreneurs through SBA's Small Business Development Center and Commerce's Minority Business Center noted that they each specialized in a narrower subset of services and referred beneficiaries to each other and other resources for some services outside of their niches. Specifically, the intermediary at the Small Business Development Center noted that they provide a range of long-term services to small businesses over different phases of development, while the intermediary at the Minority Business Center noted that they focused specifically on larger minority-owned firms as well as start-up companies.

Overlapping programs may also employ different mechanisms to provide similar types of support to entrepreneurs. For example, programs may support technical assistance through different types of intermediaries that provide services to entrepreneurs. USDA's Rural Business Opportunity Grants program can provide technical assistance through local governments, nonprofit corporations, Indian tribes, and cooperatives that are located in rural areas, while SBA's SCORE program utilizes retired

²¹SBA's 8(a) program, named for a section of the Small Business Act, is a development program created to help small, disadvantaged businesses compete in the American economy and access the federal procurement market.

business professionals and others that volunteer their time to provide assistance. Additionally, programs may support financial assistance in the form of loans through loan guarantees, direct loans, or support for revolving loan funds. SBA's 7(a) Loan program provides guarantees on loans made by private sector lenders, while USDA's Intermediary Relending program provides financing to intermediaries to operate revolving loan funds.

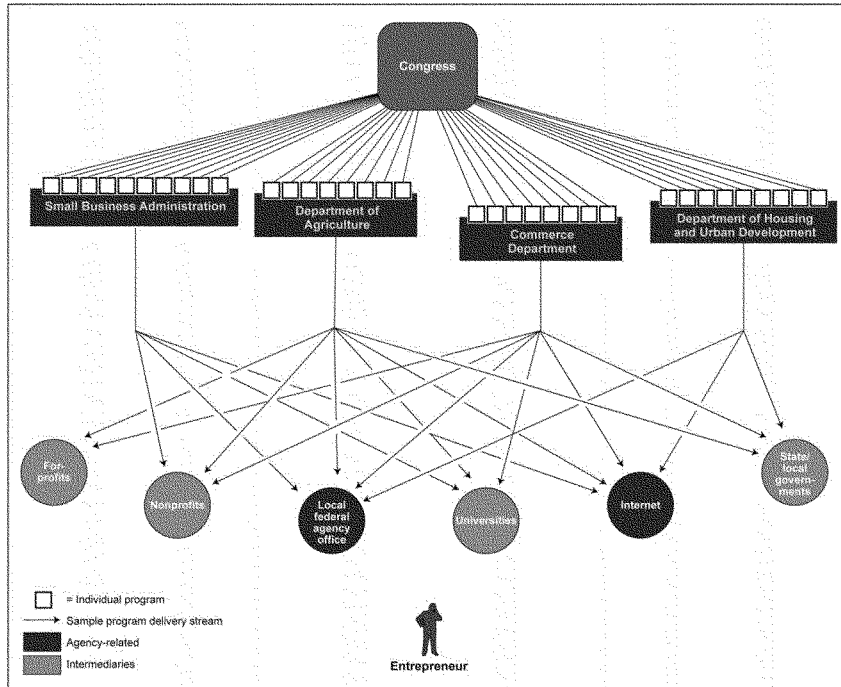
Additionally, some programs distribute funding through multiple layers of intermediaries before it reaches entrepreneurs. For example, HUD's Section 4 Capacity Building program is only authorized to provide grants to five national organizations, which pass funding on to a number of local grantees, including community development corporations that may use the funding to provide technical or financial assistance to entrepreneurs. HUD officials also noted that most of their programs allow local grantees discretion on whether to use funds to support entrepreneurs or for other authorized purposes. Other programs may competitively award grants to multiple intermediaries working jointly in the same community to serve entrepreneurs. For example, Commerce's Economic Adjustment Assistance program can provide grants to intermediaries, such as consortiums of local governments and nonprofits, which in turn provide technical or financial assistance to entrepreneurs.

Although we identified a number of examples of statutory overlap, we did not find evidence of duplication among these programs (that is, instances when two or more agencies or programs are engaged in the same activities to provide the same services to the same beneficiaries) based on available data. However, most agencies were not able to provide the programmatic information, such as data on users of the program that is necessary to determine whether or not duplication actually exists among the programs. The agencies' data-collecting practices will be discussed at greater length later in this report.

Some Entrepreneurs Struggle to Navigate Technical Assistance Programs

As previously discussed, 35 programs distributed across the four agencies provide technical assistance, including business training and counseling. While the existence of multiple programs in and of itself is not a problem, the delivery system of these fragmented and overlapping technical assistance programs contains many components (see fig. 1). Several entrepreneurs and various technical assistance providers with whom we spoke—including agency field offices, intermediaries, and other local service providers—told us that the system can be confusing and that some entrepreneurs do not know what services are available or where to go for assistance. As discussed earlier, federal funds typically flow from the federal agencies to different eligible intermediaries, which are third-party entities that receive federal funds, such as nonprofits or universities. These intermediaries in turn may provide technical assistance to entrepreneurs by, for example, helping them to develop a business plan or put together a loan package to obtain financing. For instance, SBA's Women's Business Center and Commerce's Minority Business Center programs can provide technical assistance through different intermediaries, such as the Arkansas Women's Business Center and the University of Hawaii. Although intermediaries are the primary providers of technical assistance, agency field offices may also provide some technical assistance. For example, USDA's Rural Development state offices may provide advice on how to complete their respective grant applications. SBA's district offices may also discuss the different business structures available.

Figure 1: Fragmented Delivery System of Federally Funded Technical Assistance to Entrepreneurs



Source: GAO.

Note: While our work focuses on the four federal agencies' economic development programs that support entrepreneurs, many state governments also have economic development departments that assist, plan, and support economic development activities. Local governments and nonprofit organizations may also offer programs that can be used to support economic development activities. In addition, there may be other federal agencies involved with supporting economic development. Some intermediaries receive support from multiple public- and private-sector institutions, and some entrepreneurs we spoke with indicated that they had received assistance from multiple sources.

Technical assistance providers sometimes attempt to help entrepreneurs navigate the system by referring them to other programs, but these efforts are not consistently successful. Some of these providers told us that they assess the entrepreneur's needs to determine whether to assist them or refer them to another entity that could provide the assistance more effectively. For example, if an 1890 Land Grant intermediary were not able to assist an entrepreneur, it might refer the entrepreneur to SBA, USDA, or a local provider. However, such referrals are not always successful. For example, an entrepreneur we spoke with described a case in which he needed assistance with developing a business plan but was unable to receive this assistance, even after several referrals. Some technical assistance providers that we spoke with either did not appear to fully understand other technical assistance programs or thought that others did not fully understand their programs. For example, one technical assistance provider told us that some technical assistance providers were focused on more established businesses, but when we reached out to some of these providers, they said they served all entrepreneurs. This lack of understanding could prevent providers from making helpful referrals and leveraging other programs and limit the effectiveness of the programs.

In addition, programs' Internet resources can also be difficult to navigate. Each agency has its own separate website that provides information to entrepreneurs, but they often direct entrepreneurs to other websites for additional information. For example, the SBA website directs users to another website that lists the Small Business Development Centers, which then directs users to another website that provides some information on the centers' available services. SBA, Commerce, USDA, and other agencies have recently collaborated to develop a joint website called BusinessUSA with the goal of making it easier for businesses to access services. However, the site was not fully operational as of June 2012, and none of the entrepreneurs and almost all the technical assistance providers we spoke with were not yet aware of it. As of June 2012, this website listed a number of potential technical assistance programs across different federal agencies with links to the programs' websites. Some technical assistance providers and entrepreneurs suggested that a single source to help entrepreneurs quickly find information instead of sorting through different websites would be helpful.

Agencies' Collaboration Has Been Limited

Enhanced collaboration between agencies could potentially address some of the difficulties entrepreneurs experience and improve program efficiency. In prior work we identified practices that can help to enhance and sustain collaboration among federal agencies, which can help to maximize performance and results, and have recommended that the agencies follow them.²² These collaborative practices include identifying common outcomes, establishing joint strategies, leveraging resources, determining roles and responsibilities, and developing compatible policies and procedures. In addition, GPRAMA requires agencies to describe in annual performance plans how they are working with other agencies to achieve their performance goals and relevant federal government performance goals.²³

The agencies have taken initial steps to improve how they collaborate to provide technical assistance to entrepreneurs by, for example, entering into formal agreements with each other, but they have not pursued a number of other good collaborative practices we have previously identified, as the following examples illustrate:

- USDA and SBA entered into a formal agreement in April 2010 to coordinate their efforts aimed at supporting businesses in rural areas. In April 2011, USDA began to survey its state offices to help the agency gauge the level of collaboration between its field staff and SBA, as well as to identify additional opportunities to enhance collaboration. However, the agencies' business development programs that can support start-up businesses—USDA's Rural Business Enterprise Grant and SBA's Small Business Development Centers—have yet to determine roles and responsibilities, find ways to leverage each other's resources, or establish compatible policies and procedures to collaboratively support rural businesses.
- The Appalachian Regional Development Initiative is a formal agreement, which began in November 2010, among the Appalachian Regional Commission (which coordinates economic development activities in the Appalachian region), the four agencies, and other

²²GAC-06-15.

²³Pub. L. No. 111-352, 124 Stat. 3866 (2011).

agencies.²⁴ This agreement is intended to strengthen and diversify the Appalachian economy through better deployment and coordination of federal resources. According to officials at the Appalachian Regional Commission, the agencies did participate in a joint workshop to present the locally available resources from business development to infrastructure in the fall 2011, and USDA is one of its stronger partners. However, the agencies have not established joint strategies, determined roles and responsibilities, or developed compatible policies and procedures for carrying out the common outcomes outlined in their agreements at the local level where technical assistance is provided.

- In August 2011 SBA and the Delta Regional Authority (which coordinates economic development activities in the Delta region) entered into a formal agreement to better deploy and coordinate resources for small businesses located in the Delta region.²⁵ As part of this agreement, in April 2012 the two entities announced a joint effort to launch an program to support entrepreneurs called Operation JumpStart. Operation JumpStart is designed as a hands-on, microenterprise development program that is intended to help entrepreneurs test the feasibility of their business ideas and plan to launch new ventures. However, their effort thus far has been limited. While they entered into a formal agreement to launch the program, this agreement did not include any determinations of specific roles and responsibilities or establish compatible policies and procedures to collaboratively support these small businesses.
- In June 2011, the President created the White House Rural Council to promote economic prosperity in rural areas. It is chaired by the Secretary of Agriculture and includes HUD, Commerce, SBA, and other agencies. The council is working to better coordinate federal programs in order to maximize the impact of federal investment in rural areas. Even though the council has announced a number of initiatives, such as helping rural small businesses access capital, the

²⁴The Appalachian region is made up of 420 counties in parts of 12 states—Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia—as well as all of West Virginia.

²⁵The Delta region is made up of 252 counties and parishes in parts of eight states—Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee.

agencies have yet to implement many of our other good collaborative practices.

In addition, while most of these agencies at the headquarters level have agreed to work together by signing formal agreements to administer some of their similar programs, the agencies generally have yet to develop compatible guidance to implement these agreements in the field. As noted previously, some intermediaries we spoke with that provide technical assistance through agency programs collaborate by referring entrepreneurs to other federal programs and agencies that they believe may better meet their needs. However these efforts are inconsistent and do not always result in entrepreneurs obtaining the services they are seeking. OMB and the four agencies also have recently taken steps to implement GPRAMA, which requires them to coordinate better; however, implementation was still in the early phases as of May 2012 and had not yet affected how they administer their programs.

Implementing additional good collaborative practices could improve how the federal government supports entrepreneurs by, for example, helping agencies make more useful referrals, meet more diverse needs of entrepreneurs, and present a more consistent delivery system to entrepreneurs:

- Collaborating agencies that agree upon roles and responsibilities can clarify who will do what, organize their joint and individual efforts, and facilitate coordinated decision making. This effort could help agencies not only initiate and sustain collaboration but also determine who is in the best position to support an entrepreneur based on the client's need, which could lead to more effective referrals.
- Because collaborating agencies bring different resources and capacities to their efforts, they can look for opportunities to leverage each other's resources, thus obtaining additional benefits that would not be available if they were working separately. Being able to leverage each other's resources could help agencies more effectively and efficiently support entrepreneurs because they may be able to meet more diverse needs by drawing on one another's strengths.

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- Compatible standards, policies, procedures, and data systems could help to sustain collaborative efforts. As agencies standardize, for example, procedures for supporting entrepreneurs, they can more efficiently support entrepreneurs through more consistent service-delivery methods across agencies and programs. This could be particularly helpful for entrepreneurs who are not familiar with the federal programs.

In addition, GPRAMA's crosscutting framework requires that agencies collaborate in order to address issues such as economic development that transcend more than one agency, and GPRAMA directs agencies to describe how they are working with each other to achieve their program goals. As discussed previously, without more substantial collaboration, the delivery of service to entrepreneurs, particularly those who are unfamiliar with federal economic development programs, may not be as effective and efficient as possible.

Agencies Lack Information to Track Program Activities and Measure Performance

Agencies do not maintain information in a way that would enable them to track activities for most of their programs. Further, the agencies lack information on why some programs have failed to meet some or all of their goals. While information from program evaluations can help measure program effectiveness, agencies have conducted evaluations of only 20 of the 52 active programs since 2000.

Agencies Do Not Maintain Information to Enable Tracking of Activities for Most Programs

While the four agencies collected at least some information on program activities in either an electronic records system or through paper files, most were unable to summarize the information in a way that could be used to help administer the programs. Promising practices of program administration that we have identified include a strong capacity to collect and analyze accurate, useful, and timely data.²⁶ According to OMB, being able to track and measure specific program data can help agencies diagnose problems, identify drivers of future performance, evaluate risk, support collaboration, and inform follow-up actions. Analyses of patterns

²⁶Harold I. Steinberg, *Using Performance Information to Drive Performance Improvement*, Association of Government Accountants CPAG Research Series: Report No. 29 (Alexandria, VA: Dec. 2011).

and anomalies can also help agencies discover ways to achieve more value for the taxpayer's money. In addition, agencies can use this information to assess whether their specific program activities are contributing as planned to the agency goals.

In addition, government internal control standards state that agencies should promptly and accurately record transactions to maintain their relevance and value for management decision making. Furthermore, this information should be readily available for use by management and others so that they can carry out their duties with the goal of achieving all of their objectives, including making operating decisions and allocating resources.²⁷ This guidance calls for agencies to go beyond merely collecting information, stating that they should systematically analyze, or track, it over time to inform decision making. For example, the agencies could track this information to identify trends on how the programs are being used in different areas of the country. This information could help the agencies strategically target program resources to support the unique needs in each geographic area.

All four agencies collect program information but do not track detailed, readily available information for most programs, such as the type of technical assistance that their programs provide or fund, which is necessary to effectively administer their programs. For example, Commerce's Economic Adjustment Assistance, HUD's Section 4 Capacity Building, SBA's PRIME, and USDA's Rural Business Opportunity Grant Program can all support a broad range of technical assistance to various types of entrepreneurs, but agencies are unable to provide information on the types of services provided that would be necessary to compare activities across programs. Similarly, the agencies typically do not track detailed information on the characteristics of entrepreneurs that they serve, such as whether they are located in rural or economically distressed areas or the entrepreneurs' type of industry. Most of the agencies collect detailed information on several of their programs in a way that could potentially help them more efficiently administer their programs, as the following examples illustrate:

²⁷GAO/AIMD-00-21, 3.1.

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- SBA collects detailed information on the type of technical assistance provided and type of entrepreneur served for 5 of its 10 technical assistance programs. SBA categorizes the types of technical assistance it provides by 17 categories of training and counseling, such as helping a business develop its business plan. All of this information is maintained in an electronic database that is accessible by agency staff.
 - For all of its programs, USDA collects detailed information on the industry of each of the entrepreneurs it supports. In addition, USDA collects detailed information (19 categories) on how entrepreneurs use proceeds, such as for working capital, provided through five of its financial assistance programs. USDA maintains this information in an electronic database, and officials stated that they can provide this type of detailed information upon request.
 - For all eight of its technical assistance programs, Commerce collects information on the type of entrepreneur served and the entrepreneurs' industry.

While HUD tracked limited program information on the type of support it provides to entrepreneurs, the agency collects information on other program activities and uses it to monitor program compliance. HUD staff meet quarterly with the Secretary of HUD to discuss these program data and determine changes that should be made to improve how they carry out program activities. Table 1 summarizes the type of information that agencies maintain in a readily available format that could be tracked to help administer the programs.

Table 1: Programs that Can Support Entrepreneurs and Maintain Readily Available Information, by Agency

		35 technical assistance programs				
		Commerce (8)	HUD (9)	SBA (10)	USDA (8)	Total (35)
Type of technical assistance provided?	yes	2	0	5	0	7
	no	6	9	5	8	28
Industry entrepreneur is working in?	yes	8	0	5	8	21
	no	0	9	5	0	14
Type of entrepreneur by targeted categories ^a	yes	8	1	5	7	21
	no	0	8	5	1	14
		30 financial assistance programs				
		Commerce (2)	HUD (10)	SBA (10)	USDA (8)	Total (30)
Type of financial assistance provided?	yes	2	8	9	8	27
	no	0	2	1	0	3
Use of proceeds?	yes	2	1	7	5	15
	no	0	9	3	3	15
Industry entrepreneur is working in?	yes	2	0	5	8	15
	no	0	10	5	0	15
Type of entrepreneur by targeted categories?	yes	2	3	8	5	18
	no	0	7	2	3	12

Source: GAO analysis of information provided by Commerce, HUD, USDA, and SBA.

Note: This table is based on 50 of the 52 programs that can support entrepreneurs because we excluded the 2 SBA programs that only support government contracting assistance. Some of the 50 programs can provide both financial and technical assistance.

^aTargeted categories can include businesses in rural or economically distressed areas, disadvantaged businesses, or small businesses.

Officials who administer these programs provided a number of reasons why they do not track detailed program information for all programs in a way that could be used for program administration purposes. For example, some officials stated they do not rely on program information with this level of detail to make decisions about their programs. As previously discussed, many of these programs are administered by intermediaries, and these intermediaries may maintain detailed information on the services they provide. Agencies do not always require the intermediaries to forward all of this detailed information to headquarters. Rather, an intermediary may, for example, submit data

summaries of the support they have provided during the reporting period in a narrative format—a format that cannot be easily aggregated or analyzed. Other agency officials noted that this type of summary-level information they collect and maintain at headquarters is sufficient for their purposes and complies with OMB reporting guidelines. However, without tracking more detailed program information, such as the specific type of support provided and the entrepreneurs served, agencies may not be able to make informed decisions or identify risks and problem areas within their programs based on factors such as how entrepreneurs make use of program services or funding. Furthermore, agencies may not be able to understand the extent that their programs are serving their intended purposes.

Some Programs Failed to Meet Their Goals

Our review found that for fiscal year 2011, a number of programs that support entrepreneurs failed to meet some or all of their performance goals. Measuring performance allows organizations to track the progress they are making toward their goals and gives managers crucial information on which to base their organizational and management decisions. Leading organizations recognize that performance measures can create powerful incentives to influence organizational and individual behavior. Some of their good practices include setting and measuring performance goals. GPRAMA requires agencies to develop annual performance plans that include performance goals for an agency's program activities and accompanying performance measures. According to GPRAMA, these performance goals should be in a quantifiable and measurable form to define the level of performance to be achieved for program activities each year. The agencies should also be able to identify which external factors might affect goal accomplishment and explain why a goal was not met. Such plans can help to reinforce the connection between the long-term strategic goals outlined in their strategic plans and the day-to-day activities of their managers and staff.

We found that of the 33 programs that support entrepreneurs and set goals, 19 did not meet any of their goals or only met some of their goals

(see table 2).²⁸ These programs include Commerce's Economic Development/Support for Planning Organizations, HUD's Indian Community Development Block Grant, SBA's 504 loan, and USDA's Rural Business Opportunity Grant programs. Appendix III provides more information on fiscal year 2011 goals and accomplishments for each program that has goals and accomplishment data available.

Table 2: Accomplishment Data for 33 Programs that Support Entrepreneurs and Set Goals, Fiscal Year 2011

	Programs that did not meet goals	Programs that met some goals	Programs that met all goals
Commerce	1	5	2
HUD	2	0	0
SBA	2	5	7
USDA	4	0	3
Total	9	10	12

Source: GAO analysis of data from Commerce, HUD, SBA, and USDA.

Note: Two programs have goals but did not have goal accomplishment information. Goal accomplishment information for HUD's Section 4 Capacity Building for Affordable Housing and Community Development program is unknown because HUD did not provide goal accomplishment information. Goal accomplishment information for USDA's Small Business Innovation Research program is not available because the program goals are based on 2-year time periods and the current period has not yet ended.

Agency officials provided a number of reasons why they thought these programs did not meet their goals, including that the goals were estimates and program funding was lower than anticipated. In addition, some agency officials could not identify any causes for the failure to meet goals nor had they attempted to determine the specific reasons for the failures.

²⁸Nineteen programs did not have fiscal year 2011 performance goals: HUD's CDBG Insular Areas, CDBG Entitlement, CDBG States, CDBG Non-entitlement Grants in Hawaii, Section 108, CDBG Disaster Recovery, Rural Innovation Fund, Hispanic Serving Institutions Assisting Communities, and Alaska Native/Native Hawaiian Institutions Assisting Communities; SBA's PRIME, Small Business Innovation Research, Small Business Technology Transfer, New Markets Venture Capital, and Federal and State Technology Partnership programs; and USDA's Small Socially-Disadvantaged Producer Grants, 1890's Land Grants Institutions, Agriculture Innovation Center, Biomass Research and Development Initiative, and Woody Biomass Utilization Grants. While the agencies are not required to have goals for each program, agency officials said that 6 of the 19 programs did not have goals because they were either temporary, were not funded, or were marked for elimination by agencies. One of the 19 programs that did not meet its goals was not funded in fiscal year 2011.

Programs that are failing to meet performance goals without a clear understanding of the reasons could result in agencies not being able to identify and address specific parts of programs that may not be working well. Additionally, without more detailed data on the activities of individual intermediaries, determining which of these third-parties are effectively administering these programs and helping meet program goals is difficult. Making decisions without this information could result in scarce resources being directed away from programs, or intermediaries, that are effective and towards those that are not meeting their objectives or struggling to meet their objectives.

**Agencies Have Not
Evaluated the Majority of
Programs That Support
Entrepreneurs**

Over the past 12 years, agencies have conducted program evaluations of 20 of the 52 programs that support entrepreneurs.²⁹ Most of these 20 programs were evaluated once in the past decade. The studies that were conducted focus on a variety of areas, including customer satisfaction and the programs' economic impacts, and report an array of findings related to the effectiveness of the programs. For example, some evaluations reported the actual number of jobs produced as a result of program investments, while one evaluation reported that programs were more useful for larger firms than smaller firms. Some of the differences among the findings are tied to the varying questions the studies sought to answer and the methods that were used to answer them. The questions and methods employed are typically informed by the organization's purpose for pursuing these studies. These purposes could include, for example, assessing program impact, identifying areas for improvement, or guiding resource allocation. Figure 2 describes the scope of each program evaluation and the findings related to program effectiveness. Appendix V provides more information on each program evaluation.

²⁹We reviewed the methodologies of these studies to ensure they were sound and determined they were sufficiently reliable to report high-level findings related to the programs' overall effectiveness.

Figure 2: Evaluations of Programs that Support Entrepreneurs, 2000-2012

Agency	Program (year review completed)	Selected findings related to program effectiveness
Commerce	Grants for Public Works and Economic Development Facilities (2008)	EDA investments were associated with an increase in jobs. For rural areas, the type of project is an important determinant of the number of jobs created. Business incubators are the most effective projects, while roads projects are the least effective.
	Economic Adjustment Assistance (2005, 2008)	The program serves as a facilitator or as an impetus to stimulate economic development in targeted areas. For example, it helps to obtain stakeholder buy-in and ignition of the process. The program does not achieve, by itself, the ultimate goal of job creation or increase in income. However, the program (1) lacks oversight and accountability mechanisms to encourage higher and more uniform performance levels; (2) there is no systematic follow-up survey to measure the longer-term economic impacts of assistance; and (3) EDA regional offices often lack adequate oversight staff.
	Economic Development/Support for Planning Organizations (2002)	Projects do not meet their goals.
HUD	CDBG/Entitlement Grants (2002, 2002)	There are links between larger CDBG investments and improvements in neighborhood quality, such as increases in business and employment. The survival rate for start-ups that received benefits from CDBG or Section 108 had a better survival rate than 50% of U.S. start-ups in general. More than 50% of CDBG- and Section 108-assisted projects met or exceeded their total job creation and retention targets.
	CDBG/States (2002)	The survival rate for start-ups that received benefits from CDBG or Section 108 had a better survival rate than 50% of U.S. start-ups in general.
	CDBG/Section 108 (2002)	More than 50% of CDBG- and Section 108-assisted projects met or exceeded their total job creation and retention targets.
	CDBG/Brownfields Economic Development Initiative (2002)	A significant portion (25 percent) of Indian CDBG projects had a positive effect on the quality of life for Native American and Alaska native communities. Grantees were able to leverage grants to obtain additional funds.
	Section 4 Capacity Building for Affordable Housing and Community Development (2011)	Community Development Corporations (CDC) reported that the program helped them increase their organization capacity (e.g., increase in number of staff). Also, the ones that received more grants implemented more activities. CDCs have developed almost 17 million square feet of commercial space between 2001 and 2009, compared with 2.7 million before 2001.
SBA	Small Business Development Centers (2010)	Larger firms indicated a greater degree of usefulness than smaller firms.
	Women's Business Centers (WBC) (2004, 2005, 2010)	Larger firms indicated a greater degree of usefulness than smaller firms. Clients served by WBCs saw an increase in profits, receipts, new jobs, and start-ups.
	SCORE (2010)	Larger firms indicated a greater degree of usefulness than smaller firms.
	7(a) Loan Program (2008, 2008)	Businesses saw an increase in sales and employment.
	504 Loan Program (2008, 2008)	Start-up and minority-owned businesses had the largest gains.
	Small Business Investment Company Program (SBIC) (2008, 2008)	Businesses saw an increase in sales and employment from 1999 to 2001, with start-up and minority-owned businesses having the largest gains. Businesses that participated in the SBIC program saw the largest gains and had the longest range of survival.
	Microloan Program (2008)	
	HUBZone (2008)	There are 2450 HUBZone areas and because the contract monies are spread so thin the program has no detectable impact on most zones and almost none on a national scale.
Small Business Innovation Research Program (2008)	Technological innovation was achieved—an average of 1.66 scientific publication for each project, as well as networking with universities. Participation by minorities and women lagged other groups.	
USDA	Value Added Producer Grants (2007)	

Program evaluation did not address the extent to which the program was achieving its mission.
 Source: GAO analysis of information provided by Commerce, HUD, SBA, and USDA.

