Letter to the House and Senate Small Business Committees

August 23, 2023

The Honorable Ben Cardin
Chairman
U.S. Senate Committee on Small Business and Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

The Honorable Joni Ernst
Ranking Member
U.S. Senate Committee on Small Business and Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

The Honorable Roger Williams
Chairman
U.S. House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
U.S. House Committee on Small Business
2069 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Cardin, Chairman Williams, Ranking Member Ernst, and Ranking Member Velázquez,

BPC Action commends your leadership to advance legislation that will strengthen the Small Business Administration’s (SBA) efforts to aid, counsel, assist, and protect the interests of America’s small businesses, the entrepreneurs who run them, and their employees.

More than 20 years since the last comprehensive SBA reauthorization bill was signed into law and as SBA embarks on its 70th year of service to American small businesses, now is the time to pass an SBA modernization bill.

While the small business landscape looks much different in 2023 than it did in 2000 when the last reauthorization bill became law, developments over the past few years make modernization a priority.

The COVID-19 pandemic introduced many small business owners and entrepreneurs to SBA. Millions interacted with the agency for the first time as they sought emergency assistance to keep their businesses open. Newly aware of SBA, more entrepreneurs are seeking help from the agency and its resource partners. Moreover, Americans have been starting new businesses at record rates since 2020. With more small businesses being created each month it is imperative that Congress ensure the agency is prepared to meet the needs of all small businesses that turn to SBA for help—both now and in the years to come.
Second, the pandemic highlighted in stark terms a challenge that has bedeviled policymakers for years: persistent gaps in access to capital for many small business owners. While SBA has sought to address capital access gaps through rulemaking, bipartisan legislation creates the most endurable policy. We applaud the Senate Small Business and Entrepreneurship Committee for initiating a bipartisan congressional response to recently enacted SBA lending rules and encourage the House to be supportive.

Beyond an increased demand for SBA services and the longstanding challenge of helping small businesses access the capital they need to start and grow, opportunities exist to improve entrepreneurial training, increase small business participation in government contracting, and enhance SBA customer service. The House Committee on Small Business and the Senate Committee on Small Business & Entrepreneurship have already marked up bills that make important improvements in these and other areas. When Congress returns to Washington after Labor Day, BPC Action encourages supplementing those bills with additional reforms that together would comprise a robust SBA modernization bill that will benefit small businesses, their communities, the U.S. economy, and taxpayers.

Maintain Support for Important Reforms

Many worthwhile reforms have already made their way through the House and Senate Small Business Committees with bipartisan support. BPC Action believes the following are especially important to include in a comprehensive SBA modernization bill.

Access to Capital

S. 673, the Small Business Childcare Investment Act | This bill, and its House companion, H.R. 2602, will allow nonprofit childcare providers to access 7(a) loans that can be used to finance an expansion of services, thereby helping to address the childcare shortage impacting many small businesses.

S. 2212, the SBIC Advisory Committee Act | The Small Business Investment Company (SBIC) program has proven effective at leveraging federal funds to catalyze private investment. Yet, certain small businesses, including those located in rural communities and those owned by women and people of color, continue to experience challenges accessing the capital they need. The advisory committee that this legislation seeks to establish will make recommendations to the SBA administrator that can begin to address and close financing gaps. BPC Action believes the following additional reforms are also worth including:

- Expand the SBIC Advisory Committee’s duties to also include examining the potential benefits of permitting the investment of federal funds in SBICs, including those made available in the State Small Business Credit Initiative. With appropriate safeguards, this should maximize both impact and use of taxpayer dollars.
Address financing gaps by creating a new SBIC license designation to support new funds that invest in rural and underserved communities. S. 1157, the MicroCap Small Business Investing Act, does this.

