

November 3, 2022

The Honorable Janet Yellen
U.S. Department of Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Re: TREAS-DO-2022-0017-0001, SSBCI Request for Information Comments

As leading representatives of America's 33 million small businesses, we are pleased to provide these recommendations to the U.S. Treasury Department as it develops guidance for distributing funds for Technical Assistance (TA) activities related to the State Small Business Credit Initiative (SSBCI).

Small Business Majority focuses on serving economically and socially disadvantaged small businesses, particularly smaller businesses that do not traditionally have access to the capital, trusted guidance and mentorship that the SSBCI program can unlock. We have spent years educating small business owners about a wide variety of issues to help them start and grow their small businesses, particularly how they can access and use capital. Through our [Venturize.org](https://www.venturize.org) resource portal, we connect under resourced entrepreneurs to unbiased education, responsible lenders and technical assistance providers in their communities. Additionally, we have spent years conducting research on the needs, challenges and opportunities for small businesses.

1. Gaps in TA for small businesses

By business stage

Seed and early-stage: There is a wealth of generalized technical assistance for newer firms, from business planning to business formation and marketing. However, we see the following gaps in:

- **Personalized business assistance:** While general business and technical assistance is available, small business owners are often looking for solutions to personal and specific challenges they are facing. We work with a wide range of TA providers, including the Small Business Development Centers (SBDC), SCORE and other nonprofits, many of which seek to address this gap with dedicated mentors and one-on-one assistance. But, mentorship recruitment, expertise and availability vary widely depending on the organization, where they operate, volunteer availability and other factors.
- **Financial literacy, accounting and wealth-building:** Entrepreneurs have different levels of financial acumen. Some small business owners need support in understanding basic business accounting and the importance of separating business and personal finances, while others may struggle with advanced accounting requirements, understanding profit vs. revenue and more.

Early and intermediate stages: Ongoing focus groups and other research we've conducted with small businesses in our network reveal that small business owners are often challenged when it comes to:

- **Hiring their first employee:** Tax implications, payroll and benefits pose new challenges when an employer brings on their first worker.
- **Creating standard operating procedures:** Speaking to the need for more custom, tailored TA, many small business owners find it challenging to create standard operating procedures for their business.

- **Legal and contracting help:** As small businesses begin to scale, more advanced legal needs arise. While there is plenty of existing support for initial business legal formation and other contracting needs, small firms need more personalized support for specific legal and contracting needs that arise at later stages of the firm.

Established: Established or growth-stage businesses are more likely to have the financial resources to hire or contract legal, accounting and financial expertise internally. However, entrepreneurs need additional technical assistance in succession planning for those who are considering retirement and planning for the next phase of their business. Some TA funding could be leveraged to support technical assistance around alternative succession planning models such as Employee Stocked Ownerships (ESOP) or cooperatives.

Across the capital continuum

Newer businesses often lack general knowledge about commercial financing, including the differences between debt and equity financing, what kind of financing model their business may be best suited for, or what they need to have in place to access capital.

Debt financing: We have spent the past seven years educating businesses about the different types of capital available to them. We often find that entrepreneurs are confused about the differences between term loans, lines of credit, and cash-flow products offered online, such as merchant cash advances. We also see an ongoing demand for one-on-one accounting and financial support.

Equity financing: Entrepreneurs of color have historically been excluded from venture capital. We see a disconnect between the investor community and Socially Economic Disadvantaged Individuals (SEDI) and Very Small Businesses (VSBs) communities in which we operate. The SSBCI funding could support a “capital ecosystem builder” in a given region or community to help bring together investors, TA providers and small businesses. In addition, funding could also be allocated toward diverse-led investment funds, like the Minority Business Development Agency, or mission-driven lenders like community development financial institutions to increase TA support for SEDI-owned businesses.

By regions

In rural communities, technical business assistance is much more difficult to deliver effectively at scale. Rural entrepreneurs encounter challenges reaching in-person assistance due to the lack of nearby TA providers, while online TA is hampered by gaps in broadband access.

2. Most effective method to deploy TA funding

To ensure SSBCI funding is deployed effectively, the U.S. Department of Treasury should prioritize distribution to organizations and collectives that have a demonstrated track record of working with SEDI-owned businesses and VSBs. The Department should consider allocating funds to regional or statewide organizations that work with smaller technical assistance providers to serve socially and/or economically disadvantaged small businesses, as well as community-based organizations that provide comprehensive social services that may overlap with business services. These community networks could serve as “hubs” to deploy dollars to individual providers working on the ground with these populations.