Although GPRAMA does not require agencies to conduct formal program evaluations, it does require agencies to describe program evaluations that were used to establish or revise strategic goals as well as program evaluations they plan to conduct in the future. Additionally, while not required, agencies can use periodic program evaluations to complement ongoing performance measurement. Program evaluations that systematically study the benefits of programs may help identify the extent to which overlapping and fragmented programs are achieving their objectives. In addition, program evaluations can help agencies determine reasons why a performance goal was not met and give an agency direction on how to improve program performance. For instance, 8 of the 33 programs that were not evaluated by the administering agency failed to meet all of their performance goals. Performance evaluations could have helped agencies understand why these programs' goals were not met. Further, program evaluations, which examine a broader range of information than is feasible on an ongoing basis through performance measures, can help assess the impact and effectiveness of a program.³⁰

While many of the agencies agree that performance evaluations can add value, some stated that they have limited funds and cannot afford performance evaluation studies. Other agency officials stated that they are not allowed to use program funds for evaluation. For example, USDA officials stated that they are not allowed to use program funds to study the effectiveness of the Small Business Innovation Research program. While program evaluations can be expensive, there are various methods that agencies can employ to make them more cost-effective. For example, agencies could conduct a program evaluation that relies on their own data to prevent them from purchasing data from a vendor.³¹ Without periodic program evaluations, the agencies' ability to manage programs effectively and efficiently may be limited. Program evaluations can also potentially help agencies understand why some programs have failed to meet some or all of their goals, as previously discussed. Moreover, without this type

³⁰GAO, *Program Evaluation: Studies Helped Agencies Measure or Explain Program Performance*, GAO/GGD-00-204 (Washington, D.C.: Sept. 29, 2000).

³¹In July 2007, we recommended that SBA further utilize the loan performance information it already collects to better report how small businesses fare after they participate in the 7(a) program. While SBA agreed with the recommendation, the agency has not implemented it. See GAO, *Small Business Administration: Additional Measures Needed to Assess 7(a) Loan Program's Performance*, GAO-07-769 (Washington, D.C.: Jul. 13, 2007).

of information, Congress and the agencies may not be able to better ensure that scarce resources are being directed to the most effective programs and activities.

Conclusions

In order to support entrepreneurs, federal economic development programs must be efficient and accessible to the people they are intended to serve. However, navigating these overlapping and fragmented programs can be an ongoing challenge for some entrepreneurs. While the agencies have a number of interagency agreements in place, our review found that agency field staff do not consistently collaborate and may not be able to help entrepreneurs navigate the large number of programs available to them. We have identified practices that can help to support collaboration among federal agencies and programs. In addition, greater collaboration is one way agencies can help overcome overlap and fragmentation among programs within and across agencies. Moreover, without enhanced collaboration and coordination, agencies may not be able to make the best use of limited federal resources and may not reach their intended beneficiaries in the most effective and efficient manner.

In addition, given the number of federal programs focused on supporting entrepreneurs, agencies need specific information about these programs to best allocate limited federal resources and make decisions about better administering and structuring the programs. In our February 2012 report on duplication, overlap, and fragmentation, we expected to recommend that Congress tie funding to program performance and that OMB and the agencies explore opportunities to restructure programs through such means as consolidation or elimination. However, decisions about funding and restructuring would be difficult without better performance and evaluation information. Thus, making these recommendations would be premature until the agencies address a number of deficiencies. Specifically, agencies typically do not collect information that would enable them to track the services they provide and to whom they provide those services. This practice is not consistent with government standards for internal controls. Without such information, the agencies may not be able to administer the programs in a way that will result in the most efficient and effective federal support to entrepreneurs.

Moreover, most of the programs that set goals did not meet them or only met some of them, and agency officials could not always identify reasons why program goals were not met. Additionally, many of these programs have not been evaluated in 10 years or more. GPRAMA requires

agencies to set and measure annual performance goals, and recognizes the value of program evaluations because they can help agencies assess programs' effectiveness and improve program performance. Agencies' lack of understanding of why programs have failed to meet goals may limit decision makers' ability to understand which programs are most effective and allocate federal resources accordingly.

Recommendations

To help improve the efficiency and effectiveness of federal efforts to support entrepreneurs, we make the following recommendations:

- The Director of the Office of Management and Budget, the Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of the Small Business Administration should work together to identify opportunities to enhance collaboration among programs, both within and across agencies.
- The Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of the Small Business Administration should consistently collect information that would enable them to track the specific type of assistance programs provide and the entrepreneurs they serve and use this information to help administer their programs.
- The Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of the Small Business Administration should conduct more program evaluations to better understand why programs have not met performance goals and their overall effectiveness.

Agency Comments and Our Evaluation

GAO provided a draft of this report to OMB, Commerce, HUD, SBA, and USDA for review and comment. We also provided excerpts of appendix IV to all of the agencies with programs listed for their review. Commerce, HUD, and USDA provided written comments. Commerce, HUD, and SBA also provided technical comments, which were incorporated where appropriate. OMB did not provide comments on the draft report. All written comments are reprinted in appendixes VI, VII and VIII.

The Acting Secretary of Commerce stated that we may wish to consider the complementary role many agencies play in the field of economic development and the need for varied but complementary activities to

address the complexities of entrepreneurs. She commented that what may appear as duplication at a higher level is in reality a portfolio of distinct services meeting unique needs. Our report notes that in some instances it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort. We found that many of the 52 programs we examined overlap in terms of statutory authority; our report does not state that duplication exists among these programs. However, we found that most of these agencies were not able to provide programmatic information, such as data on users of the programs that is necessary to determine whether or not duplication actually exists.

The Acting Secretary also stated that federal agencies do successfully collaborate and forge policy partnerships, and noted that EDA plays a key role in leading and shaping federal policy for fostering collaborative regional economic development. As noted in our report, Commerce, HUD, SBA, and USDA have taken initial steps to improve how they collaborate to provide technical assistance to entrepreneurs and cites specific examples of these collaborative efforts. However, GAO found that the four agencies, including Commerce, have not pursued a number of other good collaborative practices we have previously identified. For example, our report states that the White House Rural Council, comprised of Commerce and other federal agencies, is working to better coordinate federal programs in order to maximize the impact of federal investment in rural areas. Although the council has announced a number of initiatives, such as helping rural small businesses access capital, we found that the agencies have yet to implement many of our other good collaborative practices such as developing compatible guidance to implement inter-agency agreements. For example, we found that while most of these agencies at the headquarters level have agreed to work together by signing formal agreements to administer some of their similar programs, the agencies generally have yet to develop compatible guidance to implement these agreements in the field.

Finally, the Acting Secretary stated that EDA agrees with our report's focus on the need for more specific information tracking and more frequent performance evaluation. She noted that EDA has established performance measures for each of its programs, and that these performance measures were subject to thorough review and validation procedures. She also noted that EDA routinely conducts evaluations of its programs (often limited only by lack of resources). However, the Acting Secretary stated that efforts to monitor and track project progress seem to have been outside of the scope of our report, based on many of the

general statements made in the report about the need for additional work in this area. As previously stated, we found that most of the agencies were not able to provide programmatic information for programs that can support entrepreneurs. Our report also states that Commerce does collect information on the type of entrepreneur served and the entrepreneur's industry for all eight of its programs that can provide technical assistance; however, the report notes that Commerce does not collect information on the specific type of technical assistance provided to entrepreneurs for six of these eight programs—information necessary to compare activities across programs. We provided summary information on evaluations conducted by the agencies in the report, including Commerce. We also found that Commerce, HUD, SBA, and USDA had not evaluated the majority of the 52 programs that can support entrepreneurs, including four of the eight programs Commerce administers. We concluded that program evaluations, when combined with efforts to collect information, can be a positive step toward greater understanding of programs' effectiveness.

HUD's Assistant Secretary for Public and Indian Housing expressed concern regarding our reference on the highlights page of the report to the Indian CDBG program as one of 19 economic development programs that failed to meet their entrepreneurial performance goals. She stated that the entire program may be unfairly perceived as ineffective as a result of this statement. Our report states that 33 of 52 programs we examined set goals related to entrepreneurial assistance and that 19 of these 33 programs did not meet any of their goals or only met some of their goals. Our report does not state that these 19 programs were ineffective. We added language on the highlights page of the report to clarify that our findings were only based on each program's goals related to entrepreneurial assistance.

The Assistant Secretary also stated that our report misrepresents the Indian CDBG program as an economic development program. She noted that while economic development is an eligible program activity, only 3 percent of the dollars awarded under the program since 2005 funded economic development activities. She further noted that most of the program's grants were used for community development activities, such as building community buildings, developing infrastructure of various types, and rehabilitating housing units on Indian lands. As noted in our report, the 52 programs we examined for this report typically fund a variety of activities in addition to supporting entrepreneurs. In addition, the report notes that most of these programs either target or exclusively serve particular types of businesses.

The Assistant Secretary noted that an independent evaluation of the Indian CDBG program was conducted in 2006. HUD had not previously provided us with this evaluation. We revised our report to state that the Indian CDBG program had been evaluated within the past 12 years. Finally, the Assistant Secretary stated that HUD supports efforts to accurately measure the performance of its programs. She noted that HUD's Office of Native American Programs had recognized limitations in its method of projecting and measuring performance in the Indian CDBG program. She also stated that the office had begun drafting a revised form to be used at grant application and grant closeout to better collect performance measurement data, and that the office was examining its data collection procedures as well as the methodology used to establish program targets. These actions are consistent with our recommendation that the agencies collect program information and use it to help administer their programs.

USDA's Under Secretary for Rural Development stated that he agreed with our report's statements that entrepreneurs play a vital role in the U.S. economy and that no duplication exists among federal programs that assist entrepreneurs. However, he disagreed with some of the other observations in our report. First, he stated that our report broadly portrays federal programs that assist entrepreneurs and does not highlight the unique characteristics of each agency, such as USDA's Rural Development's specialization in rural economic development and its network of state and local area offices. Our report notes that most of USDA's 13 programs that can support entrepreneurs are limited to areas with a rural statutory definition. We also include discussion based on our outreach to participants in rural economic development, including regional commissions and authorities, on their experiences with the four federal agencies in rural economic development efforts. More importantly, however, when considering the unique characteristics of the various programs, we emphasize the need for agencies to conduct program evaluations to assess effectiveness. While the Under Secretary suggests that the rural focus and the network of state and local area offices enhance program effectiveness, USDA has not conducted evaluations to support this conclusion.

Second, USDA's Under Secretary stated that our report highlights examples where entrepreneurs may be eligible for multiple federal programs based on an entrepreneur's specific characteristics, but that the report does not mention whether this was a pervasive or problematic issue. He stated that rural entrepreneurs may be eligible for multiple programs, and that a business's unique situation dictates which programs

best meets its needs. Again, our report emphasizes the need for evaluations to determine the relative effectiveness of different programs serving similar purposes. Third, regarding our findings related to the information agencies collect on program activities, the Under Secretary cited a number of tools that the Rural Business-Cooperative Service (RBS) uses to identify and improve the effectiveness of its programs. As noted in this report, we determined that USDA collected detailed information on the industry of each of the entrepreneurs it supports for all of its programs. In addition, we determined that USDA collected detailed information (19 categories) on how entrepreneurs use proceeds provided through 5 of its financial programs. However, we found that over the past 12 years USDA had conducted a program evaluation for only 1 of its 13 programs that can support entrepreneurs, including USDA programs that RBS does not administer.

Finally, the Under Secretary stated that the recommendations in our report are not explicit, which makes it unclear how RBS would effectively address them. Our report does provide information on how agencies could address our recommendations. First, we recommended that OMB, Commerce, HUD, SBA, and USDA work together to identify opportunities to enhance collaboration among programs, both within and across agencies. Our report identifies several practices that can help agencies and their offices enhance and sustain collaboration, which include identifying common outcomes, establishing joint strategies, leveraging resources, determining roles and responsibilities, and developing compatible policies and procedures, among others. Second, we recommended that Commerce, HUD, USDA and SBA consistently collect information that would enable them to track the specific type of assistance provided and the entrepreneurs they serve and use this information to help administer their programs. Our report identifies programs that Commerce, HUD, SBA, and USDA administer for which the agencies did and did not maintain information in a readily available format that could be tracked to help administer the programs. Finally, we recommended that Commerce, HUD, SBA, and USDA conduct more evaluations to better understand why programs have not met performance goals and their overall effectiveness. Our report acknowledges that program evaluations can be costly; however, the report also notes that there are various methods agencies can employ to make the evaluations more cost-effective, such as relying on their own data instead of purchasing data from a vendor.

We are sending copies of this report to the appropriate congressional committees and other interested parties. In addition, this report will be available at no charge on the GAO website at <http://www.gao.gov>. Should you or your staff have any questions concerning this report, please contact William B. Shear, at (202) 512-8678, or shearw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IX.



William B. Shear
Director
Financial Markets
and Community Investments

List of Congressional Committees

The Honorable Debbie Stabenow
Chair
The Honorable Pat Roberts
Ranking Member
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Kent Conrad
Chairman
The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate

The Honorable Barbara Boxer
Chair
The Honorable James M. Inhofe
Ranking Member
Committee on Environment and Public Works
United States Senate

The Honorable Mary Landrieu
Chair
The Honorable Olympia J. Snowe
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Mark Warner
Chairman
Task Force on Government Performance
Committee on the Budget
United States Senate

The Honorable Paul Ryan
Chairman
The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
House of Representatives

The Honorable Spencer Bachus
Chair
The Honorable Barney Frank
Ranking Member
Committee on Financial Services
House of Representatives

The Honorable Darrell E. Issa
Chair
The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Sam Graves
Chair
The Honorable Nydia Velazquez
Ranking Member
Committee on Small Business
House of Representatives

The Honorable Timothy V. Johnson
Chairman
Subcommittee on Rural Development, Research,
Biotechnology, and Foreign Agriculture
Committee on Agriculture
House of Representatives

Appendix I: Objectives, Scope and Methodology

This report discusses (1) the extent of overlap, fragmentation, and duplication and their effects on entrepreneurs, and agencies' actions to address them; and (2) the extent to which agencies collect information necessary to track program activities and whether these programs have met their performance goals and been evaluated.

To determine the extent of overlap and fragmentation among federal programs that fund economic development activities, we focused our analyses on 52 programs administered by the Departments of Agriculture (USDA), Commerce, and Housing and Urban Development (HUD) and the Small Business Administration (SBA) that are authorized to support entrepreneurs. Based on past work, these programs appeared to overlap the most within the four agencies with missions focused on economic development. We reviewed the statutes and regulations that authorize the activities that can be conducted under each program. We categorized the types of activities into three categories: (1) technical assistance, (2) financial assistance, and (3) government contracting assistance. Many of the programs can provide more than one type of assistance, and most focus on technical assistance, financial assistance, or both. To identify the effects of overlap and fragmentation on entrepreneurs and agencies' actions to address them, we focused on 35 of the 52 programs that provide technical assistance because there was significant overlap and fragmentation among these programs. We reviewed agency documents, such as inter-agency agreements, and conducted interviews to determine how technical assistance is provided to entrepreneurs, including the extent of agency collaboration at the local level. More specifically, we interviewed technical assistance providers, including 14 federal agency officials from four federal agencies located in the field, nine officials from two regional commissions, and 14 representatives of intermediaries (that is, third-party technical assistance providers); four entrepreneurs who have received assistance federal support; and five state and local partners in three geographic areas. These geographic areas included both urban and rural areas. We selected geographic areas based on, the presence of an active regional commission and evidence of collaboration among at least two of the four federal agencies being located within the same region. We assessed this technical assistance information against promising collaborative practices that we have previously identified.¹

¹GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

To determine the extent to which agencies collect information necessary to track program activities, we reviewed agency manuals and data collection forms that describe information collected on program activities and methods for analyzing and using the information. Specifically, we assessed each agency's capacity to track specific types of entrepreneurial assistance they provided to specific types of beneficiaries, as well as their ability to report this information in a readily available format at the program level. We compared these processes against standards for internal controls we have previously identified to determine how well agencies track the support they provide to entrepreneurs.² To determine the extent to which these 52 economic development programs have met their performance goals, we reviewed agency documents on their fiscal year 2011 program goals and accomplishments. We also interviewed agency officials to determine reasons why goals were not met (see app. III).

To describe results from program evaluations related to the effectiveness of the 52 economic development programs that we reviewed, we requested all studies that have been conducted on these programs from the four agencies that administer the programs. Our document request resulted in 19 studies. We refined the list of 19 studies by choosing to focus on studies that were published in or after 2000. The resulting list of program evaluations totaled 16. Because some evaluations studied more than one program, these 16 evaluations covered 20 of the 52 programs in our review. We reviewed the methodologies of these studies to ensure that they were sound and determined that they were sufficiently reliable for our purpose, which was to report high-level findings related to the program's overall effectiveness (see app. V). Other evaluations of these programs may exist.

To provide illustrative examples of each of the nine economic activities related to economic development that we previously identified (see app. II), we conducted a review of the literature that has been published in the past

²GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

5 years.³ This review included publications from a variety of sources, including academic journals and trade publications. These sources contained examples of how these economic activities were being conducted at the national, state, and local levels in the United States. The list of examples we developed is not meant to be comprehensive but is intended to provide a range of economic activities that could be funded by federal programs.

We also used these nine economic activities to identify additional federal programs that may be able to fund at least one of the activities (these programs are listed in app. IV). During previous reviews, we focused on federal programs at Commerce, HUD, SBA, and USDA because these agencies have missions focused on economic development. For this report, we identified additional federal programs that could fund the nine economic activities. While many of the agencies that administer these additional programs do not have missions that focus on economic development, their programs may be able to fund at least one of the nine economic activities. We reviewed information on all programs contained in the 2011 Catalog of Federal Domestic Assistance (CFDA) and provided the list of programs to all of the administering agencies.⁴ This list of additional federal programs may not be comprehensive because not all agencies provide data to CFDA (see app. IV).

³The nine economic activities are supporting entrepreneurial efforts, supporting business incubators and accelerators, constructing and renovating commercial buildings, constructing and renovating industrial parks and buildings, strategic planning and research, marketing and access to new markets for products and industries, supporting telecommunications and broadband infrastructure, supporting physical infrastructure, and supporting tourism.

⁴We have previously identified incomplete or inaccurate data in the CFDA, but we chose to rely on it for our purposes in this report because it is the only source that contains information on programs from many different federal agencies. We did not assess the data reliability of the CFDA. OMB has compiled initial lists of agencies and programs that contribute to crosscutting goals, as required by GPRAMA, on performance.gov, including those related to the entrepreneurship and small business goal. However, OMB noted that this was not meant to be comprehensive of all programs with any contribution to the crosscutting goals, and that they are continuing to update these lists.

Appendix I: Objectives, Scope and Methodology

We conducted this performance audit from June 2011 to July 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Illustrative Examples of Economic Activities

In September 2000, we reported that there is no commonly accepted definition for economic development.¹ Absent a common definition for economic development, we subsequently developed a list of nine activities most often associated with economic development.² In general, we focused on economic activities that directly affected the overall development of an area, such as job creation and economic growth, rather than on activities that improved individuals' quality of life, such as housing and education. We previously relied on these economic activities to identify 80 economic development programs administered by the U.S. Departments of Agriculture (USDA), Commerce, and Housing and Urban Development (HUD) and the Small Business Administration (SBA) because these agencies have missions that focus on economic development.³ In this report, we identified illustrative examples of each of the nine economic activities.

Illustrative Examples of Economic Activities

The following examples, which resulted from a review we conducted of academic journals and trade publications, illustrate a range of activities that could be supported by programs that can fund at least one of the economic activities. Examples include projects that are both publicly and privately funded, with many receiving funding from multiple sources in both sectors. They also had an explicit or implicit economic development goal, such as job creation or economic growth.

1. *Supporting entrepreneurial efforts.* This activity is the focus of this report, with programs grouped according to at least one of three types of assistance that address different entrepreneurial needs: help obtaining (1) technical assistance, which includes business training and counseling and research and development support; (2) financial assistance, which includes grants, loans, and venture capital; and (3) government contracts, which involves helping entrepreneurs qualify for federal procurement opportunities. Illustrative examples of this activity include the following initiatives:

¹GAO, *Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities*, GAO/RCED/GGD-00-220 (Washington, D.C.: Sept. 29, 2000).

²GAO, *Rural Economic Development: More Assurance Is Needed That Grant Funding Information Is Accurately Reported*, GAO-06-294 (Washington, D.C.: Feb. 24, 2006).

³GAO-11-318SP, GAO-11-477R and GAO-12-342SP.

Appendix II: Illustrative Examples of Economic Activities

- Individuals in an Iowa community formed an association of entrepreneurs to provide a broad range of services to entrepreneurs, including technical assistance in the form of mentor counseling, training sessions on various topics, and hosting conferences.
 - A California community provided both financial and technical support to local small businesses in order to redevelop a business district. Businesses received micro-grants—small grants of \$5,000 each—and were also required to participate in free workshops designed to give them additional tools and resources to succeed in a challenging marketplace. These workshops were produced by an SBA-funded Small Business Development Center.
 - Iowa provided financial assistance to entrepreneurs through loan guarantees and a publicly funded limited liability corporation that could coordinate venture capital investments. The initiative was designed to increase capital levels and stimulate the creation of more local seed funds.
2. *Supporting business incubators and accelerators.* This activity can include all of the elements of entrepreneurial efforts, but combines these types of assistance with a facility that supports multiple businesses and may provide shared access to office space, technology, and other support services. Illustrative examples of this activity include the following initiatives:
- A technology business incubator was established at a Florida university so its faculty and service partners can provide business opportunities to client companies. The facility has grown to support a number of services to assist start-up businesses, including office and laboratory space, educational programs, and networking and mentoring opportunities with other experienced entrepreneurs.
 - An Ohio community created a business accelerator that is designed to assist small, established companies, rather than businesses in their infancy, in becoming financially viable and creating jobs in the region. This facility includes office space, access to technology, and a variety of support services. The accelerator also collaborates with a center funded by SBA's Small Business Development Centers program and a local community college, which provide coaching and mentoring sessions,

Appendix II: Illustrative Examples of Economic Activities

business plan reviews, workshops, training, referrals, and assistance in obtaining capital.

- An economic development organization in Pennsylvania created a network of business incubators and accelerators focused on developing and commercializing technology to create high-paying, sustainable jobs. The initiative supports early-stage and established companies with funding, support services, and a network of experts in related industries and academia.
3. *Constructing and renovating commercial buildings.* This activity can include support for the construction and renovation of buildings established for commercial purposes, such as for retail and office space. Illustrative examples of this activity include the following initiatives:
- A community in Iowa renovated a historic building that used to be a store to attract a large technology firm's service center. The renovations were designed to meet the firm's sustainability vision and were financed by public and private sources.
 - A community in Arizona renovated a high school to create a new research laboratory. Further buildings were constructed in the area around this project to create a biomedical campus for both commercial and academic purposes.
 - A community in Iowa renovated buildings in a historic millwork district to create urban mixed-use developments, which are designed to attract both commercial and residential activity.
4. *Constructing and renovating industrial parks and buildings.* This activity can include support for the construction and renovation of buildings and campuses established for industrial purposes, such as for manufacturing. Illustrative examples of this activity include the following initiatives:
- A public-private partnership in Nevada constructed an industrial park with new access to a freeway and energy infrastructure. The facility was zoned for heavy industry and designed to be away from population centers.
 - A community in Massachusetts administered the transition of a former military base into a light industrial area focused on

Appendix II: Illustrative Examples of Economic Activities

sustainable development and attracted both small and large firms to the redeveloped area.

- A public-private partnership in a North Carolina created several multi-jurisdictional business parks intended to improve local economies. These parks serve a number of industrial purposes, including technology, manufacturing, distribution, and logistics. Local governments obtained funding to conduct site evaluations and certification through Commerce's Economic Development Administration and HUD's Community Development Block Grant program.
5. *Strategic planning and research.* This activity includes plans for recruiting new businesses or industry clusters, economic research and analyses, and regional coordination and planning across jurisdictions and sectors. Illustrative examples of this activity include the following initiatives:
- Local officials in a southeastern state formed a regional economic development organization to better coordinate economic and workforce development. The organization engages in marketing and recruitment of businesses and fosters partnerships between various public- and private-sector entities in the region.
 - A California community developed a plan for a business district to create jobs and produce savings for businesses. The plan defined resources, timeframes, and types of assistance needed to execute this strategy.
 - A regional consortium operating in areas of two southern states conducted research on their area's economic strengths and developed an action plan to leverage these strengths. Research included the identification of industry clusters that could be well suited to the area.
6. *Marketing and access to new markets for products and industries.* This activity may include marketing of both new and existing products and industries, facilitating access to new markets, and supporting new uses for existing products. Illustrative examples of this activity include the following initiatives:
- A publicly funded regional technology center in New York provides a range of resources for local manufacturing and technology

companies, including assistance with developing sales and growth strategies, conducting marketing activities for increased market share and revenue in existing or new markets, and identifying new customers and market niches.

- A regional economic development organization in North Carolina formed an energy industry cluster that included a bio-energy facility where businesses are colocated with a landfill. These businesses are able to sell what were formerly waste products in new markets, such as alternative fuels and wood pallets.
- Several southern and Midwestern states have leveraged federal and state funds to assist rural businesses with e-commerce strategies, including assistance reaching global markets and strengthening competitive market advantages. Both USDA and Commerce provided some funding for this initiative.

