

March 11, 2014

The Honorable Sam Graves
Chair, Small Business Committee
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity for the U.S Small Business Administration (SBA) to provide your committee with more information about certain pilot programs and initiatives funded in the Consolidated Appropriations Act, 2014, Pub. L. 113-76. Per your request the SBA has worked to gather the relevant information in relation to the Entrepreneurial Development Initiative (Clusters), Growth Accelerators, Boots to Business, and Entrepreneurship Education.

This letter will outline for you information about each aforementioned program, including where available, programmatic guidelines, agency goals and objectives, eligibility requirements, performance measurement and evaluation, and resource partner participation. The SBA is committed to drawing on our existing resource partners for the delivery of these important services and recognize how important they are to the SBA's success.

Entrepreneurial Development Initiative:

Programmatic Guidelines

The U.S. Small Business Administration is investing in regional clusters throughout the United States that span a variety of industries, ranging from energy and manufacturing to agriculture and advanced defense technologies.

Clusters are geographic concentrations of interconnected companies, specialized suppliers, academic institutions, service providers and associated organizations with a specific industry focus. They provide high-value, targeted connecting of small and large businesses, including networking with potential industry partners abroad.

Clusters form strong partnerships between universities and private industry, facilitating technology transfer and commercialization of new technology. Clusters can play a critical role in meeting innovation needs in sectors such as energy or defense faster and cheaper than traditional procurement processes.

Agency Goals and Objectives

A Regional Innovation Cluster (RIC) is a geographically-concentrated, interconnected network of synergistic or complementary businesses, suppliers and associated organizations engaged in or with a particular industry sector, with active channels for business transactions, communications, and dialogue that share specialized infrastructure, labor markets and services. Each cluster is coordinated and executed by a cluster governance body or cluster administrator.

The goals of the clusters initiative is to increase small business access to research, development and operational funding, as well as facilitate partnerships between small businesses, research facilities, academic institutions and other-than-small businesses resulting in the ability of cluster participants to access new markets, create new products and business lines and accelerate their growth.

To achieve these goals, each clusters acts as a networking hub to connect large firms, university researchers, regional economic organizations, investors and small businesses. They convene a number of resources to help navigate the industry specific funding, procurement and supply chain opportunities. Through technical assistance, cluster networks also help innovators commercialize promising technologies needed by government and industry buyers. The Regional Clusters Initiative provides funding to cluster organizing entities to increase opportunities for small business cluster participation, to promote innovation in focus industries and to enhance regional economic development and growth in cluster regions.

SBA-funded RICs involve public-private partnerships that align Federal resources—including SBA’s entrepreneurial education network, lending and investing partners, business development programs and Small Business Innovation Research program – with existing state and local resources, regional strengths and economic growth opportunities in communities both within the region and beyond.

Eligibility Requirements

To qualify for funding an entity must be a regional cluster, demonstrate strong regional, bottom-up support, have the ability to foster connects between cluster members, provide tailored industry specific business services to small businesses that are part of the cluster and demonstrate a high potential for success and sustainability.

In order to ensure the entity receiving the funds is truly an existing organized RIC, the awardee must meet the following criteria:

- Demonstrate the cluster’s existing regional partnerships between business and industry groups, economic development organizations, entrepreneurial education programs and training initiatives and reflect a regional industry-specific focus and collaboration,

- Provide the ability to implement the cluster's strategic plan for growth and competitiveness of the region, centered on a particular industry, technology or product and
- Have a defined cluster management and governance structure and well-defined regional strategic cluster objectives.

An awardee must also be able to facilitate the following:

- Link small businesses with other businesses entities,
- Connect small businesses with technology support and transfer services, development and financing opportunities,
- Facilitate mentoring, matchmaking and networking opportunities with seasoned entrepreneurs to help potential high-growth small businesses that include but are not limited to the following:
 - Manage business growth,
 - Build customer bases with Department of Defense, Department of Energy, or other Federal agency's Contracting, Procurement, and Program Offices,
 - Build networks and partnerships,
 - Provide opportunities for showcasing and demonstration,
 - Assist in market development in the region and beyond, and
 - Facilitate opportunities for accessing new resources and markets.

Performance Measurement and Evaluation

The Office of Entrepreneurial Development holds bi-monthly calls with Cluster Administrators, collects quarterly metrics and reviews reimbursements for work performed monthly. These measures have ensured transparency and accountability.

The SBA has hired an independent, third party evaluator to collect and report on the progress of the clusters pilot program over the last two years. The evaluation uses data collected from each cluster's quarterly and annual reports, and surveys and interviews of cluster administrators, large organizations and small businesses participating in each clusters.

The evaluation answers the following questions:

- What services and activities did clusters provide to their small businesses?
- How did the key measures of business performance and growth change during the initiative among the small businesses participating in the clusters?
- What has been the influence of small businesses' participation in the clusters (as perceived by the small businesses) on their key performance measures?
- How do the changes in cluster key performance measures compare to employment, compensation and establishment revenue benchmarks?

