

GAO Highlights

Highlights of [GAO-20-457](#), a report to congressional committees

Why GAO Did This Study

SBA's SBDC Program provides training and counseling to small businesses through a nationwide network of 62 lead centers and more than 900 service centers. Each year, SBDC lead centers submit grant applications based on an estimated amount in SBA's funding opportunity announcement.

GAO was asked to review SBA's procedure for the SBDC funding estimate. This report discusses SBA's change to the way it estimates funding in the funding opportunity announcement, its rationale for the change, and views of SBDC grantees on the effect of the change on their budgeting and operations.

GAO reviewed SBDC funding opportunity announcements, Presidents' budget requests, and appropriations for fiscal years 2012–2020; examined relevant laws and guidance; and interviewed SBA officials and OMB staff. GAO also reviewed documentation and interviewed officials from a nongeneralizable sample of eight SBDCs (selected to achieve diversity in funding amount, budget cycle, and host institution) and surveyed all 62 lead SBDCs.

What GAO Recommends

GAO is making one recommendation that SBA reevaluate its funding application requirements, including the initial funding estimate SBDCs are to use. SBA partially agreed and outlined steps it plans to take that could address the intent of the recommendation.

View [GAO-20-457](#). For more information, contact William B. Shear at (202) 512-8678 or shearwb@gao.gov.

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SMALL BUSINESS DEVELOPMENT CENTERS

Reevaluation of How SBA Sets Initial Funding Estimate Needed to Help Reduce Burden

What GAO Found

The Small Business Administration (SBA) annually issues a funding opportunity announcement with an estimate of total funding for the Small Business Development Center (SBDC) Program. Individual SBDCs are required to use this estimate to apply for their portion of the funding. In fiscal year 2016, SBA began using the lowest funding estimate—the amount in the President's budget—rather than an estimate reflecting historical funding levels. In fiscal year 2019, the amount in the President's budget was 15 percent lower than the prior-year appropriation and in 2020, 23 percent. If SBA continues its practice for fiscal year 2021, the funding estimate will be 35 percent lower than the 2020 appropriation. When appropriations are enacted for the program, the funding amount is revised and SBDCs submit a final budget.

SBA officials said they changed how they set the funding estimate to conform to federal standards and appropriations law.

- In a 2019 letter to the House and Senate Small Business Committees, SBA said it adopted the change to help the program operate more effectively and be consistent with federal financial management standards. SBA officials could not point to specific regulations or guidance to support this statement. Office of Management and Budget (OMB) guidance for grants states that estimates based on the previous year's funding are acceptable if current appropriations are not yet available, as was the case when recent SBDC funding opportunity announcements were issued.
- SBA officials also cited the Antideficiency Act, which prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation. But staff from OMB and SBA's Office of General Counsel told GAO that the Antideficiency Act does not apply to a funding opportunity announcement because the announcement does not obligate federal funds.

A majority of SBDCs that GAO surveyed said using the President's budget request for the initial funding estimate created budgeting, operational, and performance burdens and challenges—mostly stemming from the large gap between the initial estimate and appropriated amounts. For example, SBDCs surveyed said that they now

- spend more time on budgeting (determining what to cut from initial budgets to meet the lower estimate and then recalculating for final budgets);
- have a harder time obtaining matching funds (from state, local, or private-sector sources) or increasing the amounts from initial to final funding levels;
- have difficulty hiring or retaining staff;
- face challenges providing services to small businesses (particularly if SBDCs have staffing gaps); and
- thus also face challenges meeting performance goals (which include number of clients served).

Under SBA's current practice for funding estimates, SBDCs will continue to experience (or may experience increasing) challenges given the growing divergence between the initial estimate and appropriated amounts.