7. *Supporting telecommunications and broadband infrastructure.* This activity may include building, refurbishing, and enhancing infrastructure used to expand access and improve the speed and reliability of Internet access, wireless phone services, and other electronic communication methods. Illustrative examples of this activity include the following initiatives:

- A public-private partnership in a city in Ohio provides businesses and residents with an underground conduit network that supports multiple fiber-based systems for voice, data, and video communications, intended to provide high-speed access to the global marketplace.
- A multi-state rural regional development organization in the southwestern United States coordinated the construction of a broadband Internet network that was intended to generate new opportunities for economic development. The initiative was funded by both private and public investments and covered a large geographic area.
- Regional leaders collaborated with a state commission to expand broadband infrastructure to businesses, schools, and industrial parks in a Virginia city. The high-speed network is noted to be comparable to or faster than that of any other metropolitan area of the country, is available at a relatively low cost, and is intended to attract businesses to the area.

8. *Supporting physical infrastructure.* This activity includes constructing and repairing infrastructure related to (1) transportation, such as roads, airports and rail; (2) water and sewer; (3) energy; and (4) other amenities, such as pedestrian areas, parking, and beautification projects. Illustrative examples of this activity include the following initiatives:
- A community in New York is planning to renovate a business district by creating new rail service, a pedestrian mall, and green space.
 - A community in Ohio renovated their underdeveloped downtown area by constructing better roads and pedestrian space, improving green space, and moving power lines underground. The project was part of a plan to reduce blight and make the area more accessible for visitors.
 - A community in North Carolina renovated a vacant textile manufacturing space and downtown area to create a scientific research campus, facilitating this work through water line replacements, the addition of a pedestrian tunnel, and road improvements.
9. *Supporting tourism.* This activity includes marketing, infrastructure improvement, planning, and research specifically related to developing and improving tourism, as well as supporting special events and festivals to attract visitors. Illustrative examples of this activity include the following initiatives:
- A community in Kentucky improved trails in natural areas to attract tourists for horseback riding and other recreational uses. In addition to trail improvements, the community utilized survey research, marketing, and special events to draw visitors to the area.
 - A community in North Carolina entered into public-private partnerships to construct a cluster of tourist venues that included sports and arts museums, an arena, convention center, and performing arts venues. The community utilized a strategic plan for development and a branded name to market the area.
 - A county in Mississippi partnered with other regional entities to market their gaming industry and other amenities as part of a broader regional campaign. This new partnership promoted region-wide tourism and focused on key markets that the area may draw visitors from.

Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
Department of Commerce (Commerce) – Economic Development Administration (EDA) ^c	Grants for Public Works and Economic Development Facilities Supports the construction or rehabilitation of essential public infrastructure and facilities necessary to support job creation, attract private-sector capital, and promote regional competitiveness, innovation, and entrepreneurship, including investments that expand and upgrade infrastructure to attract new industry, support technology-led development, accelerate new business development, and enhance the ability of regions to capitalize on opportunities presented by free trade.	\$114,529,000	Private investment leveraged (3, 6, and 9 years after award)	Private investment leveraged–9 year totals (in millions): \$1,940 Private investment leveraged–6 year totals (in millions): \$674 Private investment leveraged–3 year totals (in millions): \$244.6	Private investment leveraged–9 year totals (in millions): \$3,960 Private investment leveraged–6 year totals (in millions): \$1,617 Private investment leveraged–3 year totals (in millions): \$1,475	Yes	Partial
Commerce EDA	Grants for Public Works and Economic Development Facilities		Total jobs created/retained (3, 6, and 9 years after award)	Jobs created/retained –9 year totals: 57,800 Jobs created/retained –6 year totals: 18,193 Jobs created/retained –3 year totals: 6,256	Jobs created/retained–9 year totals: 56,058 Jobs created/retained–6 year totals: 26,416 Jobs created/retained–3 year totals: 14,842	Partial	

Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
Commerce EDA	Economic Adjustment Assistance Supports economically distressed communities in their ability to compete economically by stimulating private investment and promoting job creation in targeted areas. Current investment priorities include proposals that foster innovation and enhance regions' global economic competitiveness by supporting existing industry clusters, developing emerging new clusters, or attracting new regional economic drivers.	\$78,720,000	Private investment leveraged (3, 6, and 9 years after award)	Private investment leveraged--9 year totals (in millions): \$1,940 Private investment leveraged--6 year totals (in millions): \$674 Private investment leveraged--3 year totals (in millions): \$244.6	Private investment leveraged--9 year totals (in millions): \$3,960 Private investment leveraged--6 year totals (in millions): \$1,617 Private investment leveraged--3 year totals (in millions): \$1,475	Yes	Partial
Commerce EDA	Economic Adjustment Assistance		Total jobs created/retained (3, 6, and 9 years after award)	Jobs created/retained--9 year totals: 57,800 Jobs created/retained--6 year totals: 18,193 Jobs created/retained--3 year totals: 6,256	Jobs created/retained--9 year totals: 56,058 Jobs created/retained--6 year totals: 26,416 Jobs created/retained--3 year totals: 14,842	Partial	
Commerce EDA	Global Climate Change Mitigation Incentive Fund Supports economic development projects that create jobs through, and increase private capital investment in, efforts to limit the nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems. The program helps to cultivate innovations that can fuel "green growth" in communities suffering from economic distress.	\$17,466,000	Private investment leveraged (3, 6, and 9 years after award)	Private investment leveraged--9 year totals (in millions): \$1,940 Private investment leveraged--6 year totals (in millions): \$674 Private investment leveraged--3 year totals (in millions): \$244.6	Private investment leveraged--9 year totals (in millions): \$3,960 Private investment leveraged--6 year totals (in millions): \$1,617 Private investment leveraged--3 year totals (in millions): \$1,475	Yes	Partial
Commerce EDA	Global Climate Change Mitigation Incentive Fund		Total jobs created/retained (3, 6, and 9 years after award)	Jobs created/retained--9 year totals: 57,800 Jobs created/retained--6 year totals: 18,193 Jobs created/retained--3 year totals: 6,256	Jobs created/retained--9 year totals: 56,058 Jobs created/retained--6 year totals: 26,416 Jobs created/retained--3 year totals: 14,842	Partial	

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
Commerce EDA	Economic Development/Technical Assistance Provides focused assistance to public and nonprofit leaders to help in economic development decision making (e.g., project planning, impact analyses, feasibility studies). The program also supports the University Center Economic Development Program, which makes the resources of universities available to the economic development community.	\$13,373,000	Percentage of University Center clients taking action as a result of the assistance facilitated	75%	68%	No	Partial
Commerce EDA	Economic Development/Technical Assistance		Percentage of those actions taken by University Center clients that achieved expected results	80%	83%	Yes	
Commerce EDA	Economic Development/Support for Planning Organizations Provides planning assistance to provide support to Planning Organizations (as defined in 13 CFR 303.2) for the development, implementation, revision, or replacement of a Comprehensive Economic Development Strategy, short-term planning efforts, and state plans designed to create and retain higher-skill, higher-wage jobs, particularly for the unemployed and underemployed in the nation's most economically distressed regions.	\$31,352,000	Percentage of economic development districts and Indian tribes implementing economic development projects from the comprehensive economic development strategy that lead to private investment and jobs	95%	86%	No	No
Commerce EDA	Economic Development/Support for Planning Organizations		Percentage of substate jurisdiction members actively participating in the economic development district program	89%	85%	No	
Commerce EDA	Trade Adjustment Assistance (TAA) for Firms The program helps economically distressed U.S. businesses in building competitiveness strategies to increase	\$15,418,000	Percentage of TAA Center clients taking action as a result of the assistance facilitated	90%	73%	No	Partial

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	exports and thereby create jobs. The program provides technical assistance to U.S. businesses that have lost sales and employment due to increased imports of similar or competitive goods and services. Technical assistance is provided through a nationwide network of eleven Economic Development Administration-funded Trade Adjustment Assistance Centers.						
Commerce EDA	Trade Adjustment Assistance for Firms		Percentage of actions taken by TAA Center clients that achieved expected results	95%	100%	Yes	
Commerce – Minority Business Development Agency (MBDA)	Native American Business Enterprise Centers (NABEC) ^c The program promotes the growth and competitiveness of businesses owned by Native Americans and eligible minorities. NABEC operators leverage project staff and professional consultants to provide a wide range of direct business assistance services to Native American tribal entities and eligible minority-owned firms. NABEC services include, but are not limited to, initial consultations and assessments, business technical assistance, and access to federal and nonfederal procurement and financing opportunities.	\$0	Dollar value of contract awards obtained	\$1.1 billion	\$2.1 billion	Yes	Yes
Commerce MBDA	Native American Business Enterprise Centers		Dollar value of financial awards obtained	\$0.9 billion	\$1.8 billion	Yes	
Commerce MBDA	Native American Business Enterprise Centers		Number of jobs created	5,000	5,787	Yes	
Commerce MBDA	Minority Business Center (MBC) The program promotes the growth and competitiveness of eligible minority-owned businesses. MBC operators leverage project staff and professional	\$17,948,122	Dollar value of contract awards obtained	\$1.1 billion	\$2.1 billion	Yes	Yes

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	consultants to provide a wide range of direct business assistance services to eligible minority-owned firms. Services include initial consultations and assessments, business technical assistance, and access to federal and nonfederal procurement and financing opportunities. MBDA currently funds a network of 30 MBC projects located throughout the United States.						
Commerce MBDA	Minority Business Center		Dollar value of financial awards obtained	\$0.9 billion	\$1.8 billion	Yes	
Commerce MBDA	Minority Business Center		Number of jobs created	5,000	5,787	Yes	
Department of Housing and Urban Development (HUD)	Community Development Block Grant (CDBG)/Insular Areas HUD annually allocates \$7 million of CDBG funds to the Insular Areas program in proportion to the populations of the eligible territories. The program is administered by HUD's field offices in Puerto Rico and Hawaii. The CDBG programs allocate annual grants to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.	\$ 214,396 ^c	Jobs created and retained	None	15,549	N/A	N/A
HUD	CDBG/Insular Areas		Businesses assisted	None	24,331	N/A	
HUD	CDBG/Entitlement Grants The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. The CDBG entitlement program allocates annual grants to larger cities and urban counties to	\$325,549,306 ^d	Jobs created and retained	None	15,549	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.						
HUD	CDBG/Entitlement Grants		Businesses assisted	None	24,331	N/A	
HUD	CDBG/States	\$559,961,961 ⁹	Jobs created and retained	None	15,549	N/A	N/A
	The primary statutory objective of the CDBG States program is to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons. The state must ensure that at least 70 percent of its CDBG grant funds are used for activities that benefit low- and moderate-income persons over a 1-, 2-, or 3-year time period selected by the state.						
HUD	CDBG/States		Businesses assisted	None	24,331	N/A	
HUD	CDBG/Non-entitlement CDBG Grants in Hawaii	\$338,257 ¹¹	Jobs created and retained	None	15,549	N/A	N/A
	HUD continues to administer the program for the non-entitlement counties in the state of Hawaii because the state has permanently elected not to participate in the State CDBG program. The CDBG programs allocate annual grants to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.						
HUD	CDBG/Non-entitlement CDBG Grants in Hawaii		Businesses assisted	None	24,331	N/A	

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
HUD	CDBG/Section 108 Loan Guarantees Section 108 is the loan guarantee provision of the CDBG program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. It allows them to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods.	\$6,000,000	Jobs proposed to be created or retained	None	7,306	N/A	N/A
HUD	CDBG/Brownfields Economic Development Initiative (BEDI) The purpose of the BEDI program is to spur the return of brownfields to productive economic use through financial assistance to public entities in the redevelopment of brownfields and enhance the security or improve the viability of a project financed with Section 108-guaranteed loan authority.	\$0	Jobs proposed to be created or retained	3,157	2,409	No	No
HUD	CDBG Disaster Recovery Grants Grantees may use CDBG Disaster Recovery funds for recovery efforts involving housing, economic development, infrastructure, and prevention of further damage to affected areas, if such use does not duplicate funding available from the Federal Emergency Management Agency, the Small Business Administration, and the U.S. Army Corps of Engineers. The mission and goals of the CDBG Disaster Recovery Grants program may be expanded or limited per the individual appropriation that it receives each year.	\$0	Businesses assisted	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
HUD	CDBG Disaster Recovery Grants		Permanent jobs created (tracked by low income, moderate income and total)	None	N/A	N/A	
HUD	CDBG Disaster Recovery Grants		Permanent jobs retained (tracked by low income, moderate income and total)	None	N/A	N/A	
HUD	CDBG Disaster Recovery Grants		Number of buildings (nonresidential) assisted	None	N/A	N/A	
HUD	Section 4 Capacity Building for Affordable Housing and Community Development Through funding of national intermediaries, the Section 4 Capacity Building program enhances the capacity and ability of community development corporations and community housing development organizations to carry out community development and affordable housing activities and to attract private investment for housing, economic development, and other community revitalization activities that benefit low-income families.	\$50,000,000	Number of trainings created and provided to Community Development Corporations (CDC)	794	Not reported	Unknown	Unknown
HUD	Section 4 Capacity Building for Affordable Housing and Community Development		Development cost estimates of community development projects funded by CDCs	\$988 million	Not reported	Unknown	
HUD	Section 4 Capacity Building for Affordable Housing and Community Development		Number of homes renovated, preserved or newly constructed	6,060	Not reported	Unknown	
HUD	Section 4 Capacity Building for Affordable Housing and Community Development		Efficiency measure of per-unit cost of capacity building for housing units developed or renovated	None	N/A	N/A	
HUD	Rural Innovation Fund ^d The Rural Innovation Fund program was established to improve the quality of life for residents of distressed rural areas by supporting innovative and catalytic economic development and housing	\$0 ^c	Number of full-time and part-time jobs created	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	<p>programs. The program is designed to support</p> <p>(1) job creation through business development and expansion,</p> <p>(2) investment in human capital through job training and education; and</p> <p>(3) expanding the supply of affordable housing with access to job centers or transportation.</p> <p>Rural Innovation Fund grantees are selected through a competitive process.</p>						
HUD	Rural Innovation Fund		Number of persons receiving job training	None	N/A	N/A	
HUD	Rural Innovation Fund		Number of new businesses opened	None	N/A	N/A	
HUD	Rural Innovation Fund		Number of affordable housing units constructed	None	N/A	N/A	
HUD	Rural Innovation Fund		Number of residents receiving homeownership counseling	None	N/A	N/A	
HUD	<p>Hispanic-Serving Institutions Assisting Communities</p> <p>The Hispanic-Serving Institutions Assisting Communities program helps Hispanic-Serving Institutions expand their role and effectiveness in addressing community development needs in their localities, including revitalization, housing, and economic development, principally for persons of low and moderate income. Accredited Hispanic-Serving Institutions of higher education that provide 2- and 4-year degrees are eligible to participate in this program. For an institution to qualify as a Hispanic-Serving Institution, at least 25 percent of the undergraduate enrollment must be Hispanic students.</p>	\$0	None	N/A	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
HUD	Alaska Native/Native Hawaiian Institutions Assisting Communities The Alaska Native/Native Hawaiian Institutions program helps these institutions expand their role and effectiveness in addressing community development needs in their localities, including revitalization, housing, and economic development, principally for persons of low and moderate income. The program encourages colleges and universities to integrate community engagement themes into their curriculum, academic studies, and student activities.	\$0	None	N/A	N/A	N/A	N/A
HUD	Indian CDBG The purpose of the Indian CDBG program is the development of viable Indian and Alaska Native communities, including the creation of decent housing, suitable living environments, and economic opportunities primarily for persons with low and moderate incomes as defined in 24 CFR 1003.4. Funds may be used to improve housing stock, provide community facilities, improve infrastructure, and expand job opportunities by supporting the economic development of the communities in some instances.	\$64,000,000	Jobs created	24	0	No	No
HUD	Indian CDBG		Rehabilitated housing units	701	409	No	
HUD	Indian CDBG		Constructed community buildings	49	30	No	
HUD	Indian CDBG		Average cost per community building	None	N/A	N/A	
HUD	Indian CDBG		Average amount of Indian CDBG dollars spent per housing unit rehabilitated	None	N/A	N/A	
Small	7(a) Loan Program	\$88,000,000	Loan dollars approved	\$12.8 billion	\$19.7 billion	Yes	Yes

Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
Business Administration (SBA)	The 7(a) Loan Program is SBA's primary program for helping start-up and existing small businesses, with financing guaranteed for a variety of general business purposes. 7(a) loans are the most basic and most commonly used type of loans. They are also the most flexible, since financing can be guaranteed for a variety of general business purposes, including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions).						
SBA	7(a) Loan Program		Small businesses assisted	40,700	46,749	Yes	
SBA	7(a) Loan Program		Jobs supported	474,100	582,707	Yes	
SBA	7(a) Loan Program		Active lending partners ¹	3,000	3,537	Yes	
SBA	7(a) Loan Program		Underserved markets--small businesses assisted	24,800	28,389	Yes	
SBA	7(a) Loan Program		Cost per small business assisted	None	\$1,882	N/A	
SBA	504 Loan Program The 504 Loan Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A typical 504 project includes a loan secured from a private-sector lender with a senior lien covering up to 50 percent of the project cost, a loan secured from a Certified Development Company (backed by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the total cost, and a contribution from the borrower of at least 10 percent equity.	\$38,888,000	Loan dollars approved	\$4.8 billion	\$4.8 billion	Yes	Partial
SBA	504 Loan Program		Small businesses assisted	8,100	7,752	No	

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	504 Loan Program		Jobs supported	88,800	87,337	No	
SBA	504 Loan Program		Underserved market – small businesses assisted	4,800	4,548	No	
SBA	504 Loan Program		Active lending partners	267	249	No	
SBA	504 Loan Program		Cost per small business assisted	None	\$5,017	N/A	
SBA	Microloan Program SBA's Microloan Program provides small businesses with small, short-term loans for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery or equipment. SBA makes funds available to specially designated intermediary lenders, which are nonprofit organizations with experience in lending and technical assistance. These intermediaries then make loans to eligible borrowers in amounts up to a maximum of \$50,000.	\$38,729,000	Small businesses assisted	4,600	3,999	No	Partial
SBA	Microloan Program		Jobs supported	14,500	13,271	No	
SBA	Microloan Program		Loans approved by microlenders	\$65 million	\$47 million	No	
SBA	Microloan Program		Businesses Counseled	6,500	15,900	Yes	
SBA	Microloan Program		Underserved markets– small businesses assisted	4,600	3,999	No	
SBA	Microloan Program		Active lending partners	126	121	No	
SBA	Microloan Program		Cost per small business assisted	None	\$9,685	N/A	
SBA	Surety Bond Guarantee Program SBA provides and manages surety bond guarantees for qualified small and emerging businesses through the Surety Bond Guarantee Program. Participating sureties receive guarantees that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract.	\$4,865,000	Contract value of bid and final bonds	\$3.3 billion	\$3.7 billion	Yes	Yes

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	Surety Bond Guarantee Program		Bid and final bonds guaranteed	7,600	8,638	Yes	
SBA	Surety Bond Guarantee Program		Jobs supported	6,400	17,421	Yes	
SBA	Surety Bond Guarantee Program		Cost per job supported	None	\$279	N/A	
SBA	Program for Investment in Micro-Entrepreneurs (PRIME) PRIME provides assistance to various organizations. These organizations help low-income entrepreneurs who lack sufficient training and education to gain access to capital to establish and expand their small businesses.	\$8,863,000	None	None	N/A	N/A	N/A
SBA	Small Business Development Centers (SBDC) SBDCs assist clients in gaining access to SBA loan programs and private capital to start up and expand their businesses. SBDC services are available to all small business populations. There are specialized programs for minorities, women, international trade, technology, energy efficiency, veterans, people with disabilities, and 8(a) firms in all stages, as well as individuals in low- and moderate-income urban and rural areas. The ultimate objective of the SBDC program is to support, strengthen, sustain, and grow local economies and business entities	\$130,323,000	Long-term counseling clients	61,000	62,117	Yes	Partial
SBA	Small Business Development Centers		Small businesses created	12,500	13,664	Yes	
SBA	Small Business Development Centers		Jobs supported	None	N/A	N/A	
SBA	Small Business Development Centers		Capital infusions	\$3.7 billion	\$3.6 billion	No	
SBA	Small Business Development Centers		Cost per job supported	None	N/A	N/A	
SBA	Small Business Development Centers		Cost per small business created	None	\$9,538	N/A	

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	Women's Business Centers (WBC) WBCs provide long-term training as well as counseling and mentoring services. By statute, WBCs fill a gap by focusing on women who are socially and economically disadvantaged. WBCs offer classes during regular working hours as well as during the evenings and weekends to serve clients who work during the day. The WBCs often provide counseling in multiple languages.	\$19,446,000	Small businesses assisted	135,000	138,923	Yes	Yes
SBA	Women's Business Centers		Small businesses created	618	701	Yes	
SBA	Women's Business Centers		Cost per small business assisted	None	\$140	N/A	
SBA	SCORE SCORE is a nonprofit association comprised of more than 13,000 volunteer business professionals in more than 350 chapters and on-line nationwide, dedicated to educating and assisting entrepreneurs and small business owners in the formation, growth, and expansion of their small businesses through mentoring, business advising and training.	\$12,980,000	Small businesses assisted	349,867	356,837	Yes	Partial
SBA	SCORE		Small businesses created	1,082	816	No	
SBA	SCORE		Cost per small business assisted	None	\$36.38	N/A	
SBA	Veterans Business Outreach Centers The Veterans Business Outreach program is designed to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business.	\$8,995,000	Veterans assisted	100,000	137,011	Yes	Yes
SBA	Veteran's Business Outreach Centers		Customer satisfaction	91%	91%	Yes	

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	Veteran's Business Outreach Centers		Cost per veteran assisted	None	\$65.65	N/A	
SBA	7(j) Technical Assistance The 7(j) program provides qualifying businesses with counseling and training in the areas of financing, business development, management, accounting, bookkeeping, marketing, and other small business operating concerns.	\$6,502,000	Small businesses assisted	3,550	3,550	Yes	Yes
SBA	7(j) Technical Assistance		Cost per small business assisted	None	\$1,832	N/A	
SBA	8(a) Business Development Program The 8(a) Business Development program provides various forms of assistance (management and technical assistance, government contracting assistance, and advocacy support) to foster the growth and development of businesses owned and controlled by socially and economically disadvantaged individuals. SBA assists these businesses, during their nine year tenure in the 8(a) Business Development program, in gaining equal access to the resources necessary to develop their businesses and improve their ability to compete.	\$58,274,000	Small businesses assisted	9,457	7,814	No	No
SBA	8(a) Business Development Program		Cost per small business assisted	None	\$7,458	N/A	
SBA	8(a) Business Development Program		Contracts to small disadvantaged businesses, which includes 8(a) program participants (%)	5%	Not reported	Unknown	
SBA	Historically Underutilized Business Zones (HUBZone) The HUBZone program helps small businesses located in both urban and rural communities gain preferential access to federal procurement opportunities. These preferences go to	\$15,569,000	Small businesses assisted	4,000	5,801	Yes	Partial

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	small businesses that obtain HUBZone certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas.						
SBA	HUBZone		Annual value of federal contracts	\$12 billion	\$9.9 billion	No	
SBA	HUBZone		Cost per small businesses assisted	None	\$2,684	N/A	
SBA	HUBZone		Cost per federal contract dollar	None	\$.0015	N/A	
SBA	HUBZone		Contracts to HUBZone firms	3%	2.3%	No	
SBA	Procurement Assistance to Small Businesses The program assists small businesses in obtaining federal government contracts and subcontracts.	\$21,171,000	Percent of federal prime and subcontracting dollars awarded to small businesses	For prime contracting, statutory goal is 23%; for subcontracting, there is no statutory goal, but SBA has set a goal of 35.9%.	21.65%	No	No
SBA	Small Business Innovation Research Program (SBIR) The SBIR program encourages small businesses to explore their technological potential and provides the incentive to profit from its commercialization. Each year, 11 federal departments and agencies are required by SBIR to reserve a portion of their research and development funds for awards to small businesses. SBA is the coordinating agency for the SBIR program. It directs the agencies' implementation of SBIR, reviews their progress, and reports annually to Congress on the program's operation.	\$781,000	Commercialization / Innovation <ul style="list-style-type: none"> • Number of companies • Number of Phase II awards • Aggregate amount of SBIR award monies awarded to cohort • Aggregate sales/revenue from cohort • Aggregate additional investment in cohort • Number of exits – Initial Public Offerings or Merger and Acquisition activity • Value of exits, in dollars 	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
			<ul style="list-style-type: none"> Number of employees employed by awardees Percent of awards that brought products to market (Note: Multiple awards may lead to only one product, but all awards should be given credit) 				
SBA	SBIR		Women and Minorities <ul style="list-style-type: none"> Percentage of awardees that are minority owned Percentage of awardees that are women owned Percentage of awardees that are HUBZone Percentage of applicants that are minority owned that received an award Percentage of applicants that are women owned that received an award 	None	N/A	N/A	
SBA	SBIR		Efficiency and Effectiveness <ul style="list-style-type: none"> Time between close of solicitation and selection Time between selection and cash awarded Total sum of time between close of solicitation and cash awarded 	None	N/A	N/A	