S. 2482, the Community Advantage Loan Program Act | BPC Action supports making the Community Advantage Loan Program permanent. Yet, transitioning Community Advantage from a pilot program to a congressionally authorized program has become more complicated with SBA’s changes to the Small Business Lending Company program. As Congress pursues Community Advantage permanence, BPC Action believes it is prudent for the committees to also take the following actions:

- Request and examine performance data from Community Advantage lenders on loans and technical assistance. Doing so will enable Congress to determine the program’s efficacy, how it compares to the usage and impact of other 7(a) programs, and the extent of cross-subsidization across 7(a) programs.
- Investigate requirements on Community Advantage lenders (e.g., loan loss reserves) and how those affect their ability to support and work with small businesses.

At the same time, BPC Action has previously supported bipartisan efforts to broaden lender participation in the 7(a) program, including nonbank lenders. As expressed by BPC’s Task Force on the Future of SBA, scrutiny is warranted of new 7(a) lenders where there is concern regarding fraud (based on Office of Inspector General findings in the Paycheck Protection Program) and heightened risk. At the same time, the Task Force highlighted areas where additional examination is needed of existing depository 7(a) lenders—such as those with lending portfolios highly concentrated in SBA-backed loans—and to determine why many depository lenders no longer participate in the 7(a) program.

H.R. 1651, the Small Business 7(a) Loan Agent Transparency Act, and H.R. 1644, the 7(a) Loan Agent Oversight Act | The fraud that occurred in SBA pandemic relief programs underscored the importance of risk mitigation to safeguard taxpayer resources. These bills establish additional controls to protect taxpayer dollars in SBA’s flagship lending program.

H.R. 449, the Microloan Transparency and Accountability Act | According to the Federal Reserve’s Small Business Credit Survey, more than half of small businesses each year seek less than $100,000 in credit. SBA’s Microloan Program provides small business borrowers with loans under $50,000, helping meet important needs in small-dollar financing. This bill, which passed the House by voice vote in January, will provide policymakers with additional data on microloans and inform future action to fill financing gaps.

**Procurement**

H.R. 4670, the Small Business Contracting Transparency Act, and H.R. 4671, the Corrective Action Report Oversight and Accountability Act | Many of the complaints about procurement from small business
owners and Congress pertain to contracting officers and agencies—but SBA has few tools at its disposable to hold other agencies accountable. These bills will improve the quality of data collected and reported, thereby giving SBA and Congress more information with which to strengthen and improve small business procurement.

Entrepreneurial Development

H.R. 1730 and S. 936, the Supporting Small Business and Career Technical Education Act | These bills, both of which have passed the House and Senate Small Business Committees, respectively, will expand the responsibilities of Small Business Development Centers (SBDCs) and Women’s Business Centers to help small businesses hire graduates from career and technical education programs and help graduates from these programs start new businesses. With many small businesses still struggling to find qualified workers, these bills are especially timely.

H.R. 1541, the Small Business Workplace Pipeline Act | Like the Supporting Small Business and Career Technical Education Act, H.R. 1541 expands the role of SBDCs in addressing small business workforce challenges, directing these SBA resource partners to help small businesses establish and improve work-based learning and apprenticeship programs.

Innovation

H.R. 3056 and S. 1396, the Research Advancing to Market Production (RAMP) for Innovators Act | SBA has a critical role to play in enhancing our nation’s economic competitiveness by leveraging the innovative capacity and potential of America’s small businesses. The RAMP for Innovators Act will improve commercialization outcomes from Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants. Its inclusion in a comprehensive SBA modernization bill will build upon the important reforms Congress made to the SBIR and STTR programs when they were reauthorized in 2022, which BPC Action supported.

H.R. 4669, the DOE and SBA Research Act | This bill recognizes the importance of national labs to American innovation and the role entrepreneurs and small businesses play in discovering and commercializing new technologies.

Supplemental Reforms to Pursue

Other pieces of bipartisan legislation that have been introduced, but not yet considered by the committees, can supplement and strengthen a comprehensive SBA modernization bill. BPC Action encourages your committees to carefully consider adopting these additional reforms.