The evaluation also captures the following metrics:

- Growth in number of small businesses participating in cluster partnerships,

- Growth in number of small businesses participating in cluster and support industries,
- Growth in number of small business starts in the cluster area,
- Growth in total capital flowing to small business participants in the cluster (grants, contracts, loans and investments from public and private sources), including description of the relationship between the funding opportunities obtained by the small businesses and the engagement activities of the cluster with such businesses (e.g., value of small businesses' economic activity tied directly to cluster assistance as well as economic activity tied indirectly to the cluster by virtue of the small businesses being active participants in the cluster),
- Growth in job creation of small businesses,
- Growth in new products, services, or business lines,
- Number of small businesses receiving counseling, training, mentoring or other technical assistance,
- Number of small businesses participating in other activities and services provided by the cluster, including showcasing events, networking events, matchmaking opportunities and other convening activities, and
- Number of patents obtained and /or applied for by small business participants in the cluster, as well as number of new technologies licensed.

Resource Partner Participation

SBA funded clusters work with SBA's resource partners (Small Business Development Centers, Women Business Centers and SCORE), leveraging the partners' services and often times augmenting the partners' funding to achieve joint objectives. As a specific example, the SBA-funded Huntsville Advanced Defense Technology Cluster (Alabama) has provided funds to the Women's Business Center of North Alabama to provide training for veteran small business owners and a series on contracting with the government as a small business owner.

Growth Accelerators Fund:

Programmatic Guidelines

Growth accelerators are organizations that help entrepreneurs start and scale their businesses. Typically run by experienced entrepreneurs, accelerators help small businesses access seed capital, mentors and networking opportunities. These programs help accelerate a startup company's path towards success with targeted advice on revenue growth, job growth and sourcing outside funding. Accelerators also help foster an inclusive entrepreneurial ecosystem by stimulating entrepreneurship outside of traditional startup hubs like Palo Alto or Boston, and can effectively leverage the specialties and strengths of a particular city and region such as healthcare in Nashville or engineering in Detroit.

Agency Goals and Objectives

Objectives of SBA's Growth Accelerator Fund:

- Scale up existing accelerators
- Provide resources to launch new accelerators
- Foster networking and community building to create both national and localized accelerator ecosystems
- Facilitate match-making between accelerators, startups and potential funders via Demo-Day style events

Performance Measurement and Evaluation

SBA will conduct rigorous evaluation of applications for our funds through a competition process. We will be looking for:

- Extent/size of impact that the accelerator will have
- Innovative ideas in the accelerator/start up space
- Job creation potential
- For current accelerators, quality of current strategy and web presence; for aspiring accelerators, quality of business and outreach plan
- Specific, pre-identified, metrics and goals for phase 1, phase 2, etc.
- Enumeration of exactly what funds will be used for

In addition to the evaluation of applicants, we will be developing a system for evaluating the success of the winning accelerators (based on the metrics which they set at the outset) at their 6 month, 1 year, 1.5 year and 2 year marks.

Boots to Business:

Programmatic Guidelines

Boots to Business is an entrepreneurial education and training program offered by the U.S. Small Business Administration (SBA) as an elective track within the Department of Defense's revised Transition Assistance Program (TAP) called Transition Goals, Plans, Success (Transition GPS). The mission of the program is to:

“develop veteran entrepreneurs by leading entrepreneurship training for transition assistance programs and connecting Service members to the resources of the U.S. Small Business Administration, so they achieve post-service career success and strengthen the Nation's economy by establishing and operating small businesses.”

The curriculum provides valuable assistance to transitioning service members exploring self-employment opportunities by leading them through the key steps for evaluating

business concepts and the foundational knowledge required for developing a business plan. Participants are also introduced to SBA resources available to help access startup capital and additional technical assistance. The program is delivered in three parts:

1. An *Overview* of the TGPS Entrepreneurship track is provided to all Service members attending TAP
2. A two day course, *Introduction to Entrepreneurship*, is taught at participating military installations by subject matter experts from SBA or a SBA Resource Partner. Participants learn business fundamentals and work through an initial feasibility analysis of their business concepts.
3. A follow on instructor led eight week on line course, *Foundations of Entrepreneurship Course*, is available after completion of the two day course for transitioning Service members to continue on their path to business ownership. This course focuses the participant on developing an actionable business plan.

Since first piloted in late 2012, Boots to Business has been delivered almost entirely by SBA Resource Partners [Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs)] with additional support provided under a pre-existing entrepreneurship training grant to the Institute for Veterans and Military Families at Syracuse University. It is available free of charge to service members transitioning or retiring from the U.S. military and their spouses and dependents.

Approximately 250,000 Service members transition from military service to civilian life each year. The SBA recognizes that transitioning veterans possess the training, experience, and leadership skills to start businesses and create jobs. (The most recent U.S. Census recorded 2.45 million veteran-owned businesses employing 5.793 million individuals and representing 9 percent of all U.S. firms. Veterans are 45 percent more likely to be self-employed than those with no military experience.)

