



Small Agency, Big Mandate: A Bipartisan Road Map to Modernizing SBA

March 2023

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ACKNOWLEDGMENTS

We are grateful for the support and assistance from the team at the Goldman Sachs *10,000 Small Businesses Voices* program, including Joe Wall, Janetta King, Amy Betzen, Jennifer Prosser, and Jill McCarthy. Thank you to the dozens of small business owners who gave their time and insight to this report. Thank you to those, including colleagues at the Bipartisan Policy Center, who provided feedback and assistance to this report. And thank you to our colleagues at BPC Action for their insights and input.

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Executive Summary

Small businesses have always been vital to the American economy. Over the past two decades—through three recessions and a pandemic—small businesses have proven resilient in the face of considerable challenges. That resilience has not changed. Neither has the mandate for the federal agency that is meant to support them. The Small Business Administration (SBA) was established in 1953 to “aid, counsel, assist, and protect insofar as is possible the interests of small business concerns.”¹ Since then, SBA has evolved, alongside small businesses, to include new programs and resources. Over its first five decades, Congress routinely reauthorized SBA to help it adapt to the changing landscape of the U.S. economy and the needs of small business owners themselves. This routine practice continued until December 2000.² A little over 22 years later, SBA remains without a comprehensive upgrade that would modernize the agency for the 21st century.

Congressional reauthorization of SBA would ensure that the only federal infrastructure specifically designed to support millions of small businesses is up to date. Reauthorization can help ensure taxpayer dollars are spent effectively and that Congress has the opportunity to question potential redundancies. Since 2000, individual SBA programs have been reauthorized piece by piece. This disjointed approach fails to meet the needs of small business owners and is a disservice to them and taxpayers alike. We encourage Congress to update the three C’s of SBA: capital, contracting, and counseling. This report is meant to serve as a guide for reauthorization. Although not all facets of reauthorization are addressed here, we hope the report provides a starting point for policymakers and stakeholders.

Accessing capital is a persistent problem for small business owners. There are glaring gaps in owners’ ability to access credit depending on the age of the business, the size of the loan, and the business’s location. Securing financing is especially difficult for business owners of color and other underserved groups. SBA guarantees loans for those businesses that cannot reasonably find “credit elsewhere.”

Federal contracting can be an important opportunity for small business owners—if they can get a contract or become a subcontractor. The procurement process can be confusing and tedious, and SBA has limited tools at its disposal to guide entrepreneurs through this process and create a proper accountability system. The federal government is required to annually award 23% of direct contract dollars to small businesses and has separate goals for underserved businesses. Individual agencies often do not meet these goals, or they double-count contracts against multiple set-asides for underserved businesses.

Entrepreneurial development and technical assistance are the largest line items in SBA’s budget. With numerous startup and entrepreneurial programs, SBA works

with resource partners to provide small business owners with assistance and guidance at different points on their entrepreneurial journey. Reliance on outside resource partners and the abundance of programs can create inconsistencies in the quality of outcomes for small business owners depending on their location.

Although SBA has not been reauthorized as a whole in over two decades, programs overseen by individual SBA offices have been independently reauthorized, leading to gaps in coordination within the agency. Often, one office does not know what the other is doing, as is clear from the experiences of small business owners. This lack of agency coordination generates confusion and communication issues for small businesses trying to navigate the federal government. Many small businesses do not even know what SBA does or offers. Poor messaging has led to the creation of organizations that aim to fill the gaps and guide business owners to SBA resources. Streamlining this path would enable SBA to provide thorough support.

Reauthorization and periodic review of federal programs is hardly a new or unwelcome concept. Oversight and accountability are crucial congressional responsibilities so that federal programs are efficient and remain beneficial to taxpayers. As Congress explores comprehensive SBA reauthorization, it should keep the following guiding principles in mind.

Key Principles for Policy Action

- **Be entrepreneurial.** Small business owners are resourceful, innovative, and bold. SBA should be too.
- **Be specific.** Well-articulated programs are more likely to be effective than ones loosely defined.
- **Economize.** Policymakers should efficiently use resources by reforming or possibly eliminating existing programs and adapt them to meet evolving needs.
- **Recognize inherent tensions.** Then embrace or resolve them.
- **Prioritize the underserved.** Business owners of color, women, veterans, and those in rural areas face additional barriers to starting and growing their businesses.
- **Strengthen coordination.** SBA functions and SBA programs must work together.
- **Invest for success.** Allocate resources to their most impactful use and equip SBA to fulfill its mission.
- **Plan ahead.** SBA should be reauthorized regularly to meet the evolving needs of small business owners.

In recent years, members of Congress from both parties have introduced dozens of bipartisan bills that would modify or improve various SBA programs. These bills, and the bipartisan support for small businesses they demonstrate, provide a strong starting point for congressional reauthorization.

Introduction

By Maria Contreras-Sweet, 24th Administrator of the Small Business Administration, and Olympia Snowe, former senator and former chair of the Senate Committee on Small Business and Entrepreneurship

Support for American small businesses and entrepreneurs has always drawn bipartisan enthusiasm and cooperation among policymakers. In our time serving as the 24th Administrator of the Small Business Administration (SBA) and chairing the Senate Committee on Small Business and Entrepreneurship, respectively, we had occasion to consistently work with members of the other party on behalf of business owners.

That bipartisan consensus regarding small business has not diminished. It must be harnessed to support modernizing reforms that will strengthen SBA's capacity to serve the diverse population of millions of small businesses across the country. This sentiment is shared by small businesses: Nearly all respondents in a recent survey said they believe the federal government should do more to tailor programs and services to better reflect the realities and needs of small businesses.³

SBA is a relatively small agency, tasked with an enormous mission. Small businesses are ubiquitous across the United States, accounting for 99% of all employer firms and nearly half of the private-sector workforce.⁴ Historically, too, young small businesses have been responsible for a disproportionate share of overall net job creation.⁵ Government efforts to support small business extend beyond SBA. Scores of programs and offices are scattered across nearly every federal agency. At the state and local levels, support services for small business and entrepreneurship exist everywhere. Yet SBA is the only federal agency with the sole charge of “assisting” and “protecting” (in the words of the original 1953 Small Business Act) small businesses. SBA thus occupies a unique space that Congress should take care to cultivate.

It is surprising, then, that Congress has not formally reauthorized SBA in more than two decades. Absence of congressional reauthorization has obviously not prevented the agency from continuing to operate and provide valuable support to small businesses. Through both Democratic and Republican administrations, SBA has proven resourceful in adapting to new challenges and offering new services for small businesses. Reauthorization is intended to be an opportunity for Congress to pose fundamental questions about an agency's strengths and areas of potential improvement, and to help it adapt to changes in the external landscape.

There are two such changes, along with one long-standing challenge, we see

as crucial for Congress and SBA to address together. The first is the expected higher demand for SBA products and services. In 2020 and 2021, millions of small businesses interacted with SBA, mainly through the receipt of Paycheck Protection Program (PPP) loans and COVID-19 Economic Injury Disaster Loans (EIDL). Many PPP and EIDL recipients had been barely aware of the agency's existence. We should expect this increased demand to persist; Congress and SBA should jointly determine what this higher demand might require in terms of SBA resources and operational efficiency.

Second, new business creation has continuously shattered records in the past three years. Between 2005 and 2019, on average, 2.8 million new business applications were filed annually with the IRS. From 2020 through 2022, that average rose to 4.9 million, a 78% increase.⁶ There are many reasons for this rise, but it seems clear that the population of businesses SBA is expected to serve is dramatically, and surprisingly, bigger than before the pandemic. Congress and SBA should work together to understand this phenomenon and its implications for the agency.

Last, the pandemic highlighted in stark terms a challenge that has bedeviled policymakers for many years: persistent gaps in access to capital for many small business owners, especially those owned by women and people of color. Current SBA leadership has been working hard to address this issue. Assistance from Congress is imperative.

We proudly serve as board members at the Bipartisan Policy Center, and we have been delighted with the productive partnership between BPC and Goldman Sachs *10,000 Small Businesses Voices*. While in office, both of us were impressed with the *10,000 Small Businesses* initiative and the valuable programming it provides to small businesses. We know that talk of reauthorization and modernization can trigger apprehension among the leadership of any federal agency. But we believe that today—post-COVID, two decades past the last SBA reauthorization, amid a constantly changing small business landscape—is the perfect moment for such a bipartisan undertaking.

Let's help SBA address those areas where improvement is needed and warranted, while ensuring the agency has the resources it requires to double down on its strengths and contribute to the continued vigor of American entrepreneurial capitalism.

HOW WE PREPARED THIS REPORT

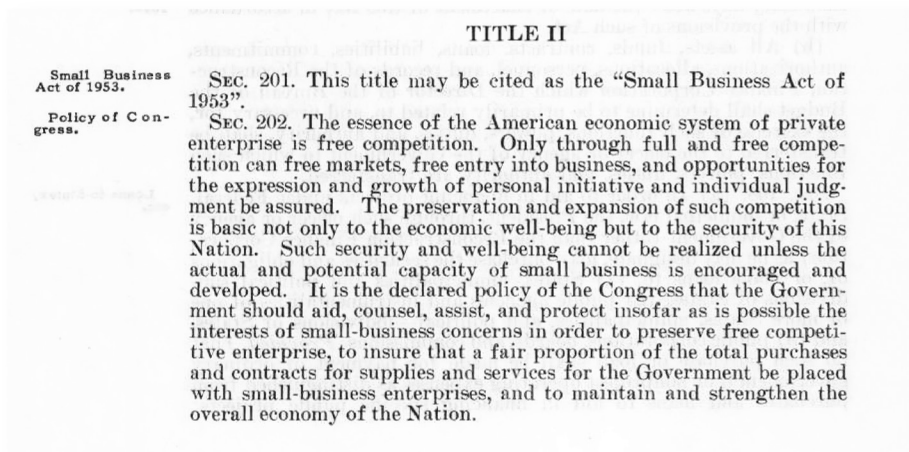
The information in this report is based on reviews of academic literature and public data sources, including SBA's website and the Federal Reserve System's annual *Small Business Credit Survey*. We also utilized national surveys of small businesses by Goldman Sachs *10,000 Small Businesses Voices* from 2022 and 2023. During the third and fourth quarters of 2022, we held roundtable discussions with nearly 60 small business owners, all of whom had completed *10,000 Small Businesses* programming. We also consulted with various experts, current and former government officials, and members of Congress and their staff.

When formulating recommendations for actions that policymakers might consider taking, BPC seeks to propose policy that is both effective and politically feasible. Small steps in terms of policy changes can be effective for those they are intended to help. And small steps can build bipartisan momentum among policymakers for future actions. BPC's recommendations are based on the widest possible scope of input from multiple sources and are independently developed.



The Nation's Go-to Resource and Voice for Small Businesses

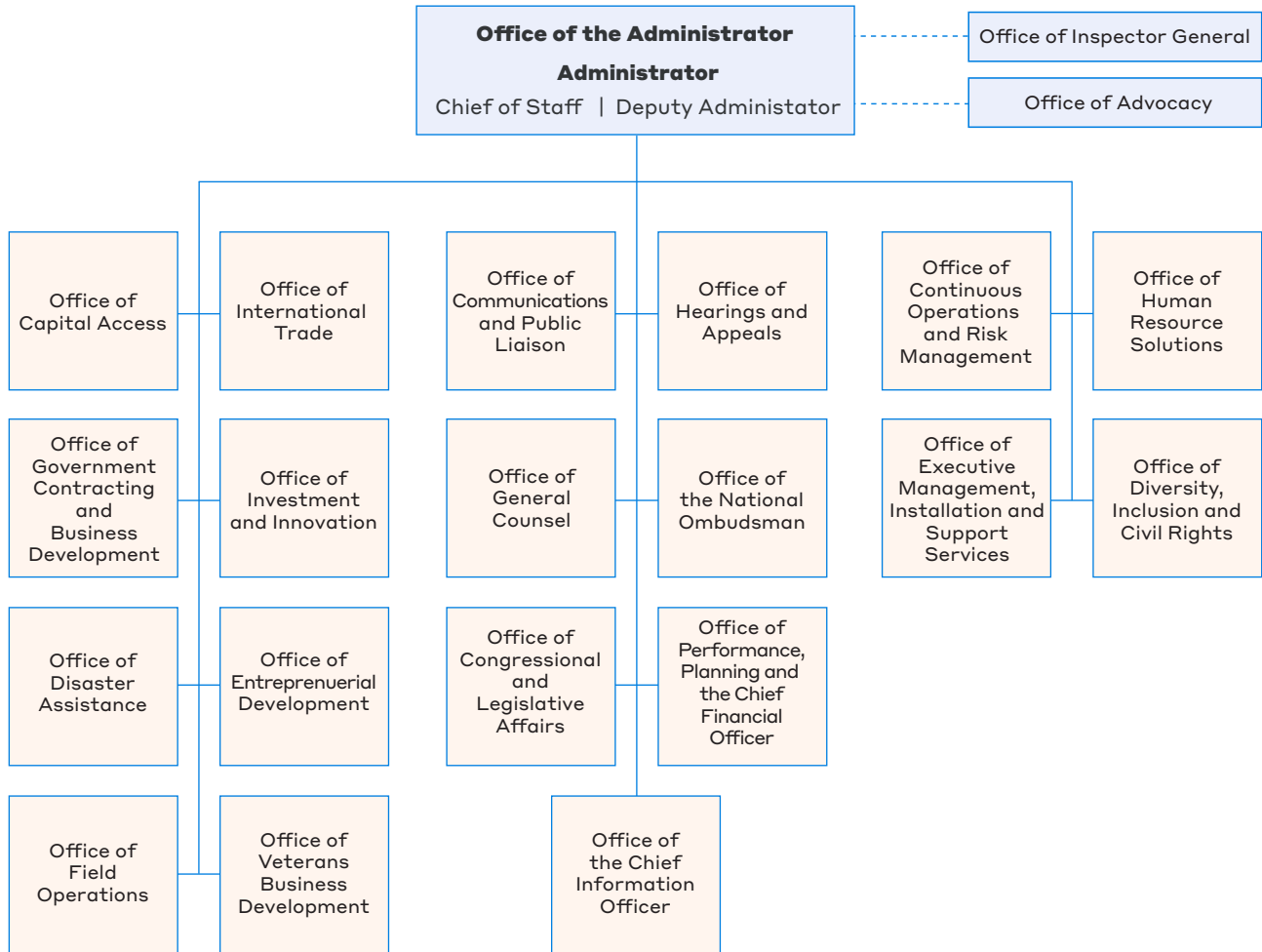
President Dwight D. Eisenhower signed legislation establishing SBA on July 30, 1953. Across 13 presidential administrations and 70 years, with input and support from the House and Senate Small Business Committees, SBA has led federal efforts to support America's small businesses and entrepreneurs. Today, that responsibility includes nearly 6 million small employer firms, roughly 26 million nonemployer small businesses, and the millions of Americans who start new businesses each year.