Another way to increase impact of this critical funding would be to consider proposals that allow for the creation of “back-office” cooperatives that can handle basic business accounting, supplier and administrative tasks for a network of smaller businesses, based on geography and/or industry.

3. Considerations for a competitive TA grant program

Small Business Majority has developed a set of standards for the TA providers that we work with. Our recommendations are based on several years of work to strengthen entrepreneurial ecosystems. We

encourage the U.S. Department of Treasury to request proposals that include these recommendations for both direct contracting and subcontracting of TA providers:

- Employ staff dedicated to program delivery (as opposed to bringing in outside consultants)
- Offer services in languages spoken by members of the community it serves
- Offer flexible programming to reach entrepreneurs who may not be able to access services during certain hours or through traditional platforms
- Offer services for free or at a very low cost

Funding should be prioritized for jurisdictions that can provide a plan demonstrating a commitment to serving socially and economically disadvantaged individuals, as well as VSBs:

- In their request, jurisdictions should indicate their strategy for ensuring that technical assistance is delivered primarily to socially and economically disadvantaged groups with specific metrics for reaching businesses with fewer than 20 employees.
- Jurisdictions should identify the types of technical assistance delivery and curriculum that best meet the needs of socially and economically disadvantaged groups, with a focus on:
 - Accessing new markets
 - Financial planning, wealth-building and creating quality jobs
 - Business formation, licensing, and related legal or regulatory expertise

4. Considerations for contracting

Treasury's goal should be to connect small business owners with reliable and trustworthy organizations, consultants and firms that are engaged with these communities. Small businesses either do not trust corporate institutions, do not have an established relationship with them, or are unaware of their existence. To reach the target populations, engaging smaller TA providers that have existing relationships with business owners and entrepreneurs is paramount.

TA providers that work with SEDI and VSBs:

- Are recognizable Small Business Administration programs, such as the Small Business Development Centers, Women's Business Centers, and Minority Business Development Centers,
- Are associated with other federal programs (CDFIs, USDA rural business programs), or
- Are community-based, mission-driven to serve under resourced or socially and economically disadvantaged individuals with a variety of structures, including non-profit, for-profit, and cooperatives.

5. Leveraging funds

There are numerous successful models of nonprofit, private and philanthropic programs that benefit SEDI-owned businesses and VSBs. These programs are usually offered for a limited time or are otherwise restricted based on their funding sources. SSBCI funding for these programs could provide long-term stability to these programs that allow them to scale, grow and sustain their programs.

Socially Economic Disadvantaged Individuals and Very Small Businesses are comprised of rural, minority, women and veteran entrepreneurs. These communities already face unique obstacles in their experiences owning a business that their larger, more well-established counterparts do not. Often SEDIs and VSBs have trouble obtaining transparent capital products, business mentorship, and other services and benefits like retirement and healthcare. The barriers to growth and development these entrepreneurs face have been exacerbated by the COVID-19 pandemic.

Small Business Majority and the undersigned organizations appreciate the opportunity to comment on the SSBCI's funding allocation and urge the U.S. Department of Treasury to consider the above recommendations to effectively bolster technical assistance programs around the country. The small business ecosystem will benefit from these investments in technical assistance programs. Now more than ever, it is crucial to deliver resources to small business owners to aid them on their path to recovery, and technical assistance programs are one of the best ways to support these communities.

Small Business Majority

Accion Opportunity Fund

Adelante Community Development

American Booksellers Association

AmPac Business Capital

Bethel LA Community Development Corporation

Black Business Investment Fund

California Asian Pacific Chamber of Commerce

California Association for Micro Enterprise Opportunity

California Reinvestment Coalition

Cambridge Local First

Central Valley Hispanic Chamber of Commerce

Central Valley Immigrant Integration Collaborative

Children's Council of San Francisco

CIELO

City of Winslow

Crowdfund Better

East Denver Colfax Partnership

El Pajaro Community Development Corporation

Energize Colorado

ICA

Inclusive Action for the City

Latino Business Network

Latino Community Foundation

Main Street Launch

Multicultural Business Alliance

National Asian American Coalition

National Coalition for Asian Pacific American Community Development

National Veterans Chamber of Commerce

New Covenant Community Development Corporation & North Lawndale Chamber of Commerce

New Economics for Women

Pacific Community Ventures
Plexus LGBT & Allied Chamber of Commerce
Prospera Community Development
Renaissance Entrepreneurship Center
Roberts Enterprise Development Fund
Rogers Park Business Alliance
SBDC-East LA Initiative - SBDC Centro de Negocios
Southeast Chicago Chamber of Commerce
Start Small Think Big
United States Hispanic Chamber of Commerce
Urban Juncture Foundation
Women's Economic Ventures