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	SBIR		Repeat-award winners <ul style="list-style-type: none"> Percentage of first-time Phase II awardees per year per agency Percent age of first-time Phase I awardees per year per agency 	None	N/A	N/A	
SBA	Small Business Technology Transfer Program (STTR) The STTR program encourages small businesses to explore their technological potential and provides the incentive to profit from its commercialization. Each year, five federal agencies are required to reserve a portion of their research and development funds for awards to small businesses. SBA is the coordinating agency for the STTR program. It directs the agencies' implementation of STTR, reviews their progress, and reports annually to Congress on its operation. STTR requires cooperation with a university or approved research institution.	\$352,000	Commercialization / Innovation <ul style="list-style-type: none"> Number of companies Number of Phase II awards Aggregate amount of SBIR award monies awarded to cohort Aggregate sales/revenue from cohort Aggregate additional investment in cohort Number of exits -- Initial Public Offerings or Merger and Acquisition activity Value of exits, in dollars Number of employees employed by awardees Percent of awards that brought products to market (Note: Multiple awards may lead to only one product, but all awards should be given credit) 	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	STTR		Women and Minorities <ul style="list-style-type: none"> • Percentage of awardees that are minority owned • Percentage of awardees that are women owned • Percentage of awardees that are HUBZone • Percentage of applicants that are minority owned that received an award • Percentage of applicants that are women owned that received an award 	None	N/A	N/A	
SBA	STTR		Efficiency and Effectiveness <ul style="list-style-type: none"> • Time between close of solicitation and selection • Time between selection and cash awarded • Total sum of time between close of solicitation and cash awarded 	None	N/A	N/A	
SBA	STTR		Repeat-award winners <ul style="list-style-type: none"> • Percentage of first-time Phase II awardees per year per agency • Percentage of first-time Phase I awardees per year per agency 	None	N/A	N/A	

Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	Small Business Investment Company (SBIC) Program The SBIC program aims to increase the availability of venture capital to small businesses. SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses.	\$26,305,000	Small business assisted	1,150	1,339	Yes	Yes
SBA	SBIC		Underserved markets—small businesses assisted	345	430	Yes	
SBA	SBIC		Amount of debenture leveraged committed to SBIC	\$2.6 million	\$2.8 million	Yes	
SBA	SBIC		Cost per small business assisted	None	\$19,645	N/A	
SBA	New Markets Venture Capital (NMVC) Program The purpose of the NMVC program is to promote economic development and the creation of wealth and job opportunities in low-income geographic areas and among individuals living in such areas through developmental venture capital investments in smaller enterprises located in such areas. Through public-private partnerships between SBA and businesses, the program is designed to serve the unmet equity needs of local entrepreneurs through developmental venture capital investments, provide technical assistance to small businesses, create quality employment opportunities for low-income area residents, and build wealth within low-income areas.	\$0 ^(c)	Eligible small businesses assisted	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
SBA	Federal and State Technology Partnership (FAST) Program The purpose of the FAST program is to strengthen the technological competitiveness of small business concerns in the U.S. by improving the participation of small technology firms in the innovation and commercialization of new technology.	\$1,885,096	Eligible small businesses assisted	None	N/A	N/A	N/A
SBA	FAST		Outreach events held	None	N/A	N/A	
SBA	International Trade The International Trade program helps small business exporters by providing loans for a number of activities specifically designed to help them develop or expand their export activities.	\$7,681,000	Loans approved	\$400 million	\$924 million	Yes	Yes
SBA	International Trade		Small and medium sized exporters assisted	990	1,346	Yes	
SBA	International Trade		Lenders counseled/trained	4,000	6,790	Yes	
SBA	international Trade		Cost per small and medium sized exporter assisted	None	\$5,707	N/A	
U.S. Department of Agriculture (USDA)	Intermediary Relending Program The purpose of the program is to alleviate poverty and increase economic activity and employment in rural communities. Under the program, loans are provided to local organizations (intermediaries) for the establishment of revolving loan funds. These revolving loan funds are used to assist with financing business and economic development activity to create or retain jobs in disadvantaged and remote communities.	\$7,364,000	Jobs created and saved	14,600	14,601	Yes	Yes
USDA	Rural Business Enterprise Grants Program The program provides grants for rural projects that finance and facilitate development of small and emerging rural	\$ 38,586,000	Jobs created or saved	14,330	13,265	No	No

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	businesses, help fund business incubators, and help fund employment-related adult education programs. To assist with business development, the program may fund a broad array of activities.						
USDA	Rural Business Opportunity Grant Program The program promotes sustainable economic development in rural communities with exceptional needs through provision of training and technical assistance for business development, entrepreneurs, and economic development officials and to assist with economic development planning.	\$2,581,000	Businesses assisted	950	586	No	No
USDA	Rural Microentrepreneur Assistance Program The purpose of the program is to support the development and ongoing success of rural microentrepreneurs and microenterprises. Direct loans and grants are made to selected microenterprise development organizations.	\$6,668,000	Jobs created or saved	580	1240	Yes	Yes
USDA	Rural Cooperative Development Grants The primary objective of this grant program is to improve the economic condition of rural areas through the creation or retention of jobs and development of new rural cooperatives, value-added processing, and other rural businesses. Grant funds are provided for the establishment and operation of centers that have the expertise or that can contract out for the expertise to assist individuals or entities in the start-up, expansion, or operational improvement of rural businesses, especially cooperative or mutually owned businesses.	\$8,424,000	Businesses assisted	326	324	No	No

Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
USDA	Business and Industry Guaranteed Loans The purpose of the program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans.	\$70,202,000	Jobs created or saved	11,705	27,806	Yes	Yes
USDA	Value Added Producer Grants The purpose of this program is to assist eligible independent agricultural commodity producers, agriculture producer groups, farmer and rancher cooperatives, and majority-controlled producer-based businesses in developing strategies and business plans to further refine or enhance their products, thereby increasing their value to end users and increasing returns to producers.	\$1,318,000	Businesses assisted	151	0	No	No
USDA	Small Socially-Disadvantaged Producer Grants The primary objective of the program is to provide technical assistance to small, socially disadvantaged agricultural producers through eligible cooperatives and associations of cooperatives. Grants are awarded on a competitive basis.	\$2,940,000	None	None	N/A	N/A	N/A
USDA	1890 Land Grant Institutions Rural Entrepreneurial Outreach Program/Rural Business Entrepreneur Development Initiative ^c The purposes of this program are to encourage 1890 Institutions to provide technical assistance for business creation in economically challenged rural communities, to conduct educational programs that develop and improve	\$0	None	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ^a	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
	upon the professional skills of rural entrepreneurs, and to provide outreach and promote USDA Rural Development programs in small rural communities with the greatest economic need.						
USDA	Agriculture Innovation Center Award grants to centers around the country to provide technical and business development assistance to agricultural producers seeking to enter into ventures that add value to commodities or products they produce.	\$0	None	N/A	N/A	N/A	N/A
USDA	Small Business Innovation Research This program aims to stimulate technological innovation in the private sector; strengthen the role of small businesses in meeting federal research and development needs; increase private-sector commercialization of innovations derived from USDA-supported research and development efforts; and foster and encourage participation by women-owned and socially disadvantaged small business firms in technological innovation.	\$22,635,200	Percentage of Phase 2 businesses that have achieved commercial success, as a result of increased sales	50%	Data collection ongoing because performance data are collected over a 2-year time period.	Not available	Not available
USDA	Biomass Research and Development Initiative Competitive Grants Program This program awards grants to support the research and development and demonstration of biofuels and biobased products. It is a joint effort between USDA and the U.S. Department of Energy.	\$2,075,000	Number of technologies successfully deployed	None	N/A	N/A	N/A

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Appendix III: Performance Goals and Accomplishments for 52 Programs that Can Support Entrepreneurs, Fiscal Year 2011

Agency	Program Name and Mission	Fiscal year 2011 Obligations ¹	Performance Measures	Fiscal year 2011 Performance Goal	Fiscal year 2011 Actual Performance ^b	Met Individual Goals	Met All Goals
USDA	Woody Biomass Utilization Grant Program This program provides financial grants to businesses and communities that use woody biomass removed from National Forest System hazardous fuel reduction projects. Grants are awarded on a competitive basis.	\$3,000,000	Green tons of woody biomass removed and used	None	N/A	N/A	N/A

Source: GAO analysis of information provided by Commerce, HUD, SBA, and USDA.

Notes:

¹Fiscal year 2011 obligations were provided by agency officials for each program. HUD's figures represent fiscal year 2011 actual budget authority rather than obligations. SBA figures represent fiscal year 2011 fully allocated costs rather than obligations.

²While some programs listed in the table did not set fiscal year 2011 performance goals, most of the programs that had goals reported actual performance that could be compared with these goals.

³EDA does not collect performance information (i.e., jobs created and private investment) by program, rather this information is aggregated for all EDA programs.

⁴Commerce's Native American Business Enterprise Centers program incurred obligations in fiscal year 2011, but Commerce officials could not provide funding data at the program level. Funding for this program is included in the fiscal year 2011 obligations for Commerce's Minority Business Center program. Similarly, Commerce could not provide performance measure data at the program level because it tracks its activity as part of the Minority Business Center program.

⁵This figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

⁶This figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

⁷This figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

⁸This figure is an estimate of actual budget authority used for activities that GAO categorizes as economic development, rather than total program expenditures, and does not include other costs for activities such as housing or public services.

⁹According to HUD officials, the performance measures for the CDBG Disaster Recovery Grant program can vary and they did not provide us any set fiscal year 2011 goals.

¹⁰HUD officials stated that the Rural Innovation Fund program is new and they are in the process of establishing goals.

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**Appendix III: Performance Goals and Accomplishments for 52
Programs that Can Support Entrepreneurs, Fiscal Year 2011**

⁸HUD officials noted that \$31,355,236 in 5-year grants was awarded in September, 2011 through this program, but they will not be obligated until after FY 2011. These funds include \$25,000,000 that was appropriated in FY 2010 for the program and additional funds recaptured through HUD's Rural Housing and Economic Development program.

⁹The performance goal and actual figures for this performance measure are for the two-year period consisting of FY 2010 and FY 2011. SBA officials indicated that a goal was not set for FY 2011 alone.

¹⁰According to SBA officials, the New Markets Venture Capital program is a one-time pilot program that received one-time funding in fiscal year 2001.

¹¹USDA's 1890 program does not have a congressional appropriation but is instead funded through USDA's Salaries and Expenses account. Funding is not reported separately for this program and is listed as \$0 here, but this is an active and funded program.

Appendix IV: Additional Federal Programs that Can Fund Economic Activities

We reviewed the 2011 *Catalog of Federal Domestic Assistance* (CFDA) and identified 95 additional federal programs that can support at least one of the nine economic activities identified in appendix II (see table 3). These programs, while not comprehensive, are in addition to the 80 economic development programs administered by Commerce, HUD, SBA, and USDA that we included in previous reports. We identified these 94 programs based on our comparison of CFDA program descriptions with the nine economic activities as illustrated in appendix II. However, others conducting similar analyses may come to different conclusions on which federal programs support economic development. Additionally, 32 of the 64 federal agencies and departments listed in the CFDA did not provide descriptions for their programs within the 2011 CFDA, which prevented us from assessing whether those programs are related to economic development. Many of the agencies that administer these additional programs have missions that do not directly focus on economic development. For example, a number of the programs listed for the Department of Health and Human Services focus on health-related research, but also participate in at least one of the economic development activities we have identified.

Appendix IV: Additional Federal Programs
that Can Fund Economic Activities

Table 3: Additional Federal Programs That Can Fund Economic Activities, as Listed in the 2011 Catalog of Federal Domestic Assistance

Agency	Name	Program number	Economic activities								
			Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Appalachian Regional Commission	Appalachian Regional Development	23.001	X		X	X	X	X	X	X	X
Appalachian Regional Commission	Appalachian Area Development	23.002	X		X	X		X	X	X	X
Appalachian Regional Commission	Appalachian Development Highway System	23.003					X				
Appalachian Regional Commission	Appalachian Local Development District Assistance	23.009	X								
Appalachian Regional Commission	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	X								
Denali Commission	Denali Commission Program	90.100					X				
Department of Defense	Community Economic Adjustment	12.600	X								
Department of Energy	Nuclear Energy Research, Development and Demonstration	81.121						X			
Department of Energy	Granting Of Patent Licenses	81.003						X	X		
Department of Energy	Inventions and Innovations	81.036						X			

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of Energy	State Energy Program	81.041					X				
Department of Energy	Federal Loan Guarantees for Innovative Energy Technologies	81.126			X		X	X	X		
Department of Health and Human Services	Indian Health Service Sanitation Facilities Construction Program	93.445					X				
Department of Health and Human Services	Cancer Control	93.399						X			
Department of Health and Human Services	Consumer Operated and Oriented Plan [CO-OP] Program	93.545						X			
Department of Health and Human Services	Community Services Block Grant Discretionary Awards	93.570	X	X	X		X	X	X		
Department of Health and Human Services	Refugee and Entrant Assistance Discretionary Grants	93.576						X	X		
Department of Health and Human Services	Job Opportunities for Low-Income Individuals	93.593	X					X			

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of Health and Human Services	Assets for Independence Demonstration Program	93.602						X			
Department of Health and Human Services	Native American Programs	93.612	X	X ^a	X	X ^a	X ^a	X	X	X	X
Department of Health and Human Services	Cardiovascular Diseases Research	93.837						X			
Department of Health and Human Services	Lung Diseases Research	93.838						X			
Department of Health and Human Services	Blood Diseases and Resources Research	93.839						X			
Department of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	93.846						X			
Department of Health and Human Services	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847						X			
Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853						X			

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of Health and Human Services	Allergy, Immunology and Transplantation Research	93.855						X			
Department of Health and Human Services	Child Health and Human Development Extramural Research	93.865						X			
Department of Health and Human Services	Aging Research	93.866						X			
Department of Health and Human Services	Vision Research	93.867						X			
Department of Health and Human Services	Medical Library Assistance	93.879						X			
Department of Homeland Security	Operation Safe Commerce Cooperative Agreement Program	97.058						X			
Department of Labor	Workforce Investment Act—Adult Program	17.258						X			
Department of Labor	Workforce Investment Act—Dislocated Workers	17.260						X			
Department of the Interior	National Heritage Area Federal Financial Assistance	15.939	X	X		X	X	X	X		X

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of the Interior	Tribal Self-Governance	15.022					X				
Department of the Interior	Road Maintenance Indian Roads	15.033					X				
Department of the Interior	Minerals and Mining on Indian Lands	15.038						X			
Department of the Interior	Indian Loans Economic Development	15.124						X			
Department of the Interior	National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228						X			
Department of the Interior	Water Reclamation and Reuse Program	15.504					X				
Department of the Interior	WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507					X				
Department of the Interior	Colorado River Basin Salinity Control Program	15.509					X				
Department of the Interior	Colorado Ute Indian Water Rights Settlement Act	15.510					X				
Department of the Interior	Fort Peck Reservation Rural Water System	15.516					X				

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of the Interior	Garrison Diversion Unit	15.518					X				
Department of the Interior	Indian Tribal Water Resources Development, Management, and Protection	15.519					X				
Department of the Interior	Lewis and Clark Rural Water System	15.520					X				
Department of the Interior	Mni Wiconi Rural Water Supply Project	15.522					X				
Department of the Interior	Perkins County Rural Water System	15.523					X				
Department of the Interior	Rocky Boy's/North Central Montana Regional Water System	15.525					X				
Department of the Interior	San Gabriel Basin Restoration Project	15.526					X				
Department of the Interior	Yakima River Basin Water Enhancement Project	15.531					X				
Department of the Interior	Colorado River Basin Projects Act of 1968	15.541					X				
Department of the Interior	Lower Colorado River Multi-species Conservation Project	15.538					X				

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

Agency	Name	Program number	Economic activities								
			Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of the Interior	Navajo-Gallup Water Supply Project	15.552					X				
Department of the Interior	Economic, Social, and Political Development of the Territories	15.875		X	X	X	X		X		X
Department of the Interior	Historic Preservation Fund Grants-In-Aid	15.904	X	X	X		X		X		X
Department of the Interior	Preservation of Historic Structures on the Campuses of Historically Black Colleges and Universities	15.932	X		X		X		X		X
Department of the Interior	Preservation of Japanese American Confinement Sites	15.933	X	X							X
Department of the Treasury	Native Initiatives	21.012							X		
Department of the Treasury	Community Development Financial Institutions Program	21.020							X		
Department of the Treasury	Bank Enterprise Award Program	21.021							X		
Department of Transportation	Airport Improvement Program	20.106					X				

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

Agency	Name	Program number	Economic activities								
			Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of Transportation	Highway Planning and Construction	20.205					X				
Department of Transportation	Transportation Infrastructure Finance and Innovation Act Program	20.223					X				
Department of Transportation	Railroad Development	20.314					X				
Department of Transportation	National Railroad Passenger Corporation Grants	20.315					X				
Department of Transportation	Railroad Rehabilitation and Improvement Financing Program	20.316		X		X	X		X		
Department of Transportation	Capital Assistance to States-Intercity Passenger Rail Service	20.317					X				
Department of Transportation	Maglev Project Selection Program-Safetea-Lu	20.318					X				
Department of Transportation	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319					X				

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Department of Transportation	Rail Line Relocation and Improvement	20.320					X				
Department of Transportation	Federal Transit Capital Investment Grants	20.500					X				
Department of Transportation	Paul S. Sarbanes Transit in the Parks	20.520					X				
Department of Transportation	Federal Ship Financing Guarantees	20.802					X	X			
Department of Transportation	Assistance to Small Shipyards	20.814					X	X			
Department of Transportation	America's Marine Highway Grants	20.816					X				
Department of Transportation	Bonding Assistance Program	20.904						X			
Department of Transportation	Disadvantaged Business Enterprises Short Term Lending Program	20.905						X			
Department of Transportation	Assistance to Small and Disadvantaged Businesses	20.910						X			
Department of Transportation	Payments for Small Community Air Service Development	20.930							X		X
Department of Transportation	National Infrastructure Investments	20.933					X				

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
Environmental Protection Agency	Healthy Communities Grant Program	66.110					X				X
Environmental Protection Agency	Environmental Finance Center Grants	66.203					X				
Environmental Protection Agency	Construction Grants for Wastewater Treatment Works	66.418					X				
Environmental Protection Agency	Capitalization Grants for Clean Water State Revolving Funds	66.458					X				
Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds	66.468					X				
Environmental Protection Agency	Environmental Justice Small Grant Program	66.604	X								
Environmental Protection Agency	Pollution Prevention Grants Program	66.708						X			
National Endowment for the Humanities	Challenge Grants	45.130					X				
National Endowment for the Humanities	Promotion of the Humanities Public Programs	45.164									X
National Endowment for the Humanities	Digital Humanities Start-up Grants	45.169						X			

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**Appendix IV: Additional Federal Programs
that Can Fund Economic Activities**

		Economic activities									
Agency	Name	Program number	Strategic planning & research	Commercial buildings	Business incubators & accelerators	Industrial parks & buildings	Physical infrastructure	Entrepreneurial efforts	Marketing & new markets	Telecommunications & broadband infrastructure	Tourism
National Science Foundation	Engineering Grants	47.041						X			

Source: GAO analysis of the Catalog of Federal Domestic Assistance (2011 edition).

^aThe authority of Health and Human Service's Native American program is limited regarding construction. Its authority is limited to minor construction activities and does not allow for the building of structures from the ground up or other major construction activities.

Appendix V: Evaluations of Programs that Can Support Entrepreneurs, 2000-2012

Author(s), title of evaluation	Agency reviewed	Program(s) reviewed	Purpose of the study	Data and methods used
Grant Thornton, <i>Construction Grants Program Impact Assessment Report</i> , September 2008	Department of Commerce (Commerce) – Economic Development Administration (EDA)	Grants for Public Works and Economic Development Facilities Economic Adjustment Assistance	To assess the economic impacts and federal costs of EDA's construction program, and to improve upon EDA's prior study in 1997 in terms of using a more robust regression model.	Data for this study were taken from EDA's Operations and Planning and Control System for construction projects' status and funding between fiscal years 1990-2005 and Bureau of Labor Statistics county employment data. Study used ordinary and two-stage least squares regression.
Beth Walter Honadle and Michael C. Carroll, Center for Policy Analysis & Public Service, Bowling Green State University, <i>Local Technical Assistance Program Evaluation</i> , 2003	Commerce EDA	Economic Development– Technical Assistance	To evaluate the local Technical Assistance program for fiscal years 1997 and 1998 to determine the extent to which the program has achieved its mission of helping communities solve specific problems, respond to economic development opportunities, and build and expand organizational capacity in distressed areas.	The evaluation is based on data collected from <ul style="list-style-type: none"> project files and data obtained from EDA headquarters and six regional offices, surveys of 121 grant recipients, and two on-site case studies in each EDA region.
Mt. Auburn Associates, Inc., <i>An Evaluation of EDA's University Center Program</i> , December 2001	Commerce EDA	Economic Development– Technical Assistance	To evaluate the University Center Program in five areas: <ul style="list-style-type: none"> effectiveness in meeting economic development needs, effectiveness in targeting distressed areas, distribution of centers being optimal under EDA budget constraints, duplication or overlap with other federal programs, and leveraging resources. 	Study collected data from numerous sources: <ul style="list-style-type: none"> interviews with EDA national and regional staff, compilation of a database on University Center characteristics and activities from documents such as grant applications, interviews with Center directors, Center client survey, and site visits.
Wayne State University, <i>Evaluation of EDA's Planning Program: Economic Development Districts</i> , May 2002	Commerce EDA	Economic Development– Support for Planning Organizations	To evaluate the overall impact of EDA's Economic Development District (EDD) Planning program, which funds the EDDs; highlight commonalities and differences among the various EDDs, as well as to assess if the program promotes regional cooperation towards making an impact on the economic development goals of the community.	Data were gathered in several progressive stages: <ul style="list-style-type: none"> site visits, general survey, additional site visits, and a second survey to respondents of first survey. Analysis of these data was done using statistical techniques such as principle-component analysis.

Appendix V: Evaluations of Programs that Can Support Entrepreneurs, 2000-2012

Author(s), title of evaluation	Agency reviewed	Program(s) reviewed	Purpose of the study	Data and methods used
The Urban Institute, <i>The Impact of CDBG Spending on Urban Neighborhoods</i> , October 2002	Department of Housing and Urban Development (HUD)	Community Development Block Grant (CDBG)/Entitlement Grants	<ul style="list-style-type: none"> To find indicators for the effect of CDBG spending and track changes in these indicators. To report on neighborhoods that had received a large amount of CDBG funding. 	<ul style="list-style-type: none"> Classified cities into two categories: those that had available data that were more detailed and those that had less-detailed available data Identify CDBG investment levels that must be complemented with additional investment to produce significant improvements in neighborhood outcomes.
The Urban Institute, <i>Public-Sector Loans to Private-Sector Businesses: An Assessment of HUD-Supported Local Economic Development Lending Activities</i> , December 2002	HUD	CDBG/Entitlement Grants CDBG/States CDBG/Section 108 Loan Guarantees CDBG/Brownfields Economic Development Initiative (BEDI)	<ul style="list-style-type: none"> To determine the results of local third-party lending programs in terms of business development and job creation benefits. To determine whether some kinds of borrowers in certain types of neighborhoods create jobs or leverage private funds at lower cost than others. 	<p>Study was based on</p> <ul style="list-style-type: none"> telephone interviews with Economic Development directors in 460 of the 972 entitlement communities that used CDBG funds, and interviews with 234 of the 750 business borrowers. sample of business loans to those areas, matched with Dun and Bradstreet information. <p>Study examines various indicators of program performance, including</p> <ul style="list-style-type: none"> business survival rates, rates of total and low-income job creation, retention relative to jobs planned at the time of loan origination, public costs of each job created, amount of private funding induced (or leveraged) by program loans, and rates at which public loan dollars substitute for private funds that would have otherwise been invested.
Econometrica, Inc, <i>Evaluation of the Indian Community Block Grant Program</i> , May 2006	HUD	CDBG/Indian	To measure the outcomes of Indian CDBG expenditures. The outcomes included amount of leveraged funding obtained by grantees, enhancements of partnering relationships, and level of economic activity in the communities.	Study had three main data sources: (1) grant file reviews of program data, (2) telephone survey of grant participants, and (3) case study observations.