A snippet of the original Small Business Act that authorized the SBA in 1953

SBA’s mission has three core pillars, sometimes referred to as the three C’s: capital, contracting, and counseling. This report focuses on these three main functions, specifically as delivered through SBA’s Offices of Capital Access; Government Contracting and Business Development; and Entrepreneurial Development.

SBA Organizational Structure



Source: SBA FY2023 Congressional Justification and FY2021 Annual Performance Report

CAPITAL

Accessing financial capital is one of the biggest barriers entrepreneurs face in starting and expanding their businesses. SBA's Office of Capital Access is charged with helping entrepreneurs and small business owners meet their capital needs. It does this by managing four main financial capital programs: surety bonds, disaster loans, microloans, and SBA guaranteed loans delivered through private lending institutions.

SBA's principal lending support program is the 7(a) loan guaranty, which is meant to facilitate lending to small businesses that would otherwise not be able to obtain financing on reasonable terms. These loans offer flexibility for small businesses by allowing them to use the proceeds for working capital, revolving funds, refinancing existing debt, and establishing a business.

CONTRACTING

SBA's Office of Government Contracting and Business Development carries out its charge to foster small business contracting with the federal government in various ways. The office works with federal agencies to pursue small business procurement targets that together allow the federal government to meet its mandated goal of awarding at least 23% of prime contract dollars annually to small businesses. SBA also works with agencies to establish goals for subcontracting with small businesses and for specific categories of small businesses that SBA certifies for set-asides and sole-source awards. These include small, disadvantaged businesses (SDB), women-owned small businesses (WOSB), small businesses located in HUBZones, and service-disabled veteran-owned small businesses (SDVOSB).^a Agency performance against these goals is reported annually in SBA's Small Business Procurement Scorecard.⁷ For the most part, federal agencies must reserve or "set aside" contracts for small businesses above and below certain amounts—the ceiling on these set-asides is the simplified acquisition threshold.^b With a "sole source" award, an agency can forgo solicitation of competing bids from other small businesses when there are "urgent and compelling circumstances."⁸

The Office of Government Contracting and Business Development also aids small businesses seeking to win government contracts, including through its 8(a) Business Development program. Small businesses owned by socially and economically disadvantaged individuals are generally eligible to participate

^a A HUBZone is a Historically Underutilized Business area, a census tract designated as economically underperforming and which has not benefited from federal contracts.

^b Set-asides for small businesses can also exceed the simplified acquisition threshold in certain circumstances, such as with specific types (e.g., WOSBs) or when the so-called Rule of Two applies. See Robert Jay Dilger and R. Corinne Blackford, "An Overview of Small Business Contracting," Congressional Research Service, July 2022. Available at: <https://crsreports.congress.gov/product/pdf/R/R45576>.

in 8(a) and may do so for nine years. During this time, businesses can receive training and technical assistance to help them compete for and win more government contracts. Once certified to participate in the 8(a) program, small businesses must annually submit information to maintain certification and eligibility.

SBA RESOURCE PARTNERS

SBDC (Small Business Development Center): A network of service providers that administers free or low-cost assistance to small businesses. SBDCs exist in every state, D.C., Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

WBC (Women's Business Center): Similar to SBDCs but with a focus on supporting women entrepreneurs and business owners. There are more than 100 WBCs, including at least one in every state, D.C., and Puerto Rico.

SCORE A nonprofit organization whose volunteers counsel small business owners in offices across the country. There are more than 300 chapters.

VBOC (Veterans Business Outreach Center): Small business service provider specifically for the military community (including veterans, transitioning service members, National Guard and Reserve service members, and military spouses). There are 22 VBOCs.

COUNSELING

SBA's Office of Entrepreneurial Development (OED) is the agency's technical assistance arm that helps it fulfill its counseling mission by offering explanatory guides, training, and other support for entrepreneurs and small business owners through its "resource partners," as well as through its own programming. Through Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs), the OED offers support and services to help Americans start and grow their businesses. The OED partners with the nonprofit organization SCORE to provide educational programming and activities delivered by SCORE volunteers in offices across the country. The Community Navigator Pilot Program and Regional Innovation Clusters, both of which offer targeted training and resources to specific communities, fall under OED's scope.

ADVOCATING

Finally, although it was not established until the 1970s, SBA's Office of Advocacy is an independent office within SBA that represents the interests of small businesses in the federal regulatory process by producing research about small businesses, their economic impact, and the effects of regulation on their growth. The office is led by a chief counsel who is appointed by the president and confirmed by the Senate. Like SBA, the Office of Advocacy is small compared to its mission to be a voice for small business owners within the entire federal government.

"SMALL BUSINESS CONCERNS"

Important to all these efforts is the central question of what constitutes a small business. The common shorthand definition is a business consisting of fewer than 500 employees; this definition captures 87% of all U.S. firms that have at least one employee.^c Yet, in establishing SBA's mission to "aid, counsel, assist, and protect" small businesses, the Small Business Act of 1953 did not specify how many employees constituted a small business. Instead, it directed SBA to establish size standards to qualify small businesses for its programs. Today, SBA uses two types of size standards: industry-specific and alternative size standards.

The industry-specific standards "determine program eligibility for firms in 1,037 industrial classifications" (i.e., NAICS codes) and are "based on one of four measures:

1. Number of employees
2. Average annual receipts
3. Average asset size as reported in the firm's four quarterly financial statements for the preceding year, or
4. A combination of number of employees and barrel per day refining capacity."⁹

Alternative size standards can be used to determine eligibility for the 7(a) loan guaranty and 504/CDC programs. This standard is based on the maximum tangible net worth and average net income of the business.

"For the purposes of this title, a small-business concern shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation. In addition to the foregoing criteria the Administration, in making a detailed definition, may use these criteria, among others: Number of employees and dollar volume of business."

(Source: Small Business Act of 1953, or P.L. 83-163)

^c According to Census Bureau classification, some employer firms have zero employees. The 99% figure cited earlier includes these firms without any employees. The 87% figure looks at only those small businesses with at least one employee.



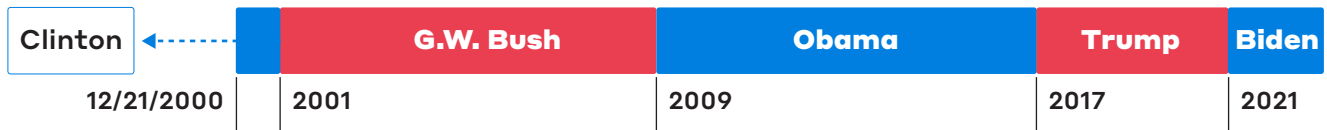
What Reauthorization Means for SBA

While SBA's purpose has remained constant, the agency itself has grown and evolved through numerous acts of Congress, including periodic reauthorizations. In reauthorizing federal agencies, programs, and activities, Congress reviews the original purpose, takes stock of past performance, and assesses how to best fulfill the intended purpose given changes within the government and country since the last authorization. In this way, reauthorization is an important part of good democratic governance, exercising oversight and ensuring taxpayer resources are put to the best and most effective uses.

Reauthorization is a basic function of Congress across all areas of government. Every five years, for example, Congress reviews federal agricultural and nutrition programs in the Farm Bill. The multiyear bill sets priorities, makes programmatic and policy changes, and extends programs that, without action, would otherwise expire. Last passed in 2018, the Farm Bill is on the agenda again in the 118th Congress.

**REAUTHORIZATION IS AN IMPORTANT PART OF
GOOD DEMOCRATIC GOVERNANCE, EXERCISING
OVERSIGHT AND ENSURING TAXPAYER RESOURCES
ARE PUT TO THE BEST AND MOST EFFECTIVE USES.**

8,118 Days



From enactment of the Consolidated Appropriations Act of 2001 on December 21, 2000, to date of report publication, March 13, 2023

Reauthorization of SBA used to be a regular occurrence in Washington. Between 1980 and 2000, Congress reauthorized SBA seven times, with reauthorization periods ranging from every two to five years. However, reauthorization has not occurred in more than 20 years.

That is not to say Congress has ignored SBA for two decades. The committees of jurisdiction on Capitol Hill—the Senate Small Business and Entrepreneurship Committee and the House Small Business Committee—have worked in bipartisan fashion with SBA to reauthorize and temporarily extend various programs, and the House and Senate Appropriations Committees have provided critical funding in the intervening years. In response to the COVID-19 pandemic, for example, Congress created the Paycheck Protection Program (PPP) to provide funds for small business owners to pay employees or make certain payments. And, in 2021, Congress created, and SBA implemented, the Community Navigator Pilot Program to help small businesses better access support services. The committees of jurisdiction have also exercised important oversight, including in the Senate, by vetting and confirming nominees for SBA administrator and other posts. Although this piecemeal approach has kept the agency operating and led to improvements, Congress’s failure to reauthorize SBA in a holistic manner has not been without cost.

**BETWEEN 1980 AND 2000, CONGRESS
REAUTHORIZED SBA SEVEN TIMES, WITH
REAUTHORIZATION PERIODS RANGING FROM
EVERY TWO TO FIVE YEARS.**

SELECT SMALL BUSINESS REFORMS SINCE 2000

While Congress has not formally reauthorized SBA in more than two decades, numerous bills—many with bipartisan support—that became law during that time have shaped the agency. Several of those legislative changes to SBA programs and operations are listed below, as examples.

Small Business Technology Transfer Program Reauthorization Act of 2001*

- Increased STTR Phase II award limits, mandated an outreach program, and bolstered data collection.

Consolidated Appropriations Act, 2005

- Made SBAExpress permanent, modified eligibility for HUBZones, and changed guarantee fees.

Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008*

- Increased funding authorization for SBA's Office of Veterans Business Development, created an interagency task force to support veteran business ownership, and increased the number of veteran business outreach centers.

Small Business Jobs Act of 2010

- Increased 7(a), 504, and microloan limits; made changes to loan fees and government guarantee; promoted small business exporting; mandated a regular review of SBA's industry size standards; and enhanced the Office of Advocacy's independence.

National Defense Authorization Act for Fiscal Year 2016*

- Modified SBA's procurement scorecard.

Small Business 7(a) Lending Oversight Reform Act of 2018*

- Codified and made changes to SBA's Office of Credit Risk Management and modified the "credit elsewhere" definition.

American Rescue Plan Act of 2021

- Created the Restaurant Revitalization Fund, expanded PPP eligibility, and established the Community Navigator Pilot Program.

SBIR and STTR Extension Act of 2022*

- Reauthorized for three years the Small Business Innovation Research and Small Business Technology Transfer programs.

*Bills with bipartisan co-sponsors

When Reauthorization Doesn't Happen

In the 20-plus years since SBA was last reauthorized, Congress passed temporary extensions at least 19 times, including eight in the 111th Congress alone, to keep SBA operations running. During this time in which programs were temporarily extended, full reauthorization attempts fell short—including most recently in 2019. That year, Sen. Marco Rubio (R-FL), then-chairman of the Senate Small Business and Entrepreneurship Committee, led the reauthorization effort and released bill text titled, SBA Reauthorization and Improvement Act.¹⁰ The chairman's draft incorporated more than a dozen individual bills from committee members and was informed by eight hearings examining various SBA programs.¹¹

CONGRESS PASSED TEMPORARY EXTENSIONS AT LEAST 19 TIMES, INCLUDING EIGHT IN THE 111TH CONGRESS ALONE, TO KEEP SBA OPERATIONS RUNNING.

The reauthorization bill addressed all aspects of SBA, from small business lending to exporting and disaster assistance to procurement. Among its many provisions, the legislation would have: created a national Entrepreneurial Development Network for SBA service providers to coordinate and improve support for small business owners; created a pilot program to support formerly incarcerated individuals starting businesses; provided resources to enhance small businesses' cybersecurity; created a centralized certification office for government contracting programs; made the Small Business Innovation Research and Small Business Technology Transfer programs permanent; and implemented various regulatory reforms.¹² Disagreements over the provisions in Title IX of the bill, "Regulatory Reform," helped derail the effort, and a committee markup was never held.¹³

At the end of the 117th Congress, Sen. Ben Cardin (D-MD), chairman of the Senate Small Business and Entrepreneurship committee, introduced S. 5220, the Small Business Administration Reauthorization and Modernization Act.¹⁴ The bill would have reauthorized various SBA programs such as the Small Business Development Center program, made the Community Advantage program permanent, and expanded initiatives to reach and support underserved communities. While the bill was not considered last year—and

only included Democrat-sponsored bills—it may serve as a starting point for discussions about reauthorization in this Congress.

As noted above, SBA has not remained static since its last reauthorization in 2000. Congressional and executive actions added programs, reporting, and other requirements to the agency. When piecemeal changes such as this occur, processes can become inefficient and cumbersome. New demands may conflict with existing responsibilities or create unintended effects. Ways of working that prioritize certain tasks and minimize others may become entrenched. Old programs may no longer be relevant or effective. Economist Michael Mandel has likened such effects to throwing pebbles into a stream.¹⁵ No one pebble will stop the stream from flowing, but if enough pebbles are added a dam will form.

While Mandel uses the illustration to describe the effect of accumulating government rules and regulations, a similar thing can occur with agencies. Absent regular top-to-bottom congressional reviews, an agency and its programs could begin to fall short of its goals, with meaningful consequences to the Americans it is meant to support. The committees of jurisdiction on Capitol Hill do hear regularly from the administrator and various associate administrators during hearings to fulfill Congress’s oversight responsibility. These hearings provide a chance for members of Congress to ask questions about pressing Issues and receive updates from SBA regarding its programs. The hearings do not, however, offer the same opportunity as the reauthorization process to examine SBA in the aggregate, its role relative to other agencies and private-sector organizations, and how the landscape may be changing. As one former SBA official told us, “Anything done at SBA to adapt itself has been done on the fly and without much input from Congress.”



“In the reauthorization effort, build trust with small business owners, followed by policy.”

Small Business Owner



“It might be hard to convince people that reauthorization is necessary if SBA is just going to keep doing what they’re doing.”

