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WOMEN'S BUSINESS CENTERS SUSTAINABILITY ACT OF 1999

NOVEMBER 2, 1999.—Ordered to be printed

Mr. BOND, from the Committee on Small Business, submitted the following

REPORT

[To accompany S. 791]

On September 29, 1999, the Committee on Small Business considered S. 791, the Women's Business Centers Sustainability Act of 1999. The Committee adopted by unanimous voice votes a substitute amendment offered by the Ranking Democrat, Senator John Kerry, and an amendment offered by Senator Spencer Abraham on Federal procurement opportunities for women-owned small businesses. As amended, S. 791 would authorize a four-year pilot program to allow Women's Business Centers to compete for new five-year matching grants and additional changes in the Women's Business Center program. Having considered S. 791, as amended, the Committee reports favorably thereon without further amendment and recommends that the bill do pass.

I. INTRODUCTION

The Women's Business Centers program at the Small Business Administration (SBA) provides five-year grants, matched by non-Federal dollars, to private-sector organizations to establish business-training centers for women. Depending on the needs of the individual communities being served, Centers teach women the principles of finance, management and marketing, as well as specialized topics such as how to obtain a Federal government contract or how to start a home-based business. Women Business Centers are located in rural, urban and suburban areas. Much of their training and counseling assistance is directed toward socially and economically disadvantaged women.

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Congress started the Women's Business Centers program in 1988 following Congressional hearings that revealed the Federal government was not meeting the needs of women entrepreneurs. Testimony at that time revealed that women entrepreneurs faced extreme difficulty gaining access to bank loans and venture capital, had few opportunities to compete for Federal government contracts, and had insufficient access to the kind of business assistance they needed to compete in the marketplace.

Through the Women's Business Program, specialized assistance has steadily improved the resources available to women. The program opened its first 12 centers in 1989. Ten years later, women receive assistance at 81 centers in 47 states, the District of Columbia, Puerto Rico, and the Virgin Islands. In addition to increasing self-sufficiency among women, Women's Business Centers strengthen women's business ownership overall and encourage local job creation. Over the past decade, the number of women-owned businesses operating in this country has grown by 103 percent to an estimated 9.1 million firms, generating $3.6 trillion in sales annually, while employing more than 27.5 million workers.[1] In 1998, women-owned businesses made up more than one-third of the 23 million small businesses in the United States.

In spite of the impressive growth, according to the data from the 1998 Women's Economic Summit, women-owned businesses account for only 18 percent of gross receipts from all small businesses. Further, they are dramatically under-represented in the nation's two most lucrative markets: corporate purchasing and government contracting. According to the National Foundation of Women Business Owners, in fiscal year 1998, only 2.21 percent of the $181 billion in federal prime contracts went to women-owned businesses.[2] As of 1999, women-owned businesses accounted for 38 percent of all firms.[3] Based on this data and testimony from hearings, the Committee finds the need for the Women's Business Centers continues, and it is critical that we work to strengthen the infrastructure we have invested in for the past decade.

The "Women's Business Centers Sustainability Act of 1999" draws on testimony given before the Committee over the past year. According to statements from the Association of Women's Business Centers at a Committee hearing on March 16, 1999, and at a Committee Roundtable on May 20, 1999, the Women's Business Center program is in danger of losing effective Centers because it has become increasingly difficult to raise the required non-Federal matching funds. For most centers, the competition for foundation and private-sector dollars as the result of mergers and down-sizing has become increasingly stiff. Testimony from the Association stressed that the loss of matching funds would compound the problem because the centers would have to raise twice as much money, and they would not have the leverage brought by Federal matching

[1] Research from the National Foundation for Women Business Owners (NFWBO)Women-Owned Businesses, Top 9 Million in 1999 (1999), Economic clout increases as employment, revenues grow.

[2] National Women's Business Council, 1999 NWBC Best Practices Guide: Contracting with Women. Research conducted by the Office of Federal Procurement Policy.