**Appendix V: Evaluations of Programs
that Can Support Entrepreneurs, 2000-
2012**

Author(s), title of evaluation	Agency reviewed	Program(s) reviewed	Purpose of the study	Data and methods used
Social Compact and Weinheimer & Associates, <i>Assessing Section 4: Helping CDC's to Grow and Serve</i> , February 2011	HUD	Section 4 Capacity Building for Affordable Housing and Community Development	To evaluate the effect of the Section 4 program on improving organization capacity. The section 4 program was set up to support training for Community Development Corporations (CDC) and to help CDCs grow and serve.	From 2001 through 2009, data were collected from (1) interviews of key staff at intermediaries, (2) online survey of 360 CDCs that received Section 4 grants, and (3) interviews with leaders of 34 Section 4-assisted CDCs.
Concetrance Consulting Group, <i>Impact Study of Entrepreneurial Development Resources, 2002 – 2010^a</i>	Small Business Administration (SBA)	Small Business Development Centers Women's Business Centers SCORE	To assess the impact of SBA's entrepreneurial development programs on small businesses, including businesses' perceptions of the programs and their economic growth as a result of the services provided.	Study included survey of clients served by SBA's entrepreneurial businesses. Sample size approximately 6,500 observations across all years—2007, 2008 and 2010 with a smaller sample in 2007.
Gwen Richtermeyer and Karen Fife-Samyn, Quality Research Associates, <i>Analyzing the Impact of the Women's Business Center Program</i> , July 2004.	SBA	Women's Business Centers	To analyze the economic impact of the SBA's Women's Business Center program. Specifically the study addressed the following between 2001 and 2003: <ul style="list-style-type: none"> • impact on growth of firms • factors that account for success • specific program model that predicts success • predictors of positive economic outcomes, and • effect of client demographics on outcomes. 	Study includes a set of descriptive statistics on the rate of growth in the number of Women's Business Center clients and also the rate of jobs and profits at those centers. Study used a regression to test the association between clients and other outcomes.
Mary Godwyn, Nan Langowitz, and Norean Sharpe, Center for Women's Leadership at Babson College, <i>The Impact and Influence of Women's Business Centers in the United States</i> , April 2005	SBA	Women's Business Centers	To examine the economic impact and effectiveness of Women's Business Centers.	Survey and focus group of 100 Women's Business Centers.
The Urban Institute, <i>A Performance Analysis of SBA's Loan and Investment Programs</i> , January 2008	SBA	7(a) Loan Program 504 Loan Program Small Business Investment Company (SBIC) Program	In order to test whether SBA loan guarantees are associated with positive firm outcomes, this study addressed the following questions: <ul style="list-style-type: none"> • What happens to sales, employment and survival before and after firms receive the guarantee? • What explains the changes observed? 	SBA administrative data were obtained on firms participating in 7(a), 504 or SBIC programs. For these firms, data were obtained from Dun and Bradstreet on firm outcomes. The study used a multivariate statistical technique to estimate whether (a) the change in outcome was significant, and (b) whether

Appendix V: Evaluations of Programs
that Can Support Entrepreneurs, 2000-
2012

Author(s), title of evaluation	Agency reviewed	Program(s) reviewed	Purpose of the study	Data and methods used
The Urban Institute, <i>An Assessment of Small Business Administration Loan and Investment Performance: Survey of Assisted Businesses</i> , January 2008	SBA	7(a) Loan Program 504 Loan Program Microloan Program SBIC	To produce a survey that is intended provide customer satisfaction indicators for the 7(a), 504, SBIC, and MicroLoan programs.	other factors (such as business type) affect the change in outcome. Beginning from a sample of assisted firms from Dunn and Bradstreet, a survey was sent to approximately 3,000 firms. The surveyed firms had received the loans 6 or 7 years prior to the questionnaire.
Henry Beale and Nicola Deas, Microeconomic Applications, Inc., <i>The HUBZone Program Report</i> , May 2008 ⁹	SBA	HUBZone (Historically Underutilized Business Zone)	To examine the effectiveness of the HUBZone program.	Data are from three databases: applications for HUBZone certification, Central Contractor Registration on small businesses, and the Federal Procurement Data System for information on HUBZone businesses that have won HUBZone contracts. The report primarily used an input-output approach to estimate the impact on the HUBZone areas. In this approach, direct and indirect impacts are measured using the above three databases and multipliers from Bureau of Economic Analysis.
Charles W. Wessner, Editor, Committee on Capitalizing on Science, Technology, and Innovation, <i>An Assessment of the Small Business Innovation Research Program at the National Science Foundation</i> , 2008.	SBA	Small Business Innovation Research Program (SBIR)	The study attempts to determine the effectiveness of the SBIR program in <ul style="list-style-type: none"> stimulating technological innovation; using small businesses to meet federal needs; increasing private sector commercialization; and encouraging participation of minority and other disadvantaged groups. 	Study is based on National Research Council surveys and reviews of agency materials. Study includes surveys and also case studies.

Appendix V: Evaluations of Programs that Can Support Entrepreneurs, 2000-2012

Author(s), title of evaluation	Agency reviewed	Program(s) reviewed	Purpose of the study	Data and methods used
M.A. Boland, J.C. Crespi, and D. Oswald, <i>How Successful Was the 2002 Farm Bill's Value-Added Producer Grant Program?</i> , December 2007	Department of Agriculture (USDA)	Value Added Producer Grants (VAPG)	To identify the determinants for success among USDA's VAPG.	Survey of 739 VAPG recipients, out of which 621 responded. A statistical analysis was conducted using binary logistical regression (logit) and cumulative logit models.

Source: GAO analysis of information provided by Commerce, HUD, SBA and USDA.

^aWhile SBA conducts annual impact surveys of the SBDC, WBC, and SCORE programs, for purposes of this report we focused on the most recent impact study conducted of these programs.

^bIn a previous GAO report, *Small Business Administration: Additional Actions Are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results*, GAO-08-643 (Washington, D.C.: Jun. 17, 2008), we recommended that SBA further develop measures and implement plans to assess the effectiveness of the HUBZone program. SBA took steps to conduct such an assessment. However, SBA has since decided to rely on the 2008 study conducted by SBA's Office of Advocacy listed in this appendix.

Appendix VI: Comments from the Department of Agriculture



United States Department of Agriculture
Rural Development
Office of the Under Secretary

AUG - 1 2012

Mr. William Shear
Director, Financial Markets and Community Investment
Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Shear:

U.S. Department of Agriculture (USDA) would like to thank you for the opportunity to comment on the Government Accountability Office's (GAO) Draft Report entitled, "Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management" (GAO 12-819).

USDA agrees with GAO that entrepreneurs play a vital role in the U.S. economy. USDA also agrees with GAO that no duplication exist among Federal programs that assist entrepreneurs.

USDA, Rural Development (RD) mission area respectfully disagrees with some of the comments and observations made in the report.

First, the report broadly portrays Federal programs that assist entrepreneurs and does not highlight the unique characteristics of each agency. Listed below are some of the ways RD's Rural Business-Cooperative Service (RBS) agency helps rural communities create wealth so they become self-sustaining, repopulating, and economically thriving:

1. RBS specializes in rural economic development.
2. RBS delivers its programs and services through a network of 47 RD State Offices and local area offices located in rural communities throughout the United States.

1400 Independence Ave., S.W. • Washington, DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-8410 or call (800) 785-3274 (voice) or (202) 720-6382 (TDD).

Appendix VI: Comments from the Department of Agriculture

Mr. William Shear

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3. RBS provides guidance and services that help entrepreneurs achieve their business goals, repay their loans, and create jobs in rural communities.
4. RBS offers a holistic portfolio of grant, loan, and grant/loan combination programs to assist rural entrepreneurs of all levels from start-up to commercialization.
5. RBS provides financing and training options to rural businesses.

Second, GAO highlights examples where entrepreneurs may be eligible for multiple federal programs based on an entrepreneur's specific characteristics. However, the report does not mention if this is a pervasive or problematic issue. It is RBS' experience that rural entrepreneurs may be eligible for multiple programs, and a businesses' unique situation dictates which programs best meet its needs.

For example, the loan limits and terms vary between RBS' Business and Industry Guaranteed Loan Program (B&I) and the Small Business Administration's (SBA) 7(a) Loan Program. Each entrepreneur must work with its lender to identify the program that best meets its specific borrowing needs. In these instances, the RBS and SBA programs complement each other and serve a larger number of entrepreneurs.

RBS continuously seeks opportunities to encourage increased investment in rural economic development through collaboration and leveraging. In a recent survey of 41 RD State Offices, 100 percent of those surveyed said they promote SBA programs with their resource partners, such as lenders. In Fiscal Year (FY) 2011, the RBS Administrator emphasized leveraging B&I program dollars with "other funds" to increase funding for projects. Additionally, the FY 2011 Business and Cooperative Programs Goals letter required each RD State Office to leverage at least 40 percent of their obligated funds.

Rural communities have historically lacked adequate access to private investment capital to support business development and job creation. In 2011 and 2012, RD and SBA collaborated to host six roundtable discussions on increasing private investment capital for rural small businesses. The partnership stems from RBS' research into capital markets. Representatives from the financial industry, Farm Credit Administration, and State agencies participated at these meetings. RBS will continue to work with other Federal agencies to ensure that rural communities are economically thriving.

Third, in reference to GAO's comments on data-collecting process, RBS uses the following tools to identify and improve the effectiveness of its programs:

1. RBS gathers data on all its programs and projects, which it analyzes to assess program effectiveness.
2. RBS maintains the data in an electronic database as well as project files.
3. RBS regularly evaluates all of its programs at the National and State levels.
4. RBS uses RD's Management Control Review (MCR) process to assess a program's effectiveness.

Appendix VI: Comments from the Department
of Agriculture

Mr. William Shear

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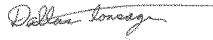
5. RBS uses its Business and Cooperative Program Assessment Review (BCPAR) process to determine each RD State Office's effectiveness in administering the Agency's programs.

Finally, the recommendations in the report are not explicit, which makes it unclear how RBS would effectively address each recommendation to GAO's satisfaction.

In conclusion, USDA RD is committed to expanding economic opportunities for all entrepreneurs. We appreciate any information that helps the Federal Government efficiency and effectively deliver its programs and services. These internal assessments are particularly important as we seek new opportunities to direct funding to programs and reduce our administrative costs.

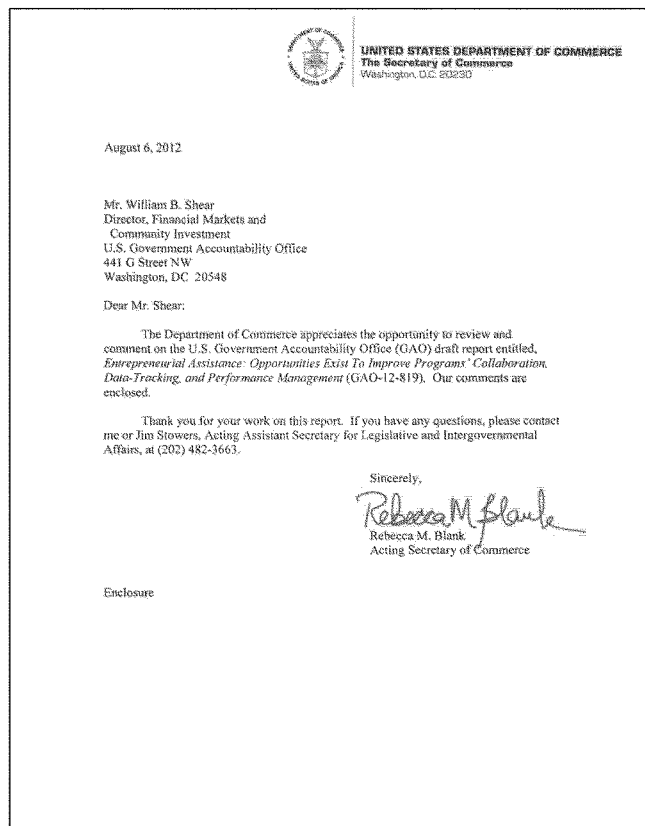
Again, thank you for the opportunity to comment on the report. If you have any questions, please contact John Purcell, Director, Financial Management Division, at (202) 692-0080.

Sincerely,



Dallas Tonsager
Under Secretary

Appendix VII: Comments from the Department of Commerce



**Appendix VII: Comments from the Department
of Commerce**

**Department of Commerce
Economic Development Administration
Comments on Draft GAO Report Entitled
*Entrepreneurial Assistance: Opportunities Exist to Improve
Programs' Collaboration, Data-Tracking, and Performance Management*
(GAO-12-819)**

The U.S. Department of Commerce provides the following comments:

Native American Business Enterprise Centers

A footnote should be added to the performance measures data associated with the Native American Business Enterprise Centers (NABEC) program on page 41, and all entries revised to zero. The footnote should indicate that performance for the NABEC is part of the performance of the Minority Business Center program on the next page. This would be comparable to the existing footnote regarding funding for the NABEC program, which is also entered as a zero.

Entrepreneurial Assistance

As previously stated by FDA, every federal agency shares some degree of commonality regarding their missions, their administration, and their outputs. This provides agencies with the opportunity to improve operational efficiency by identifying best practices across government. Further, it enables agencies to better define their respective goals and objectives relative to each other. Most importantly, this commonality recognizes that services meet a continuum of needs along more than one dimension. Thus, what may appear as duplication at a higher level is in reality a portfolio of distinct services meeting unique needs. However, GAO may wish to consider the complementary role many agencies play in the field of economic development -- and the need for such varied, but complementary, activities to specifically address the complexities of entrepreneurs.

Entrepreneurship is not a singular activity, but is the sum of multiple unique activities that start with an idea, and finishes with commercialization -- the sale of products and services to the public. The report is silent on both the varied needs of entrepreneurs in communities across the country and on the specific outcomes, activities, and services the existing federal entrepreneurial programs are directed towards. Not all entrepreneurs (or the communities in which they reside) require the same set of services. EDA has carved a niche, for example, in supporting cluster development, regional innovation ecosystems, and many of the associated infrastructure needs, which is a unique characteristic among federal agencies engaged in economic development -- and just one of many needs of entrepreneurs.

In addition, it is important to acknowledge the underlying forces which guide the uniqueness of federal agencies' responses to entrepreneurial assistance, including, in

Appendix VII: Comments from the Department of Commerce

many cases, unique eligibility requirements and evaluation criteria. Additionally, it should be noted how agencies do, in fact, successfully collaborate and forge policy partnerships to strengthen a diversified ecosystem of entrepreneurial assistance.

It should be noted that EDA plays a key role in leading and shaping federal policy for fostering collaborative economic development. In this leadership role, EDA has built upon its long practice of coordinating with other federal agencies and its knowledge of best practices in economic development to create new initiatives designed to more strategically advance collaborative regional economic development. These initiatives formally leverage each partner's complementary activities to advance regional economic development activity, including infrastructure, entrepreneurial talent, technology, business incubation, best management practices, and access to capital. For example, recent inter-agency collaborative efforts include initiatives such as the Jobs and Innovation Accelerator Challenges (e.g., Advanced Manufacturing and Rural Jobs and Innovation Accelerators); i6 Challenge, i6 Green Challenge, Energy Regional Innovation Cluster Initiative, and the Strong Cities Strong Communities (SC2) Challenge. These initiatives represent EDA's commitment to tearing down "silos" across federal agencies (reducing fragmentation), significantly lessening the burden on grant applicants applying for funding from multiple federal sources (eliminating duplication), and jointly directing federal resources towards projects that advance common goals and objectives of each agency (mitigating overlap).

In the first Jobs and Innovation Accelerator Challenge (FY 2011), for example, EDA worked with the Department of Labor and the Small Business Administration to develop a streamlined application process in order to award 20 grants to organizations proposing to provide business assistance, employment training, and support for regional innovation clusters as part of an overall collaborative effort, but where each funding agency supported unique projects with discrete goals and objectives that aligned with the unique goals of each respective agency. Similar recent initiatives have also seen EDA partner with the Department of Agriculture, the Department of Energy, the Department of Labor, the National Institute of Standards and Technology, and the National Science Foundation. These efforts have enabled EDA and its funding agency partners to create an efficient selection process that decreases the burden borne by applicants, while collectively investing in projects that further commonly-held agency goals.

In terms of information tracking and performance measurement, EDA has established performance measures for each of its programs, namely, EDA tracks the number of jobs created and private investment leveraged for each construction project it funds. These performance measurements are subject to thorough review and validation procedures, are reported in the agency's annual report to Congress, and comply with the Government Performance and Results Act (GPRA). In addition to these outcome measures, EDA closely monitors outputs and administrative processes to better assess the efficacy of its

Appendix VII: Comments from the Department of Commerce

programs. Similarly, EDA routinely conducts evaluations of its programs (often limited only by lack of resources), both internally, and through third-party research, and makes available the findings of such evaluations (Note: EDA's performance metrics were founded on an independent study of investments carried out by Rutgers in 1996. This study was updated and validated in 2008 through a separate study conducted by Grant Thornton.

Though EDA continually seeks to bolster and enhance the quality and quantity of its performance metrics and evaluative capacity, the agency has a well-documented history of commitment to program evaluation and measurement. EDA agrees with GAO's focus on the need for more specific, focused information tracking and more frequent performance evaluation broadly; however, many of the general statements about the need for additional work in this area seem to be a result of the fact that efforts to track and monitor project progress seem to have been outside the scope of the report. This broad statement affords little to policy design and development. EDA agrees that additional attention should be examined in this area, and encourages GAO to conduct an analysis and identify best practices and methodologies on evaluation and performance management that could be utilized more strategically to inform Congress and federal agencies.

Appendix VIII: Comments from the Department of Housing and Urban Development



ASSISTANT SECRETARY FOR
PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5002

AUG 10 2012

Mr. William B. Shear, Director
Financial Markets and Community Investment
U.S. Government Accountability Office
411 G Street, NW
Washington, DC 20548

Dear Mr. Shear:

The Department of Housing and Urban Development's Office of Public and Indian Housing has reviewed the draft report on *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management* (#250601). Thank you for the opportunity to comment.

I am concerned that the Indian Community Development Block Grant (ICDBG) program is featured prominently on the first page of the report as one of 19 economic development programs that failed to meet their entrepreneurial performance goals. I am requesting that the statement be modified, so that the entire program is not unfairly perceived as ineffective.

HUD contends the draft report misrepresents ICDBG as an economic development program. The ICDBG is a relatively small program that mainly focuses on community development. While economic development is an eligible ICDBG activity, it represents only 3 percent of all projects funded since 2005. Of the \$482,445,267 awarded for ICDBG during this time, only \$16,914,999 (3.5 percent) funded economic development activities. Most ICDBG grants are used for building community buildings, developing infrastructure of various types, and rehabilitating housing units on Indian lands.

As stated in the GAO report, the study's focus is economic development programs that support entrepreneurs. HUD feels, given the ICDBG's focus on community development and its relatively small percentage of economic development activity, specifically emphasizing the ICDBG program on the first page overstates the role the program has in economic development -- especially when there are many other programs referred to in the study that could be named instead of the ICDBG program.

The ICDBG program is a statutory set-aside of the much larger, formula-driven Community Development Block Grant program. ICDBG grants are awarded in response to an annual program Notice of Funding Availability, and applications are very competitive.

A comprehensive independent evaluation of the ICDBG program was conducted in 2006, at the request of the Office of Management and Budget. Economerica, Inc. performed the evaluation. The evaluators found that a high proportion of the funds are awarded for community infrastructure projects. Specifically the report said:

www.hud.gov espanol@hud.gov

Appendix VIII: Comments from the Department
of Housing and Urban Development

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- "ICDBG grants primarily funded activities to improve the social viability of the reservation communities and secondarily to enhance economic viability. ICDBG projects that improved social viability included health clinics and multipurpose community centers. Significant amounts of grant funds also were used for basic infrastructure projects to enhance the livability of housing and the operation of public facilities."
- "The employment benefits of ICDBG projects appeared to be a secondary priority for most sites we visited. Instead, grantees are devoting their ICDBG leveraged funds to projects that meet basic human needs, such as health, nutrition, infrastructure, and housing. While ICDBG projects do provide employment, almost all these positions are with tribal governments or agencies. In the ICDBG program, there has been only a limited focus on developing commercial or industrial entities that generate employment opportunities and revenues for the tribe."

HUD supports efforts to accurately measure the performance of its programs. In fact, the Office of Native American Programs (ONAP), which is a division within Public and Indian Housing, has recognized the limitations in its method of projecting and measuring performance in the ICDBG program. Earlier this year, ONAP began drafting a revised form to be used at grant application and at grant closeout to better collect performance measurement data. ONAP is also examining its data collection procedures as well as the methodology used to establish program targets.

As many tribal leaders and beneficiaries will attest, the ICDBG program addresses many important community development goals beyond those measured in the report. The program should not in any way be characterized as a failure, especially based on an analysis of fewer than 3 percent of the program's projects. ICDBG's reputation as a successful and important program in Indian Country should not be compromised by such a relatively minor flaw in its performance measurement process. Thank you for your thoughtful consideration.

Sincerely,



Sandra B. Henriquez
Assistant Secretary

Appendix XI: GAO Contact and Staff Acknowledgments

GAO Contact

William B. Shear, (202) 512-8678 or shearw@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Marshall Hamlett and Triana McNeil (Assistant Directors), Matthew Alemu, Ben Bolitzer, Julianne Dieterich, Cindy Gilbert, Geoffrey King, Terence Lam, Alma Laris, Marc Molino, Alise Nacson, Jennifer Schwartz, and Karen Villafana made key contributions to this report.

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Public Affairs	Chuck Young, Managing Director, youngc1@gao.gov , (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548



Please Print on Recycled Paper.

Testimony of Michael A. Chodos
Associate Administrator for
Entrepreneurial Development
U.S. Small Business Administration
Before the
U.S. House of Representatives
Committee on Small Business
March 20, 2013

Chairman Graves, Ranking Member Velazquez, and distinguished members of the Committee. Thank you for inviting me to testify about the Small Business Administration's (SBA) work to enhance collaboration, avoid duplication and improve data tracking within our entrepreneurial assistance programs. I am grateful for the opportunity to discuss the wide range of business counseling, capital access and procurement assistance programs SBA makes available to America's 28 million small businesses to help them start, grow, innovate and create jobs. I also look forward to discussing our extensive collaboration with other federal agencies and our ongoing efforts to evaluate our own programs and to make them more streamlined, effective and efficient.

Entrepreneurs are the foundation of America's economic success. Roughly two-thirds of all net new private sector jobs are created by small businesses; and over half of America's working population either own or work for a small business. For 60 years SBA has been there to provide assistance and support for small business' success; and since 2009, under Administrator Mills' leadership, SBA has been there to address and meet critical gaps as small businesses struggled through the deep economic crises of the last four years.

In the past year alone, SBA and its resource partners counseled and trained over 1 million small businesses and helped thousands of new businesses start. SBA and its network of lenders also supported over \$30 billion in loans to small businesses through its 7(a) and 504 loan program, and we helped agencies across the federal government to put over \$90 billion in federal contracts in the hands of small businesses. SBA also leveraged a record \$3.3 billion in capital for small businesses through the SBIC program; and since 2009 has supported over \$3.3 billion in lending in our export loan programs.

Alongside the many ways in which SBA helps small businesses grow and create jobs, we're also there for individuals and small businesses after a disaster. Most recently, within 90 days after Super Storm Sandy struck, SBA approved more than \$1 billion in direct disaster loans.

To implement its programs, services and disaster support, SBA connects directly with small businesses in communities across America. It does so directly through its nationwide network of SBA District Offices, Small Business Development Centers (SBDCs),

Women's Business Centers (WBCs), SCORE chapters and Veteran's Business Opportunity Centers (VBOCs). And because so many of SBA's programs are delivered in partnership with others, we also help small businesses every day by collaborating with our very large network of private lenders, micro-lenders and investment funds in our lending and capital programs; with federal and state partners in our procurement, Small Business Innovation Research and export programs; and with university and non-profit partners in several of our innovative programs for supporting veterans' entrepreneurship.

We work collaboratively every day to break down siloes and to work effectively with our federal, state and private-sector partners. But we know that there are always further opportunities to use taxpayer dollars wisely and to make things simpler and easier for our small business constituents. We know that navigating the federal government and its many programs and services can be daunting to a small business. For that reason SBA and our network of partners act as the "Front Door" to federal support for small businesses. We help them access our own programs and services, and also act as community-based and online guides to help small businesses get the help they need from whichever federal, state or local partner can serve that small business best.

We appreciate the work of Mr. Shear and his team at the Government Accountability Office (GAO). Their reports on the important issues of fragmentation, overlap and data evaluation help SBA in its ongoing efforts to collaborate effectively with other federal agencies and to improve delivery of its own programs and services.

Over the past several years, SBA has focused very intensively on opportunities for improving collaboration and coordination within its own network. Our research shows that counseling and business assistance services are vital to long-term success, and our network counsels and trains over 1 million entrepreneurs each year on topics ranging from business planning to financial analysis to marketing. We want to make sure that network is operating as efficiently and collaboratively as possible.

For that reason, last year SBA's Offices of Entrepreneurial Development (OED) and Field Operations (OFO) convened the first-ever national meeting of representatives from each resource partner network. We identified concrete ways to break down barriers and collaborate effectively in local markets nationwide, and detailed strategies to improve their clients' access to and utilization of SBA programs and services. We followed up this historic meeting with a series of regional meetings with SBA district Office staff to further refine the next actions to improve collaboration. And we modified all Resource Partner grant agreements to make effective collaboration a core part of each grant going-forward. Today, SBA's District Offices, SBDCs, WBCs and SCORE chapters are more integrated and coordinated than at any time in SBA's history.

SBA focuses intensively on opportunities for external collaboration and coordination of services, as well. At the same time, we recognize the ongoing need to identify and use the most promising practices for inter-agency collaboration, and we look forward to building on existing initiatives.

SBA has participated in and led efforts to collaborate and share resources with USDA, Department of Commerce and HUD. We have also worked to leverage each other's outreach efforts to improve local small business access to the full range of economic development programs and services. For example, SBA participated in the Task Force on Travel & Competitiveness chaired by the Secretary of Commerce and the Secretary of the Interior, and contributed to the development of the Task Force's National Travel & Tourism Strategy released in May 2012. In addition, in response to the historic drought, SBA, USDA, and the Department of Commerce, through its Economic Development Administration (EDA), worked collaboratively to conduct outreach to drought-impacted communities about available federal resources. Also, SBA has been working with the Department of Commerce and numerous other federal agencies on developing BusinessUSA.gov, the comprehensive, one-stop platform for businesses looking to access information, resources, programs and services available through the federal government.

In another example, pursuant to their MOU executed in 2010, SBA and USDA are working together to promote awareness of each other's programs and services and to cross-refer business clients through their online websites and from their field offices. For example, SBA and USDA are working together to recruit small businesses from rural communities into the Historically Underutilized Business Zone (HUBZone) program. The HUBZone program's focus is to create jobs where they are needed most, and many designated HUBZones tend to be in rural communities.

In another example, SBDCs partner with USDA to leverage both the USDA access to rural communities and the SBDCs business assistance services. SBDCs partner with the Cooperative Extension System, Rural Business Enterprise and the BioPreferred Program Offices to maximize assistance to small businesses in rural areas across the country. Several SBDCs across the country participate and receive USDA Rural Business Enterprise grants that finance and facilitate the development of small and emerging rural businesses through distance learning networks. And SBDCs are key to the counseling component of the E3 partnership led by DOC, EPA, USDA, Department of Energy and Department of Labor which has active projects in 20 states to integrate federal agency technical assistance tools and resources for more integrated factory and facility assessments and improvements.

HUD and SBA have been collaboratively supporting small business development in distressed areas through HUD-financed Community Development Block Grant (CDBG) projects. Working together, the agencies are piloting ways to increase small and minority business utilization of HUD's CDBG, HOME, public housing and multifamily programs through access to surety bonds for the smallest contractors. HUD and SBA have also worked together intensively in recent years to identify ways to address and eliminate duplication of benefits in disaster response, lending and granting programs.

SBA also partners with the Departments of Commerce, Labor and Education to coordinate federal efforts and leadership in sup-

porting regional innovation through the Taskforce for the Advancement of Regional Innovation Clusters (TARIC). Through TARIC, SBA and 15 other federal agencies coordinate and collaborate to make their respective programs and services available to small business innovators through joint regional innovation cluster initiatives, including the Advanced Manufacturing Accelerator Initiative and the Rural Accelerator Challenge. By way of example, the Rural Accelerator Challenge made available a combination of \$9 million in funding from EDA, Department of Agriculture, the Delta Regional Authority, and the Appalachian Regional Commission, along with technical and program support from nine additional agencies including SBA.