Small Business Owner



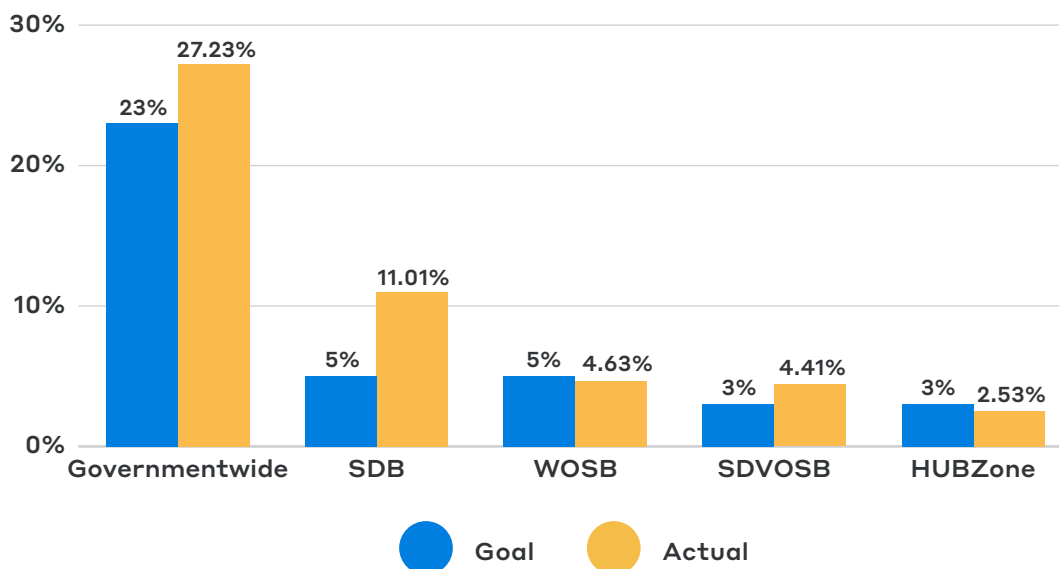
“SBA needs more resources so they can be advocates for small businesses. It all comes down to their infrastructure and technology.”

Small Business Owner

Quantitative and qualitative trends suggest that SBA reauthorization is overdue. Consider, for example, SBA’s role in small business financing. Each year, SBA’s flagship loan program, the 7(a) loan guaranty, facilitates tens of thousands of loans to small businesses that could not otherwise get credit. In FY2022, SBA approved 47,000 7(a)-backed loans, totaling \$25.6 billion—a meaningful portion of the several hundred billion dollars of new credit made available to small businesses each year.¹⁶ Yet, many small businesses that need credit are still not getting it. According to the Federal Reserve’s 2022 *Small Business Credit Survey*, 54% of small businesses had financing needs but did not apply for a loan in the prior year. Many were discouraged from applying due to weak financials, prior turndowns, or expectation of denial. This indicates a sizable gap in the small business credit market.¹⁷ Financing gaps are even more pronounced for small business owners of color.¹⁸ SBA proposed several regulatory changes in 2022 explicitly aimed at closing persistent capital market gaps.¹⁹

Trends in small business contracting with the federal government also point to challenges. The number of small businesses entering the procurement marketplace as new entrants declined by 79% from 2005 to 2019.²⁰ Small businesses owned by women also receive a disproportionately low share of federal contracts. Despite owning about 20% of all employer businesses, WOSBs regularly win less than 5% of all federal contracts.²¹ One-quarter of federal agencies failed in FY2021 to meet their federally mandated WOSB procurement goal; one-quarter also failed to meet their mandated goal for service-disabled veteran-owned businesses (SDVOSBs). Recent performance is unfortunately not an aberration; the WOSB procurement goal has been met only twice since being established in 1994.²²

Figure 1. Federal Agencies Surpassed Some Procurement Goals in FY21—but Missed Others



Source: SBA, Procurement Scorecards

SBA’s entrepreneurial development programs help small businesses start and grow. In

our conversations with small business owners, SBA resource partners, and former SBA officials, we heard mixed sentiments regarding these programs. Some spoke about their “helpful” or “fantastic” experience with an SBDC or SCORE mentor. As with any program, public or private, some small business owners reported unfavorable experiences: “not helpful,” “waste of time,” “not applicable.” Several people we spoke to, both small business owners and policymakers, raised specific concerns regarding lack of diversity among mentors in the SCORE program.

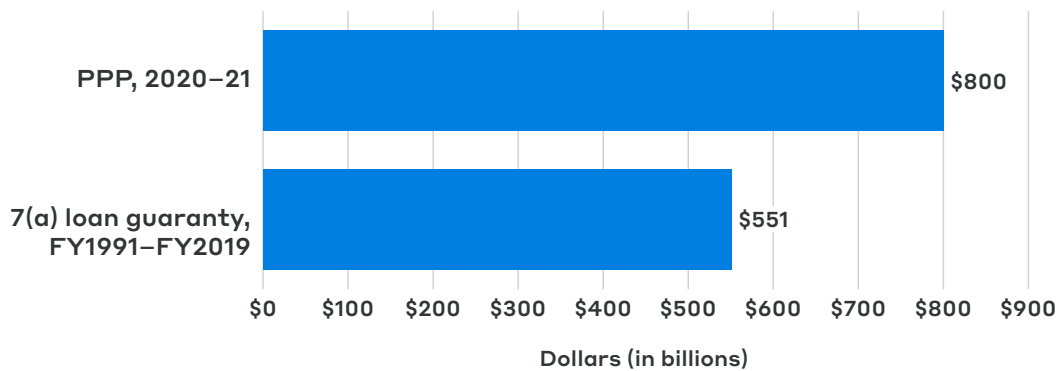
America’s population of business owners is diversifying rapidly. Businesses owned by women and people of color are generally younger than other businesses. According to Census Bureau data, in 2020, 43% of female-owned firms had been in business for less than five years, compared with 36% of male-owned firms. Nearly half (48%) of Black-owned businesses had been operating for fewer than five years compared with 36% of white-owned firms.²³ Diversifying entrepreneurial development programs such as SCORE to reflect the diversity of small business ownership is essential.

Those we spoke to on the service side—whether at resource partner organizations or former SBA officials—drew attention to challenges around performance metrics and coordination. Our interviews on this topic are a far cry from a rigorous evaluation of publicly supported entrepreneurial programs, but they highlight inconsistencies in service quality that policymakers need to address.

For these and other challenges facing SBA, opportunities exist to capitalize on positive trends and commendable past performance—but only if the agency has the authority and the resources, along with the right structure, to do so.

SBA played a central role in the federal government’s response to the COVID-19 crisis, distributing more than \$1 trillion in emergency support to small businesses. This funding amounted to about one-sixth of the government’s *entire* relief effort. For an agency that typically accounts for less than 1% of the annual federal budget, that was a vastly disproportionate responsibility. In FY2020, SBA facilitated lending to small businesses that “exceeded the total amount provided from all of SBA’s lending programs combined over the previous 29 years.”²⁴ And while the disbursement of relief funds was not flawless (including instances of fraud and disparities in access to loans for small business owners of color, for example), SBA deserves a large measure of credit for helping millions of small businesses stay afloat during a time of great challenge and uncertainty.

Figure 2. Amount Disbursed to Small Businesses in PPP Exceeded 30 Years of Loan Guarantees



Source: SBA 7(a) and PPP lending data

The pandemic years also witnessed a wave of entrepreneurship across the country. The IRS saw an explosion in new business applications filed, including from those businesses deemed likely to hire.²⁵ Whether attributable to the phenomenon of employees resigning from their jobs (also known as the Great Resignation), work-from-home, or other factors associated with changes that occurred in 2020 and 2021, more Americans have been starting businesses in the last few years than ever before.²⁶ These entrepreneurs are new “customers” for SBA—small business owners who will need access to entrepreneurial development programs and capital to help their young businesses grow.

SBA itself seems primed for modernization. A transition briefing prepared for the incoming Biden administration included results of an SBA employee survey. Responses indicated high levels of dedication and belief in their mission to support small businesses.²⁷ However, employees also said that they need more resources to fulfill their charge. When asked whether they had sufficient resources (for example, people, materials, budget) to get their job done, 36.4% said no. Of the 71 questions asked in the survey, this question received one of the highest percentages of negative responses.²⁸ It seems likely, of course, that in any government agency a significant share of employees will always be saying they need more resources. It is our sense, based on research and a variety of conversations, that SBA’s challenge is not only insufficient resources but also the allocation and efficient use of resources.

Figure 3. SBA Employees Believe in Supporting Small Businesses but Say They Need More Resources

	Percent Positive	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Percent Negative
When needed I am willing to put in the extra effort to get a job done	96.1	68.3	27.7	2.2	0.6	1.1	1.7
The work I do is important	91.2	52.8	38.4	6.3	1.5	1.0	2.5
My work gives me a feeling of personal accomplishment	77.5	35.6	41.9	11.4	6.8	4.3	11.1
I have sufficient resources (for example, people, materials, budget) to get my job done	49.9	13.1	36.8	13.6	20.1	16.3	36.4

Source: SBA employee survey

Reauthorization offers an opportunity for Congress and the agency—with ample input from small business owners and other stakeholders—to address the challenges and opportunities outlined above.



“We should be asking, what else should SBA be doing for small businesses? Where does it go from here after the pandemic?”

Small Business Owner



“What vision does SBA have in place for what they could be doing next? Are there opportunities for reallocation?”

Small Business Owner



“We need to reauthorize. If we don't, we'll see all these negative trends persist and worsen.”

Small Business Owner

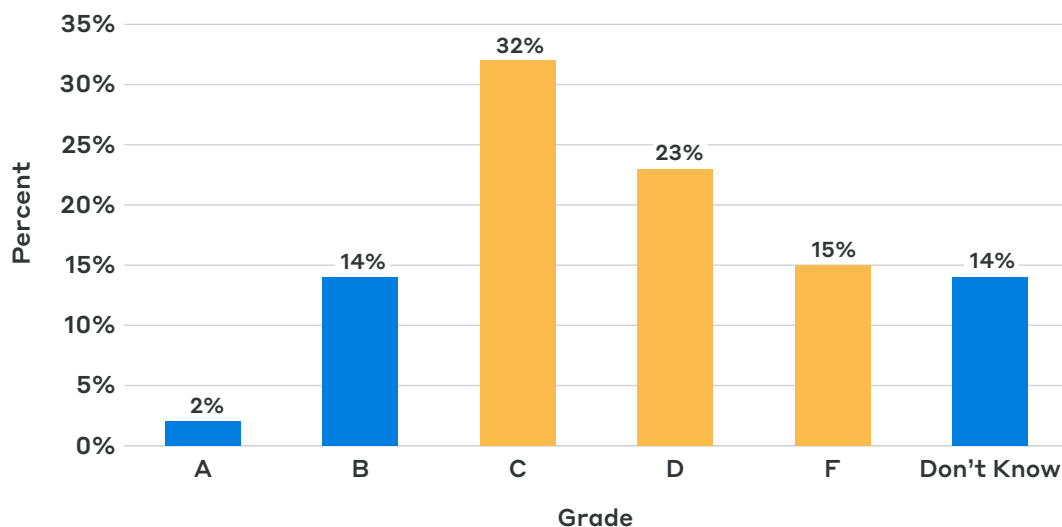


The Small Business Owner Experience

It is not easy for small business owners to navigate the federal government. From paying taxes to figuring out what government programs might be available to them, navigating these complexities takes an investment of time that many small business owners do not have. The task is exacerbated by the sheer number of offerings from the federal government purporting to be of assistance to small businesses. There are scores of programs, offerings, announcements, and more scattered across federal agencies, not to mention tax credits created by Congress.²⁹

As a result, it is often not evident or clear what support small businesses should be taking advantage of. They know government wants to help them, but they find it difficult to access that help. Entrepreneurs and small business owners frequently cite challenges related to a lack of government coordination, duplicative forms, and confusion about where to go for the help they need. Perhaps that is why they give the federal government as a whole poor grades for the effectiveness of its programs. The fact that state and local policy also significantly affects small businesses only complicates efforts to improve government support for small businesses.

Figure 4. If you were to assign a letter grade to the federal government specifically for the effectiveness of the programs, services and tax credits available to small businesses, what grade would you assign?

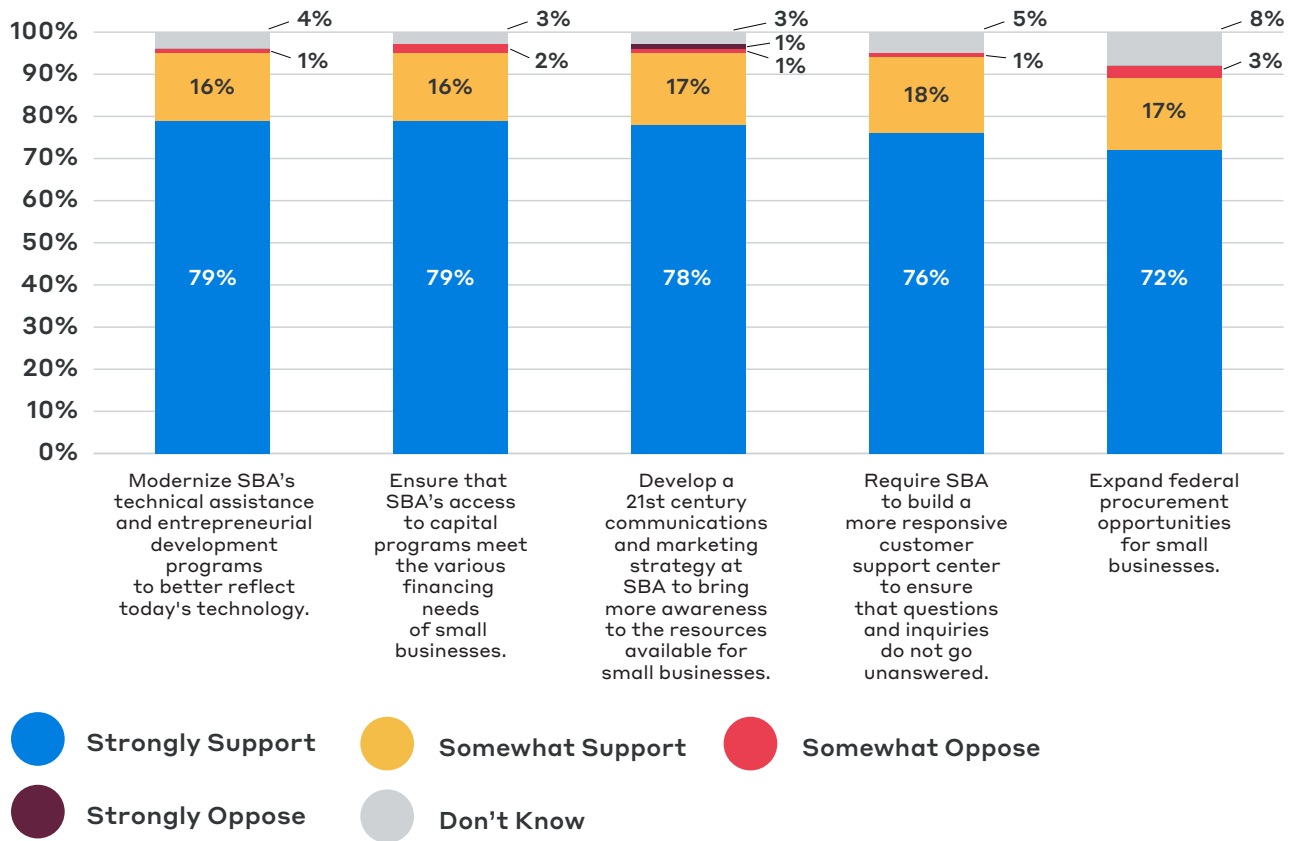


Source: Goldman Sachs 10,000 Small Businesses Voices survey, January 2023

This complex system of government programs, services, and tax credits leads many small business advocates to reach for bold reforms that can sweep away existing structures and start anew. This impulse is understandable: Perhaps better coordination and improved service can only be achieved through something bold. Realistically, both in terms of political constraints and the nature of policymaking, sweeping reform is unlikely. Nevertheless, there are numerous changes that Congress and SBA can make that would be meaningful to small business owners, and these modest steps can help lay the groundwork for larger-scale changes that might be warranted.