Access to Capital
S. 2330, the Small Business Technological Advancement Act | Small businesses are increasingly adopting digital tools to manage business operations and increase efficiency. The Bipartisan Policy Center’s 2022 report, Small Businesses Go Digital, found that digitalization is associated with growth, with small businesses that use many digital tools being more likely to report recent revenue growth. Yet, the cost of new digital tools can be a hurdle to their adoption. This legislation clarifies that small businesses may use 7(a) loans to finance technology that supports daily operations, including things like inventory management, product delivery, and accounting systems.

Procurement

H.R. 986, the COLLABORATE Act | The number of small businesses providing common products and services to the federal government shrank by 38% from 2010 to 2019. Helping more small businesses win procurement contracts is a bipartisan goal held at both ends of Pennsylvania Avenue. The COLLABORATE Act will improve the coordination of technical assistance to help more small businesses seek and win government contracts.

S. 2146, the Investing in VETS Act, and H.R. 3511, the Service-Disabled Veteran Opportunities in Small Business Act | The federal government has met the 3% government-wide contracting goal for service-disabled veteran-owned small businesses (SDVOSB) for each of the last 11 years. The Investing in VETS Act will push government agencies to do even more business with SDVOSBs by raising the goal to 5%. Yet, even in years when the government-wide goal is met, some agencies fall short. In fiscal year 2022, one quarter of agencies failed to meet the SDVOSB goal. The Service-Disabled Veteran Opportunities in Small Business Act directs SBA and the Department of Veterans Affairs to provide training to employees at agencies that fail to meet the SDVOSB goal on how to increase the number of contracts awarded to these small businesses.

H.R. 3716, the SPUR Act | This bill follows the logic of the Investing in VETS Act: if contracting goals are consistently being met, the goals need to be raised. The SPUR Act will increase the government-wide procurement goal for small businesses from 23% to 25%. This goal has been met for the last 10 years.

Entrepreneurial Development

S. 1042, the One Stop Shop for Small Business Licensing Act | Complying with government rules and regulations is a common challenge for entrepreneurs and small businesses. The One Stop Shop for Small Business Licensing Act seeks to make compliance a bit less arduous by requiring SBA to establish a website that provides information on licensing and business permitting.

Other bills that seek to modernize SCORE (S. 1896) and revive the Interagency Committee on Women’s Business Enterprise (S. 2094) would also make needed improvements. While these bills are not yet
bipartisan, BPC Action believes there is sufficient common ground on the issues they seek to address that bipartisan agreement can be reached. With bipartisan support, these too should be considered for inclusion in a comprehensive SBA modernization bill.

Innovation

S. 1003, the FAST Fix Act | The Federal and State Technology Partnership Program (FAST program) provides grant funding to help states and regions increase the number of SBIR and STTR proposals, particularly from women, socially and economically disadvantaged individuals, and applicants from underrepresented or rural areas. The FAST Fix Act seeks to help states that win the fewest SBIR and STTR awards earn more FAST grants to bolster their SBIR/STTR performance.

Continue Working Toward Bicameral Passage

Small business owners and entrepreneurs are SBA’s customers. These customers express strong support for strengthening SBA’s access to capital programs, expanding small business procurement opportunities with the federal government, modernizing SBA’s technical assistance and entrepreneurial development programs, and improving SBA communication and delivery of its services. Under your leadership, the Small Business Committees have responded, already authoring and passing bills that will address these and other small business priorities. Your continued leadership will be indispensable in seeing SBA modernization through.

BPC Action’s theory of change—shared with our sister organization, the Bipartisan Policy Center—is that transformative policy change on behalf of Americans happens through incremental steps. On their own, each of the bills already considered by your committees is important yet incremental. Taken together, and supplemented with the additional actions we suggest, your committees are on the cusp of truly modernizing the infrastructure of public policy support for American small businesses.

BPC Action commends you and the members of your committees for their hard work and commitment to America’s entrepreneurs and small businesses. We stand ready to help you and your members complete SBA modernization this Congress.

Sincerely,

Michele Stockwell
President
Bipartisan Policy Center Action (BPC Action)