



March 7, 2019

Congressional Requesters

**Small Business Administration: Key Entrepreneurship Programs and Activities Do Not Specifically Target Historically Black Colleges and Universities, but Collaboration Exists with Some Schools**

Historically Black Colleges and Universities (HBCU) play an important and unique role in the higher education system. For example, more than one-third of African-Americans who received a doctorate in science, technology, engineering, or mathematics in 2016 obtained their undergraduate degrees from an HBCU, and many also received their doctorates from an HBCU. As of December 2018, there were 101 HBCUs.<sup>1</sup> The White House Initiative on HBCUs was established in 1980 as a government-wide effort to strengthen the capacity of HBCUs, including their ability to participate in federal programs.

The Small Business Administration's (SBA) mission is to help Americans start, build, and grow businesses, among other things. SBA also works with public- and private-sector partners, including colleges and universities, to strengthen or expand businesses development and foster entrepreneurship. For example, public or private institutions of higher education can host Small Business Development Centers (SBDC), which provide technical assistance to existing small businesses and aspiring entrepreneurs.<sup>2</sup> SBA also fosters working relationships with institutions of higher education through memorandums and outreach activities (such as training and counseling). However, little is known about the extent of SBA's activities and partnership programs with HBCUs.

You asked us to review SBA's entrepreneurship efforts with HBCUs. This report examines (1) federal priorities and SBA goals related to working with HBCUs, and (2) SBA's key programs and outreach activities for fostering entrepreneurship, particularly with HBCUs, and what is known about HBCU participation in these programs and activities.<sup>3</sup>

To address the first objective, we reviewed recent executive orders to identify federal priorities for enhancing HBCUs capabilities and efforts to address the priorities. We reviewed SBA's 2018 plan related to the executive orders and identified SBA's goals for working with HBCUs to

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<sup>1</sup>The 101 HBCUs are recognized by the Department of Education as accredited institutions eligible for participation in federal student financial aid programs. Of these HBCUs, 50 are public and 51 are private nonprofit (private).

<sup>2</sup>In addition to public or private institutions of higher education as SBDC hosts, SBA regulations permit entities that were operating as SBDC hosts as of December 31, 1990 to continue operating regardless of where they are hosted.

<sup>3</sup>SBA's Strategic Plan 2018–2022 noted that entrepreneurs often need advice and technical assistance to get businesses started. For this study, we focused on counseling and training activities to foster entrepreneurship.

provide equitable opportunities to participate in federal programs. To address the second objective, we reviewed SBA's congressional budget justifications (fiscal years 2008–2017), strategic plans and corresponding performance reports (fiscal years 2011–2018), and standard operating procedures to identify key programs and activities for fostering entrepreneurship. To determine the extent to which key programs and activities target HBCUs, we reviewed statutes and regulations for key SBA resource partners—SBDCs, Women's Business Centers and SCORE (a business mentor program)—and reviewed a program announcement for SBDCs. We also obtained data from SBA's Office of Entrepreneurial Development and Office of Strategic Alliance on HBCUs participation in SBA programs and outreach activities.

We conducted this performance audit from November 2018 to March 2019 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.

## Results in Brief

Federal priorities for working with HBCUs, as expressed in Executive Order 13779 (2017), include helping young adults by strengthening HBCU participation in federal programs.<sup>4</sup> Key priorities that SBA identified in its 2018 agency plan for the White House Initiative on HBCUs were to (1) provide HBCUs with information on accessing and competing for federal grants and contracts, and (2) enhance HBCUs' capabilities in helping young adults.

SBA's key programs and outreach activities that foster entrepreneurship do not specifically target HBCUs, but collaboration exists with some HBCUs. For example, 18 out of 101 HBCUs are in the SBDC network—2 serve as "lead" SBDCs (host organizations) and 16 serve as service centers. Several HBCUs signed co-sponsorship agreements with SBA to organize activities to foster entrepreneurship. Twenty-four HBCUs have strategic alliance memorandums with SBA to facilitate working relationships. According to SBA officials, the memorandums are largely symbolic in nature because they do not authorize or fund events or activities.

## Background

SBA's Office of Entrepreneurial Development oversees several programs, primarily through a nationwide network of public and private resource partners, that offer small business counseling and technical assistance. (See enclosure I for entrepreneurial development program funding.) Key resource partners include SBDCs, Women's Business Centers, and SCORE chapters.