SBA reauthorization is, according to small business owners, one of the actions policymakers should prioritize. They consistently express views supportive of the structural changes SBA reauthorization makes possible. Small business owners strongly support modernizing entrepreneurial development programs, strengthening access to capital programs, improving communication about SBA resources and customer service, and expanding procurement opportunities for small businesses. The comprehensive nature of changes they seek at SBA amounts to a request from users that SBA modernization be high on the congressional agenda.

Figure 5. Small Business Owner Support for Various SBA Reforms



Source: Goldman Sachs 10,000 Small Businesses Voices survey, January 2023

In roundtable discussions held in the autumn of 2022 with a cross-section of small business owners from across the United States, participants said they had experienced numerous challenges when seeking SBA assistance, ranging from complicated processes to outdated technology, and inconsistent quality of assistance to a lack of accountability.

One small business owner said, for example, “The 7(a) loan application was extremely difficult—the paperwork was complex and the constant reporting requirements consume work hours.” Another said more bluntly, “SBA’s technology is all outdated.”

According to another small business owner, “SBA isn’t entrepreneurial. They don’t treat us as customers, they don’t manage for quality control, they don’t align with small business owner mindsets. There’s an inherent disconnect with what they’re supposed to be doing and with what we are trying to do for our communities.” Such sentiments are not surprising and can likely be found among anyone dealing with any government agency—how many federal agencies could truly be described as “entrepreneurial”? SBA, however, faces a unique challenge. Because it is charged with helping the smallest, nimblest,

and most entrepreneurial businesses in the American economy, those on the receiving end of its services expect it to reflect and acknowledge their own realities.

SMALL BUSINESS OWNERS WEIGH IN

On access to capital:

- “The attraction of 504 is the low interest rate, 25-year-term, and not having to put up a personal guarantee. The disadvantage is the fees are extremely high. The system needs to be streamlined if they want to address the needs of small business.”

On procurement:

- “The process of getting recertified every year as a WOSB is a huge investment of time and hours, and there are big backlogs. We’ve had purchase orders that couldn’t get issued because of the backlogs; it inhibits our ability to secure contracts.”
- “In contracting we’d like to see SBA be more of an advocate [for small businesses], more on top of things. SBA should be pointing out shortfalls [in the federal procurement system].”

On entrepreneurial development:

- “Our local SBDC is amazing. They were instrumental in our application for a 7(a) loan.”
- “Your experience depends on the director of the SBDC.”

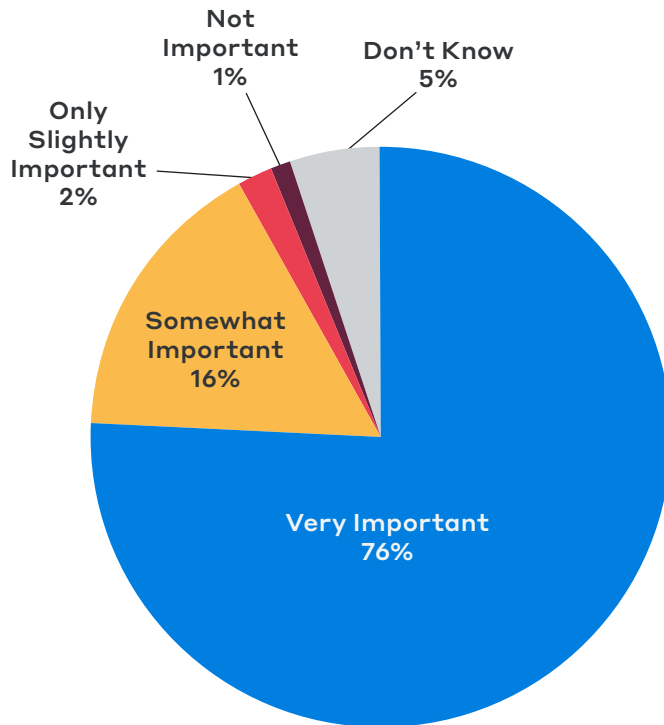
On meeting small business owner needs:

- “SBA was helpful to me in starting my business, with access to knowledge and courses. Now, two years in, I need additional help and SBA doesn’t have anything.”

Comments were made by small business owners participating in Goldman Sachs 10,000 Small Businesses Voices program during roundtable discussions held with BPC staff between September and November 2022.

Small business owners participating in the Goldman Sachs 10,000 Small Businesses Voices program overwhelmingly express support for comprehensive modernization of SBA.³⁰ In our conversations with them, however, these owners stressed that reauthorization should not be equated with a rubber stamp. Discussing the agency’s “purpose,” “mission,” and “vision,” small business owners used words like “overhaul” and “reconsider.” They recognize that congressional review and reauthorization is an opportunity for asking fundamental questions about the agency’s role, structure, and goals.

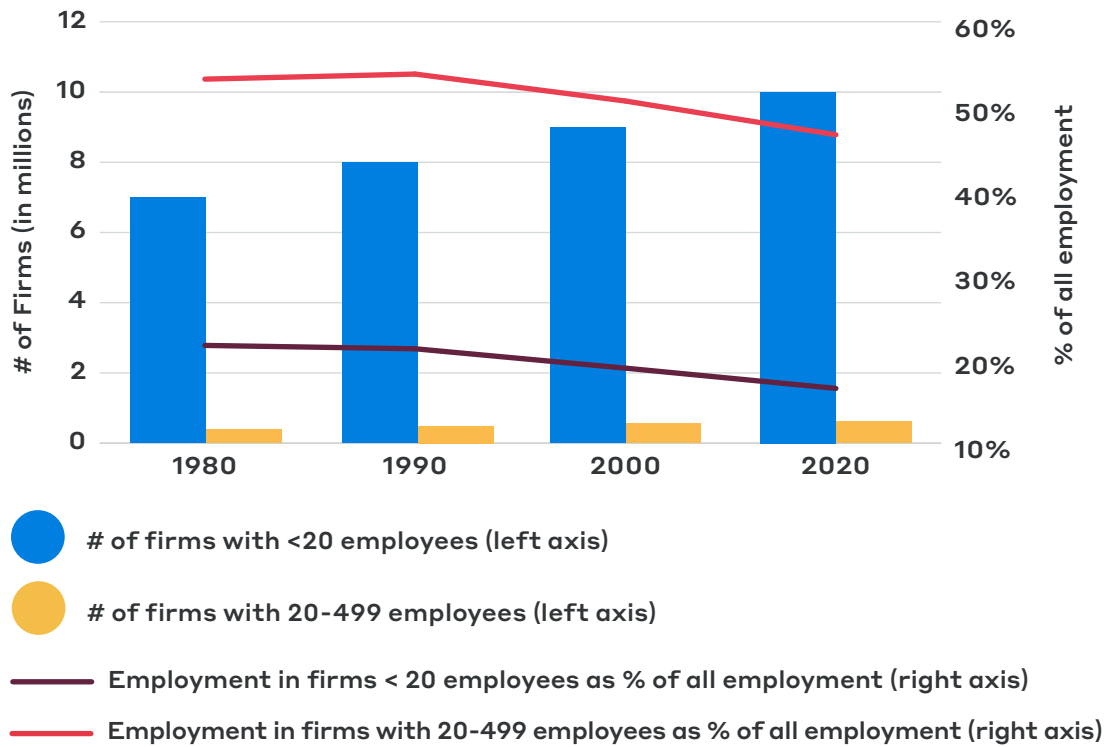
Figure 6. To what degree is it important for Congress to comprehensively modernize the Small Business Administration?



Source: Goldman Sachs 10,000 Small Businesses Voices survey, January 2023.

Observations from small business owners provide insight into the frontline experiences of those for whom SBA was created to serve. It is useful to put their comments in context, especially as there has been consistent pushback since SBA's creation regarding the existence of policy preferences for small businesses.³¹ With so many programs, tax credits, carveouts, and other services already in existence, some argue, why should even more be done for small businesses? There are reams of arguments to be made against such skepticism. Here, we focus on the trendline of small businesses' relative weight in the overall economy. As the chart shows, their share of employment has been falling even as their numbers have been growing.

Figure 7. Overall presence of small businesses has been steady since 1990, but small businesses' share of employment has fallen



Source : U.S. Census Bureau, Statistics of U.S. Business.

This 40-year trend does not, by itself, establish the case for additional small business support. But it does suggest that all may not be well in the world of small business and among those programs designed to help them. Precisely as small business owners themselves recognize.



Modernizing SBA's Three Core Functions

SBA is a small agency with a big mission. As mentioned above, SBA's core functions relate to capital, contracting, and counseling. It administers programs to help finance new and growing small businesses, promotes small business participation in federal procurement, and provides training and resources to small business owners.

We heard a good deal of praise during our conversations with small businesses and their supporters. We cannot stress enough that a conversation about SBA modernization and potential congressional reauthorization should not be interpreted as raising questions about SBA's existence or overall efficacy. The agency "has typically done a good job of having a can-do attitude helping [small businesses] navigate regulatory and compliance issues," one business owner and former local government official told us. A small business owner who has used SBA's disaster relief services more than once said, "Everything SBA does is wonderful; the people working there really care about you, they really saved us from going out of business."

Yet even SBA's biggest fans acknowledge that in a post-pandemic world, with new challenges cropping up on top of those that have persisted for years, reform and modernization are overdue. Part of that is a function of normal agency operations over a long period of time; part of it is a function of long-standing challenges, such as gaps in access to capital, that require a concerted effort by Congress, SBA, and other agencies to address.

At the same time, a significant part of the need for SBA modernization must be attributed to higher expected demand for the agency’s services. Even *excluding* emergency relief programs such as PPP and EIDL, the application rate for SBA-guaranteed loans doubled in 2020 and 2021. Every SBDC we spoke to reported that client load had at least doubled during the pandemic and has yet to return to anything resembling pre-COVID numbers. SBA itself, through rules proposed in late 2022, is perhaps taking on more regulatory oversight than it has previously exercised.³²

Enhancing strengths, addressing challenges, and preparing for higher demand—these add up to more than enough justification for Congress to take up the task of reauthorization.

EIGHT PRINCIPLES TO GUIDE REAUTHORIZATION

1. **Be entrepreneurial.** Small business owners are resourceful, innovative, and bold. The agency tasked with supporting them should be, too. Among other things, that means a laser focus on SBA’s “customers”—small businesses—and deep understanding of their needs.
2. **Be specific.** SBA’s mission is broad, and the number of potential “customers” is large. Programs authorized for well-defined purposes are likely to be more effective at achieving their goals than loosely defined ones.
3. **Economize.** Reauthorization will prompt policymakers to examine hard questions about existing programs and possible gaps. They should be willing to reform or possibly eliminate existing programs and create programs and processes to meet evolving needs. Efficient use of resources should be the guiding idea.
4. **Recognize inherent tensions.** SBA-guaranteed loans, for example, are meant to facilitate the provision of credit to small businesses that could not otherwise obtain it. Yet they also must be sound enough to reasonably expect repayment. Lenders are thus pulled in two different directions—to make what might be riskier loans to businesses that other lenders would not approve and, at the same time, to make sound loans that will be repaid. Tensions like this should be acknowledged and wrestled with, not ignored, or assumed away.
5. **Prioritize the underserved.** People of color, women, veterans, and those living in rural communities often face extra barriers to starting and growing their own businesses, including in accessing capital. American prosperity and economic competitiveness are strengthened when all people have the opportunity and support to realize their entrepreneurial dreams. This, too, is core to SBA’s original mission.

6. **Strengthen coordination.** SBA's various functions and programs serve critical purposes and provide meaningful help to small businesses. Improving coordination among these SBA offerings and service providers can lead to clearer communication about SBA's role and create added value for small business owners.
7. **Invest for success.** Reauthorization is an opportunity to modernize SBA by making programmatic changes to align missions with current economic conditions. That means reallocating existing resources to their most impactful use and providing SBA with the people, technology, and systems to effectively reach and serve all small businesses.
8. **Plan ahead.** Small businesses should not have to wait two decades or longer before the next top-to-bottom reauthorization. During their regular oversight hearings, authorizing committees and appropriators should orient their examinations toward achieving a second reauthorization bill this decade. Congress can also position itself and SBA for future success by investing in research and data collection now that will inform future programming. Before the pandemic, long-term trends were flashing warning signs about American entrepreneurship.³³ In 2009, and then again right before the pandemic, the number of firms that closed in the year exceeded the number of startups.³⁴ One of the biggest questions facing SBA, and any government agency concerned with American entrepreneurship and economic dynamism, is whether the recent record-setting pace of business creation is temporary or marks a permanent shift.

PUTTING PRINCIPLES INTO ACTION

At least 68 bills introduced during the 117th Congress that dealt with SBA's core functions of lending, procurement, and entrepreneurial development garnered bipartisan support, yet only a handful became law.^d Just as in 2019, when more than a dozen bills were incorporated into the attempted reauthorization bill, recent bipartisan efforts to strengthen SBA programming and reform SBA functions can serve as building blocks for reauthorization legislation. Congress has already established for itself a strong foundation of bipartisan agreement regarding SBA reform. The following ideas draw on some of those bipartisan bills in crafting a set of recommendations for policymakers to consider when reauthorizing SBA.