[3] Research from the National Foundation for Women Business Owners (NFWBO)Women-Owned Businesses, Top 9 Million in 1999 (1999), Economic clout increases as employment, revenues grow.

funds to attract foundations and private corporations to make donations.

Ms. Agnes Noonan, Executive Director of WESST Corp., the Women's Business Center in Albuquerque, New Mexico, testified before the Committee on March 16, 1999. She commented on the possibility of charging higher fees to increase the Center's income in order to reduce its reliance on public dollars: "Though [such a] strategy may have made economic sense, it conflicted directly with our mission of serving low-income women * * *. If we were to target our services to women who could afford to pay market consulting and training rates, then we would clearly not be addressing the needs of low-income women in New Mexico."[4]

Ms. Noonan also provided to the Committee important information about the realities of fund-raising: "Nationally, only six percent of foundation money is earmarked for women, and only a tiny portion of that goes to women's economic development."[5] Bank mergers further exacerbate the situation because they are a primary source of funding for many centers. According to testimony from the Association of Women's Business Centers, its members have seen that when institutions merge, whether they are banks or corporations, they rarely give the combined sum of what the two single institutions gave previously to Women's Business Centers.

While Federal funding should not be automatic, the Committee finds graduating and graduated centers that provide on-going services should be able to compete for a new cycle of matching grants so that the Nation does not lose its investment in the most effective centers. The "Women's Business Centers Sustainability Act of 1999," which was overwhelmingly approved by the Committee, would establish a fair framework for past and present Women's Business Centers to compete for limited Federal grant dollars, while increasing SBA oversight to improve the program.

II. Description of the Bill

The "Women's Business Centers Sustainability Act of 1999" addresses the funding constraints that are making it increasingly difficult for Women's Business Centers to sustain the level of services they provide and, in some instances, to keep their doors open after they graduate from the Women's Business Centers program and no longer receive federal matching funds.

To help these centers, this legislation would establish a four-year competitive grant pilot program that allows graduating and graduated centers that offer on-going programs and services to compete for another five years of matching grants, known as "sustainability grants." "Graduating centers" are centers that are in the final year of their initial five-year funding cycle. A "graduated center" is a center that participated in the Women's Business Center program and no longer receives program funds but is still actively providing business programs and services to its local market.

[4] Testimony of Agnes Noonan, Executive Director of the Women's Economic Self-Sufficiency Team (WESST Corp.) based in Albuquerque, New Mexico, presented to the Senate Small Business Committee for a hearing on the SBA's FY2000 Budget, Tuesday, March 16, 1999.

[5] Testimony of Agnes Noonan, Executive Director of the Women's Economic Self-Sufficiency Team (WESST Corp.) based in Albuquerque, New Mexico, presented to the Senate Small Business Committee for a hearing on the SBA's FY2000 Budget, Tuesday, March 16, 1999.

In order to help the SBA manage the selection and award process, the bill requires the SBA to issue the requests for proposals (RFP) for new centers and centers competing for sustainability grants at the same time. This provision is intended to ensure that new centers and centers applying for sustainability grants receive equal consideration during the application review process, and that funds are appropriately awarded.

The bill also includes three provisions that seek to assist the SBA in its evaluation and selection of recompeting centers. The first provision directs the SBA to provide a preference to those Women's Business Centers that are in the final year of their initial five-year grant from SBA. The bill provides a priority to Centers in the last year of their initial five-year grant to offset potential Federal funding constraints. After the SBA has selected the most meritorious graduating centers, remaining funds reserved for sustainability grants should be targeted by the SBA to select the most meritorious graduated centers for new grant awards.

In the second provision, the Committee intends for the selection panel, based on the participation conditions described in the bill, to judge how well a Center provided service to its market under its initial five-year grant and how it plans to serve its market during the next five years. As part of this review, the Committee urges the SBA to reach out to small business organizations that focus on women-owned businesses, such as the Association of Women's Business Centers and the National Association of Women Business Owners (NAWBO). From these and other like-minded organizations, SBA should seek their opinions and insight about the operation of the Women's Business Center program and the applicants that are competing for sustainability grants.