Agency Goals and Objectives

In 2013 over 6,000 transitioning service members including some spouses and dependents participated in two-day Introduction to Entrepreneurship classes at over 140 military installations across the U.S. The SBA is using the funds appropriated in Pub.L. 113-76 to sustain and expand the Boots to Business program to its full operational capability. Notably, this will include reaching Service members transitioning from military installations overseas. SBA's goals for B2B in 2014 are to:

- Scale up to full operational capability (FOC)
 - Deliver Introduction to Entrepreneurship 2 day course on all U.S Installations with demand.

- Increase capacity of the Foundations of Entrepreneurship 8 week online course.
- Initiate overseas delivery at major installations
- Sustain delivery value chain by providing additional B2B specific funding to SBA Resource Partners.
- Increase awareness for program with coordinated outreach campaign.
- Continuously improve operating processes and curriculum.
- Enhance assessment metrics to target long term outcomes.

Eligibility Requirements

SBA relies on grants to partner with organizations capable of providing high quality entrepreneurship education and training. In order to implement the Boots to Business program for Service members as rapidly as possible, SBA utilized existing grants to Resource Partners which include a Veterans service requirement and an existing cooperative agreement with the Institute for Veterans and Military Families to provide curriculum and implementation support as well as technology infrastructure and instruction for the 8 week online course.

The U.S. Small Business Administration is authorized by 15 U.S.C. § 637 (b) (17) “to make grants to, and enter into contracts and cooperative agreements with, educational institutions, private businesses, veterans’ nonprofit community-based organizations, and Federal, State, and local departments and agencies for the establishment and implementation of outreach programs for disabled veterans (as defined in section 4211(3) of title 38), veterans, and members of a reserve component of the Armed Forces.” Boots to Business is an outreach program authorized under this section.

On February 5, 2014, SBA released a program announcement for organizations capable of supporting Boots to Business to compete for the opportunity to administer the eight week online course, provide instructors for a portion of future overseas two day courses, and provide other program operations support.

In the near future, SBA will release additional program announcements to provide funding to Resource Partners that are currently delivering Boots to Business or wish to compete for the opportunity to participate in the program.

Performance Measurement and Evaluation

Several mechanisms are in place to measure the performance of Boots to Business. As a primary means of measuring the effectiveness of the two day course, DOD administers a survey asking participants to rate the quality of the instructors, materials and facilities and the degree to which they find believe the content will be helpful for their transition to civilian life. In addition the survey quizzes students to ensure core knowledge objectives are met. Feedback from this survey instrument has been

positive. A similar process is used to ensure the quality of the eight week online course currently administered by the Institute for Veterans and Military Families.

In addition, SBA is working to incorporate best practices developed for the Agency's more established entrepreneurial development programs to measure the long term outcomes of Boots to Business on its beneficiaries. Several challenges must be addressed to generate robust outcome measures including the restrictions placed on Federal agencies use of personal identifiable information to survey program beneficiaries after they leave the program, and the inherent difficulties of measuring entrepreneurship success.

Resource partner participation:

The SBA will continue supporting veterans as they start and grow businesses and create jobs. And we will continue to call on our Resource Partners [Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs)] to help us support veterans, especially during their critical transition period. By providing the training and resources they need to get started and connecting them to the Resource Partner network for support through the life-cycle of their businesses, we are "developing veteran entrepreneurs".

Entrepreneurship Education:

Programmatic Guidelines

Entrepreneurship Education is a training initiative that specifically focuses on executives of established businesses currently poised for growth. The training provides entrepreneurs with the organizational framework, resource network, and motivation required to build a sustainable business of size and scale. The education provided under the initiative is designed to help entrepreneurs more successfully scale their firms and create jobs.

Agency Goals and Objectives

Objectives of SBA's Entrepreneurship Education initiative are to:

- Scale up existing high-potential, growth oriented firms
- Reduce barriers to growth for underserved and underrepresented firms
- Increase revenue and create jobs
- Provide a combination of intensive education and support services to overcome barriers to growth
- Encourage behavioral changes in business practices to grow sales and create jobs

Performance Measurement and Evaluation

SBA will conduct rigorous evaluation of the Entrepreneurship Education program. Data collection and evaluation will measure:

- Impact
 - Growth in total capital flowing to small business participants
 - Growth in job creation
 - Number of jobs retained
 - Increase in revenues
 - Number of small businesses participating in program
 - Number of participants from underserved/underrepresented communities and groups

- Behavioral Changes
 - Increase in adoption/change in business practices
 - Market/Product/Service expansion
 - Increase in number who use financial statements for decision making
 - Building networks/collaboration with other participants
 - Number of participants with formal advisory boards/and/or mentors

Thank you for your interest in these pilot programs, initiatives and partnerships. We appreciate the opportunity to engage with you regarding SBA's programs. As with all of the Agency's endeavors, these programs ensure that small businesses have the tools and resources they need to start and grow their operations and create new jobs. For more information concerning this response, please contact Nicholas Coutsos at (202) 205-6335. A similar response is being sent to Representative Velázquez.

Sincerely,

Marianne Markowitz