Office of Capital Access

Challenges

One of the biggest—and most frustrating—challenges facing SBA's Office of Capital Access is how to close small business financing gaps. Long-standing

^d See Index for listing and information about these pieces of legislation.

gaps have persisted among demographic groups due to systemic barriers, but also exist between younger and more mature businesses, as well as businesses operating in different sectors and parts of the country.³⁵

In a January 2023 survey by Goldman Sachs *10,000 Small Businesses Voices*, 42% of small business respondents rated the effectiveness of SBA's access to capital programs as "poor." Just 29% rated them as "excellent" or "good." Responses varied significantly by race: Black business owners (55%) were more likely to say the programs were "poor" than their white counterparts (39%). This is particularly salient given evidence that Black small business owners have for several years been more likely to apply for SBA-backed loans.³⁶

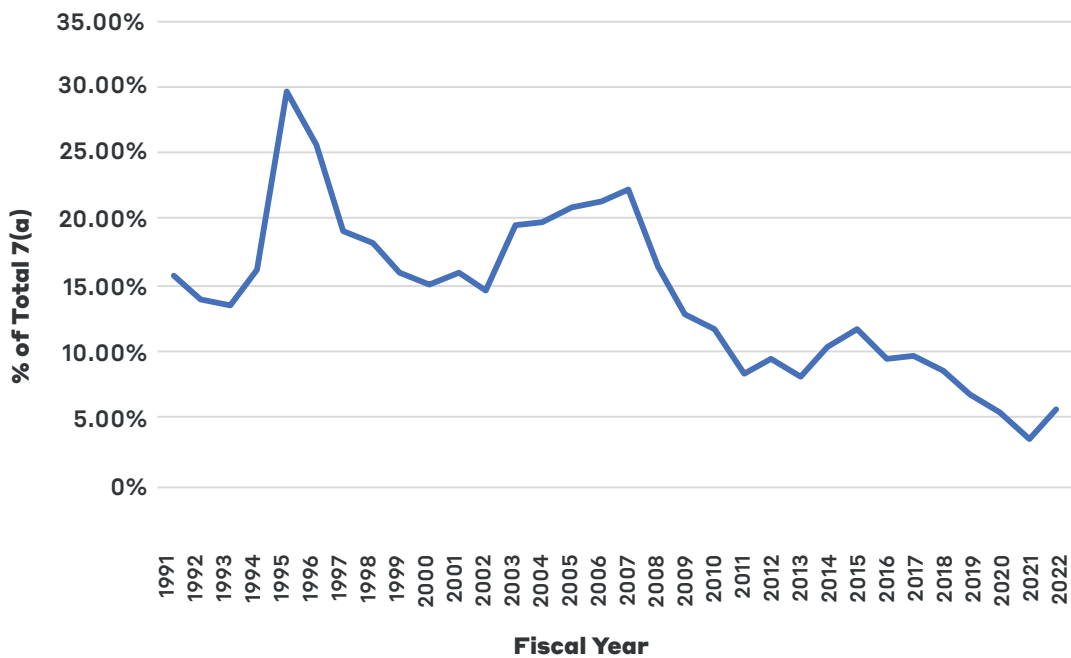
In addition to financing gaps related to specific demographic groups, members of Congress on both sides of the aisle share an intense interest in the success of rural small businesses. Overall, while one-fifth of the U.S. population lives in rural areas, 14% of employer firms are in rural communities. According to Census Bureau data, small businesses are disproportionately important employers in rural areas: 62% of workers in rural communities are employed in small firms, compared with 47% in urban areas.³⁷ Banks, especially small banks, are the primary source of financing for rural small businesses—yet the continued decline in the number of small banks, as well as a lower level of competition among credit providers, means rural small businesses can face acute financing challenges.³⁸ Receipt of 7(a)-backed loans might be an indication of this. In FY2022, rural small businesses received 19% of 7(a) loans and 18% of 7(a) dollars—higher than their 14% share of businesses.

The Small Business Act requires that SBA lending assistance go only to small businesses that are not able to find credit "on reasonable terms" elsewhere and that SBA-backed loans be "of such sound value or so secured as reasonably to assure repayment." Congress has wrestled with this tension for decades, including in debates about the "subsidy rate." SBA and Congress aim to achieve a zero-subsidy rate each year, which means that fees collected from lenders are sufficient to offset the cost of defaulted loans. In years when this does not happen, appropriations—tens to hundreds of millions of dollars—are needed to cover the gap, something that has happened six times since FY2007.³⁹

Other challenges involve the declining share of small loans made in the 7(a) program. While loans under \$150,000 still account for the majority of 7(a)-backed loans annually, the share has fallen more or less continuously after peaking in 2007. Simultaneously, the average size of small-dollar 7(a) loans has increased from \$81,707 in 2007 to \$85,171 in 2019.^{40,e}

e The numbers are adjusted for inflation.

Figure 8. Average Size of 7(a) Loan Has Risen More for Medium-Sized Loans (adjusted for inflation)



Source: Small Business Administration

It should not be overlooked that SBA has been highly active over the last three years in pursuing regulatory changes that the agency says will “encourage increased lending in historically underserved markets.”⁴¹ With a regulatory reform rule (begun during the Trump administration and finalized in the Biden administration), changes to the Community Advantage Pilot Program, and proposed changes to the 7(a) program, SBA has been seeking ways to expand access to capital broadly.⁴²

Policy Changes

SBA lending is important to ensuring small business owners have access to flexible and affordable credit so they can start and expand their businesses. Each year, SBA guarantees between \$20 billion and \$30 billion in small business loans. The COVID-19 pandemic proved that SBA's lending capabilities can expand to ensure they reach underserved small businesses in need. Although certain aspects of lending rules have been updated in the past year, more comprehensive change can modernize SBA lending and capital access programs to help small businesses reach their full economic potential.⁴³ We suggest that Congress focus on the following areas and consider certain actions.

ISSUE

Persistent financing gaps, across demographic lines and geographic areas, continue to undermine the potential success of small businesses. Congress should consider actions to:

Make microloans more accessible by allowing intermediary institutions to offer lines of credit to small businesses, placing limits on repayment terms, and reserving a portion of new loan funds for states with a dearth of microloan providers.

Modify reporting requirements related to SBA's disbursement of microloans to include the number, amount, and percentage of loans; the extent to which microloans are provided in rural areas; and the average size, rate of interest, and amount of fees charged for each loan.

- **Discussion**—The Microloan program at SBA fills a priority niche for SBA and many small businesses: small-dollar loans. According to the Federal Reserve System's *Small Business Credit Survey*, more than half of small businesses each year seek less than \$100,000 in credit.⁴⁴ The Microloan program is small relative to other lending support efforts, but it supports loans under \$50,000 through nonprofit community-based organizations. Permitting additional flexibility for microlenders—and diligently tracking metrics—should provide SBA and Congress with a better idea of the role the Microloan program can play in their broader efforts to fill financing gaps.
- **Political Dynamics**—Two bills, both bipartisan, passed the House by wide margins in the 117th Congress that would have made these and other changes to the Microloan program.

Reduce restrictions for SBICs investing in rural small businesses; allow SBA to extend certain investment to rural business investment companies intended for SBICs; and, to increase investment in rural small businesses, create an interagency working group to improve coordination and capital access.^f

- **Discussion**—In addition to the lending gaps faced by rural small businesses, they are also less likely to seek and receive equity financing. The Small Business Investment Company (SBIC) program at SBA has proven effective at leveraging federal funds to catalyze private investment. Although SBA continues to make changes in an effort to improve SBICs, actions to encourage more equity investment in rural small businesses should also be considered.⁴⁵
- **Political Dynamics**—The question of urban-rural differences is often described as a divide between blue and red states. Yet every state, no matter its electoral color, has significant rural areas and small businesses operating in them. There have been bipartisan efforts seeking to use SBICs more effectively in rural areas, and we encourage Congress to continue that work.

ISSUE

The small business financing landscape, with hundreds of billions of dollars in credit and equity flowing to small businesses annually, is continuously evolving. It is not easy for SBA to keep up with that evolution and adapt its own programs, especially in the absence of reauthorization. We encourage Congress to support SBA in creative efforts to ensure that access to capital is expanded in ways that small businesses need—and that will mark proper stewardship of taxpayer dollars.

Permit investment of federal dollars in SBICs, beginning with funds from the State Small Business Credit Initiative (SSBCI). Rigorous and independent evaluation should accompany this.

- **Discussion**—Currently, this investment is prohibited. That prohibition potentially undermines the efficacy of federal initiatives and limits agency coordination, leading to wasted dollars and opportunities. SSBCI is a \$10 billion effort established in the American Rescue Plan in 2021. The Department of Treasury deploys funds to states and regions to, ideally, leverage and catalyze private investment. SBICs are not permitted to receive any SSBCI investments.

^f The Rural Capital Access Act (H.R. 5521 and S. 1058 in the 117th Congress) includes these provisions and was endorsed by BPC Action.

- **Political Dynamics**—Members from both parties will have different reasons to object. The SSBCI program has now been authorized and funded twice by Congress, both times with solely Democratic support. Republicans might object that using one set of federal funds to support another federal program is double-dipping and will work against private investment. Democrats might object on the grounds that, to some, SBICs have not demonstrated an ability to close equity financing gaps and that a diversity of new initiatives should be supported through SSBCI over that of an established program. Both red and blue states have applied to Treasury, and been approved, for SSBCI funds. In many states, the last round of SSBCI (2010-17) supported mostly credit guarantees rather than equity investments, and independent evaluation was lacking. SBICs may prove to be more effective stewards of federal dollars in many places than new vehicles—and SBA should ensure that rigorous and independent evaluation is performed on the entire program.

Expand allowable uses of SBA guaranteed loans to cover the provision of child care services to employees.

- **Discussion**—Small businesses struggle with child care in two ways. First, they have limited means to help their employees find and afford high-quality child care. Child care struggles can harm the company’s performance by limiting employee time and productivity. Second, most child care providers are themselves small businesses and struggle to balance quality, cost, and regulatory requirements.
- **Political Dynamics**—Republicans and Democrats both recognize the need to help small businesses solve the child care puzzle; the Small Business Child Care Investment Act, which was introduced in the 117th Congress, would have expanded allowable uses of SBA-guaranteed loans to cover the cost of care, among other changes. Permitting use of guaranteed loan proceeds should not come with any additional cost to taxpayers.

ISSUE

Members of both political parties have expressed outrage at the levels of fraud perpetrated in PPP and COVID EIDL. The experience has prompted Democrats and Republicans to call for a greater focus at SBA on fraud prevention. The agency has responded by establishing a Fraud Risk Management Board and Special Counsel for Enterprise Risk.

Require SBA to submit an annual report with the number and types of agents assisting applicants, the number of fraudulent loans, and the number and aggregate dollar value of referral fees as it relates to 7(a) loan agents.

Provide oversight of 7(a) loan agents by requiring SBA to establish a registration system for agents.

- **Discussion**—While instances of fraud in PPP have received a good deal of attention, it does not appear that fraud in the overall 7(a) program is widespread. Yet the issue is top of mind for Congress and SBA. Establishment of additional controls—especially in light of recent regulatory changes that SBA has instituted and proposed—can ensure that the program operates effectively and at minimal risk to taxpayers.
- **Political Dynamics**—In their discussions of loan fraud, Democrats have focused on lenders. Republicans have focused on the laxity of controls and the sheer risk of fraud when billions of public dollars are freely flowing. Working with SBA to improve oversight of the main 7(a) program should assuage fears of future fraud and help Congress better understand the role of loan agents.

Office of Government Contracting and Business Development

Challenges

A major challenge when it comes to SBA's role in government contracting is that the agency is charged with a sweeping mission, yet it is denied meaningful tools of accountability. SBA's Office of Government Contracting and Business Development pursues "maximum participation" of small businesses and is to "advocate on behalf of small business in the federal procurement world."⁴⁶ Given that federal agencies annually spend more than half a trillion dollars procuring goods and services—with \$154 billion in prime contracts awarded to small businesses in FY2021—SBA has a significant responsibility. The agency, however, has few carrots or sticks at its disposal to ensure that the system works better for small businesses.

Figure 9. Federal Government Consistently Meets, and Fails to Meet, Small Business Contracting Goals

Fiscal Year	Overall: 23%	SDB: 5%	WOSB: 5%	SDVOSB: 3%	HUBZone: 3%
2021	✓	✓	✗	✓	✗
2020	✓	✓	✗	✓	✗
2019	✓	✓	✓	✓	✗
2018	✓	✓	✗	✓	✗
2017	✓	✓	✗	✓	✗
2016	✓	✓	✗	✓	✗
2015	✓	✓	✓	✓	✗
2014	✓	✓	✗	✓	✗
2013	✓	✓	✗	✓	✗
2012	✗	✓	✗	✓	✗
2011	✗	✓	✗	✗	✗
2010	✗	✓	✗	✗	✗
2009	✗	✓	✗	✗	✗
2008	✗	✗	✗	✗	✗
2007	✗	✗	✗	✗	✗
2006	✗	✗	✗	✗	✗

SDB: small disadvantaged business. **WOSB:** women-owned small business. **SDVOSB:** service-disabled veteran-owned small business. **HUBZone:** small business located in a designated HUBZone area. **The Biden administration has raised the SDB goal to 12% for FY23 with the intention to continue increasing to 15%.**

In the January 2023 survey by Goldman Sachs *10,000 Small Businesses Voices*, 40% of respondents rated the effectiveness of the government’s procurement assistance and support as “poor.” Just 15% rated them as “excellent” or “good.” Here, too, there were demographic differences. Business owners of color (48%) were more likely to give a rating of “poor” compared with white business owners (37%). This is particularly notable given the existence of many efforts—such as certifications and the 8(a) program—dedicated to widening procurement opportunities for small business owners of color.

SPOTLIGHT: CONGRESSIONAL AND EXECUTIVE ACTIONS ON SMALL BUSINESS PROCUREMENT

Increasing Procurement Accountability

- Congress included the bipartisan Small Business Scorecard Enhancements Act of 2022 in the National Defense Authorization Act for FY2023 (PL 117-263). This bipartisan bill codified the Small Business Procurement Scorecard and required agencies to report the number and total dollar amount of awards made through sole source contracts and competitions to small, disadvantaged businesses, women-owned small businesses, small businesses located in HUBZones, and service-disabled veteran-owned small businesses.

Executive Reforms to Small Business Procurement

- President Biden announced a series of procurement reforms in December 2021 to boost small business contracting. These actions included changes to the government’s use of category management, increasing accountability for meeting small business contracting goals, benchmarking the number of new entrants into the federal marketplace, and challenging agencies to increase the number of contracts awarded to small disadvantaged businesses.