SBA has also increased its collaboration with the DOC in the administration of its International Trade programs. As directed by the Jobs Act, SBA increased its nationwide network of Trade Finance Specialists co-located with the Department of Commerce staff at U.S. Export Assistance Centers, and has built Exporting expertise across the SBDC network with the training of over 200 new export counselors. The two agencies also participate actively in the inter-agency small business working group, chaired by SBA.

While work remains to be done, I am very proud of our accomplishments and progress in the area of collaboration to date. A great deal of the credit should also go to our SBA District Office leadership; nation, state and local leadership in our SBDC, WBC, and SCORE networks; and our Cluster administrators and other partners.

In addition to our work fostering collaboration within our own SBA family and with other agencies, the Agency has been working intensively on ways to improve the measurement and evaluation of our programs. SBA believes that measuring and evaluating effectiveness and outcomes is essential to maximizing performance. We teach this principle to small businesses every day; and we work hard to apply the same principles to our own management of the precious taxpayer resources entrusted to us.

Internally, SBA already engages in extensive measurement of the activity and outcomes generated within our Resource Partner network. But we continually look for opportunities to improve that process.

Starting in FY12, OED undertook a comprehensive modernization project for our Resource Partner data collection system, known as EDMIS (Entrepreneurial Development Management Information System) to enhance current data fields, improve budget and performance integration capabilities, and expand reporting capabilities. Additionally, we are also working with all our Resource Partners to identify and align all our respective surveying, polling and impact study methodologies to harmonize the data collected through these efforts and have a coordinated set of data sources between the Agency and its partners.

Externally, in collaboration with DOC and other agencies, SBA is working with TARIC to implement rigorous data collection and evaluation for our cluster initiatives and to propagate best practices. In addition, our Office of International Trade is implementing joint outcome-based performance measures in collaboration with

the Trade Promotion Coordinating Committee and its 18 member agencies.

SBA is also participating in a series of inter-agency meetings in collaboration with the Performance Improvement Council to discuss data collection, program evaluation, and performance measures to create consistent and relevant standards across the agencies which support entrepreneurship. SBA is working with OMB and the Council of Economic Advisers on an interagency pilot with Commerce and USDA to pursue a cross-program study of business technical assistance programs. One goal of the pilot is to determine whether SBA program data can be matched with Census data to accomplish the broader objective of measuring the impact these programs are having related to their stated mission. SBA and the Department of Commerce also jointly sponsor a "Smarter Data, Smarter Policy" initiative, the goal of which is to develop a consistent data set that is widely accessible to government statistical and business agencies.

In closing, I want to thank you for the opportunity to testify before you today. As you know, the SBA, its Resource Partners and its many lending, federal sector and other partners have a critical mission to fulfill as our economy continues its recovery. Our goal is to support and strengthen America's 28 million small businesses. Through enhanced collaboration, improved performance metrics, and new service delivery tools, we are building an entrepreneurial ecosystem for the 21st Century and beyond.

I look forward to answering any questions you may have. Thank You.

**Statement of Doug O'Brien, Deputy Under Secretary for
Rural Development, United States Department of Agriculture**

Before the House Committee on Small Business

MARCH 20, 2013

Chairman Graves, Ranking Member Velazquez, and members of the committee, I am pleased to have this opportunity to discuss USDA Rural Development's role in supporting and encouraging economic development of our Nation's rural communities.

Since 2009, President Obama's plan for rural America has brought about historic investment in rural communities that has made them stronger and more vibrant. USDA Rural Development alone, has directly invested or guaranteed more than \$131 billion over the last four years in broadband, businesses, housing, safe water, community facilities and more that have benefited not only the communities our agency serves, but also the overall economy.

We view our programs as building blocks for a successful rural community. Quality infrastructure encourages business and economic growth which in turn encourages housing development to serve the influx of new employees, and leads to additional necessities such as schools, hospitals, and emergency resources. USDA Rural Development programs address all of these community needs through grants, direct loans or guaranteed loans.

In the Consolidated Farm and Rural Development Act (Con Act), Congress charged USDA with leading the Federal Government's efforts to ensure a prosperous rural America and declared this task "so essential to the peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas." Four decades later, the agency that I represent today, is responsible for implementing a suite of programs with the sole mission to increase economic opportunity and improve the quality of life for all rural Americans.

Building on this history, President Obama in June of 2010 created the White House Rural Council to improve coordination among Federal agencies and create more economic opportunity in rural America. Coordination between the Department of Agriculture and other government agencies to facilitate program delivery continues to strengthen. The comprehensive rural strategy is encouraging rural economic growth that is outpacing urban areas. President Obama and Secretary Vilsack have long believed that "strong rural communities are key to a stronger America."

The economic literature confirms the importance of vibrant rural economies to the Nation's economy. For example, the Organization for Economic Cooperation and Development (OECD) recently released a report, *Promoting Growth in All Regions*, which says investments in rural places are vital for aggregate national economic growth and in many cases such investments have found that rural regions have, on average, enjoyed faster growth than urban regions.

We believe, particularly at such a tenuous point for our Nation's economy, that we cannot leave significant growth opportunities in rural regions untapped. This study provides vigorous research and an explanation for why regional rural economies are so important to a Nation's overall economic health. This isn't the first report to make such a conclusion, nor is it news to those of us who work and live or represent rural America, but it is notable for its comprehensive analysis and recommendations that are important for rural economies. They include: investing in less-developed regions makes good economic sense; a pro-growth strategy on the assets of the region is the most beneficial and sustainable approach; policies that support education and training for low-skilled workers are critical; infrastructure development has the greatest impact when coordinated with other development policies; and formal and informal institutions that facilitate communication and collaboration in the region are vital. USDA and its partner agencies were already working on a number of these strategies.

As you know, rural America has unique challenges and assets. Rural communities are characterized by their isolation from population centers and product markets and benefit most from initiatives that integrate local institutions and businesses with State and Federal agencies that have intimate knowledge of local needs. To address these unique challenges, Congress has provided USDA with a variety of programs that comprehensively attend to the rural dynamic.

As the only Federal Department with the primary responsibility of serving rural areas, the presence of USDA field offices in every state helps us to serve the specific needs of local communities. USDA Rural Development employees are able to identify a wide range of community and economic development resources for locally elected officials, business owners, families, farmers and ranchers, schools, nonprofits, cooperatives and tribes. USDA Rural Development staffs are located throughout the nation and are members of the communities they serve and possess expert knowledge of the economic challenges and opportunities that exist in their particular region.

Through USDA Rural Development's infrastructure development programs, we make investments in rural utility systems that helped improve and expand the rural electrical grid, provide clean drinking water to rural communities, and deliver faster Internet service to rural families and to businesses, allowing them to compete in the global economy. In 2012, we provided nearly 64,000 rural households, businesses and community institutions with new or better access to broadband Internet service, provided more than 8 million consumers with new or improved electric service, and provided 2.5 million of our borrower's customers with new or improved water or wastewater service.

Through USDA Rural Development's business and cooperative loan, grant, and technical assistance programs, the agency helped over 9,500 rural small business owners and agricultural producers improve their enterprises, including those related to renewable energy. Beyond direct assistance to these business owners and producers, financial support from USDA also creates lasting economic

development opportunities in the rural communities where the projects are located. Business and cooperative funding created or saved an estimated 52,000 rural jobs in 2012.

Not only have we supported small businesses, but we also support the social infrastructure that makes rural communities attractive to small business owners and their employees. USDA Rural Development's Community Facilities loan and grant program provided assistance to construct or improve 215 educational facilities, and supported 168 health care projects—part of more than 1,400 Community Facilities projects nationwide in 2012. Other key projects included support for local, rural emergency responders.

The USDA Rural Development housing program ensures that rural families have access to safe well-built, affordable homes. In 2012, more than 153,000 families with limited to moderate incomes purchased homes utilizing our housing programs. We also helped about 7,000 rural individuals or families repair their existing homes under our home repair loan and grant program. More than 400,000 low and very-low income people were able to live in USDA-financed multi-family housing thanks to rental assistance.

While USDA Rural Development's programs provide the critical tools for rural America's success, perhaps the most important element is how we use those tools: by having over 400 offices in rural communities across the country that provide us the ability to deal directly with the businesses, individuals and communities that many times do not have the capacity to otherwise access Federal programs.

Congress had the forethought to strategically place comprehensive programs for rural America in one agency: Rural Development. To make sure that the community economic development mission is met, we always look for opportunities to collaborate with other agencies to get the best results in rural communities. We appreciate the ongoing efforts of the U.S. Government Accountability Office (GAO) to look at ways that the Federal government can collaborate more effectively.

In the August 2012 report, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO recommended that the Secretaries of Agriculture, Commerce, and Housing and Urban Development and the Administrator of the Small Business Administration (SBA) conduct more program evaluations to better understand why programs have not met performance goals and their overall effectiveness. In response, USDA Rural Development's Rural Business-Cooperative Service is developing a strategic plan that includes an initiative to improve the quality of performance measurement within the next two years. GAO also recommended that the Secretaries of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of SBA work together to identify opportunities to enhance collaboration among programs, both within and across agencies. The Obama Administration has initiated steps that provide agencies with a mechanism to work together to identify opportunities to enhance collaboration among programs. For example, in the Administration's fiscal year 2013 budget submission, a cross-agency priority goal was introduced to increase serv-

ices to entrepreneurs and small businesses. One of the objectives under this goal is to utilize programs and resources across the federal government to improve and expand the reach of training, counseling, and mentoring services to entrepreneurs and small business owners. Furthermore, the Administration established an interagency group—including Commerce, SBA and USDA—that aims to streamline existing programs, improve cooperation among and within agencies, ease entrepreneurs' access to the programs that are right for them, and increase data-based evaluation of program performance.

In 2012 USDA Rural Development provided five webinar training sessions for Rural Business employees in the field and national offices who track performance data in the agency's Guaranteed Loan System (GLS) to improve the collection and maintenance of data related to program performance measures and to improve data quality. We restructured the field office GLS support team by designating a lead and backup for each region. These individuals received additional GLS training, including recording and tracking performance measures. We also conducted bi-annual surveys to assess the level of collaboration between SBA and USDA Rural Development and to identify best practices for increased collaboration. These actions, in conjunction with customer service scores, are helping us evaluate customer satisfaction.

The memorandum of understanding (MOU) USDA signed with the SBA in 2010 helped lay the foundation for enhanced interagency collaboration on economic development and improve service delivery to small businesses in underserved rural areas. Over the course of the past year, USDA and SBA held a series of joint roundtables across the country focused on increasing investment in rural communities. I attended several of these roundtables and found the discussions to be terrifically valuable. The meetings have presented opportunities to hear from stakeholders of both agencies about the challenges—and benefits—of investing in rural America.

In response to the roundtable discussions, USDA Rural Development leaders from our Rural Business team have been meeting with SBA to explore possibilities to increase micro lending availability to rural constituents.

We determined that there are substantial amounts of resources in revolving funds created through several of our programs that are available for increasing investment in rural communities. We are actively pursuing the relending of these funds by meeting with our partners during the first quarter of this calendar year. Participants in these roundtables include our revolving loan fund partners, SBA, SBA Certified Development Companies, Small Business Development Centers, commercial lenders and other community and economic development stakeholders.

Indeed, one suggestion we received was the need to create consistent and streamlined application processes. We are researching options with SBA to make improvements and standardize the process so it is less burdensome on applicants while also ensuring proper due diligence to protect the taxpayer from unnecessary defaults.

Building on these successes, in 2012, USDA signed a MOU with the American Association of Community Colleges to strengthen

rural economies throughout the Nation. National, State and local staffs around the Nation are diligently and creatively working to find ways to coordinate with stakeholders and colleagues in other Federal agencies to leverage resources and create jobs by supporting businesses. For example, USDA Rural Development in California has recently joined into a MOU with the California Community Colleges Chancellor's Office. In conjunction with this effort, the two agencies are partnering with local community colleges and Small Business Development Centers—financed through SBA—to present capital readiness events throughout the State. The events provide information and resources for small businesses seeking financing.

USDA Rural Development obviously takes pride in our uniquely rural focus and our local program delivery model which differentiates us from other Federal agencies. The direct personal contact between our agency personnel and lenders, borrowers, communities, families and individuals is invaluable and provides in-person technical assistance that would otherwise be unavailable. This intimate relationship encourages agency personnel to work collectively and creatively to make our programs more complementary to those of other agencies. By doing so, we are able to extend our reach and assist more communities.

Engaging with members and stakeholders on the White House Rural Council has also opened doors to improved collaboration and coordination. Last summer, I participated in the Regional Innovation in Rural America forum to develop strategies for leveraging infrastructure investments in rural communities that help create jobs and boost economic development. Two programs highlighted at this forum were the Rural Jobs and Innovation Accelerator challenge and the Stronger Economies Together (SET) initiative.

The Rural Jobs and Innovation Accelerator Challenge (RJIA) leverages existing financial and technical assistance resources from 13 Federal agencies and bureaus. Grant winners were announced on August 1, 2012. To date, projects across 12 States have received Federal funding to help strengthen regional industry clusters by identifying and maximizing local assets, connecting to regional opportunities, and accelerating economic and job growth across rural regions.

Meanwhile the Stronger Economies Together (SET) initiative enables rural communities and counties to work together to implement multi-county economic blueprints to build on a region's current and emerging strengths. USDA Rural Development launched SET with land-grant university partners and Regional Rural Development Centers two years ago. SET is now active in nearly 40 regions in 19 States.

These are but two examples of USDA's collaborative efforts with other agencies across Federal government to support rural communities that are building durable, multi-county coalitions that foster economic development on a regional scale. In addition to providing direct economic benefits, regional collaboration allows rural communities to capitalize on economies of scale in infrastructure and public services, to encourage the development of specialization in industrial sectors that would make them more competitive, and to

locate facilities and services where they provide the greatest benefit at the lowest cost. Leveraging Federal resources to more effectively support regional economic development efforts continues to be an agency best practice.

USDA Rural Development has a long standing record of consistently implementing new collaborative procedures and meeting increased demand for our services in the face of declining funding levels and enormous staff losses. We've done so through hard work and determination and my implementing Secretary Vilsack's "Blueprint for Stronger Service." Under the blueprint, the Department identified 379 recommendations for improving USDA's office support and operations. To realize further efficiencies, USDA Rural Development consolidated offices that were, in most cases, within 20 miles of other USDA offices. In other cases, technology improvements, advanced service centers, and broadband service have reduced the need for significant numbers of brick and mortar facilities.

Since the beginning of fiscal year 2012, USDA Rural Development has reduced nearly 18 percent of its workforce or 1,053 people. In spite of those reductions, USDA Rural Development has been able to maintain a unique connection to rural America—a connection like no other Federal agency—by aggressively implementing the Secretary's Blueprint and Rural Development's Seven Strategies for Economic Development. We are known as an agency that can build a community from the ground up. Today, we are helping rural America prepare for the global challenges of the 21st century by looking not only within a community for defining strengths and opportunities, but to regions and strategic partners, where one community or program can compliment and draw upon the resources of another to create jobs and strengthen economies.

We remain committed to increasing economic opportunity and improving life for rural Americans. USDA Rural Development is helping rural America resolutely move forward. Our presence in the rural communities we serve, combined with our local knowledge and uniquely rural focus, continues to set us apart from other Federal programs. We know our investments will pay dividends for years to come.

I appreciate the opportunity to testify before members of the Committee also appear on this panel with my distinguished colleagues at SBA and GAO. As you can see from the testimony above, we work well together and I anticipate that we will continue to do so in the future. I welcome the chance to engage in a dialog on even more ways we can further support American competitiveness and growth. Thank you for your support of USDA Rural Development programs. And at this time, I am happy to answer your questions.



April 11, 2013

The Honorable Sam Graves
Chairman
The Honorable Nydia Velazquez
Ranking Member
Committee on Small Business
House of Representatives

On March 20, 2013, I testified before your committee in the hearing on examining inefficiencies and duplication across federal programs that provide entrepreneurial assistance.¹ This letter responds to your request that I provide answers to questions for the record from the hearing. The responses are primarily based on work associated with our August 2012 report on federal programs that support entrepreneurs.² If you have any questions about this letter or need additional information, please contact me at (202) 512-8678 or shearw@gao.gov.

William B. Shear
Director
Financial Markets and Community Investment

Enclosure

¹GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO-13-452T (Washington, D.C.: Mar. 20, 2013).

²GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO-12-819 (Washington, D.C.: Aug. 23, 2012).

Enclosure

Committee on Small Business
Hearing: “Entrepreneurial Assistance: Examining
Inefficiencies and Duplication

Across Federal Programs,” March 20, 2013

Responses to Questions for the Record

William B. Shear, Director

Financial Markets and Community Investment,
Government Accountability Office

Based on GAO’s analysis, how extensive is collaboration between SBA and USDA across rural America?

In August 2012, we reported that agencies’ efforts to collaborate among programs that support entrepreneurs have been limited. The agencies have agreed to work together by signing formal agreements to administer some of their similar programs. For example, SBA and USDA entered into a memorandum of understanding (MOU) in April 2010 to coordinate their efforts aimed at supporting businesses in rural areas. Under the MOU, USDA and SBA agreed that their field offices would advise potential borrowers of the other agency’s programs that may meet their small business financing needs and coordinate the referral of small business applicants to one another where appropriate, work to make each agency’s programs more complementary by minimizing differences in program fees and processing and closing procedures, and develop joint training seminars on each agency’s programs. USDA’s April 2011 survey of state directors indicates progress under the MOU in several areas, including field offices advising borrowers of SBA’s programs, referring borrowers to SBA and its resource partners, and exploring ways to make USDA and SBA programs more complementary. However, the agencies have not yet implemented other good collaborative practices, such as establishing compatible policies and procedures to better support rural businesses.

2. For the March 20, 2013 hearing USDA’s written testimony discussed potentially standardizing certain funding applications with SBA. How does this relate to GAO’s recommendations?

In August 2012, we recommended that the Director of the Office of Management and Budget; the Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development; and the Administrator of the Small Business Administration should work together to identify opportunities to enhance collaboration among programs, both within and across agencies. In prior work, we identified practices that can help to enhance and sustain collaboration among federal agencies, which can help to maximize

performance and results, and have recommended that the agencies follow them.³ These collaborative practices include identifying common outcomes, establishing joint strategies, leveraging resources, determining roles and responsibilities, and developing compatible policies and procedures. USDA's discussion of potentially standardizing certain funding applications with SBA is consistent with the collaborative practice of establishing compatible policies, procedures, and other means to operate across agency boundaries.

3. In February 2012, GAO's annual duplication report notes an intention to recommend that Congress tie funding to program efficiency. However, GAO's comprehensive August 2012 report did not make this recommendation. Please explain what changed as GAO put together the August 2012 report that led away from this recommendation?

In February 2012, we reported that we expected to recommend in a subsequent report that Congress tie funding more closely to a program's demonstrated effectiveness. However, based on additional analysis, we concluded that decisions about funding and restructuring would be difficult for Congress without better performance and evaluation information about the various fragmented programs. Thus, we concluded that making this recommendation would be premature and that the agencies must first collect the necessary information and conduct program evaluations needed to inform funding decisions by Congress.

Specifically, in August 2012, we concluded that agency performance and evaluation information had a number of deficiencies. Agencies typically do not collect information that would enable them to track the services they provide and to whom they provide those services. As a result, we recommended in August 2012 that the Secretaries of Commerce, Housing and Urban Development, and Agriculture and the Administrator of the Small Business Administration consistently collect information that would enable them to track the specific type of assistance programs provide and the entrepreneurs they serve and use this information to help administer their programs. Without such information, the agencies may not be able to administer the programs in a way that will result in the most efficient and effective federal support to entrepreneurs.

4. Please provide a list with date and type of all agencies responses to the August 2012 report including 60-day letters, formal, and technical comments.

Technical Comments Received on Draft Report

HUD (August 1, 2012)

SBA (August 3, 2012)

Formal Comment Letters Received on Draft Report

Commerce (dated August 6, 2012)

HUD (dated August 10, 2012)

USDA (dated August 1, 2012)

³ GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

60-day Letters Received on Final Report
Commerce (dated October 22, 2012)
HUD (dated December 5, 2012)
SBA (dated February 13, 2013)
USDA (dated November 12, 2012)

**House Committee on Small Business Hearing:
“Entrepreneurial Assistance: Examining Inefficiencies and
Duplication Across Federal Programs”**

March 20, 2013

Questions for Mr. Michael Chodos, Small Business Administration (SBA):

1. *Please list individually each pilot program that SBA is currently operating and the cost associated with each of the unauthorized programs. Specifically, please include Emerging Leaders, Business USA Website, Regional Clusters, and the National Vet Training program.*

SBA Response

As an initial matter, SBA believes that all of its programs and services are established in accordance with the authorities provided to the Agency by Congress. Set forth below is information responsive to the question.

Program, Initiative or activity	FY13 Amount
Emerging Leaders	\$1,100,927
BusinessUSA.gov	\$1,000,000
National VET Training Program (Boots to Business)	Not funded under Continuing Resolution
Regional Innovation Clusters	\$3,350,000

2. *For the programs listed in question 1 (Emerging Leaders, Business USA Website, Regional Clusters, and the National Vet Training, and any others SBA may note), please provide the Committee with copies of all metrics used to evaluate the programs and any evaluations of the programs.*

SBA Response

Emerging Leaders

Since its inception five years ago, the Agency has received extensive ongoing metrics for participants in Emerging Leaders. Metrics are collected and reported to SBA by Interise, the non-profit entity which facilitates curriculum and delivery of Emerging Leaders pursuant to a contract with SBA. Metrics include demographic information on participant business owners, size, revenue and Full-Time Equivalent (FTE) count for the businesses before the program, and information regarding change in revenue, financing and FTEs as a result of the program. A representative sample of the 2011 data is set forth below. The data includes demographic information about the 2011 cohort as well as survey responses received from 2008-2011 cohort attendees, all of whom are sent surveys each year. This is the most current available complete annual data. The budget for 2012 was approximately \$1,101,000.

Emerging Leaders Performance Metrics	2011
Class enrollment	437
Graduates	344
Retention rate	79%
Number of participating locations	27
SBA Budget	\$1,389,000
Percentage Female	45%
Percentage Minority	68%
Percentage Located in Lower Income Census Tracts	36%
Average number of employees (FTEs) before e200, per business	14
Average revenue before e200, per business	\$1,820,691
Assessment Respondents	549
% of businesses reporting an increase in revenue	67%
Number of businesses increasing revenue	295
Average value of revenue increase	\$608,188
Total value of new financing secured	\$26,381,044
Number of businesses securing new financing	79
Average value of new financing secured	\$333,937
% of companies that hired new employees	75%
Number of FTEs created	908
Average starting salary of new employees	
Total value of government contracts	\$330,847,264
% of businesses that secured government contracts	48%
Number of businesses securing government contracts	249
Average value of government contracts secured	\$1,328,704

Regional Innovation Clusters

Through a third-party economic evaluation expert, the Agency has conducted extensive studies of the initial two years of activity within its ten contract-based Regional Innovation Clusters. A full copy of the first and second year's Data studies are available in either paper or PDF format.

BusinessUSA

BusinessUSA is in an ongoing development process. It maintains a host of information about website development, content mapping, agency participation and work flow. It also tracks a host of web-based data on user traffic, social media activity, web referral sources, etc. Any component of such information is available upon request.

National VET Training Program (Boots to Business)

The Boots to Business program is currently in its developmental, foundation-laying stage in anticipation of a full national roll-out in FY14, contingent upon enactment in the FY14 budget. During this phase, the Agency is tracking the following activity:

- Number of initial, early-stage two-day in-person and eight-week online courses held
- Bases where held
- Courses by service branch
- Attendees by service branch
- Gender/ethnicity and rank of attendees

The data is collected by way of post class surveys, participant sign-in forms, and direct input from SBA's Resource Partner network. Both the surveys and sign-in forms were specifically created for the program to ensure proper calculations.

SBA is working jointly with the Departments of Defense and Veterans Affairs in an effort to develop and synchronize data collection across all components of the TAP program. That process should be completed by year-end FY13.

3. *SBA's written testimony discussed a pilot program which matches SBA information and census data. Please provide the cost of operating this program and resources, such as employees and time, which this program will utilize. Further, please provide the timeline for results and delineate what results and achievements SBA expects from this pilot program.*

SBA Response

SBA is currently in discussions with OMB, Council of Economic Advisers (CEA), and other agency stakeholders about creating and launching a pilot initiative to perform more wide-ranging analysis of program data, including identifying ways to compare that data to public databases. SBA has engaged in preliminary discussions with the Association of Small Business Development Centers (ASBDC) about the pilot. These discussions are in the very initial stages and are subject to identifying and addressing data and privacy matters and receipt of requested budget authority to fund implementation of the pilot, data collection, and analysis.

4. *For each of the following programs – Small Business Development Centers, Women's Business Centers, and SCORE, please provide the Committee with the number of jobs created and number of businesses assisted for the past 5 fiscal years. Additionally, please explain the SBA's method for calculating these metrics.*

SBA Response

SBA developed and currently maintains a data collection mechanism, the Entrepreneurial Development's Management Information System (EDMIS). The system is used primary to collect client demographic information, activity data, and outcome statistics for counseling clients across Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE. EDMIS also collects more basic, non-client-specific demographic and training activity data for SBA's Resource Partner network (i.e., SBDC, WBC, and SCORE).

