U.S. House Committee on Financial Services
– Chairwoman Maxine Waters –
Fact Sheet - State Small Business Credit Initiative (SSBCI)

The COVID-19 pandemic continues to have major health, economic, and financial ramifications in the United States, especially for small and minority-owned businesses. While programs like the Paycheck Protection Program (PPP) have helped many small businesses, concerns persisted regarding challenges small and minority-owned businesses face in accessing pandemic relief. For example, one survey found that Black-owned small businesses reported longer delays in accessing PPP loans, and were more likely to report that the PPP support they received was inadequate.[1] Additionally, concerns have been raised by very small businesses that they would benefit from technical assistance, as they face unique challenges navigating the application process to access various federal and state small business programs. Experts suggested Congress reauthorize and enhance the State Small Business Credit Initiative (SSBCI) to provide additional resources and support to help small and minority-owned businesses survive the pandemic and thrive in its aftermath.[2]

In the aftermath of the 2008 global financial crisis, Congress established the State Small Business Credit Initiative (SSBCI) to support state and territory programs designed to help provide credit and investments in small businesses.[3] Run by the Department of the Treasury (Treasury), SSBCI leveraged $1.5 billion in Federal funds to support $10.7 billion in loans and investments through various state and territory programs that helped small businesses create or retain over 240,000 jobs. According to SSBCI's 2016 annual report, the median small business receiving support had 3 full time employees, and the median loan or investment amount was $33,000.[4] Nearly 43 percent of transactions were in low- to moderate-income communities, and 41 percent of transactions supported minority- and women-owned small businesses.[5] SSBCI-supported programs generally utilize five kinds of small business programs: capital access programs, collateral support programs, loan guarantee programs, loan participation programs, and venture capital programs.[6]

Accordingly, **Section 3301 of H.R. 1319, the American Rescue Plan Act (P.L. 117-2)** includes **$10 billion** to renew and enhance SSBCI to be leveraged to support **up to $100 billion in small business loans and investments** through state, territorial, and tribal government programs. Specifically:

- **States, territories, and tribal governments may apply to Treasury to participate as follows:**
    - States and Territories: Up to **$6.5 billion** will be allocated to state and territories based on the pandemic's impact on their local economy, with a minimum allocation of 0.9%, or $58.5 million. This minimum allocation can be leveraged up to $585 million in small business loans and investments for each state or territory.
    - Tribal Governments: Tribal governments were excluded from the initial version of SSBCI, but are included in this version. Treasury will separately allocate a total of **$500 million** to Tribal governments that either individually or jointly apply to participate, with consideration given on the economic impact of the pandemic.

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[1] Main Street Alliance, *NEW Poll: Nearly Half of Black-Owned Small Businesses Closed Permanently Or Will Soon Shutter Due to Insufficient Federal COVID Relief* (Oct. 2020).
[2] Committee hearing entitled, *Supporting Small and Minority-Owned Businesses Through the Pandemic* (Feb. 4, 2021).
[3] Congressional Research Service, *State Small Business Credit Initiative: Implementation and Funding Issues* (Mar. 23, 2021).
[4] Treasury, *SSBCI Summary of States Annual Report 2016* (Jul. 24, 2017).
[5] *Id*.
[6] For more information and program reports from the first version of SSBCI, see U.S. Department of the Treasury, *Resource Center - State Small Business Credit Initiative (SSBCI)* (accessed on Mar. 24, 2021).

- **Support for minority-owned and other underserved businesses**:
    - **$2.5 billion** is reserved to support business enterprises owned and controlled by socially and economically disadvantaged individuals, including minority-owned businesses. Specifically:
        - **$1.5 billion** of these funds will be used for an initial allocation to states and other jurisdictions to support minority-owned and other underserved businesses based on their needs.
        - The remaining **$1 billion** will be used to incentivize states to provide robust support for minority-owned and other disadvantaged businesses in their programs. Those states that do will subsequently receive additional funds to further support these businesses.

- **Support for very small businesses, independent contractors, and sole proprietors:**
    - Treasury must ensure at least **$500 million** of the overall funds are expended by states to support very small businesses, defined as a business with fewer than 10 employees, and may include independent contractors and sole proprietors.

- **Small businesses will get financial and other advice in applying for support programs:**
    - **$500 million** is set aside for Treasury to establish a technical assistance program to ensure very small and underserved businesses have access to the financial, accounting, and legal advice they need in applying for various federal, state, and local small business support programs.
    - Treasury may provide some of these funds to states for them to administer their own technical assistance programs. Treasury may also transfer a portion of these funds to the Minority Business Development Agency (MBDA), as well as contract with firms to provide such technical assistance to small and underserved businesses.

- **Protections to ensure accountability and effectiveness of the program:**
    - Reporting requirements: Participating states and other jurisdictions will be required to provide quarterly and annual reports to Treasury on their SSBCI activities.
    - Multiple tranche distribution: After a state is approved, Treasury will distribute SSBCI funds in three tranches. This allows Treasury to monitor how the funds are being utilized, and any inappropriate use of the funds may be recouped.
    - Use it or lose it: States must utilize the first tranche of funds within 3 years, and the second tranche of funds within 6 years, otherwise Treasury may reallocate any undistributed funds to other jurisdictions that are utilizing funds to support small businesses. The program terminates on September 30, 2030.

These provisions are based on **H.R. 1669**, the State Small Business Credit Initiative Renewal Act introduced by Representative Al Green (D-TX).