



Big Ideas for Small Businesses: Fostering American Entrepreneurship Through Starting, Sustaining and Growing Small Businesses (3/16/2022)

Small businesses and entrepreneurship are at the core of economic activity, competitiveness, and resilience in America. Inclusive entrepreneurship and small business ownership opportunities generate significant societal benefits by creating new jobs, fostering innovation, and building community and individual wealth.

On March 16, 2022, the Select Committee held a hearing, “Big Ideas for Small Businesses: Fostering American Entrepreneurship Through Starting, Sustaining and Growing Small Businesses,” focusing on the barriers and opportunities for entrepreneurs and small business owners to build, sustain, and grow. Expert witnesses underlined the importance of access to capital, targeted technical assistance, procurement opportunities, financial education, and federal government programs.



Potential Policy Proposals

Experts offered the following recommendations for consideration:

Improve Access to Capital for Entrepreneurs, Particularly in Underserved Communities

- Expand, create, and support the following Small Business Administration (SBA) programs: Community Advantage Program by increasing loan maximums to \$350,000; SBA Microloan Program; increase loan maximums for 504 and 7(a) programs and ensure they allow for revenue-based financing and subordinated debt.
- Support and scale Community Development Finance Institutions (CDFIs), mission lenders, and other community banks, including by enhancing incentives for banks to provide capital to CDFIs.
- Permit the Federal Home Loan Bank (FHLB) to accept federally guaranteed small business loans as collateral from CDFIs, require the FHLB assign CDFIs the same credit ratings as banks, and create a loan credit enhancement fund to provide incremental collateral associated with CDFI borrowing.
- Lower the CDFI Bond Guarantee from \$100 million to \$25 million to expand CDFIs’ access to capital.
- Create a new program that expands equity grants to CDFIs through the CDFI Fund and tie these awards to loan production growth.
- Pilot a first loss reserve pool for CDFI small business lending, which could take the form of a 20% loss reserve, meaning five times the capital deployed for every dollar of federal investment.
- Strengthen and expand the Community Reinvestment Act to apply to insurance companies, pension funds, investment firms, and other depository and financial institutions beyond the current banks.
- Improve the supply of and access to equity capital, including venture capital, angel investing, and debt with equity-like features, through dedicated funds.

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- Expand the definition of “underserved small business borrower” to include a loan size threshold.

Communicate Existing Resources to Established and Aspiring Entrepreneurs

- Invest in and expand high-quality small business technical assistance programs and services, including the SBA’s Community Navigator program, Small Business Development Centers, Women’s Business Development Centers, the Minority Business Development Agency, Procurement Technical Assistance Centers, and one-on-one coaching and technically relevant education.
- Increase investment and development of industry- and geographic-specific business incubators.
- Implement financial literacy programs in high schools that explain key financial literacy basics such as filing taxes and opening savings accounts.

Measure, Improve, and Streamline Government Services to Help Underserved Businesses

- Collect and publish more accurate, timely data on small business lending and investment.
- Evaluate federal set-aside requirements for small business contracting.
- Evaluate the State Small Business Credit Initiative (SSBCI) and potentially make it permanent.
- Reform SBA’s SBIC program and encourage more investor and investment diversity.
- Reduce constant proposals for new taxes and regulations that hang over the heads of small business owners, discouraging expansion and growth; also, simplify the tax code.
- Develop a reporting system for measuring performance of agencies and entities in charge of capital deployment programs geared to underserved individuals.

Address Needs Identified by Small Business Owners

- Provide tax credits to parents using child care small businesses to increase child care affordability.
- Address high price inflation on supply inputs; in particular, reduce the high price of gas, an input in nearly all economic goods, by lifting bans on new gas pipelines and oil production on federal land.
- Prevent generous future federal supplemental unemployment insurance and stimulus payments from keeping people out of the workforce and creating historic labor shortages.
- Reform state and local occupational licensing, lowering barriers to entry.
- Incentivize large enterprises to promote business diversity in procurement strategies for minority-owned businesses and require transparency in annual corporate spending reports on business diversity of procurement from minority-owned businesses from federal contractors.

Hearing Panelists

The following experts provided the potential policy recommendations listed above:



- **LaJuanna Russell**, Owner, Business Management Associates, Inc.; Board Chair, Small Business Majority
- **Dr. Brett Theodos**, Director, Community Economic Development Hub, The Urban Institute
- **Mr. Everett Sands**, CEO and President, Lendistry
- **Mr. John Rogers**, Chairman, SBA Council on Underserved Communities; Co-CEO and Chief Investment Officer, Ariel Investments
- **Ms. Dina Rubio**, Owner/Operator, Don Ramon Restaurante Cubano