

**Congress of the United States**  
**Washington, DC 20515**

September 17, 2019

The Honorable Gene L. Dodaro  
Comptroller General of the United States  
Government Accountability Office  
441 G Street, NW  
Washington, D.C. 20548

Dear Mr. Dodaro:

We are writing to request that the Government Accountability Office (GAO) conduct an inquiry into the process and management of the Small Business Development Center (SBDC) program at the U.S. Small Business Administration. It has recently come to our attention that the SBA's Office of Entrepreneurial Development is requiring SBDCs to submit budget proposals based on the amount of funding proposed in the President's annual budget request to Congress, rather than the previous fiscal year's enacted level. Given that the funding levels for this program are statutorily approved by Congress, we are concerned this practice unnecessarily burdens SBDC grant recipients, hinders their ability to fulfill their programmatic responsibilities, and potentially creates financial confusion for the SBDC grant recipient's private sector partners.

This requirement is a change from the practices of the prior two administrations where the funding level for the proposed budget for SBDCs would be based on the current year's appropriations level. For example, in FY2014, SBDCs were funded at \$114 million, and for FY2015, they were required to submit their proposals at that level (\$114 million). When funding was increased through the Congressional appropriations process, budgets were revised, with approval from the administration, to reflect the increased allocations.

However, for FY2018, SBDC grantees were required to submit their budget proposals based on the President's budget request of \$110 million for FY2018, rather than the FY2017 enacted level of \$125 million and the amount provided in the Continuing Resolution for FY2018. Following the enactment of the Consolidated Appropriations Act of 2018 (P.L. 115-141), which provided \$130 million for FY2018, the SBDC grantees were then required to resubmit their budget proposals to reflect the increased funding level. SBDCs were later criticized by SBA for under-spending their grant funds as established in their modified budget proposals.

For FY2019, the enacted level of funding for SBDCs is \$131 million, and the President's request for FY2020 is \$101 million. The SBA is requiring that SBDCs submit budget proposals for FY2020 at the \$101 million level, a reduction of more than 20 percent in funding. It is important to note, there have been no calls to reduce the funding (other than the President's request), and the FY2020 House Financial Services and General Government Appropriations bill provides \$150 million for the SBDC program.

We are concerned that this budgeting process is potentially detrimental to the operation of the SBDC program and the counseling services it provides, which assists in the creation of roughly 14,000 small businesses annually. The exercise of drafting a budget at an artificially reduced level unnecessarily directs time and resources away from program operations.

We ask that your office further evaluate this procedure. In your evaluation, we respectfully request that you address the following questions:

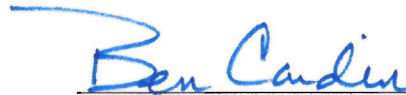
1. What is the basis and justification of the SBA's Office of Entrepreneurial Development's position?
2. Is such a procedure practiced by any other agencies or departments? If so, for how long?
3. What is the impact of this policy on SBDC operations, and their ability to obtain matching funds, hire personnel, and ensure continuous operations?
4. Does this policy violate any laws, including the Anti-Deficiency Act, the Impoundment Act or any OMB circular, guidance or opinion?

Additionally, please include any other information or documentation you may find relevant as part of your evaluation. Thank you for your attention to this important matter. We hope and trust that GAO can undertake this important evaluation at the earliest possible opportunity and request that this investigation be concluded within 180 days.

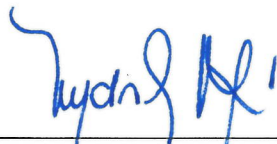
Sincerely,



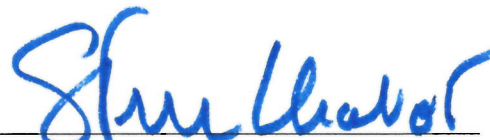
Marco Rubio  
Chairman  
Senate Committee on Small Business  
and Entrepreneurship



Benjamin L. Cardin  
Ranking Member  
Senate Committee on Small Business  
and Entrepreneurship



Nydia M. Velázquez  
Chairwoman  
House Committee on Small Business



Steve Chabot  
Ranking Member  
House Committee on Small Business