The third provision of the bill requires the SBA, as part of the final selection process, to do a site visit of each center competing for a sustainability grant. The Committee feels strongly that site visits are an important tool to help panel judges rank the centers and to improve oversight of the program. Recognizing that site visits are expensive, the bill limits site visits to only those centers being considered in the final selection process rather than all centers applying, and it authorizes not more than $275,000 per year can be used for site visits and other uses.

SBA NEEDS TO IMPROVE RECORD KEEPING AND OVERSIGHT

This "Women's Business Center Sustainability Act of 1999" also increases oversight and review of the Women's Business Centers. Following the introduction of S. 791, the General Accounting Office (GAO) undertook an examination of the Women's Business Center Program at the request of the Senate and House Committees on Small Business. This examination included a review of the program's records of the program maintained at SBA and a survey of all past and present Women's Business Centers. GAO found that more than two-thirds of the centers that currently receive grant funds or that received funds in the past continue to operate as Women's Business Centers. Most that are continuing to operate after Federal support ceased have continued to offer similar services to women business owners. This part of the GAO report is very encouraging.

On the other hand, another part of the report from GAO is discouraging. GAO investigators experienced difficulty obtaining complete data about the program from the SBA because of limitations of SBA's records and databases for program years 1989 through 1998. Information about Women's Business Centers prior to 1996 was incomplete or unavailable. During its review of information provided by SBA for 1996 and 1997, GAO had to perform follow-up and additional analysis because the program data was not complete. The failure of SBA to keep complete program and financial records on Centers that are receiving SBA grants funds is of concern to the Committee.

The Committee is also concerned about the apparent failure of the Agency to undertake a thorough, ongoing analysis of the financial and program reports it already receives on the individual centers; therefore, Senator Kerry's substitute amendment, that was unanimously adopted by the Committee, included a provision that requires the SBA to send the Senate and House Committees on Small Business a yearly Management Report on the status of the program. This report would include an annual programmatic and financial examination of each Women's Business Center. Further, SBA is directed to make a determination annually of the programmatic and financial viability of each Women's Business Center. The Committee believes this new statutory requirement will lead to better SBA oversight and a stronger Women's Business Center Program.

The Committee understands that SBA's current practice is to collect data on the number of women served who are socially and economically disadvantaged. The Committee encourages the Agency to continue collecting this data. To achieve this goal, it is important that SBA track separately the data from both the "intake form" and "follow-up survey" that women entrepreneurs fill out when they visit women's business centers for help.

AUTHORIZATION LEVELS

This bill incrementally raises over four years the annual levels of authorized appropriations from $13 million in FY 1999 to $17 million in FY 2003. The Committee believes the higher authorization levels are critical to ensure that Congress provides adequate funds to support 45 existing centers, an average of 12 recompeting centers, and an average of 12 new centers per year.

The bill establishes very specific requirements for use of available appropriations. First, of those amounts, the bill reserves a percentage each fiscal year for sustainability grants. While the bill does not specify a dollar amount for each sustainability grant, it is expected to be generally less than the grants for new centers, and SBA is expected to manage the program accordingly. New centers and existing centers are currently awarded matching grants of up to $150,000 per year. Assuming an adequate appropriation, graduated and graduating Centers are expected to be awarded matching grants of up to $125,000. The Committee intends for the funds appropriated over the four fiscal years of the pilot program to be available until expended to permit funds to be carried over to the next year of the pilot if insufficient qualified applications are received in any year. Thus, the program can carry over unobligated funds for use later in the pilot. Second, the bill makes available up to $275,000 per year for the selection panel expenses, post-award conference costs, and monitoring and oversight costs.

PROCUREMENT OPPORTUNITIES FOR WOMEN-OWNED BUSINESSES

Senator Abraham offered an amendment addressing Federal procurement opportunities for women-owned small businesses. The amendment, which was unanimously adopted by the Committee, expresses the sense of the Senate that the General Accounting Office (GAO) should conduct an audit on the federal procurement system for the preceding three years. This audit should report on all identifiable trends in Federal contracting that are related to women-owned small businesses. Further, GAO is urged to provide suggestions obtained from federal agencies as to how the Federal government can reach the Congressionally mandated five-percent procurement goal for women-owned small businesses.