(To learn more about enhancing the small business procurement scorecard read our explainer)⁴⁷

Consider two important pieces of the “federal procurement world”: Offices of Small Disadvantaged Business Utilization (OSDBUs), and Procurement Technical Assistance Centers (PTACs).

Every federal agency has an OSDBU to facilitate small business procurement and ensure opportunities for special categories such as SDBs and WOSBs. PTACs exist to advise small businesses on navigating the complexities of contracting. Neither, however, is accountable to SBA. OSDBUs, one small business contractor, observed, “don’t even have a dotted line into SBA.” PTACs, meanwhile, exist on the budget of the Department of Defense—this is understandable given that the department accounts for nearly two-thirds of all federal procurement spending and more than half of prime contract dollars awarded to small businesses.

Yet structurally, this arrangement means that SBA is harangued by small businesses, members of Congress, and others about improving the global state of small business contracting—without the means, really, to do much.

Policy Changes

SBA is charged with supporting small business participation in the federal procurement market. For nine consecutive years, the federal government has met its goal of awarding at least 23% of prime contract dollars annually to small businesses. However, performance against subcategory goals for WOSBs and small businesses in HUBZones have been met much less consistently.⁴⁸ Subcontracting goals for small, disadvantaged businesses, SDVOSBs, and businesses in HUBZones are also often not met. Even when goals are met, fewer small businesses are competing for contracts than in years past.⁴⁹ We encourage Congress, as it considers SBA reauthorization, to explore the following actions.

ISSUE

Trends cited in this report and our prior work indicate that small business opportunities within federal procurement have been narrowing for many years. In some ways, small business contracting has become a closed system, with high barriers to entry and “golden tickets” for those small businesses that win contracts, as one former agency official described it to us. The world of government contracting is immensely complex and, in most of the areas we address, resistance to change comes not from partisan disagreement on Capitol Hill but from entrenchment within agencies.

| **Raise sole source and simplified acquisition thresholds.**

| **Increase procurement goals to award more government contracts to small businesses.**

| **End the practice of “double-dipping” or counting agency performance against multiple subcategory goals.**

- **Discussion**— An important purpose of small business contracting is for small businesses to grow and compete for larger contracts. Keeping a cap on the opportunities generally reserved for small businesses works against that. Regarding agency goals, there is a lot of fluff to the procurement grades issued by SBA—in FY2021, for example, just *four* out of 24 agencies increased their number of small business prime contractors from FY2020. Yet 21 agencies received an A grade from SBA—and nearly half received an A+ grade, even those that used fewer small businesses and fewer women-owned small businesses.
- **Political Dynamics**—Republicans and Democrats both express frustration at the failure of agencies to meet procurement goals, especially subgoals pertaining to women and veterans. The Biden administration signaled in December 2021 that it would move forward with raising all goals, yet questions from the Hill regarding accountability for not meeting those goals will persist.

ISSUE

SBA, as discussed above, is charged with a near-impossible goal regarding procurement: hold other agencies accountable, but with few feasible tools at its disposal to do so. A broad push for efficiency in government contracting—begun during the George W. Bush administration and enhanced by the Obama administration—has brought additional pressure, yet without changes that would balance efficiency with small business opportunity.

| **Improve the quality of data collected and reported from agencies and prime contractors.**

| **Provide SBA with sufficient resources to ensure that contracting officers across federal agencies are well versed in the Federal Acquisition Regulation.**

| **Empower and resource SBA to investigate subcontracting plans and performance.**

- **Discussion**—Many of the complaints about procurement from small business owners and Congress pertain to contracting officers and agencies—but SBA can currently do little about them. Congress should seize the reauthorization opportunity to empower SBA to truly lead on small business procurement through data and accountability and ensuring that contracting officers understand relevant issues.
- **Political Dynamics**—As disturbing procurement trends have come to light in recent years, members of Congress on both sides have been more vocal in their support for small business contracting opportunities. In the name of accountability and stewardship, Congress has an intense interest in high quality data that will give them an accurate sense of what is and is not happening with small business procurement.

ISSUE

Government contracting presents a promising opportunity for many small businesses, yet it comes with high costs in terms of complexity, bureaucracy, and, according to small business owners, “burdensome” certifications. While some measure of compliance is necessary to properly steward public money, small businesses need more help navigating procurement systems, especially when they have little leverage to exert.

Bolster outreach and technical assistance to expand the number of new businesses entering the procurement market.

Streamline and simplify all small business certification programs through one centralized system.

Ensure small business subcontractors are paid on time by large prime contractors and treated fairly by those prime contractors and government agencies. In doing so, Congress can consider how SBA’s lender network could offer risk mitigation or stopgap financing when subcontractors experience payment delays.

- **Discussion**—As noted above, the number of new entrants into federal procurement has dropped precipitously in the past decade—and in FY2021, 83% of agencies saw a further decline in the number of small businesses used as prime contractors. For many small businesses, even thinking about how to enter federal procurement is daunting. More dedicated outreach is needed. Certification processes—intended to help specific types of small businesses contracts—are, according to small business owners, “cumbersome.” The time commitment for annual certification can cause some to miss out on bidding

opportunities. While successive administrations have sought to ensure prompt payment by large contractors to small businesses, our conversations indicate that this problem is far from solved.

- **Political Dynamics**—In the 118th Congress, Republicans are likely to oppose additional budgetary authority for SBA to create assistance programs. We have heard from some stakeholders that a few SBA resource partners excel in procurement assistance. Presumably, their knowledge can be disseminated more widely through the resource partner network at little cost. Democrats may prefer empowering SBA to offer stopgap financing rather than relying on private lenders. But many private lenders will have expertise in procurement financing and can offer help to SBA in thinking through prompt payment solutions.

Office of Entrepreneurial Development

Challenges

One challenge that SBA's entrepreneurial development programs and resource partners face that did not exist when SBA was last reauthorized is the sheer volume of support services available for business owners and entrepreneurs. Take an "average" small business owner, in any part of the United States, at three points in time. In the early 1980s, SBDCs were fairly new and, in most places, the only option for owners seeking technical assistance or counseling. Fast-forward to 2000, when SBA was last reauthorized. In many communities, the local SBDC may have still been the main local resource, but it was now joined in some places by a business incubator, the number of which had grown rapidly in the 1980s and 1990s.

Today, the landscape is vastly more crowded. Over the last decade and a half, the number of entrepreneurship and small business support organizations has proliferated: accelerators, business model competitions, new types of incubators, and more. Universities, the traditional host of SBDCs, have created entrepreneurship and small business programs at an especially rapid pace. Consideration of the future of SBDCs, WBCs, and other resource partners needs to take account of the fact that "it's difficult for someone starting a business to know where to go," as one local government leader told us. Several people working in entrepreneurial development also noted that in many places, these public and private support organizations "compete rather than collaborate."

Competition is perhaps inevitable, especially if some organizations are vying for the same funds. Some SBDCs have evolved in the direction of coordination, making conscious efforts to be the "front door" or "front porch," as some labeled it, for a local entrepreneurial ecosystem. SBA's relatively new Community Navigator program has attempted to do this, too.

Entrepreneurial development is the largest line item in SBA's budget, accounting for about one-quarter of the agency's annual expenditures. For the

resource partners, however, SBA is a major but not the sole funder. Resource partners are required to raise matching dollars. This means that lines of accountability between SBA and its Office of Entrepreneurial Development resource partners can be attenuated and unclear in terms of reporting. SBA does not receive, for example, all of the data that SBDCs collect and use for their own internal improvements. Moreover, much of the data that SBA does request from SBDCs is “useless,” one official complained to us, because it doesn’t reflect actual impact and can’t be used for performance improvement. Congress, in turn, lacks the ability to determine whether a significant chunk of taxpayer money is being used effectively.

Another feature of the entrepreneurial development network is that effectiveness often depends not on the system or any sort of standard but on the local person working at or volunteering for the resource provider. The question of standardization in entrepreneurial development was a constant theme in our research and in many of our conversations with small business owners, resource partners, lenders, former agency officials, and others. On one hand, many people acknowledged that there is “definitely room for standardization” across, for example, SBDCs. On the other, many pointed to the strength of SBDCs in tailoring their offerings to the local context. These observations often pointed to a broader tension between SBA’s Washington headquarters and its field offices across the country. This is not an area where we feel ready to make a recommendation, but below we offer some thoughts for Congress and SBA to consider.

Policy Changes

To serve as many Americans as possible, comprehensive reauthorization would include ensuring access to small business training for underserved communities and improving available mentoring. Improvements to data collection and reporting would also satisfy Congress and assist SBA in resource allocation decisions. Congress should consider taking the following actions.

ISSUE

Amid a rapidly proliferating and constantly shifting landscape of entrepreneurship and small business support, SBA should encourage its resource partners to adapt, digitize, and fill market needs unaddressed by others.

Ensure technical assistance and training programs address 21st-century business issues, including the growing array of digital tools available to help small businesses become more efficient and manage growth.⁵⁰

Create training for small business owners 60 and older to expand their businesses.^g

Require SBDCs and WBCs to assist small businesses with hiring graduates from career and technical education programs and help those graduates start businesses.

Explore the feasibility of adding skillset-based counseling versus exclusively geographic assistance. Some SBDCs are already doing this in a de facto way.

- **Discussion**—Former SBA officials we spoke with emphasized the need for greater digitalization not only among small businesses but also resource partners that support small businesses. Greater digitalization can also support efforts by resource partners to expand their services to those overlooked or underserved by other organizations.
- **Political Dynamics**—Some may oppose greater digitalization among resource partners as a veil to implement budget reductions. Yet better use of digital tools to expand offerings should not mean forced budget cuts. Many SBDCs are collaborating to improve how they serve small businesses—Congress would be well served to learn more about these efforts and how SBA can support them.

ISSUE

Women business owners face unique challenges that translate into unequal outcomes in starting and operating small businesses. Despite comprising 47% of the U.S. labor force, women own only about 20% of small employer businesses.⁵¹ These firms tend to be smaller than male-owned businesses in terms of both sales and employment.⁵² During the early stages of the COVID-19 pandemic, more women-owned businesses closed than those operated by their male counterparts.⁵³ It is widely recognized that increasing the incidence of women's business ownership and helping these businesses grow will produce widespread economic benefits. We encourage Congress and SBA to work together to improve the technical assistance provided to women business owners at all stages of the entrepreneurial journey—from starting out to managing growth.

^g

The Golden-preneurship ACT (S. 2348 in the 117th Congress) includes these provisions and was endorsed by BPC Action.

Update SCORE to reflect the diversity of business ownership in America. Congress and SBA should consider moving from a mentoring to a coaching model and increasing the number of women volunteers in the program, perhaps by tying funding to SCORE meeting diversity recruitment goals for its volunteers.

Revive the Interagency Committee on Women's Business Enterprise, which has been inactive since 2000. As referenced above, SBA is not the only federal agency working to support entrepreneurship and small business ownership. Coordinating federal efforts will help women entrepreneurs overcome barriers to starting and growing businesses.

- **Discussion**—Starting and running a business is, to put it mildly, hard. Entrepreneurs and small business owners need support. Programs created to serve women entrepreneurs—whether through technical assistance or procurement support—need renewal to enhance effectiveness. Other programs do not yet reflect the diversity of today's business owners. Federal entrepreneurial development programming should reflect today's population of small business owners and be enhanced to help them succeed.
- **Political Dynamics**—There is strong bipartisan support among members of Congress for helping women business owners. Although efforts to change or eliminate existing programs can encounter resistance, Congress should embrace the same adaptability that characterizes successful entrepreneurs who pivot when something no longer works. Some in Congress might also be particularly fond of certain entrepreneurial development programs and thus resistant to change. We are confident that both parties want to enhance effectiveness while pursuing resource efficiency.

ISSUE

Members of Congress in both parties consistently express frustration at the lack and quality of data they receive from SBA regarding entrepreneurial development resource partners. Blame for this does not lie with SBA, however. The structure of the resource partner network and its funding model preclude sharing of meaningful data with SBA and Congress.

Direct SBA and the IRS to establish a joint data collection program concerning the small businesses that seek and receive support through SBA resource partners. Longitudinal tracking of these businesses will not only provide insight into the efficacy of SBA-funded programs but also permit Congress and SBA to identify opportunities for optimization and improved coordination.

- **Discussion**—SBA and its resource partners have an opportunity to lead in an area not yet addressed by the private sector: performance evaluation of small business and entrepreneurship support organizations. Congressional action will be needed to ensure that IRS shares data with SBA and that resource partners have a stake in better data.
- **Political Dynamics**—Immediate opposition will arise from the resource partner network itself. Incumbent interests have long stonewalled improvements in data collection and reporting. Both Republicans and Democrats have an interest in better understanding what value small businesses are and are not deriving from an annual taxpayer investment of \$300 million.

Office of Advocacy

Challenges

An interim chief counsel has led the Office of Advocacy since early 2017. President Donald Trump’s nominee for the position was approved twice by the Senate Small Business and Entrepreneurship Committee but never confirmed by the full Senate. President Biden has not nominated someone as of the writing of this report. Several other positions within the office are vacant.

One small business advocate and former SBA official pointed to another department’s office as a potential model for “reimagining” data and research within SBA: the Office of Policy Development & Research (PD&R) at the Department of Housing and Urban Development (HUD). Within HUD, this person said, PD&R has very intentionally built over many years a “rich and robust research ecosystem” with data as a key leverage point for improving policy. The equivalent does not exist at SBA and, therefore, “we don’t have a

good dashboard or accountability because of data gaps, and we'll continue with good intentions but not getting to our goals.”

Policy Changes

Public data on small businesses has always been an area with large room for improvement. Enormous strides have been made in the past two decades by the U.S. Census Bureau and researchers aligned with it. SBA makes available a large amount of information regarding the 7(a) loan guaranty program and has produced detailed reports on PPP and COVID EIDL. Yet we consistently hear from members of Congress, former agency officials, and other stakeholders that much more is needed—and, importantly, possible—when it comes to small business data. SBA could play a leading role here, one that Congress can support through reauthorization.

ISSUE

The Office of Advocacy is charged with leading small business research, yet it has been hamstrung by the absence of a confirmed chief counsel. SBA and the Advocacy Office are also limited by reciprocal data agreements with other agencies (such as the IRS and Census Bureau) that may not operate effectively. The only data that SBA does “own” and control is from 7(a) lenders and its OED resource partners—yet here, as we’ve seen, little is done in terms of analysis and understanding.

Charge the Office of Advocacy, and resource it accordingly, with leading in-depth, multiyear evaluations of SBA programs and building an ecosystem of researchers and data on small businesses.

