



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

October 24, 2012

The Honorable Benjamin L. Cardin
United States Senator
Tower I, Suite 1710
Baltimore, Maryland 21201

Dear Senator Cardin:

Thank you for your recent communication regarding whether Small Business Development Center (SBDC) grant funds may be used to pay membership dues in Chambers of Commerce (CoC). Administrator Mills has asked me to respond to your letters on behalf of Mr. Alan Silverstein, President of the Talbot Chamber of Commerce, expressing concern over the Small Business Administration's position that CoC membership dues are an unallowable grant cost.

The grant cost principle regulations issued by the Office of Management and Budget (OMB) provide that "costs of an institution's membership in business, technical, and professional organizations are allowable," but "costs of membership in any civic or community organization are unallowable." 2 Code of Federal Regulations, Part 220, Appendix A, Paragraph J(33). The OMB regulations do not define what constitutes a civic or community organization, but such terms are generally understood to include organizations that bring together members of a local community who share a common goal of addressing community needs and interests. CoCs play an important role in the communities in which they are located, serving as a resource for local businesses and the broader population in the communities they serve. As such, they may have attributes of both a "civic or community organization" as well as a "business, technical or professional organization." In light of the Internal Revenue Service letter your office forwarded to us regarding the status of CoCs as business leagues under the tax code, however, SBA is able to consider CoCs to constitute business organizations under Paragraph J(33) of Appendix A to 2 C.F.R. Part 220. This will permit all SBA grant recipients (including those in the SBDC program) to use their grant funds to pay the cost of membership dues in CoCs.

The mission of the SBDC Program is to support economic development through job creation and retention and to strengthen local economies by assisting in the expansion and creation of businesses, helping them to start, grow, and succeed. This mission is accomplished through one-to-one business advisor services and through training events and seminars offered by the SBDCs for nascent and existing small businesses. The SBA's Office of Small Business Development Centers will continue to work diligently to employ the funds entrusted to us in the most effective manner so that our SBDC network can meet the challenges and the needs of existing and prospective small business concerns.

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We appreciate your continued support of the SBA and the Maryland small business community and thank you for helping us arrive at a result in this case that will strengthen our entrepreneurial assistance efforts. If you and your staff have any further questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

Michael A. Chodos
Associate Administrator
Office of Entrepreneurial Development