- SBDCs provide technical assistance to small businesses and aspiring entrepreneurs. The SBDC network has 63 lead centers (which generally must be hosted by institutions of higher education) and more than 900 service centers (subcenters and satellite locations).<sup>5</sup>

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<sup>4</sup>Exec. Order No. 13779 (Feb. 28, 2017).

<sup>5</sup>More specifically, 63 organizations receive SBA funding to help operate the SBDCs (in each state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa). The recipient is responsible for establishing a lead center and a network of service centers for a designated area. According to SBA officials, service centers do not have a relationship with SBA; rather, they have a contractual agreement with the SBDC lead center. The institution hosting a lead center is to promote an inclusive vision of entrepreneurship, expand the scope of activities, and coordinate with SBA district offices, federal and local agencies, and nongovernmental entities.

- More than 100 Women’s Business Centers provide counseling and training to assist women in starting and growing small businesses.
- The SCORE Association is a nonprofit with more than 300 chapters in the United States and its territories. SCORE mentors (volunteer counselors) provide free or low-cost mentoring and training to entrepreneurs.

SBA also provides services through a network of 10 regional offices and 68 district offices that are led by the Office of Field Operations. SBA district offices serve as the point of delivery for most SBA programs and services. Some district office staff work directly with SBA clients, including business opportunity, lender relations, and economic development specialists.<sup>6</sup>

SBA’s district offices can initiate and oversee outreach activities to foster entrepreneurship. For example, SBA district offices can plan and conduct events (including training and informational sessions), participate in such events, or act as a co-sponsor for activities such as counseling and training.<sup>7</sup> Moreover, district offices can enter into a 2-year agreement with a nonprofit or government party, known as a strategic alliance memorandum, to foster a working relationship designed to strengthen small business development in a local area. The memorandums are based on an internal SBA template.

Executive Order 12232 (1980) established the White House Initiative on HBCUs to expand the capacity of HBCUs to provide quality education. Subsequent administrations issued executive orders to continue the initiative.<sup>8</sup> For example, the executive orders under the current and previous administrations generally are similar in that they direct executive departments, agencies, and offices, and other partners to increase the capacity of HBCUs to provide quality education. The more recent executive orders also require that each department and agency designated by the Secretary of Education prepare an annual plan for efforts to strengthen HBCUs capacity. Most recently the plans are to describe how the department or agency intends to increase the capacity of HBCUs, including by identifying federal programs and initiatives in which HBCUs are underserved or that HBCUs may underutilize.<sup>9</sup> SBA is one of the agencies designated to provide an agency plan.

### **SBA’s Priorities for Working with HBCUs Include Raising Awareness of Its Programs and Promoting Collaboration**

Federal priorities for working with HBCUs, as expressed in Executive Order 13779, encompass two missions: (1) increasing the role of private-sector entities in helping to improve capacity at HBCUs, and (2) enhancing HBCUs’ capabilities for helping young adults. Areas of focus noted

<sup>6</sup>Business opportunity specialists recruit, train, educate, and develop small businesses interested in SBA’s contracting programs. Economic development specialists market SBA programs and conduct outreach, training, and education. Lender relations specialists interact with lenders to deliver SBA loan programs and services in the district.

<sup>7</sup>SBA enters into co-sponsorship agreements with nonprofit and governmental entities (federal, state, or local) to provide training, education, and information to small businesses.

<sup>8</sup>For example, see Exec. Order No. 12320 (Sept. 15, 1981), Exec. Order No. 12766 (April 28, 1989), Exec. Order No. 12876 (Nov. 1, 1993), Exec. Order No. 13256 (Feb. 12, 2002); Exec. Order No. 13532 (Mar. 3, 2010); and Exec. Order No. 13779 (Feb. 28, 2017). The current Executive Order (13779) supersedes the previous Executive Orders.

<sup>9</sup>Exec. Order No. 13779, § 2(c) (2017). Agency plans are to describe, where appropriate, (1) how the agency intends to increase the capacity of HBCUs to compete effectively for grants, contracts, or cooperative agreements; (2) identify federal programs and initiatives in which HBCUs are not well represented, and improve HBCUs’ participation; and (3) encourage public-sector, private-sector, and community involvement in improving the overall capacity of HBCUs.

for the second mission include strengthening HBCU participation in federal programs, developing public-private partnerships to promote research and programmatic excellence at HBCUs, and sharing administrative and programmatic best practices within the HBCU community.