It is difficult for the Committee to understand how the women-owned small businesses segment of our economy can make up 38 percent of all small businesses, while this segment receives only 2.2 percent of the $181 billion in Federal prime contracts. In 1994, Congress passed into law a goal for women-owned small businesses to receive at least 5 percent of the total amount of Federal prime contract dollars. The Committee is perplexed by the failure of the Federal agencies to meet this goal and seeks to understand better the reasons for this discrepancy.

III. COMMITTEE VOTE

In compliance with rule XXVI(7)(b) of the Standing Rules of the Senate, the following votes were recorded on September 28, 1999. A motion by Senator Bond to adopt an amendment by Senator Abraham concerning Federal procurement women-owned small business passed by unanimous voice vote. A motion by Senator Bond to adopt the substitute amendment by Senator Kerry passed by unanimous voice vote. A motion by Senator Kerry to adopt the "Women's Business Center Sustainability Act of 1999," as amended, was approved by a 17–1 recorded vote, with the following Senators voting in the affirmative: Bond, Kerry, Burns, Coverdell, Bennett, Snowe, Enzi, Fitzgerald, Crapo, Abraham, Levin, Harkin, Lieberman, Wellstone, Cleland, Landrieu and Edwards. Voting in the negative: Senator Voinovich.

IV. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI(11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

V. CHANGES IN EXISTING LAW

In the opinion of the Committee, it is necessary to dispense with the requirement of rule XXVI (12) of the Standing Rules of the Senate in order to expedite the business of the Senate.

VI. Cost Estimate

In compliance with rule XXVI(11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will be equal to the amounts indicated by the Congressional Budget Office in the following letter.

U.S. Congress,
Congressional Budget Office,
Washington, DC, October 5, 1999.

Hon. Christopher S. Bond,
Chairman, Committee on Small Business,
U.S. Senate, Washington, DC 20510

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for S. 791, the Women's Business Centers Sustainability Act of 1999.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley (for federal costs), and Shelley Finlayson (for state and local impact).

Sincerely,

Barry B. Anderson
(For Dan L. Crippen, *Director*).

Enclosure.

S. 791—Women's Business Centers Sustainability Act of 1999

Summary: Women's Business Centers train and counsel women in the skills necessary to launch their own businesses. Current law authorizes appropriations of $11 million a year for Women's Business Centers. S. 791 would increase the amounts authorized for fiscal year 2000 through 2003, but would repeal the authorization for subsequent years. The bill also would establish a pilot program to provide grants to such centers beyond their initial five-year projects. The bill would clarify that Women's Business Centers must be private nonprofit organizations. Finally, S. 791 would direct the Small Business Administration (SBA) to determine whether each center is programmatically and financially viable, and would allow SBA to use a small portion of the authorized amounts for administrative expenses.

Assuming appropriation of the authorized amounts, CBO estimates that S. 791 would increase net outlays by $9 million over the 2000–2004 period, relative to the currently authorized level. S. 791 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

S. 791 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. Any expenditures made by these governments to provide the nonfederal matching funds or in-kind contributions to Women's Business Centers in their jurisdictions would be incurred voluntarily.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 791 is shown in the following table. For purposes of this estimate, CBO assumes that historical spending rates for this program will continue and appropriations will be provided near the start of each fiscal year. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By fiscal year, in millions of dollars—				
	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATIONS					
Spending for Women's Business Centers under current law:					
Authorization level[1]	11	11	11	11	11
Estimated outlays	9	10	11	11	11
Proposed changes:					
Authorization level	2	3	5	6	−11
Estimated outlays	1	3	3	5	−3
Spending for Women's Business Centers under S. 791:					
Authorization level	13	14	16	17	0
Estimated outlays	10	13	14	16	8

[1] The amount shown reflect the amounts authorized to be appropriated under current law.