As requested, the following data was generated to address the activity within the Resource Partner network over the past five fiscal years:

	SBDC 2008	SBDC 2009	SBDC 2010	SBDC 2011	SBDC 2012	SCORE 2008	SCORE 2009	SCORE 2010	SCORE 2011	SCORE 2012	WBC 2008	WBC 2009	WBC 2010	WBC 2011	WBC 2012
Jobs Created	12,190	14,609	13,910	19,770	19,211	502	2,317	666	274	238	354	568	757	509	1,094
Jobs Retained	16,202	15,005	21,293	32,435	34,689	263	233	446	199	182	300	516	1,257	558	851
Number of New Business Starts	12,730	12,555	13,639	13,664	14,357	943	931	1,077	816	828	727	727	689	701	694
Counseling															
Total Number of Clients															
Counseled	194,716	208,374	209,558	205,408	211,091	180,758	203,736	170,387	135,818	166,509	16,400	24,315	24,794	23,118	22,020
Total Number of Extended															
Engagement Clients Counseled	50,807	55,987	60,683	64,909	69,490	11,692	11,685	11,199	10,515	12,224	3,572	3,487	3,471	3,554	3,413
Total Number of Long Term															
Clients Counseled	53,557	58,468	59,247	62,117	67,052	10,011	9,709	8,421	7,015	9,536	3,268	2,922	2,894	2,908	2,980
Total Hours of Clients															
Counseled	1,145,103	1,222,836	1,250,772	1,290,045	1,376,190	334,613	360,865	300,389	243,661	314,388	80,227	72,379	75,125	72,920	69,775
Training															
Total Number of Training															
Attendees	363,771	375,669	379,794	352,290	332,421	179,801	176,621	236,853	221,019	292,264	133,479	131,065	135,941	115,805	114,931
Total Number of Training															
Hours	104,905	95,563	101,504	94,693	86,546	65,304	62,888	77,678	76,511	113,889	40,552	32,756	30,607	27,723	25,851
Total Number of (Training															
Hours * Total number trained)	1,619,255	1,614,033	1,644,391	1,549,582	1,403,211	612,078	668,298	823,891	629,217	733,396	845,063	537,742	495,235	415,015	388,753
Total Number of Training															
Sessions	33,694	32,235	33,841	32,099	31,637	46,787	45,201	60,126	60,061	94,633	15,320	14,148	18,017	16,198	14,792

- During the hearing, the Government Accountability Office (GAO) specifically mentioned that the Historically Underutilized Business Zones (HUBZone) program was failing to meet its objectives, please explain SBA's plans to strengthen this program's effectiveness and what SBA has done since GAO's 2008 report on HUBZones.

SBA Response

Since June 2008, the HUBZone Program has focused on monitoring and reviewing its portfolio, as well as enhancing the certification process. HUBZone is currently establishing a targeted outreach approach, identifying specific geographical areas and industries that have the potential to benefit from participating in the program.

- Further, SBA's written testimony references collaboration between United States Department of Agriculture (USDA) and SBA on rural HUBZones, please explain how SBA plans to

generate positive and effective collaboration when utilizing a program identified by GAO as ineffective.

SBA Response

Since the release of the 2008 GAO report, SBA has worked diligently to improve the oversight and effectiveness of the HUBZone program. In many ways, these improvements will depend on effective collaboration with our sister agencies, including USDA.

7. *When awarding funding or grants through SBA programs listed in GAO's August 2012 Report entitled "Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management," does the SBA consider geographic distance between programs?*

SBA Response

SBA's 63 grants to Lead Small Business Development Centers are made on a geographic basis with most states having a single Lead Center that operates throughout the state. Those states that have more than one Lead SBDC divide the state into distinct Lead Center regions.

In the WBC program, the approximately 106 centers are spread across the country, currently with at least one center in each state. WBCs are generally located at least 50 miles from each other.

In the SCORE program, the Agency makes a single grant to National SCORE, which in turn manages hundreds of chapters and counseling locations across the country to provide staffing and access to SCORE assistance at SBA District Offices, libraries, Chambers of Commerce and other locations where businesses can most readily access counseling and training. SBA's Resource Partner network is thus very broadly distributed across the country.

8. *As GAO found that SBA did not track program information on entrepreneurial assistance activities for various programs, please explain how SBA is ensuring compliance with government standards for internal controls.*

SBA Response

SBA is not aware that GAO found that SBA does not track program information for its entrepreneurial development programs. Rather, at the hearing, GAO noted that SBA's Office of Entrepreneurial Development (OED) engages in active and effective tracking of its program activities and outcomes.

OED requires its Resource Partners to track and report detailed demographic information about our small business clients; information about what services are provided to those clients; and information about what outcomes those clients report (e.g., business starts, job creation, etc.) as a result of those services.

In addition to the data provided in response to Question 4, OED and our Resource Partners engage in annual evaluation through surveying of the client pool receiving our services to determine attitudinal changes, management changes, and the overall effectiveness of the programs.

In addition to its tracking of program performance and outcomes, SBA's OED also engages in regular financial and programmatic oversight to ensure compliance by its Resource Partners with grant/cooperative agreement obligations and financial record-keeping and reporting requirements. OED, as well as other SBA offices, complies with the Agency's annual internal control review and certification process.

9. *Both SBA's and USDA's written testimony references an interagency group which was created to develop an action plan for improved collaboration as well as a strategy for data collection. Please provide the Committee with a list of all meetings held thus far including the number of agency representatives and locations. Further, please provide any action or strategic plans developed by this interagency group. If none have been made at this time, please provide a timeline for when these are expected.*

SBA Response

SBA is participating in a series of interagency meetings in collaboration with the Performance Improvement Council (PIC) to discuss data collection, program evaluation, and performance measures to create consistent and relevant standards across the agencies that support entrepreneurship.

SBA and the Department of Commerce also jointly sponsor a "Smarter Data, Smarter Policy" initiative, the goal of which is to develop a consistent data set that is widely accessible to government statistical and business agencies.

SBA is working with OMB, the Council of Economic Advisers, Commerce and USDA on an interagency pilot to pursue a cross-program study of business technical assistance programs. One goal of the pilot is to determine whether SBA program data can be matched with Census data to accomplish the broader objective of measuring the impact these programs are experiencing related to their stated mission.

The "Evaluation of Business Technical Assistance Programs" working group has increased the collaboration of agencies that operate business related technical assistance programs. The primary goal of the group is to assess the effectiveness of technical assistance programs for small businesses and to facilitate the sharing of best practices in this area across the working group agencies.

The number of attendees has varied at each meeting, ranging from between 10 and 25 attendees per meeting. Attendees include representatives from OMB, the Council of Economic Advisers, USDA, and the Department of Commerce. Meeting dates and locations are shown in the table below:

<i>Meeting Date</i>	<i>Location</i>
11/20/12	New Executive Office Building
12/18/12	White House Conference Center
1/15/13	New Executive Office Building
1/30/13	White House Conference Center
2/8/13 (Sub-group on SBA)	White House Conference Center
2/19/13	Conference Call
4/2/13	White House Conference Center

The Evaluation of Business Technical Assistance Programs working group is in the process of determining what information is currently available on involved agencies' business technical assistance programs, as well as what information could be obtained that could then be used to measure the impact and assess the effectiveness of the programs. Involved agencies are currently taking steps to assess the feasibility of doing a pilot evaluation. Once the pilot is complete, the group will assess the results and determine whether an evaluation model can be established for use across the federal government.

10. *Many of SBA's programs are delivered in partnership with others. What data does SBA collect from its partners to ensure effectiveness of these programs? Further, how does SBA work with its resource partners to establish performance goals?*

SBA Response

SBA's data collection from its Resource Partners is accomplished (1) through data collected through the 641 and 888 forms and then reported into EDMIS; and (2) through surveying and other follow-up conducted by SBA and also by the Resource Partners directly. With respect to other SBA entrepreneurial development initiatives and programs, see also the response to Question 2, above.

Starting in FY12, OED undertook a comprehensive modernization project for EDMIS to enhance current data fields, synchronize data outputs with our Resource Partner network, improve budget and performance integration capabilities, and expand reporting capabilities. OED is further seeking to collect more robust data on counseling and training in order to capture a more accurate and complete picture of the services and benefits that our Resource Partners provide. By year-end FY13, we expect to have our modernization of the EDMIS system substantially completed.

Additionally, we are also working with all Resource Partners to identify and align all our respective surveying and program evaluation study methodologies to harmonize the data collected through these efforts and have a coordinated set of data sources between EDMIS and these survey efforts. As part of this process, the Agency has

identified strengths and gaps in the EDMIS data collection system, as well as strengths and opportunities for further integration of EDMIS data collection with survey data collection, especially around "outcomes" measurement across the SBDC, SCORE and WBC networks.

With respect to performance goals, each year SBA's Office of Entrepreneurial Development works with each of its Resource Partners to negotiate and set performance goals for the upcoming year. Such discussions are interactive and are based upon prior years' performance, available budget, economic conditions, and any other specific issues or challenges that might be pertinent to activity in the coming year. As a result of these discussions, specific goals are set for the coming year and then tracked over the course of the year.

11. *For the Memorandum of Understanding (MOU) between SBA and USDA regarding rural development, set to expire in April 2013, please answer:*

a. *Whether the current MOU is being extended, altered, or voided?*

SBA Response

USDA and SBA are currently drafting proposed amendments to the Memorandum of Understanding (MOU). These amendments will extend the MOU nationwide, strengthen collaboration within the Agency's intermediaries and networks of resource partners, and broaden participation in the MOU by adding the USDA Farm Service Agency as a partner.

i. *If it is being altered please provide the Committee with a copy of the new MOU as soon as it is available.*

SBA Response

The Agency will provide the Committee with a copy of the MOU as requested once it is available.

b. *Whether the MOU, which was originally only in 10 states, was ever rolled out nationally? If not, will a future MOU between USDA and SBA be nationwide?*

SBA Response

Yes, the MOU was rolled out nationally. On April 11, 2011, USDA's Rural Business Cooperative Service (RBS) sent a letter to Rural Development State Directors to encourage all states to implement the MOU. The letter specifically stated that "...RBS is grateful to the 17 states that initially implemented the MOU; the MOU applies to all USDA National and State Offices."

Furthermore, RBS used the 2011 collaboration surveys to assess whether the MOU was being implemented in all states and further encourage national implementation. The survey results showed that the MOU was being implemented nationally. The

respondents demonstrated that they collaborate with SBA in a variety of ways, usually by providing referrals and conducting joint training and outreach.

As noted in the response to the previous question, USDA is currently drafting proposed amendments to the MOU that extends the partnership nationwide.

- c. *The MOU states SBA and USDA will meet “every 3 months to measure progress under this MOU.” Please provide the Committee with a list of all the locations and dates of all meetings between USDA and SBA as required by this portion of the MOU.*

SBA Response

SBA and USDA have met on numerous occasions to implement and discuss our collaboration under this MOU. Meetings specific to “measuring progress” include, but are not necessarily limited, to those shown in the following table:

Location	Date
USDA National Headquarters, Washington DC	August 29, 2010
USDA National Headquarters, Washington DC	September 9, 2010
USDA National Headquarters, Washington DC	April 25, 2012
Small Business Administration, Headquarters, Washington, DC	January 23, 2013
Small Business Administration, Headquarters Washington, DC	March 12, 2013

In addition to the meetings shown above, the MOU has fostered additional opportunities for USDA and SBA to collaborate. For example, the two agencies co-hosted six investment roundtables. These roundtables enabled both agencies to reach out in a collaborative effort to their respective stakeholders to identify new opportunities for leveraging each other’s programs. In addition, USDA’s State Offices frequently collaborate with SBA’s Regional Offices to conduct outreach and meet regularly to discuss new opportunities for collaboration.

- d. *Under the MOU set to expire in April 2013, please explain the factors used to measure progress and any best practices ascertained under this MOU.*

SBA Response

USDA conducted two surveys in 2011 and determined that there was significant collaboration between USDA and SBA. The survey questions asked respondents about their collaborative efforts with SBA and the factors measured mirrored the expectations outlined in the MOU. For example, the survey asked respondents about how many projects and trainings they conducted jointly with SBA.

The survey results showed that all respondents collaborated with SBA. In fact, in June 2012, GAO agreed that the survey results demonstrated significant collaboration between USDA and SBA and closed its inquiry on the subject, stating that USDA fully implemented its recommendation to increase collaboration with SBA.

Best practices identified as a result of the survey include:

- Participating in networks of Federal, state, and local economic development organizations that host monthly conference calls to discuss key issues and areas for collaboration;
- Co-hosting regular, joint outreach and training meetings; and
- Co-hosting statewide conferences.

Committee on Small Business
Hearing: “Entrepreneurial Assistance: Examining Inefficiencies and Duplication across Federal Program”
March 20, 2013

Questions for Mr. Doug O’Brien, United States Department of Agriculture (USDA):

1. Please provide a list of all programs and operations, specifically those mentioned in responding to Rep. Luetkemeyer during the March 20, 2013 hearing, related to a Blueprint for Stronger Service, which delineates programs and savings occurred through streamlining and cuts.

RESPONSE: *USDA Rural Development made contributions to the \$700 million saved under the Secretary’s Blueprint for Stronger Service by consolidating and reorganizing its field office structure, providing projected savings of \$758,000 annually. These efforts are continuing and are expected to result in additional savings over the next few years. Rural Development achieved additional savings of \$1.3 million with reductions in printing, supplies and promotional items. Furthermore, the Agency anticipates savings from data center consolidation at our National Information Technology Center and changes to the Working Capital Fund and Greenbook charges. Those savings are cumulative and have not been broken down by individual agencies.*

Blueprint for Stronger Service (Departmental Chart)

<i>Savings/Efficiency Breakdown Initiative</i>	<i>Savings/Efficiency Realized</i>
<i>Office Closures</i>	<i>\$37 million</i>
<i>Real Property</i>	<i>\$259.2 million</i>
<i>Disposals/Terminated Projects (not including Office Closures)</i>	
<i>Sustainability - Energy Savings</i>	<i>\$6.5 million</i>
<i>Improved Space Management</i>	<i>\$13.2 million</i>
<i>Strategic Sourcing</i>	<i>\$62 million</i>
<i>IT Service and Hosting Efficiencies</i>	<i>\$20 million</i>
<i>Streamlined IT Purchases</i>	<i>\$31 million</i>
<i>Travel Efficiencies</i>	<i>\$129 million</i>
<i>Reduced publications/printing</i>	<i>\$8 million</i>
<i>Improved oversight - Advisory Contracts</i>	<i>\$56 million</i>
<i>Centralized Supply Purchases</i>	<i>\$27 million</i>
<i>Promotional Item Reductions</i>	<i>\$300,000</i>

<i>Savings/Efficiency Breakdown Initiative</i>	<i>Savings/Efficiency Realized</i>
<i>Agency-specific initiatives (e.g., process improvements and organizational changes)</i>	<i>\$55 million</i>
Total	\$704.2 million

In addition to the Blueprint for Stronger Service, since the beginning of fiscal year 2012, USDA Rural Development has reduced nearly 18 percent of its workforce or 1,053 people. Those reductions will save the Agency an estimated \$95,359,680 per year in staff costs in future years.

2. Please provide examples within the Rural Development branch of the USDA, other than salaries and expenses, where the Agency has instituted cuts to programs to generate savings.

RESPONSE: *Rural Development (RD) programs are financial assistance programs; that is, they provide grants, loans, and/or loan guarantees. Thus, cuts in budget authority, such as those experienced by the sequester, decreases the amount of financial assistance to rural constituents.*

Nevertheless, RD continues to improve the efficiency in the overall delivery of our programs, which results in savings. For example:

- Regional Field Structure. Rural Business Service (RBS) improved program efficiency by developing a regional field structure across ten regions. This regional structure allows the National Office to (1) provide direction and oversight for all RBS programs nationally, with reliance on two Regional Coordinators and ten RBS Team Leaders who provide guidance to the State RBS Program Directors in their regions and (2) reduce the amount of travel and training expenses by reducing the number of staff that attend training. Typically, Regional Coordinators work with National Office staff to train Team Leaders who then provide guidance and direction to the Program Directors in their region. This approach also improves communication across the agency, resulting in greater consistency in program delivery.*

- Intermediary on-line reporting system. Implemented in 2011, RBS now requires all Intermediary Relending Program (IRP) and Rural Microentrepreneur Assistance Program (RMAP) intermediary lenders, and strongly encourages Rural Economic Development Grant and Rural Business Enterprise Grant revolving loan fund intermediaries, to provide their quarterly and semiannual reports through an on-line system, Lender Interface Network Connection (LINC). Previously, 450 IRP and nearly 100 RMAP lenders used spreadsheets and other software to develop their quarterly and semiannual reports, submitted the reports to the Agency in paper copy, and the Agency staff inputted the appropriate data into the Agency's data system. With the new system lenders access the Agency data base through LINC and input their data directly into the Agency's data system. In addition to benefiting efficiency, the LINC system also improves on the completeness and integrity of the lenders data.*

- *Centralizing Guaranteed Housing Process.* The Rural Housing Service (RHS) directed each State Office to centralize the loan guarantee process for the Single Family Housing Guaranteed program. The purpose of the initiative is to maximize efficiencies that enable a reduction in staff time while still meeting audit requirements and providing states flexibility. Each state was instructed to centralize the guarantee process into one entry point, and then electronically distribute workflow to the appropriate workstation where the designated employee was located. The purpose was not to reassign employees to a central office location, but to deploy technology for a process improvement as a remedy for staff reductions. The result of the centralization initiative has been a great success. All states have centralized their guarantee workflow process or are in the process of implementing it. Some states have implemented this process improvement to other Rural Development programs.

- *Rural Alaska Village Grant Program.* The Rural Utilities Service has also undertaken streamlining initiatives to improve performance and accountability measures. In FY 2010, we launched a process improvement project to address issues related to the Rural Alaska Village Grant Program. A Steering Committee composed of senior officials from both the national and state offices of USDA Rural Development, Alaska Department of Environmental Conservation, Alaska Native Tribal Health Consortium, Indian Health Service, Environmental Protection Agency and the Denali Commission was formed and convened in Anchorage. In June of 2011, the partners, signed an MOU outlining a streamlined application process, new grant agreements, improved accountability measures and other critical documents. Today, we are seeing the results of those efforts with projects being built serving Alaskan villages, many for the first time. Based on these successes, we are in the process of codifying the streamlining of this program through a regulation that we plan to announce later this year.

3. As the Government Accountability Office (GAO) August 2012 report entitled, "Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management," found that USDA did not track program information on entrepreneurial assistance activities for various programs, please explain how USDA is ensuring compliance with government standards for internal controls.

RESPONSE: *USDA is continually seeking ways to better achieve agency missions and program results while working to address and implement program changes and improve operational processes.*

The GAO report indicated that for all its programs, USDA collects detailed information on the industry of each of the entrepreneurs it supports as well as on how entrepreneurs use program proceeds. USDA seeks to build on this foundation and continuously improve the ability to track and measure performance information. For example, Rural Business-Cooperative Service (RBS) has reviewed and updated its policies regarding collecting data relating to program performance measures. Objectives include building consistency with policies and procedures of other Federal agencies administering similar programs (e.g., SBA and EDA), building consistency

across all RBS programs, and improving the integrity of data. The draft of updated policies was completed in October 2012. RBS provided training to National Office and field office staff through a series of webinars and published the updated policies and procedures in an Unnumbered Letter dated January 18, 2013. The text of the Unnumbered Letter is located on the USDA Rural Development website.

RBS will continue to conduct training to improve data collection and maintenance of data related to program performance measures and to improve data quality. We now conduct bi-annual surveys to assess the level of collaboration between SBA and USDA Rural Development and to identify best practices for increased collaboration. These actions, in conjunction with Customer Service Scores, are helping us to continually evaluate program effectiveness and satisfaction.

Currently, RBS gathers data on all its programs and projects, which is analyzed to assess program effectiveness. RBS conducts regular evaluations of programs on both national and state levels. These reviews rely on data maintained in an electronic database as well as project files. Management Control Reviews (MCRs) are a process that Rural Development uses to assess program effectiveness. The MCR process examines a particular program and how it is administered across the country. The Business and Cooperative Program Assessment Review is an RBS process that examines how individual states administer all of Business and Cooperative Programs. Both tools identify recommendations to enhance the effectiveness of RBS programs.

USDA continuously evaluates opportunities to keep up with advances in information technology and implement changes when possible to address management and performance challenges in areas at the greatest risk of waste, fraud, abuse, and mismanagement.

4. Both the Small Business Administration's (SBA's) and USDA's written testimony references an interagency group which was created to develop an action plan for improved collaboration as well as a strategy for data collection. Please provide the Committee with a list of all meetings held thus far including the number of agency representatives and locations. Further please provide any action or strategic plans developed by this interagency group. If none have been made at this time, please provide a timeline for when these are expected.

RESPONSE: *The Evaluation of Business Technical Assistance Programs working group has increased the collaboration of agencies that operate business related technical assistance programs. The primary goal of the group is to assess the effectiveness of technical assistance programs for small businesses and to facilitate the sharing of best practices in this area across the working group agencies.*

The numbers of attendees have varied at each meeting, ranging from between 10 and 25 attendees per meeting. Attendees include representatives from the Office of Management and Budget, the Council of Economic Advisers, and the Department of Agriculture, the Department of Commerce, and the Small Business Administration. The meeting dates and locations are shown in the table below:

Meeting Date	Location
11/20/12	New Executive Office Building
12/18/12	White House Conference Center
1/15/13	New Executive Office Building
1/30/13	White House Conference Center
2/8/13 (Sub-group on SBA)	White House Conference Center
2/19/13	Conference Call
4/2/13	White House Conference Center

The Evaluation of Business Technical Assistance Programs working group is in the process of determining what information is currently available on involved agencies' business technical assistance programs, as well as what information could be obtained that could then be used to measure the impact and assess the effectiveness of the programs. Involved agencies are currently taking steps to assess the feasibility of doing a pilot evaluation. Once the pilot is complete, the group will assess the results and determine whether an evaluation model can be established for use across the Federal Government. Because of the early stages of these efforts, a more exact time-frame for this work is not available.

5. USDA's written testimony indicated that USDA's Rural Business-Cooperative Service is developing a strategic plan that includes an initiative to improve the quality of its performance within the next two years. Please delineate the milestones within this plan and explain the benefits and goals of this strategic plan.

RESPONSE: *In 2012, Rural Business-Cooperative Service (RBS) began an agency-wide effort to develop a strategic plan aimed at enhancing effectiveness and efficiency. The plan included a focus specifically on program performance and evaluation. The goals were to:*

- 1. Maintain and promote justifiable performance measures with a continued emphasis on job creation;*
- 2. Maximize capabilities of current data collection system and process to better position the agency to conduct broader program analysis; and*
- 3. Evaluate potential for additional performance measures, which more thoroughly reflect outcomes of specific programs.*

The benefits to be obtained through the implementation of a strategic plan are primarily the ability of RBS to deliver its programs more effectively and efficiently to adjust to changes in its budget and staffing levels, and to help RBS plan a more orderly succession of leadership as personnel changes take place.

The strategic plan referenced in the written testimony is in draft form pending final budget numbers as the Agency continues to seek opportunities to improve program performance. With this caveat in mind, the current draft identifies initiatives in six primary areas:

- Budget and staffing
- Outreach
- Performance Measurement
- Program Review Process
- Leadership Development and Succession Planning
- IT Needs and Technology

As RBS was drafting the strategic plan in FY2012, we began to identifying general timeframes for implementing each of the six initiatives. These timeframes ranged from about 9 months (outreach) to about 30 months (IT Needs and Technology). The ability to meet and complete any of these initiatives will depend, in part, on the availability of funds.

6. In terms of roundtables held with SBA as a form of collaboration, please provide the Committee with a list of each roundtable held, its location, number of attendants (please separate for number of USDA officials, number of SBA officials, and number of small firms/entrepreneurs), and a summary of responses.

RESPONSE: There were six roundtable held. Their dates, location, and breakdown of participants are shown in the following table:

Date	Location	Venue	Total	USDA officials	SBA officials	Other Participants
9/27/2011	Raleigh, NC	North Carolina State University Park Alumni Center.	32	3	3	26
10/26/2011.	Saint Paul, MN	Agri Bank Conference Room.	19	3	2	14
12/15/2011.	Syracuse, NY	Dairylea Cooperative Building.	40	3	2	35
4/12/2012	Columbus, OH	Columbus Dispatch Kitch Event Room.	27	2	2	23

Date	Location	Venue	Total	USDA officials	SBA officials	Other Participants
2/14/2012	Fresno, CA	Fresno Council of Government Conference Room.	27	3	2	22
6/20/2012	Denver, CO	Rural Development State Office.	16	3	2	11

Summary of Discussions—Challenges and Opportunities: Note: The following represent the views of the community participants, not the USDA or SBA.