SBA's 2018 agency plan for the White House Initiative on HBCUs has two priorities.<sup>10</sup> The first priority is raising awareness and providing information that would help raise the capacity of HBCUs to participate in federally funded programs. More specifically, the plan states that SBA will engage with HBCUs and provide them with information needed to access and compete for federal grants and contracts. For example, the plan identifies the Small Business Innovation Research and Small Business Technology Transfer programs, which SBA oversees, as available resources that are underutilized by HBCUs.<sup>11</sup> The second priority is to promote collaboration among HBCUs and SBA resource partners and district offices. For example, the plan states that SBA will encourage the formation of strategic alliance memorandums between SBA district offices and HBCUs to promote and support entrepreneurship in underserved markets.<sup>12</sup>

### **Some HBCUs Have Hosted Small Business Development Centers, Co-Sponsored Activities, and Signed Strategic Alliance Memorandums**

SBA's key programs and activities that foster entrepreneurship have included, but do not specifically target, HBCUs. For example, some HBCUs host SBDCs, have co-sponsored activities, and signed strategic alliance memorandums.<sup>13</sup> More specifically, 2 of the 63 lead SBDCs are hosted by HBCUs—Howard University and the University of the Virgin Islands—and 16 service centers are located at HBCUs.<sup>14</sup> Since 1979, Howard University has hosted the lead SBDC for the District of Columbia, which offers workshops and counseling on marketing, business financing, social media, and other topics. The University of the Virgin Islands became

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<sup>10</sup>SBA provided its 2018 agency plan to us; it is not publically available.

<sup>11</sup>The Small Business Innovation Research program began in 1982 and has four main purposes: (1) use small businesses to meet federal research and development needs, (2) stimulate technological innovation, (3) increase private sector commercialization of innovations derived from federal research and development efforts, and (4) foster and encourage participation in technological innovation by small businesses owned by women and disadvantaged individuals. The Small Business Technology Transfer program began in 1992 and has three main purposes: (1) stimulate technological innovation, (2) foster technology transfer through cooperative research and development between small businesses and research institutions, and (3) increase private-sector commercialization of innovations derived from federal research and development.

<sup>12</sup>While SBA is required to submit an agency plan on an annual basis, we were not able to obtain SBA's agency plans prior to 2018. We have an ongoing review that will provide additional information on SBA's efforts related to the White House Initiative on HBCUs, including whether SBA has met its goals related to supporting HBCUs.

<sup>13</sup>SBDC regulations permit SBA to conduct "special emphasis initiatives" to identify portions of the general population to target for assistance. 13 C.F.R. § 130.340(c). SBA has identified certain populations of business owners as special emphasis groups (thus, they do not include HBCUs). According to SBA officials, SBDCs target underrepresented groups in the population of business owners which are served by HBCUs.

<sup>14</sup>As of September 2018, these 16 SBDC service centers were at Alabama State University, Bluefield State College, Delaware State University, Elizabeth City State University, Fayetteville State University, Florida A&M University, Jackson State University, Lincoln University of Missouri, North Carolina A&T State University, North Carolina Central University, Prairie View A&M University, South Carolina State University, Southern University and A&M College, Tennessee State University, Winston-Salem State University, and Xavier University of Louisiana. While SBA considers Hinds Community College-Utica as an HBCU with an SBDC subcenter, we did not count Hinds as an HBCU because the Department of Education had not defined it as such at the time of our review.

a host institution in 1985 and the SBDC there provides one-on-one counseling, training and other resources at locations on St. Croix, St. Thomas, and St. John.<sup>15</sup>

According to SBA documents, the agency co-sponsored ten activities with six HBCUs to foster entrepreneurship in 2013–2018, mostly through collaborations with SBA district offices.<sup>16</sup> For example, SBA’s West Virginia district office and West Virginia State University organized workshops designed to help individuals over the age of 50 start and grow small businesses, while SBA’s North Florida district office and Edward Waters College coordinated a series of entrepreneurial training sessions for students and the community. See enclosure II for the list of HBCUs and SBA co-sponsored the ten activities.