Establish a public-private advisory group to make recommendations to Congress and SBA and redefine the agency’s approach to data.

- **Discussion**—Data and research do not necessarily stir the souls of members of Congress—except when they seek an answer to a question and the information is not forthcoming. As noted, PD&R at HUD can serve as a model for SBA.
- **Political Dynamics**—Neither Republicans nor Democrats have filled the chief counsel position at the Office of Advocacy. Members of Congress might oppose additional resources to be spent through SBA or Advocacy on data and research. One approach that might not require additional expenditures is to mandate better sharing of data between the IRS, the Census Bureau, and SBA. Both Republicans and Democrats, too, should maintain an openness to research findings that may not accord with

their presuppositions about what works and does not work in their states and districts.

ADDITIONAL CONSIDERATIONS

Small Business Size Standards

Challenges

Because there is no specific statutory definition of a small business, SBA has discretion in setting the standards and revises them from time to time. These revisions, made through regulatory action, may expand the definition—allowing more businesses to qualify for SBA programs—or tighten eligibility, causing some firms to no longer qualify. Since passage of the Small Business Jobs Act of 2010 (PL 111-240), SBA conducts a detailed review of at least one-third of its industry-specific size standards every 18 months and all industry-specific size standards at least once every five years.

These numerous and changing definitions can be a source of conflict, with some businesses claiming the size standards are too restrictive and others, including policymakers, arguing the standards are too broad and do not adequately send government resources and support to what they consider to be “small businesses.” In discussions with small business owners over the past two years, participants occasionally raised support for “redefinition” of size standards, and those in the contracting space have pointed to “NAICS shopping” by some small businesses. These debates have generated calls to streamline, simplify, or otherwise change the definition and its calculation.

Policy Changes

Without wading into a debate about the “appropriate” definition of a small business, Congress has an opportunity to help direct specific resources and support to the smallest of small businesses. Congress should consider the following.

ISSUE

There are vast differences between a small business with several hundred employees and a sole proprietorship or small business with just a handful of employees. Yet they are both currently treated as “small.”

Create a uniform definition of a “microbusiness” for purposes of SBA capital, procurement, and counseling programs.

- **Discussion**—Many of the smallest small businesses struggled early in the pandemic to access the support they needed. These businesses may lack banking relationships, and most have too few resources to employ lawyers and other professionals to help their businesses navigate federal rules and programs.
- **Political Dynamics**—If support for small businesses as the “backbone of the American economy” is strong, support for microbusinesses may be even stronger. Politicians of both parties gravitate to underdog stories or tales of a business starting in a garage and growing to significantly affect the economy. All new businesses start small; being specific about how the federal government supports them can be a win-win.

Agency Coordination, Marketing, and Customer Service

One long-standing challenge for SBA has been coordination among the Offices of Capital Access, Government Contracting and Business Development, and Entrepreneurial Development. “If you look at the org chart,” a former SBA official told us, “nothing overlaps or intersects at all. All SBA’s programs grew up separately.” Conversations with many partners in SBA’s network confirm this insight. It might make conceptual sense, for example, for private lenders making SBA-backed 7(a) loans to be connected with SBDCs that are counseling small businesses on loan applications. In practice, this happens accidentally rather than systematically: “Those lenders often don’t even know about SBDCs,” one resource partner leader observed.

With so many resources available to entrepreneurs and small business owners, it is critical for SBA to clearly differentiate itself and articulate its value in the entrepreneurial ecosystem. Greater organizational coherence within SBA could help: As SBA clarifies what it does and how its various functions work together, it can better communicate its offerings to small businesses and other stakeholders.

In our conversations with local government officials, for example, there was a lack of clarity over the role that SBA programs were intended to fill. One official pointed to the apparent lack of coordination between entrepreneurial development and lending programs. It seemed clear to this person that the former should be working with the latter to help small businesses meet lending standards and “get them creditworthy.” It was not apparent to them that SBA took responsibility for this. Some resource partners relayed the opposite experience: They received referrals from banks, worked with a small business loan applicant on a business plan or cash flow projections, and sent them back to the bank as a “better lending option.”

One former mayor of a midsize city told us, “Many of our ESOs [entrepreneurial support organizations] hadn’t been aware previously of what was available

from SBA. There's opportunity to do networking at the local level." From the entrepreneur's or small business owner's perspective, clarity about what resource to seek and how the various service providers interact with one another can save time and make the entrepreneurial journey less of a maze and more of a road map. To this end, 95% of small business owners expressed support for developing a "21st-century communications and marketing strategy at SBA to bring more awareness to the resources available to small businesses."⁵⁴

Policy Changes

Reauthorization presents an opportunity for Congress to clarify SBA programmatic missions and scope within SBA and allocate resources to effectively reach and support small businesses.

ISSUE

Entrepreneurs and small business owners are fighting an uphill battle every day to turn their ideas into businesses and grow their companies. They are not experts on government programs and lack the time to make sense of what offerings and support are available to them.

Improve clarity of communication about SBA offerings and support by ensuring SBA Office of Communications and Public Liaison is sufficiently resourced.

Allocate dedicated marketing resources to SBA district offices to help them put their local knowledge to use in improving outreach to small businesses.

Strengthen customer service, including through acquisition of new technology, systems, and processes to shorten the time small business owners wait for SBA responses, and to minimize time-consuming requests that small business owners resubmit information.

- **Discussion**—Small businesses know that to be successful, they must effectively reach existing and potential customers and provide high-quality service. They expect the same from the government.
- **Political Dynamics**—While improving agency coordination, communication, and customer service requires additional resources, which some members of Congress may object to, no elected official likes hearing from dissatisfied and frustrated constituents. SBA might push back against criticisms of its customer-service, but the small business owner experience cannot be dismissed.

Index

The following tables list bipartisan bills introduced in the 117th Congress pertaining to capital, procurement, and entrepreneurial development.

Capital (* indicates BPCA endorsement)

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Expanding Access to Affordable Credit for Small Businesses Act	H.R. 6217	Byron Donalds (FL-19)	Jason Crow (CO-6)	Allows more non-depository financial institutions to participate in government-guaranteed small business lending.	Introduced & referred
	S. 2690*	Tim Scott (SC)	John Hickenlooper (CO)		Introduced & referred
Rural Capital Access Act*	H.R. 5521	David Joyce (OH-14)	Jared Golden (ME-2)	Makes more capital available to rural small businesses by expanding federal leverage to small business investment companies, improving participation in the U.S. Department of Agriculture's Rural Business Investment Company (RBIC) program, and establishing an interagency working group on capital access in rural areas.	Introduced & referred
	S. 1058	John Thune (SD) Deb Fischer (NE)	Jeanne Shaheen (NH)		Introduced & referred
Small Business COVID Relief Act	S. 4008	Roger Wicker (MS)	Ben Cardin (MD)	Provides additional funding for the SBA to make grants to support ongoing operations of eligible restaurants, gyms, and certain other small businesses.	Failed cloture vote 52-43 (5/19/22)
Ensuring Safe Capital Access for All Small Businesses Act	H.R. 2712	Nancy Mace (SC-1)	Nydia Velazquez (NY-7)	Removes cannabis from the schedule of controlled substances and prohibits SBA from declining to provide small business financing to eligible entities solely because they are cannabis-related.	Introduced & referred
PPP and Bank Fraud Enforcement Harmonization Act	H.R. 7352	Blaine Luetkemeyer (MO-3)	Nydia Velazquez (NY-7)	Establishes a 10-year statute of limitations for criminal charges and civil enforcement against a borrower who engages in PPP fraud.	Became law (PL 117-166)
Continuing Emergency Support for Restaurants Act	S. 2675	Roger Wicker (MS) Joni Ernst (IA) Lisa Murkowski (AK) Bill Cassidy (LA) Cindy Hyde-Smith (MS)	Ben Cardin (MD)	Provides an additional \$48 billion in FY21 for the Restaurant Revitalization Fund.	Introduced & referred
SBIC Advisory Committee Act	S. 2521	James Risch (ID)	Ben Cardin (MD)	Requires SBA to create an advisory committee to develop recommendations for expanding SBA assistance through small business Investment Companies (SBICs). Advisory committee recommendations are to be about increasing the number of applicants to become SBICs, particularly in low-income, underserved, and rural communities and incentivizing investment by and location of SBICs in underfinanced states.	Passed Senate by voice (9/28/22)
PPP Flexibility for Farmers, Ranchers, and the Self-Employed Act	S. 1249	James Lankford (OK) Susan Collins (ME) Rob Portman (OH) Roger Marshall (KS)	Ben Cardin (MD)	Makes various changes to the Paycheck Protection Program.	Introduced & referred
Childcare DESERTS Act	S. 5022	Joni Ernst (R-IA)	Gary Peters (D-MI)	Allows small businesses to provide childcare services to their employees by utilizing capital access loan programs through the SBA.	Introduced & referred

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Blockchain Solutions for Small Businesses Act	H.R. 6597	Maria Elvira Salazar (FL-27) Young Kim (CA-39) + 14 others	Ro Khanna (D-17) Darren Soto (FL-9)	Requires SBA to evaluate cryptocurrency loans to small businesses.	Introduced & referred
7(a) Loan Agent Oversight Act	H.R. 4531	Daniel Meuser (PA-9)	Dean Phillips (MN-3)	Requires SBA to submit an annual report on the number and activities of 7(a) loan agents.	Passed House 411-9 (11/2/21)
7(a) Loan Agent Transparency Act	H.R. 4481	Daniel Meuser (PA-9)	Dean Phillips (MN-3)	Establishes a 7(a) agent registration system.	Passed House 407-9 (11/2/21)
Minor League Baseball Relief Act	H.R. 4150	David McKinley (WV-1)	Doris Matsui (CA-6) Susan Wild (PA-7) Peter Welch (VT-At Large) James McGovern (MA-2) Elissa Slotkin (MI-8)	Provisions funding for SBA to distribute to baseball clubs impacted by the pandemic.	Introduced & referred
	S. 2233	Marsha Blackburn (TN)	Richard Blumenthal (CT) Mark Warner (VA) Tim Kaine (VA)		Introduced & referred
Future of Local News Act	H.R. 3169	Brian Fitzpatrick (PA-1)	Marc Veasey (TX-33)	Establishes committee to examine the health of local news companies.	Introduced & referred
Small Business Child Care Investment Act	H.R. 3155	Pete Stauber (MN-8) John Moolenaar (MI-4) Van Taylor (TX-3) Rodney Davis (IL-13) Jim Hagedorn (MN-1)	Susie Lee (NV-3) Cynthia Axne (IA-3) Susan Wild (PA-7) John Larson (CT-1)	Classifies some nonprofit child care providers as small businesses to receive SBA loans.	Introduced & referred
	S. 1587	Joni Ernst (IA) Marco Rubio (FL)	Tammy Duckworth (IL) Jacky Rosen (NV)		Introduced & referred
PPP Second Draw Fairness Act of 2021	H.R. 2615	Troy Balerson (OH-12)	Angie Craig (MN-2)	Allows PPP applicants to select any 90-day period to demonstrate loss of revenue.	Introduced & referred
PPP Equity Act of 2021	H.R. 2583	Ashley Hinson (IA-1)	Abigail Spanberger (VA-7)	Allows farmers, ranchers, and sole proprietors to recalculate PPP loans based on gross income, rather than net profits	Introduced & referred
PRACTICAL Act of 2021	H.R. 2582	French Hill (AR-2)	Chrissy Houlahan (PA-6)	Allows PPP applicants to select any 90-day period to demonstrate loss of revenue.	Introduced & referred
Fair PPP Accounting Act	S. 1200	Rob Portman (OH) Susan Collins (ME)	Jeanne Shaheen (NH)	Allows PPP applicants to select any 90-day period to demonstrate loss of revenue.	Introduced & referred
PPP Extension Act of 2021	H.R.1799	Young Kim (CA-39) Blaine Luetkemeyer (MO-3)	Carolyn Bourdeaux (GA-7) Nydia Velazquez (NY-7)	Extends PPP through June 2021.	Passed House 415-3 (3/16/21); became law
	S. 723	Susan Collins (ME)	Ben Cardin (MD)		Introduced & referred
COVID Economic Injury Disaster Loan Relief Act	H.R. 1553	Maria Elvira Salazar (FL-27) Daniel Meuser (PA-9)	Daniel Meuser (PA-9) Mario Diaz-Balart (FL-25)	Extends COVID-19 deferment of economic injury disaster loans from one year to two.	Introduced & referred
Microloan Improvement Act of 2021	H.R. 1502	Andrew Garbarino (NY-2) Tim Burchett (TN-2)	Andy Kim (NJ-3) Marie Newman (IL-3)	Authorizes intermediaries for microloans and reserves loan funds for microloans.	Passed House 397-16 (4/15/21)
504 Modernization and Small Manufacturer Enhancement Act of 2021	H.R. 1490	Angie Craig (MN-2) Sharice Davids (KS-3)	Young Kim (CA-39) Steve Chabot (OH-1)	Increases maximum SBA loan amount for small manufacturers and revises requirements.	Passed House 400-16 (4/15/21)
	S. 2231	Todd Young (IN) Marco Rubio (FL)	Amy Klobuchar (MN) Cory Booker (NJ)		Introduced & referred
Microloan Transparency and Accountability Act of 2021	H.R. 1487	Tim Burchett (TN-2) Scott Fitzgerald (WI-5)	Andy Kim (NJ-3) Marie Newman (IL-3)	Requires SBA to report disbursement metrics for microloans.	Passed House 409-4 (4/15/21)