Pay-As-You-Go Considerations: None.

Intergovernmental and private-sector impact: S. 791 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Any expenditures made by these governments to provide the non-federal matching funds or in-kind contributions to Women's Business Centers in their jurisdictions would be incurred voluntarily.

Previous CBO estimate: On October 4, 1999, CBO transmitted a cost estimate for H.R. 1497, the Women's Centers Sustainability Act of 1999, as ordered reported by the House Committee on Small Business on September 30, 1999. Differences between the two estimates reflect differences between the two bills. CBO estimated that implementing H.R. 1497 would increase net outlays by $2 million over the 2000–2004 period, as compared to S. 791's estimated increase of $9 million over that period.

Estimate prepared by: Federal Costs: Mark Hadley, Impact on State, Local, and Tribal Governments: Shelley Finlayson.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VII. Section-By-Section Analysis

The bill amends Section 29 of the Small Business Act to create a four-year pilot program that allows Women's Business Centers to compete for another five-year matching grant, known as a sustainability grant.

Section 1. Short title

The Act is entitled the "Women's Business Centers Sustainability Act of 1999."

Section 2. Private nonprofit organizations

This section amends the act to clarify that all Women's Business Centers must be private nonprofit organizations (501(c) organizations) instead of private organizations.

Section 3. Increased management oversight and review of Women's Business Centers

This section directs the SBA to do an annual programmatic and financial examination of each center and then to analyze the results to determine whether the center is programmatically and financially viable. SBA can withhold grant extensions or grant renewals if the centers do not provide information required, if the information is inadequate, or if the results of the examination are poor. SBA is directed to report annually to the Senate and House Committees on Small Business on the effectiveness of the program.

Section 4. Women's Business Centers sustainability pilot program

Subsection (a)(1) establishes a four-year competitive grant pilot program. Each grant cycle is for five fiscal years. Eligible applicants would be any private nonprofit organization that had previously received a grant under this program.

Subsection (a)(2) describes the conditions that need to be met for a private nonprofit organization to receive a sustainability grant.

Subsection (a)(3) sets forth the conditions for reviewing grant applications, and the data collection requirements that must be met by the grant recipients. SBA is required to retain all applications submitted under this section for at least ten years.

Subsection (a)(4) establishes the matching requirement. Centers must raise cash or in-kind contributions from non-Federal sources. Consistent with the last three years of the initial five-year grant, centers must raise the equivalent of one non-Federal dollar for each Federal dollar of assistance received under this section.

Subsection (a)(5) requires the SBA to issue all requests for proposals (proposals to establish new centers and proposals to receive sustainability grants under the pilot program) at the same time. This provision is intended to ensure that new centers and sustained centers receive equal consideration during the application review process, and that funds are appropriately awarded.

Subsection (b) sets forth the authorization for appropriations for the Women's Business Center Program for Fiscal Years 2000—2003.

Subsection (b)(1) incrementally raises over four years the annual appropriations from $13 million in FY 1999 to $17 million in FY 2003. The Committee intends for the funds appropriated to be available until spent or September 30, 2003, whichever is earlier.

Subsection (b)(2) sets aside the equivalent of $275,000 per year for the Office of Women's Business Ownership to use for selection panel costs including site visits of all final contenders for sustainability grants, post-award conferences and oversight costs.

Subsection (b)(3) reserves specific percentages of funds appropriated each year to fund sustainability grants under the pilot program. The subsection also sets forth exceptions for the use of unobligated funds. Funds for sustainability grants that are not awarded to graduating centers shall be used for sustainability grants to graduated centers. Should funds under this subsection remain available after funding sustainability grants for qualified graduating and graduated centers, this amount may be used for new centers or to expand programs to meet the needs of a market.

Subsection (c) directs the SBA to issue guidelines to implement this Act within 30 days of enactment.

Section 5. Effective date

This section establishes that this Act takes effect on October 1, 1999.

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