- *Need to take advantage of existing programs and funding because it appears unlikely that new programs will be developed any time soon. At the same time, there is concern that we may be driving up demand for programs when we are experiencing a decrease in program funding. This has the potential to create ill will among current/future participants.*
- *The SBIC platform could spur investment in low and moderate income areas of the country, especially rural areas. Research shows that funds that proactively invest in low and moderate income areas slightly outperform their peers. There are opportunities in these areas, and SBA wants to develop partnerships to take advantage of those opportunities.*
- *The possibility of creating a rural SBIC was brought up. SBICs are asking how sustainable the agricultural economy is. While an SBIC with strictly a rural focus could be a challenge, a fund with rural incentives and rural targets would be a real possibility. USDA and SBA need to do a better job of education and connecting rural lenders with SBICs.*
 - *SBICs need to be educated about how they can best work with rural lenders.*
 - *The main challenge for having SBICs invest in rural is connecting dots, mitigating risks, and educating rural lenders about how SBICs could help.*
 - *A similar challenge is the uncertainty and a lack of knowledge from rural lenders about how SBICs could help. An organization such as Agribank or Agstar would be a good resource to educate SBICs about rural investment opportunities, or offer general insight on the agriculture and rural economy. This would all be part of the education process.*
- *SBICs are looking to invest in proven companies with about \$2–4 million in operating funds. Anything under \$2 million typically goes to angel investors. SBICs are able to partner among each other for larger projects. Government programs that are available to leverage these investments should be promoted more than they are.*

- *Angel investor attendees also stressed the importance of concentrating some resources and investment on companies with \$2 million or less in operating funds. How can angel networks access funding in a timely manner for vetted businesses? Access to capital for business with under \$2 million in operating funds is concerning. These businesses need access to capital now and sometimes waiting for the government review process takes too long. A system where vetted businesses could qualify for immediate funding, which would be paired with angel investment, would be beneficial.*
- *One challenge is finding a way to bring all of these different resources together and make them available to businesses and entrepreneurs in an easy-to-understand method.*
- *USDA and SBA need to focus not just on jobs, but also on smaller self-employers and entrepreneurs that are not looking to constantly grow into something bigger. Most entrepreneurs just want to make enough to take care of their family. Partnering with “big businesses” is very important, but USDA and SBA cannot forget about smaller firms.*
- *One challenge frequently mentioned was the need for greater technical assistance to build capacity for small and micro businesses.*
- *The current workforce does not align with education, especially technical education. Rural businesses, especially manufacturers, cannot find employees with the skills required due to a shortage of people with the necessary technical degrees.*
- *One of the ways that USDA and SBA will be able to continue sustained contributions to rural communities and residents will be through meetings like these.*
 - *Rural investor roundtables like these should occur throughout the year.*
 - *Rural investor roundtables should include other colleagues and partners from various regions throughout the state.*
 - *Investor roundtables should also include a greater number of banks and lenders*
- *More foundations should be participating with USDA to:*
 - *Conduct infrastructure and transfer of wealth studies/discussions with community leaders;*
 - *Identify philanthropic partnership opportunities*
 - *Further discuss ways to stop transfer of wealth/talent (brain drain) out of rural communities; and*
 - *Address challenges involved with access to capital in rural areas, such as upstate New York.*
- *USDA and SBA should explore buying down risk through bank guarantees and investigate whether or not endowment dollars (from universities for example) could be used to make strategic investments (similar to loan guarantees) in rural communities. It was also pointed out that State pension funds are an “untapped resource” for investment in small businesses.*
- *More lenders should move beyond reluctance to participate with USDA and loan guarantee programs. The process is easier than some would think.*

- *There is interest from funders making local investments with endowments and they could be investment partners with some of the participants at the roundtable.*

- *USDA and SBA should continue to reach out to existing stakeholders and to new lenders through periodic newsletters and emails detailing new programs, funding opportunities, and other roundtable functions. Share program funding opportunities and experience with government partners on past projects.*

7. USDA's written testimony stated that bi-annual surveys are conducted to assess collaboration between USDA and SBA. Please provide the Committee with copies of the two most recent surveys, number of respondents, and a summarized list of the results to the survey questions.

RESPONSE: *In 2011, RBS conducted two surveys of state offices to assess the level of collaboration between USDA and SBA and identify best practices for increasing collaboration. The surveys conducted in April and October of 2011, had 40 and 41 respondents respectively. Each survey asked the same 17 questions, which mirrored the expectations outlined in the MOU. Results from both surveys were similar.*

General conclusions from the survey:

1. *Areas of strong collaboration include referrals, outreach, and interagency communication. For example, in both surveys all respondents said that they do encourage their resource partners to make referrals to SBA and its resource partners.*

2. *Areas where collaboration could be improved include linking to websites and special projects. USDA is part of the interagency team that helped to develop content for BusinessUSA.gov, the website that will serve as a one-stop shop for entrepreneurs by linking all applicable federal assistance and resources. Additionally, since the survey was conducted, RBS and SBA co-hosted several roundtables across the country, as described in the response to the previous question.*

Below are the questions and responses from the two surveys.

RBS - SBA Collaboration Survey: Summary of Results

Highlights:

- *17 questions*
- *40 states responded in April and 41 in October*
- *Areas of strong collaboration include referrals, outreach, and interagency communication*
- *Areas with weaker collaboration include linking to SBA website and identifying one special joint project.*
- *Most commonly cited barriers to collaboration paperwork and that most lenders do not want to deal with two government agencies.*

	Oct-11			Apr-11		
	Yes	No	Did Not Respond	Yes	No	Did Not Respond
I. Marketing and Outreach						
1) Do you coordinate outreach with SBA?	31	10	0	32	8	0
2) Do you advise borrowers/grantees about SBA's programs?	40	7	0	40	0	0
3) Does your website link to their website(s)?	8	33	0	7	33	0
4) How many borrowers have you referred to SBA/their resource partners within the last year?	1251			1155		
5) Do you encourage your resource partners to make referrals to SBA/their resource partners?	41	0	0	40	0	0
6) Do you exchange training schedules with SBA/their resource partners?	19	22	0	20	20	0
II. Cross Training						
7) How many joint training events have you conducted with SBA/their resource partners?	153			192		
III. Joint Projects						
8) How many projects have you funded jointly with SBA/their resource partners?	17			16		
9) What is your leverage ratio associated with these joint projects?	229			0-92		
10) How many jobs were saved or created because of the joint projects?	created: 406, saved: 789			created: 1257, saved: 1114		
11) Have you discussed ways to increase financial assistance to clients involved in the local food supply chain?	31	9	1	30	8	2
Outreach events with applicants, lenders, and SBA; Farmers Markets						
V. Program Harmonization						
12) Have you explored ways to make RD and SBA's financial programs more complimentary?	37	3	1	32	7	1
13) Have you and SBA and/or their resource partners explored opportunities to leverage your respective strengths?	37	3	1	33	6	1
13. b) Examples include: joint meetings, regulations, forms, and Joint lender education. To see all responses go to tab titled "Qs 8 - 18"						
14) Describe barriers to USDA/SBA collaboration, if applicable. Most common barriers to collaboration cited were paperwork and that most lenders do not want to deal with two government agencies. To see all responses go to tab titled "Qs 8 - 18"						
VI. Management and Review						
15) State Director met with their SBA counterpart within the last 6 months?	25	15	1	20	17	3
16) State Director identified at least one special joint project	11	30	0	12	25	3
17) State Director designated special SBA projects person	36	4	1	32	5	3

8. For the Memorandum of Understanding (MOU) between SBA and USDA regarding rural development, set to expire in April 2013, please address:

a. Whether the current MOU is being extended, altered, or voided?

RESPONSE: *USDA is currently drafting proposed amendments to the MOU. These amendments will extend the MOU nationwide, strengthen collaboration within the Agency's intermediaries and networks of resource partners, and broaden participation in the MOU by adding the USDA Farm Service Agency as a partner.*

i. If it is being altered please provide the Committee with a copy of the new MOU as soon as it is available.

RESPONSE: *The Agency will provide the Committee with an executed copy of the MOU as requested once it is available.*

b. Whether the MOU, which was originally only in 10 states, was ever rolled out nationally? If not, will a future MOU between USDA and SBA be nationwide?

RESPONSE: *Yes, USDA rolled out the MOU nationally. On April 11, 2011, RBS sent a letter to Rural Development State Directors to encourage all states to implement the MOU. The letter specifically stated that “. . . RBS is grateful to the 17 states that initially implemented the MOU; the MOU applies to all USDA National and State Offices.”*

Furthermore, RBS used the 2011 collaboration surveys to assess whether the MOU was being implemented in all states and further encourage national implementation. The survey results showed that the MOU was being implemented nationally. Forty-one out of 47 State Offices responded to the survey. The respondents demonstrated that they collaborate with SBA in a variety of ways, usually by providing referrals and conducting joint training and outreach.

As noted in the response to the previous question, USDA is currently drafting proposed amendments to the MOU that extends the MOU nationwide.

c. The MOU states SBA and USDA will meet “every 3 months to measure progress under this MOU.” Please provide the Committee with a list of all the locations and dates of all meetings between USDA and SBA as required by this portion of the MOU.

RESPONSE: *SBA and USDA have met on numerous occasions to implement and discuss our collaboration under this MOU. Meetings specific to “measuring progress” include, but are not necessarily limited to, those shown in the following table:*

Location	Date
<i>USDA National Headquarters, Washington DC</i>	<i>August 29, 2010</i>
<i>USDA National Headquarters, Washington DC</i>	<i>September 9, 2010</i>
<i>USDA National Headquarters, Washington DC</i>	<i>April 25, 2012</i>
<i>Small Business Administration, Headquarters, Washington, DC</i>	<i>January 23, 2013</i>
<i>Small Business Administration, Headquarters Washington, DC</i>	<i>March 12, 2013</i>

In addition to the meetings shown above, the MOU has fostered an additional number of collaboration opportunities between USDA and SBA. For example, the two agencies co-hosted six investment roundtables (as discussed previously in response to another question). These roundtables enabled both agencies to reach out in a collaborative effort to their respective stakeholders to identify new opportunities for leveraging each other’s programs. In addition, USDA State Offices frequently collaborate with SBA Regional Offices to conduct outreach and meet regularly to discuss new partnership opportunities, including joint lending for individual projects. Each agency’s unique lending parameters facilitate leveraging opportunities. For example, a rural business can use a B&I loan guarantee

for the purchase of real estate and use a SBA guarantee for working capital or equipment.

d. Under the MOU set to expire in April 2013, please explain the factors used to measure progress and any best practices ascertained under this MOU.

RESPONSE: *USDA conducted two surveys in 2011 and determined that there was significant collaboration happening between USDA and SBA. The survey questions asked respondents about their collaborative efforts with SBA and the factors measured mirrored the expectations outlined in the MOU. For example, the survey asked respondents about how many projects and trainings they conducted jointly with SBA. For a full list of factors, see the survey summary above.*

The survey results showed that all respondents collaborated with SBA. In fact, in June 2012, GAO agreed that the survey results demonstrated significant collaboration between USDA and SBA and closed its inquiry on the subject, stating that USDA fully implemented its recommendation to increase collaboration with SBA.

Best practices reported through the survey include:

- Participating in networks of Federal, state, and local economic development organizations that host monthly conference calls to discuss key issues and areas for collaboration;*
- Co-hosting regular, joint outreach and training meetings; and*
- Co-hosting statewide conferences.*

Memorandum of Understanding

between the

U.S. Small Business Administration

and the

U.S. Department of Agriculture

PURPOSE

The U.S. Small Business Administration (SBA) and the U.S. Department of Agriculture (USDA), acting through the Rural Business-Cooperative Service (RBS or Rural Development) (together the “Agencies” or the “Parties”), believe that there are people and places in rural areas and small communities with underserved financial needs, especially current and prospective small businesses owned by minorities, women, and veterans, that would benefit from a joint effort by the Agencies to encourage sustainable growth and development financed by loans guaranteed by SBA and by loan guarantees, loans, and grants by RBS. The Agencies intend to coordinate their programs to assist small businesses in underserved rural areas. Each Agency will apply its expertise and experience according to its legislative mandate.

The Agencies enter into this Memorandum of Understanding (MOU) to better serve rural areas by:

1. Improving opportunities for small businesses to start and grow;
2. Coordinating the delivery of development programs;
3. Increasing the number of small business loans guaranteed by SBA and RBS;
4. Developing relationships with Federal, State, county, and local agencies; private organizations; and commercial and financial institutions to facilitate and support the development of strong rural businesses; and
5. Fostering and supporting sustainable development, livable wage jobs, and quality of life objectives and principles.

The Agencies intend to first begin the cooperative efforts discussed in this MOU within the 10 States listed in Attachment A. The Agencies will meet every 3 months to measure progress under this MOU, including results and best practices and to roll-out this initiative nationwide.

BACKGROUND

Department of Agriculture (USDA)

RBS is one of the Agencies reporting to the Under Secretary for Rural Development. RBS offers many programs (“Business Pro-

grams”) to promote small business development, including direct and guaranteed loans and grant assistance. These programs are authorized under the Consolidated Farm and Rural Development Act, the Food Security Act of 1985, and the Rural Electrification Act of 1936.

RBS administers the Business Programs through a network of State Offices and field offices. Rural Development State Directors administer the Business Programs in the individual States. One such program is the Business and Industry Guarantee Loan Program (B&I) which guarantees quality loans made by lending institutions.

Small Business Administration (SBA)

SBA acts under the Small Business Act of 1953, as amended, and the Small Business Investment Act of 1958, as amended, to aid, counsel, assist, and protect the interests of small business. SBA guarantees loans and provides business development assistance to small businesses. SBA administers its programs through district offices throughout the United States. SBA provides additional services through its network of resource partners; the Small Business Development Centers (SBDC), SCORE, U.S. Export Assistance Centers (USEAC), Women’s Business Centers (WBC), and Veterans Business Outreach Centers (VBOC).

SCOPE

Many rural parts of the country have suffered decades of poverty reflected in unemployment and underemployment rates in excess of 20 percent. Shifting demand, global competition, and changing demographics have escalated the conditions that cause pockets of persistent poverty, loss of jobs, and declining population and investment capital in many rural areas. SBA and RBS intend to work together to stimulate small business creation and expansion in rural areas.

SBA and Rural Development each intend to use their respective resources to provide small businesses in rural areas with loan guarantees and technical assistance in an effort to help build diverse and sustainable economies, reverse population decline, create and sustain jobs, and improve quality of life. When possible, the Agencies will coordinate efforts with State, county, and local agencies; private organizations; financial institutions; industry associations; and local organizations, such as Chambers of Commerce and community development organizations. SBA resource partners, universities including Historically Black Colleges and Universities, and other education institutions may be asked to participate in various ways as SBA and RBS work together to help rural businesses start and grow.

Through the cooperation outlined in this MOU, the Agencies will support smart growth strategies to enhance the livability and sustainability of rural communities, combat sprawl, and promote growth that strengthens and diversifies rural economies.

Both Agencies realize that some joint training and outreach activities contemplated in this MOU may be subject to additional negotiation and a separate signed agreement pursuant to SBA's co-sponsorship authority (15 U.S.C. § 633(h)).

AREAS OF COLLABORATION

RBS and SBA intend to coordinate delivery of their respective programs to rural areas by joint activities which may include, but are not limited to, the following:

Marketing and Outreach

1. Each Agency's field offices intend to advise potential small business borrowers of the other Agency's credit programs that may support all or a portion of the small business' financing needs. RBS and SBA field offices will exchange promotional and reference materials, including brochures and training schedules, and will distribute the other Agency's information to its field network and its potential applicants when appropriate.

2. Each Agency's field offices intend to coordinate referrals of small business applicants to one another when appropriate and consistent with each Agency's mission.

3. Each Agency intends to coordinate its outreach to local and national financial institutions to increase awareness of the relevant SBA and RBS programs of the Agencies and the special characteristics of and potential for economic development in areas, subject to availability of funds.

4. Both RBS and SBA will encourage their networks of resource partners to refer rural businesses to the other Agency's resources, where appropriate. Rural Development's network includes National and State Rural Partnership Councils, State and sub-State Offices, and Appropriate Technology Transfer to Rural Areas. SBA's network includes Small Business Development Centers, SCORE Chapters, U.S. Export Assistance Centers, Veteran Business Outreach Centers and Women's Business Centers. By mutual agreement, USDA and SBA may identify pairings of State and district offices to explore mutual best practices available to serve clients.

5. The Agencies intend to develop working relationships with other Federal, State, county, and local agencies; private organizations; and educational and financial institutions to facilitate and support the development of strong rural businesses.

Use of Technology

6. The Agencies will link to each other's Internet Home Pages. Each Agency will ensure that the locations and addresses of the other Agency's field offices may be accessed from its Web site. To the extent available and practicable, other technology links will be explored and implemented by mutual consent.

Agency Cross Training

7. Each Agency, to the extent practical and to the extent funds are available, intends to develop joint field training seminars and provide representatives to explain programs, credit analysis techniques, and processing and servicing policies to the staff of the other Agency during these training seminars.

Joint Lending Engagements

8. SBA and RBS would like to explore ways each Agency may capitalize on the strengths of the existing SBA and RBS loan program processes and procedures already established by each Agency, such as delegated lending authority and lender oversight requirements.

Local/Regional Food Supply Network Lending

9. SBA and RBS would like to exchange information and discuss ways to increase lending to food processors and other borrowers who play a role in the local food supply chain.

Harmonizing Loan Program and Forms

10. In order to serve the largest number of rural businesses as efficiently as possible, SBA and RBS will explore the possibility of making their financial programs more complementary, such as minimizing differences in program fees, and processing and closing procedures, to the extent permitted by the statutes and regulations which govern the respective programs. Any harmonization efforts will be documented through a separate written agreement.

Program Management and Review

11. At least semiannually, each SBA District Director, Branch Manager, or designee will meet with his/her counterpart Rural Development State Director or designee to review previous joint activities and outline additional cooperative efforts. They should initiate, in cooperation with local organizations, at least one special joint project each year to support the growth and development of rural businesses in their districts.

12. SBA District Directors and Rural Development State Directors will designate a senior staff member to implement the special projects under this MOU and coordinate service delivery.

13. At least annually, SBA's Associate Administrator for Field Operations, USDA's Administrator for Business and Cooperative Programs, and RBS's Deputy Administrator for Business Programs or their designees will review the previous year's joint activities and outline additional cooperative efforts.

TERM, AMENDMENTS AND TERMINATION

This MOU will take effect on the date of execution and will remain in effect for 3 calendar years, at which time the Parties may extend the MOU for an additional 2 years by mutual written agreement. The Parties may amend this MOU at any time by mutual written agreement. Either Party may terminate this MOU upon giving 60 days written notice to the other Party. This agreement is subject to available funding and applicable statutes and regulations.

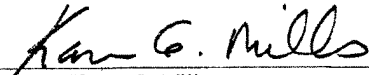
CONTACT PERSONS

For SBA, the Associate Administrator for Field Operations will be the officer responsible for this MOU. For RBS, the Deputy Administrator for Cooperative Programs will be the responsible officer.

SIGNATURES

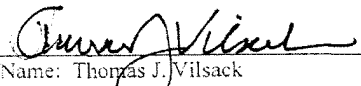
The following individuals have authority to commit their respective Agencies to the terms of this MOU.

U.S. Small Business Administration


Name: Karen G. Mills
Title: Administrator

4.22.10
Date

U.S. Department of Agriculture


Name: Thomas J. Vilsack
Title: Secretary

4.21.10
Date

ATTACHMENT A

LIST OF STATES

Arkansas
Indiana
Iowa
Kansas
Louisiana
Maine
Michigan
Minnesota
New Mexico
Nevada
North Carolina
North Dakota
Ohio
Oregon
Virginia
Vermont
Washington

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A S B D C - ASSOCIATION OF SMALL BUSINESS DEVELOPMENT
CENTERS

REPRESENTING

AMERICAS SBDC

Statement of

C. E. Rowe

President/CEO

Association of Small Business Development Centers

Hearing on GAO Report 12-819

Committee on Small Business

US House of Representatives

March 20, 2013

Chairman Graves, Ranking Member Velazquez, Members of the Committee, thank you for the opportunity to submit testimony on the Government Accountability Office's (GAO) report on Entrepreneurial Assistance Programs (GAO-12-819).

As you know, for over 30 years the Small Business Development Centers has been providing front line services to entrepreneurs and small business owners while growing and developing an infrastructure dedicated to assisting all small business owners and providing them free one-to-one consulting and advice on how to improve, finance, market and manage their businesses. The result of our efforts and the support of our host states and institutions has been the establishment of a nationwide network of nearly 1,000 locations with over 4,500 dedicated professional business advisors that annually assist hundreds of thousands of small businesses and entrepreneurs of every conceivable type in every state and territory.

Today's hearing focuses on GAO's report on the need to improve program collaboration, data tracking and performance management. At SBDCs we focus on those concepts every day and have been for decades. Program accountability is a basic tenet of our accreditation process as authorized in the Small Business Act. Each SBDC must develop and implement a strategic plan focused on continuously improving services and skills to provide to their clients—the small business community—with high value, up-to-date and needed services. SBDCs provide assistance to small business of all types, all demographics and all regions, but, those services can't be stagnant or unresponsive to market, national or global changes. We are always expanding and improving our services in an effort to support the growing needs of the small business sector and to adapt to a changing business environment.

We have evolved a very specific evaluation criteria that rely upon the confirmation and attribution of the entrepreneurs and small business owners we work with every day, often for extended periods, because they are the only ones truly able to knowledgeably comment.

Each SBDC has performance goals on job creation, sales growth, capital infusion and business starts. All of this used to monitor the progress and quality of services provided to small business. These services must be timely, appropriate for the business and directly linked to the improvement or business results, or we won't report the outcome.

Every SBDC undergoes a program review from SBA program managers annually. They undergo a financial review from SBA analysts every two years and an in-depth Accreditation review every five years. These reviews are focused on program performance, marketing and attention to meeting needs of our local small businesses and ensuring quality and consistency in SBDC services.

To support quality management, SBDCs constantly track and monitor the work they do and the services they provide in order to ensure the value to the small business client. Each client meeting or electronic exchange are recorded in their database and used to monitor progress as well as obtain timely feedback. The client's progress and results are measured as well, not by our staff but by the client. For the past ten years, the ASBDC has commissioned

an independent research project on the effectiveness and efficiency of SBDC assistance. This is in addition to the research that every program conducts throughout the year.

Unfortunately, all of our goals and metrics don't appear in the GAO report. In Appendix III, only the "capital infusion" and "business starts" goals of the SBDC program are reported. Our "job creation" and "sales growth" goals are not. "Cost per business start" and "Cost per job supported" are shown but, those aren't goals. They are measurements from outcomes and support, though they do stem from the goals.

The value of the SBDC networks' efforts to apply metrics and performance management is reflected in the studies of SBDC client success. In particular, GAO cites the SBA study by *Concentration* in Appendix V. That longitudinal survey detailed the results of SBDC assistance and confirmed the results of the annual "Economic Impact of SBDC Counseling Activities" in which SBDCs participate. Those results are all based on our goals of sales growth, job creation, capital infusion and business starts.

The ASBDC Members agree with GAO that collaboration between government programs is a good idea. We strive to work with other programs to achieve better results for the small business community. That is why you will see that SBDCs are twice mentioned in the examples provided by GAO of "illustrative Examples of Economic Activities". We also can provide the Committee with examples of our collaboration with the Delta Regional Authority in Tennessee and Missouri; the US Department of Commerce in Maryland, New York, and Oregon; or the US Department of Agriculture in Texas and Iowa—just to name a few.

Despite that, SBDC lack of coordination with the USDA Rural Business Enterprise Grant (RBEG) Program was mentioned specifically in the report. This is inconsistent with the general attitude among SBDCs to do what is best for the client using whatever resources are available. Other programs are often identified through our Accreditation process as SBDC Stakeholders because of the active coordination in support of the small business sector.

It is true that SBA, SBDCs and the USDA RBEG Program don't have shared policies and procedures. However, the lack of shared policies and procedures in this case isn't due to a lack of collaboration.

First, SBA doesn't manage SBDCs in a "top down" fashion. SBA provides guidance on program requirements and services, sets goals, and reviews performance. SBDCs and SBA work to develop national programs like the programs for veterans but, in the main SBDCs operate in response to local/regional small business needs and concerns.

Second, SBDCs (particularly those serving rural states like Iowa) are fully aware of the RBEG program. Several SBDCs receive RBEG funding but, RBEG is a competitive grant program funding rural economic development projects. SBDCs often apply and win awards, but, the funding can't be considered steady. Also, because it is a competitive grant program it has a distinctly different purpose from SBDCs.

Regardless, the goal of ASBDC’s testimony isn’t to criticize GAO. We think this report speaks to a serious issue and raises important questions. Frankly, the task GAO undertook was enormous. Giving an overview of 52 programs is a lot of work if you simply categorize those programs. That effort is only complicated by trying to define “economic development” in each of the targeted areas and apply performance metrics to that definition. To understand the inter-relationships that exist in 50 states, individual districts and territories as well as the local communities seems insurmountable.

Our goal is to focus on one corner—SBA and SBDCs in the context of the report. We can’t speak to other programs and how they perform, but, we know that SBDCs are regularly reviewed, regularly assessed for performance, challenged by goals and focused on leveraging the resources of other programs to enhance our impact. We agree with GAO’s findings—data tracking, goal setting, performance management and collaboration are the fundamental keys to success of any economic development program. To that end, we have attached a chart outlining how SBDCs apply the best practices in GAO’s report. That’s the path the SBDC networks have been following for years and will continue to follow.

Thank you.

SBDC adherence to the best practices suggested by GAO:

GAO Finding	SBDC Standard Practices
Limited tracking of activities	SBDCs use online Management Information Systems to collect and report data on over 200 metrics. These metrics track demographic information, outputs (clients, hours, events, etc.), outcomes (business plans written, capital acquired, etc.) and impact (businesses opened, sales increased, jobs created)
Some programs not meeting performance goals	All SBDCs are required to meet minimum performance goals that are consistent across the country for all SBDCs. Accreditation standards require centers to determine and meet goals of other sponsors and to address local needs. Failure to meet federal goals results in performance improvement plans. Consistent data from all

	<p>programs are reported quarterly. SBA performs annual reviews of all centers to ensure goal achievement. Accreditation ensures programs are operating at a high-level of quality that is responsive to local needs.</p>
<p>Some programs lack evaluations</p>	<p>As recipients of federal, state and local public funds, SBDCs are extensively evaluated to ensure both the prudent use of funds and the effectiveness of services. SBA conducts annual programmatic and financial audits. All programs must maintain accreditation, which is based on the Baldrige Performance Excellence program, to be eligible for federal funding. All centers have processes in place to survey program recipients to evaluate quality and to make enhancements. Other program stakeholders are also surveyed for feedback.</p>
<p>Opportunities for more collaborations</p>	<p>The over 1,000 SBDCs across the country have deep local connections. They partner with USDA, SCORE, Women’s Business Centers, Procurement Technical Assistance Centers, EDA, FAST, Hub Zones, USEAC, USTDA, Commerce and MEP, state, county, and municipal programs, chambers of commerce, financial institutions, trade associations and professional service providers.</p>
<p>Effectiveness</p>	<p>SBDCs achieve tangible results. In 2011 the SBDCs helped:</p> <ul style="list-style-type: none"> • Start 13,351 New Business • Increase Sales by \$4.7 Billion • Create 61, 214 New Jobs • Save 69, 363 Jobs • Generate over \$234 Million in New Federal Income Taxes
<p>Efficiency</p>	<p>The return on investment for the SBDC program is \$2.09 for every \$1 in Federal funding invested in the program.</p>