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
PPP Flexibility for Farmers and Ranchers Act	H.R. 1411	Jim Hagedorn (MN-1) and 30+ others	Henry Cuellar (TX-28)	Expands PPP eligibility for agricultural producers organized as partnerships.	Introduced & referred
	S. 1047	Roger Marshall (KS) Joni Ernst (IA)	John Hickenlooper (CO)		Introduced & referred
Paycheck Protection Clarification for Producers Act	H.R. 1246	Jeff Fortenberry (NE-1)	Ron Kind (WI-3)	Expands PPP eligibility for agricultural producers organized as partnerships or LLCs.	Introduced & referred
Fairness for Craft Beverage Producers Act	H.R. 1035	Maria Elvira Salazar (FL-27) David Rouzer (NC-7) Dan Newhouse (WA-4)	Jennifer Wexton (VA-10) Jason Crow (CO-6)	Gives beverage manufacturers access to second draw loans under PPP.	Introduced & referred
LIFT UP Act of 2021	H.R. 809	Michael McCaul (TX-10)	Lizzie Fletcher (TX-7)	Extends subsidized loan period for PPP.	Introduced & referred
Reopen Small Businesses Safely Act	H.R. 561	Brian Fitzpatrick (PA-1)	Ted Lieu (CA-33) Thomas Suozzi (NY-3) Ed Case (HI-1) Kathleen Rice (NY-4) Angie Craig (MN-2)	Requires SBA to provide economic injury disaster loans for COVID-19 expenditures.	Introduced & referred
Streamlining EIDL Act	S. 3349	Jim Risch (ID) Roger Marshall (KS) John Kennedy (LA)	John Hickenlooper (CO) Catherine Cortez Masto (NV)	Sets timetable and notification requirements for EIDL loan applicants.	Introduced & referred
Seasonal Business PPP Act	S. 1140	Susan Collins (ME)	Angus King (ME)	Increases maximum second draw loan amount for PPP.	Introduced & referred
PPP Access for Rural Hospitals Act	S. 310	Roger Wicker (MS)	Tina Smith (MN)	Expands PPP access to rural hospitals.	Introduced & referred
American Innovation and Manufacturing Act	H.R. 2262	Claudia Tenney (NY-22)	Angie Craig (MN-2)	Creates credit facility in SBA for small manufacturing financing.	Introduced & referred
504 Credit Risk Management Improvement Act of 2021	H.R. 1482	Dan Bishop (NC-9) Young Kim (CA-39)	Angie Craig (MN-2) Sharice Davids (KS-3)	Charges Office of Credit Risk Management with oversight of a certified development companies that participate in the 504 Loan Program.	Passed House 411-8 (4/14/21)
Small Business Succession Planning Act	H.R. 971	Andrew Garbarino (NY-2) Tom Rice (SC-7)	Cheri Bustos (IL-17) Jason Crow (CO-6) Angie Craig (MN-2)	Requires SBA to establish program for small business succession planning.	Introduced & referred
Keeping the Lights On Act of 2021	H.R. 615	Mike Kelly (PA-16)	Mike Thompson (CA-5) Steven Horsford (NV-4) Jimmy Panetta (CA-20)	Allows small businesses a payroll tax credit anchored to mortgage, rent, and utility payments.	Introduced & referred
GYMS Act of 2021	H.R. 890	Brian Fitzpatrick (PA-1)	Mike Quigley (IL-5) Brendan Boyle (PA-2) Dean Phillips (MN-3) Al Lawson (FL-5)	Provides SBA grant program to fitness facilities.	Introduced & referred
	S. 1613	Jerry Moran (KS)	Tammy Duckworth (IL)		Introduced & referred
Small Business Credit Protection Act	S. 2034	Marco Rubio (FL) John Kennedy (LA)	Chris Coons (DE) Raphael Warnock (GA)	Sets disclosure requirements for small business data breaches.	Introduced & referred
COVID-19 EIDL Fraud Statute of Limitations Act of 2022	H.R. 7334	Blaine Luetkemeyer (MO-3)	Nydia Velazquez (NY-7)	Establishes a 10-year statute of limitations for criminal charges and civil enforcement against a borrower who engages in fraud with respect to COVID-19 disaster loan programs.	Passed House 421-0 (6/8/22); became law

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Investing in Main Street Act	H.R. 4256	Andrew Carbarino (NY-2)	Judy Chu (CA-27)	Authorizes certain banking entities to invest up to 15% of their capital and surplus in one or more SBICs or in any entity established to invest solely in SBICs.	Passed House 413-10 (11/2/21)

Procurement

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Small Business Scorecard Enhancements Act	H.R. 9016	Daniel Meuser (PA-9)	Scott Peters (CA-52)	Makes changes to the small business procurement scorecard and adds requirements for tracking and reporting on prime contracts.	Incorporated into H.R. 7900, NDAA FY23, which passed House 329-101 (7/14/22)
Strengthening Subcontracting for Small Businesses Act	H.R. 7694	Pete Stauber (MN-8)	Kweisi Mfume (MD-7)	Requires agencies to consider the extent to which small businesses are used in a subcontracting plan.	Passed House 411-11 (6/8/22)
WOSB Program Transparency Act	H.R. 7670	Claudia Tenney (NY-22)	Chrissy Houlahan (PA-6)	Requires additional SBA reporting on the women owned small businesses (WOSB) program.	Passed House 402-19 (6/8/22)
PRICE Act	H.R. 6082	Maria Elvira Salazar (FL-27)	Joe Neguse (CO-2)	Requires new DHS reporting on procurement, including about goals for small business contracting.	Introduced & referred
	S. 583	Joni Ernst (R-IA)	Gary Peters (D-MI)		Became law (PL 117-88)
HUBZone Price Evaluation Preference Clarification Act	H.R. 5879	Maria Elvira Salazar (FL-27)	Marie Newman (IL-3)	Revises the circumstances under which a small business in a HUBZone is granted price evaluation preferences.	Passed House 359-61 (6/8/22)
Small Business Procurement Utilization Reform Act	H.R. 3350	Maria Elvira Salazar (FL-27)	Joe Neguse (CO-2)	Raises government-wide procurement goal from 23% to 25%.	Introduced & referred
Preserving Small Business Prime Contracting Opportunities Act	H.R. 8941	Daniel Meuser (PA-9)	Kweisi Mfume (MD-7)	Modifies small business procurement contracting rules regarding bidding out smaller contracts and alternative procurement methods.	Introduced & referred
Small Business Payment for Performance Act	H.R. 8273	Pete Stauber (MN-8)	Marc Veasey (TX-33) Scott Peters (CA-52)	Allows a small business awarded a construction contract by a federal agency to request an equitable adjustment if the agency directs a change in the contract's performance without the agreement of the small business.	Introduced & referred
Investing in VETS Act	H.R. 5953	Trey Hollingsworth (IN-9)	Frank Mrvan (IN-1)	Increases the service-disabled veteran-owned small business contracting goal from 3% to 5%.	Introduced & referred
Waiver Authorization Streamlining Act	H.R. 5861	Scott Fitzgerald (WI-5) Brian Fitzpatrick (PA-1)	Dwight Evans (PA-3)	Revises the process whereby a government contract awarded to a small business may still be awarded when ownership of the business has been transferred.	Incorporated into H.R. 4350, the National Defense Authorization Act for FY22
Put Our Neighbors to Work Act	H.R. 4321	August Pfluger (TX-11)	Andy Kim (NJ-3)	Aims to increase small business subcontracting on military construction projects.	Introduced & referred

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Parity for HUBZone Appeals Act	H.R. 3845	Anumua Amata Coleman (AS)	Chrissy Houlahan (PA-6)	Transfers authority for appeals regarding HUBZone determination from the Office of Government Contracting and Business Development to SBA's Office of Hearings and Appeals.	Introduced & referred
Expanding Contracting Opportunities for Small Businesses Act	H.R. 3065	Maria Elvira Salazar (FL-27)	Marie Newman (IL-3) Dwight Evans (PA-3)	Raises caps on sole-source contracting for small businesses through the SBA from \$5 million to \$8 million for general contracts and from \$7 million to \$10 million for manufacturing contracts.	Introduced & referred
Service-Disabled Veteran Opportunities in Small Business Act	S. 5076	Joni Ernst (IA)	Gary Peters (D-MI)	Requires SBA to issue guidance to agencies to meet SDVOB procurement goals and provide training to agencies that fail to meet the goal.	Introduced & referred
Native American Entrepreneurial and Opportunity Act	S. 1735	Cynthia Lummis (WY) James Inhofe (OK)	John Hickenlooper (CO)	Establishes within SBA an Office of Native American Affairs and directs office to establish relationships with Indian tribes and by targeting SBA programs related to entrepreneurial development, contracting, and capital access to Native businesses.	Introduced & referred

Entrepreneurial Development (* indicates BPCA endorsement)

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
21st Century Entrepreneurship Act*	H.R. 7687	French Hill (AR-2)	Dean Phillips (MN-3) Sharice Davids (KS-3)	Expands access to entrepreneurial education for underrepresented students by directing the SBA to develop a curriculum for volunteers in the Service Corps of Retired Executives (SCORE) to teach about entrepreneurship and innovation.	Introduced & referred
	S. 384	Marsha Blackburn (TN)	Catherine Cortez Masto (NV)		Introduced & referred
Golden-preneurship Act	H.R. 7552	Kim Young (CA-39) Elise Stefanik (NY-21)	Dean Phillips (MN-3) Jason Crow (CO-6)	Creates a new training program to help entrepreneurs over the age of 60 with the necessary tools to grow their business.	Introduced & referred
	S. 2348*	Tim Scott (SC)	Jeanne Shaheen (NH)		Introduced & referred
Next Generation Entrepreneurship Corps Act*	H.R. 1226	Troy Balderson (OH-12)	Jason Crow (CO-6)	Creates Next Generation Entrepreneurship Corps to promote entrepreneurship in distressed regions of the country.	Introduced & referred
	S. 389	Tim Scott (SC)	Chris Coons (DE)		Introduced & referred
Small Business Development Centers Improvement Act	H.R. 6445	Jim Hagedorn (MN-1)	Jared Golden (ME-2)	Reauthorizes and makes changes to the small business Development Center program.	Passed House by voice vote (4/26/22)
Ensuring Access to Counseling and Training for All Small Businesses Act	H.R. 2652	David Joyce (OH-14)	Jared Golden (ME-2)	Prohibits SBDCs, Women's Business Centers, or Veteran Business Centers from declining to help a small business that is a cannabis-related business.	Incorporated into H.R. 3617, which passed House (4/1/22)
Prison to Proprietorship Act	H.R. 7280	Steve Chabot (OH-1)	Nydia Velzaquez (NY-7)	Directs SBA to require women's business centers and SBDCs to provide entrepreneurial counseling and training to incarcerated individuals in minimum-, low-, and medium-security prisons.	Introduced & referred

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Supporting Small Business and Career and Technical Education Act	H.R. 7664	Roger Williams (TX-25)	Marie Newman (IL-3)	Includes within SBDC and Women's Business Centers the responsibility that they provide assistance to small businesses in hiring graduates from career and technical education programs and to graduates of such programs in starting small businesses.	Passed House 399-18 (6/8/22)
Womens's Business Centers Improvement Act	H.R. 6441	Claudia Tenney (NY-22)	Sharice Davids (KS-3)	Reauthorizes the Women's Business Center Program, raises the cap on individual center grants, establishes an accreditation program, and makes others changes.	Passed House by voice vote (4/26/22)
Small Business Workforce Pipeline Act	H.R. 7622	Scott Fitzgerald (WI-5) Andrew Barbarino (NY-2)	Jason Crow (CO-6)	Adds work-based learning and apprenticeship program assistance to list of services SBDCs must provide.	Passed House 368-52 (6/8/22)
Interagency Committee on Women's Business Enterprise Act	H.R. 3875	Maria Elvira Salazar (FL-27)	Grace Meng (NY-6) Chrissy Houlahan (PA-6)	Reauthorizes the Interagency Committee on Women's Business Enterprise and modifies its responsibilities and duties.	Introduced & referred
	S. 2042	Tim Scott (SC) Susan Collins (ME)	Tammy Duckworth (IL) Ben Cardin (MD)		Reported by Senate Small Business and Entrepreneurship Committee (2/15/22)"

Other Small Business Bills of Note

Bill Name	Bill No.	Primary Republican Sponsor(s)	Primary Democratic Sponsor(s)	Bill Summary	Last Action
Research Advancing to Market Production (RAMP) for Innovators Act*	H.R. 652	Troy Balderson (OH-12)	Chrissy Houlahan (PA-6)	Increases speed and improves commercialization outcomes in the small business Innovation Research (SBIR) and small business Technology Transfer (STTR) programs.	Introduced & referred
	S. 3109	Marco Rubio (FL)	Chris Coons (DE)		Introduced & referred
Collateral Requirements for Disaster Loans Act	H.R. 8482	Garret Graves (LA-6)	Nydia Velazquez (NY-7)	Makes permanent the increased threshold limits for the minimum major-disaster loan amount for which the SBA may require collateral.	Incorporated into H.R. 5118, which passed House 218-199 (7/29/22)
PREPARE Act	H.R. 3207	Pete Stauber (MN-8) Jack Bergman (MI-1)	Joseph Morelle (NY-25) Sharice Davids (KS-3) Julia Brownley (CA-26)	Reauthorizes SBA pre-disaster mitigation program for disbursing economic injury disaster loans.	Introduced & referred
	S. 1621	Marco Rubio (FL) Susan Collins (ME) Joni Ernst (IA) John Kennedy (LA)	Angus King (ME) Ron Wyden (OR) Ben Cardin (MD)		Introduced & referred
Disaster Assistance for Rural Communities Act	H.R. 3192	Jim Hagedorn (MN-1)	Jared Golden (ME-2)	Authorizes the SBA to declare a disaster in rural areas to provide loans.	Introduced & referred
	S. 1617	Jim Risch (ID) John Kennedy (LA) Mike Braun (IN)	Jeanne Shaheen (NH) Maggie Hassan (NH)		Passed Senate by voice vote (9/28/22)
Small Business Advocacy Improvements Act	H.R. 6454	Blaine Luetkemeyer (MO-3)	Troy Carter (LA-2)	Expands the Office of Advocacy's role to include representing the views and interests of small businesses before foreign governments and examining the role of small businesses in the global economy.	Passed House by voice vote (4/26/22)

Endnotes

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- 11 [Rubio Postpones Markup of Small Business Act Reauthorization - Press Releases - U.S. Senator for Florida, Marco Rubio \(senate.gov\)](#).
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- 13 See for example: <https://www.sbc.senate.gov/public/index.cfm/2019/7/cardin-statement-on-postponement-of-sba-reauthorization-markup> and <https://www.sbc.senate.gov/public/index.cfm/pressreleases?ID=2A948618-5824-407B-A81D-E12A9A711E71>.
- 14 Legislation can be found at: <https://www.congress.gov/bill/117th-congress/senate-bill/5220>.
- 15 Michael Mandel and Diana Carew, “Regulatory Improvement Commission: A Politically-Viable Approach to U.S. Regulatory Reform,” Progressive Policy Institute, May 2013. Available at: https://www.progressivepolicy.org/wp-content/uploads/2013/05/05.2013-Mandel-Carew_Regulatory-Improvement-Commission_A-Politically-Viable-Approach-to-US-Regulatory-Reform.pdf.
- 16 “Large, Diverse, and Growing: The Market for Small Business Financing,” Task Force on the Future of SBA, Bipartisan Policy Center, November 3, 2022. Available at: <https://bipartisanpolicy.org/explainer/small-business-financing-market/>.
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