

Summary of the SBA Final Rule: [Small Business Development Centers](#)

On November 7, 2023, SBA published a final rule updating the regulations for the Small Business Development Center (SBDC) Program. SBDC regulations have not been comprehensively updated since 1995. This rule makes numerous procedural and technical changes, but there are a few changes of note, numbered below:

- 1) Adding Women's Business Centers (WBC) to the list of entities eligible to apply to be a Lead Center
- 2) Requiring that SBDC service centers be primarily housed within institutions of higher education or WBC
- 3) Clarifying that SBDC employees may participate on boards and panels of financial institutions in their local communities
- 4) Allowing an annual review of a Service Center by a Lead Center to be done virtually or in person

A complete section-by-section analysis can be found [here](#). The final rule is effective on December 7, 2023.

[Section 130.200](#)—Addition of WBCs as Eligible Entities for Lead Centers: This section adds a WBC as an entity eligible to apply to be a Lead Center SBDC.

[Section 130.310](#)—Locations of SBDC Service Centers: This section requires service centers to be primarily housed within institutions of higher education or a WBC. Specifically, the recipient organization must ensure that any new SBDC service centers established within its area of service are primarily housed within institutions of higher education or a WBC. A recipient organization is an institution of higher education or a state agency that receives Federal funds to operate an SBDC.

[Section 130.330](#)—Clarify that SBDC Employees May Participate on Boards, Panels of Financial Institutions: SBA requires the SBDC network to collaborate with other state and local government programs assisting small businesses and potential small businesses. This final rule clarifies that SBDCs may participate on boards and panels of financial institutions and with outside organizations. However, they may not be involved in any final credit decisions involving SBDC clients or in making or servicing loans.

This clarification comes from comments stating that by serving on panels or boards that review loan applications, SBDC personnel become more knowledgeable about the financing trends in their communities and better understand the advising needs of minority-owned businesses. Additionally, comments state that some SBDC counselors have been members of loan committees of Black and Latino associations and instrumental in widening access to capital for minority entrepreneurs and learning of their technical assistance needs.

[Section 130.370](#)—Relationship with SBA: This section codifies the requirements process for an SBDC to enter a contract with another Federal agency and gives the SBA a five-business day response timeframe.

Section 130.380—Codification of Client Privacy Requirements: This final rule codifies the current privacy protections in place in the SBDC Program. An SBDC, including its contractors and other agents, would not be permitted to disclose to an entity outside the individual SBDC, the name, address, email address, or telephone number, referred to as "client contact data" of any individual or small business without the consent of such individual or small business, unless such disclosure meets on the three exceptions listed [here](#).

This rule would require SBDCs to provide an opportunity for clients to opt in to allow SBA to obtain their contact data. The rule also prohibits the SBA from using client contact data for any other purpose beyond program surveys or studies. Additionally, the rule prohibits denying services to clients solely based on their refusal to allow access to their contact data.

Section 130.420—Renewal Application Process: This final rule revises the existing renewal and nonrenewal process to reflect the process currently utilized by SBDCs. Factors of consideration in the renewal application are expanded to include corrective measures implemented as a result of examinations conducted and the accreditation provision, including any conditions from the accreditation report and corrective measures implemented. SBA also added language to incorporate client satisfaction rates as a deciding factor.

Section 130.470—Prohibition of SBDC Employees Accepting Fees: This section prohibits SBDC network entities, staff, consultants, or volunteers from soliciting or accepting fees or other compensation for counseling services, including, but not limited to, business or marketing plan development, loan packaging or credit application assistance, or other advisory services.

Section 130.810—SBA's Authority to Renew Relationship with SBDC: This final rule has been revised to state that SBA may not renew or extend any cooperative agreement with an SBDC unless the center has been approved under the accreditation program with the exception that the AA/SBDC can waive the accreditation requirement if they show that the center is making a good faith effort to obtain accreditation.

Section 130.820—Changes in Mandated On-site Visits: The final rule states that the Lead Center must annually conduct monitoring of its Service Centers either in-person or virtually. This is a change from the current physical on-site requirement. However, a physical on-site visit must be conducted at least once every four years by the recipient organization or when the SBA deems it necessary, like when there is a change in leadership, or the SBA has or receives concerns regarding a Service Center.

Section 130.825—Submitting Reports to SBA: This final rule requires SBDCs to submit performance and financial reports to SBA for review, as currently required by the notice of funding opportunity.

Section 130.840—Closeout Procedures: The final rule adds this new section to include closeout procedures for the recipient organization to ensure that program funds and property acquired or developed under the SBDC cooperative agreement are fully reconciled and transferred seamlessly between recipient organizations, service centers, or other Federal programs.