SBA also identified 24 strategic alliance memorandums it signed with HBCUs during 2008–2018.<sup>17</sup> However, SBA officials could provide us only with memorandums signed since 2015 because, they said, they maintain these records for 3 years. The eight strategic alliance memorandums that we reviewed all were 2-year agreements and stated that the parties would develop and foster working relationships with the intent of strengthening small business development in a local area. SBA staff told us that because a strategic alliance memorandum does not authorize or fund an event or activity, it is largely symbolic in nature.

In addition, SBA makes information about SBA’s programs and services available to HBCUs through its district offices. For example, according to the strategic alliance memorandums we reviewed, SBA district office staff were to invite participating HBCUs to attend SBA’s events, workshops, and training. See enclosure III for the list of HBCUs, by state, with strategic alliance memorandums.

There is one Women’s Business Center at an HBCU and no SCORE chapters at HBCUs as of February 2019, according to SBA officials.<sup>18</sup> HBCUs can form relationships with these entities.<sup>19</sup> For example, Morgan State University representatives told us that a SCORE mentor from the area chapter has office hours on the university campus to provide mentoring.

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<sup>15</sup>Lead SBDCs hosted by other (non-HBCU) colleges or universities also can establish relationships with HBCUs. For example, the SBDC at the University of Maryland has an agreement with Morgan State University to work together to assist businesses in their region.

<sup>16</sup>SBA provided us with documentation for 14 co-sponsorship agreements with HBCUs made during 2013–2018. However, 4 of the 14 agreements did not cover counseling and training activities related to fostering entrepreneurship, which are the focus of our review. For example, one event was related to international sales and marketing and another showcased products and services. In the same time period, SBA officials said that they co-sponsored about 880 activities with other (non-HBCU) entities.

<sup>17</sup>During the same time period, SBA officials said that they signed a total of 206 strategic alliance memorandums with other (non-HBCU) entities.

<sup>18</sup>According to SBA officials, the Maryland Women’s Business Center has a service center at Bowie State University.

<sup>19</sup>Statutory provisions for Women’s Business Centers and SCORE, which are not generally affiliated with colleges and universities, do not mention HBCUs. However, when SBA evaluates applicants for Women’s Business Centers, SBA must consider the ability of the applicant to “provide training and services to a representative number of women who are both socially and economically disadvantaged.” 15 U.S.C. § 656(f)(3). Provisions for SCORE do not specify any socioeconomic, gender, or ethnic/racial groups to be targeted. 15 U.S.C. § 637(b)(1)(B). According to SBA officials, Women’s Business Centers and SCORE do not specifically target HBCUs as institutional organizations but each does specifically target under-represented groups in the population of business owners which are served by HBCUs.

## Agency Comments

We provided a draft of this report to SBA for review and comment. SBA provided technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees and members and the Administrator of the Small Business Administration. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or [OrtizA@gao.gov](mailto:OrtizA@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report include Lisa Moore (Assistant Director), Chir-Jen Huang (Analyst in Charge), Rachel Beers, Benjamin Licht, Sulayman Njie, Barbara Roesmann, Jessica Sandler, Jena Sinkfield, and Andrew Stavisky.

A handwritten signature in black ink, appearing to read 'A. Ortiz', is positioned above the typed name and title.

Anna Maria Ortiz  
Acting Director, Financial Markets and Community Investment

Enclosures – 3

*List of Requesters*

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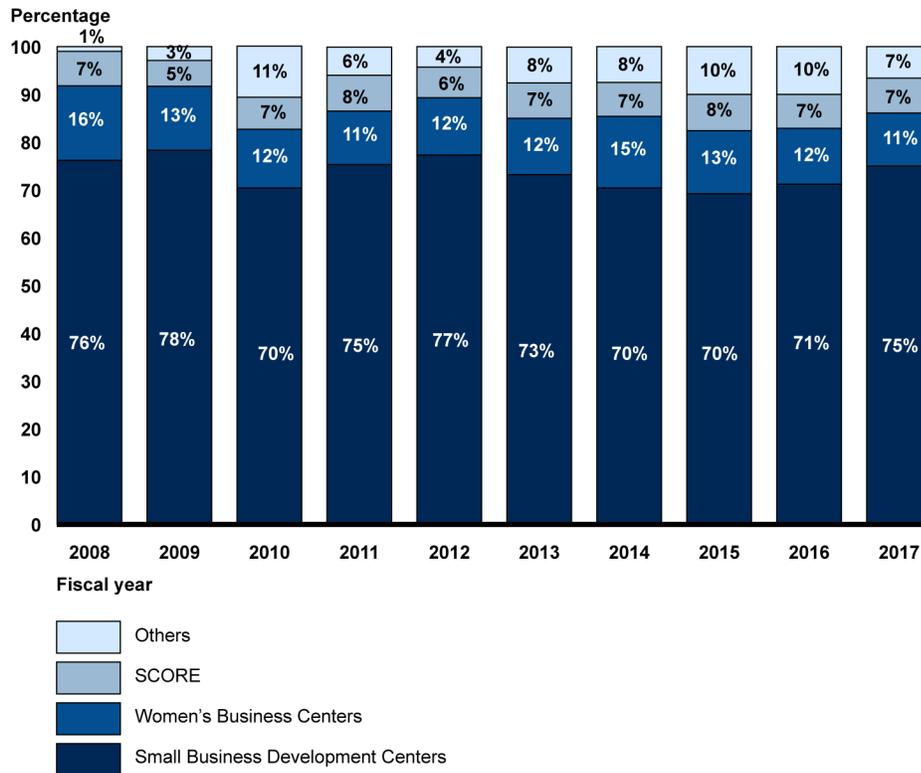
The Honorable Terri A. Sewell  
House of Representatives

The Honorable Bennie G. Thompson  
House of Representatives

## Enclosure I

The Small Business Administration (SBA) has several entrepreneurial development programs. The majority of funding for such programs in fiscal years 2008–2017 went to Small Business Development Centers, Women’s Business Centers, and SCORE, which partner with SBA to offer small business counseling and technical assistance (see fig. 1).

**Figure 1: Entrepreneurial Development Programs at the Small Business Administration (SBA) by Program and Percentage of Total Funding, Fiscal Years 2008-2017**



Source: GAO analysis of SBA data. | GAO-19-328R

Note: The entrepreneurial development programs included in “Other” vary by year but include Drug Free Workplace, Distance Learning Portal, Native American Outreach, Entrepreneurial Development Initiatives, Small Business Training Network, Entrepreneurship Education, and Veterans Outreach.

## Enclosure II

In 2013–2018, the Small Business Administration and six Historically Black Colleges and Universities co-sponsored ten counseling and training activities that fostered entrepreneurship (see table 1).

**Table 1: Counseling and Training Activities to Foster Entrepreneurship That the Small Business Administration (SBA) Co-Sponsored with Historically Black Colleges and Universities, 2013–2018**

SBA office	Historically Black College or University	Activity name
North Florida District Office	Edward Waters College	SBA/Edward Waters College Entrepreneurial Workshop Series
	Bethune Cookman University	SBA/HBCU Entrepreneurial Workshop Series
Louisiana District Office	Southern University and A&M College	"Connecting Businesses with Contracts" Procurement Conference
Baltimore District Office	Morgan State University	Emerging Leaders
Mississippi District Office	Jackson State University	Emerging Leaders
West Virginia District Office	West Virginia State University	Finding New International Customers Workshop
	West Virginia State University	Encore Entrepreneur (2014)
	West Virginia State University	Encore Entrepreneur (2015)
	West Virginia State University	How to Open a Rural Lodging Business (webinar series)
Office of Entrepreneurship Education	West Virginia State University	Encore Entrepreneur

Source: GAO analysis of SBA documents. | GAO-19-328R

**Enclosure III**

The Small Business Administration signed 24 strategic alliance memorandums with Historically Black Colleges and Universities in 2008–2018 (see table 2).

**Table 2: Historically Black Colleges and Universities That Signed Strategic Alliance Memorandums with the Small Business Administration (SBA), by State, 2008–2018**

State	Historically Black College or University
Alabama	J.F. Drake State Technical College Lawson State Community College Miles College Stillman College Concordia College Alabama Shelton State Community College Tuskegee University
Delaware	Delaware State University
Florida	Edward Waters College Florida A & M University Bethune-Cookman University Florida Memorial University
Georgia	Morehouse College Savannah State University
Louisiana	Dillard University
Mississippi	Rust College Alcorn State University Mississippi Valley State University Tougaloo College Coahoma Community College
North Carolina	Shaw University St. Augustine University
Tennessee	LeMoyne-Owen College American Baptist College

Source: GAO analysis of SBA documents. | GAO-19-328R

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