



Policy Proposal: Reauthorize the State Small Business Credit Initiative (SSBCI)

OVERVIEW

As the COVID-19 pandemic evolves, small businesses and communities across the country are continuing to struggle. Despite federal intervention with grants and programs from legislation, small businesses are facing bankruptcy, further layoffs, and many are having to choose between acquisition or closure. Credit has tightened and small businesses are struggling to make payroll, causing concerns about long-term tax collections that may require communities to scale back or halt infrastructure development. Moreover, communities are being forced to delay the financing of vital services such as health facilities, broadband networks, and testing centers to address local COVID-19 demands. Cities and towns are losing their small businesses – the vital engines of every local economy - and this disturbing trend will continue to get worse without swift action.

Federal loan data reveals the disproportionate impact of COVID-19 on minority-owned businesses. Because these enterprises are comparatively smaller, operate with less capital, and have less established banking relationships, they are also more likely to fold under economic pressure.¹ Analysis of Paycheck Protection Program data shows significantly lower volume of loans going to minority borrowers and neighborhoods.² Efficient and flexible capital needs to be deployed to these businesses to ensure that minority entrepreneurs and business owners are equally supported as part of the economic recovery.

Reauthorizing the State Small Business Credit Initiative is a practical and pragmatic solution for helping America's small businesses access low-cost capital to continue to stay open and viable during the pandemic. The overwhelming success of this program is evidence that flexible delivery of capital through states to the private sector and small businesses will help economic recovery occur faster than Congress creating new programs. The reauthorization of SSBCI aligns with the Biden Administration's economic priorities and is a critical step toward restoring capital access and preserving local economies.

ABOUT SSBCI

The State Small Business Credit Initiative (SSBCI) was introduced in 2010 to deliver urgently needed capital to small businesses in the United States. The program was active through 2017 and became one of the most successful federal access to capital delivery mechanisms during its time. SSBCI allowed states the flexibility to design their own small business support programs to accommodate the variation in regional economic conditions. Because of the flexibility and adaptability of SSBCI funds, states were able to deploy over \$1.4 billion to support small businesses. That \$1.4 billion leveraged well over \$8 billion in private small business loans and investments.

IMPACT

The SSBCI program's ability to leverage private capital made it an ideal federal program, as it was both incredibly cost-effective and highly impactful: 80 percent of all SSBCI loans and investments went to businesses with 10 or fewer employees, and 42 percent went to businesses in low- and moderate-income communities.³ More than



16,900 small businesses in the U.S. received financial support from SSBCI, resulting in the creation or retention of 190,000 American jobs.

In addition, SSBCI allocations to states were efficiently deployed through successful programs and networks that were already established. SSBCI strengthened state capacity and bolstered several federal programs, including those at the SBA and USDA. Furthermore, SSBCI's programs filled market gaps that some other federal programs do not cover, such as guaranteeing loans from CDFIs, financing non-profits, directly targeting collateral shortfalls related to falling property values, and supporting equity financing for high-growth potential businesses.

CONGRESSTIONAL ACTION

The reauthorization of SSBCI was introduced in the Senate as S. 3551 by Senators Gary Peters (D-MI), Debbie Stabenow (D-MI), Jeanne Shaheen (D-NH) and Maggie Hassan (D-NH). This bill calls for a total of \$3B for the program, divided as \$1B allocated to the states through a formula and \$2B available in competitive funding. A similar bill in the House was drafted with a \$10B allocation and included in draft language of stimulus bills in 2020, but not legislation was formally introduced or passed. Chairwoman Maxine Waters (D-CA) of the House Financial Services Committee continues to express strong interest in reauthorizing SSBCI.

STATE READINESS

Nearly all states with original SSBCI funding have indicated to CDFA that their programs are still in operation and that a new tranche of funding could be quickly deployed. Many states are still receiving loan payments to their programs and most have active and ongoing reporting and regulatory systems in place that would make it possible to reactivate their programs quickly. States are prepared to receive an infusion of SSBCI funding immediately. A list of example programs is attached.

SUPPORT

Based on the input of our 500+ members, reauthorization of SSBCI is one of the key tenets of CDFA's COVID-19 Comprehensive Recovery Strategy. CDFA along with [hundreds of loan providers and development finance agencies](#) ask that you include a reauthorization of funding for the SSBCI Program. We call on the Biden-Harris Administration and Congress to immediately reauthorize the State Small Business Credit Initiative, and we stand prepared to respond to any questions that you might have.

CONTACT

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ADDITIONAL RESOURCES

[Program Evaluation of the U.S. Department of Treasury State Small Business Credit Initiative](#)

Center for Regional Economic Competitiveness and Cromwell Schmisser

[SSBCI: A Summary of States' 2016 Annual Reports](#)

U.S. Department of the Treasury

[SSBCI Interactive Data Tool](#)

Federal Reserve Bank of St. Louis

[CDFA SSBCI Resource Center](#)

Council of Development Finance Agencies

[CDFA SSBCI Advocacy](#)

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[CDFA SSBCI Support Letter – May 2020](#)

Council of Development Finance Agencies

[CDFA COVID-19: Comprehensive Recovery Strategy](#)

Council of Development Finance Agencies

¹ Drexel University Nowak Metro Finance Lab, “Big Ideas for Small Business” (<https://drexel.edu/nowak-lab/publications/reports/Big-Ideas-for-Small-Business/>)

² Brookings Institute, “New data shows small businesses in communities of color had unequal access to federal COVID-19 relief” (<https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/>)

³ Center for Regional Economic Competitiveness and Cromwell Schmisser, “Program Evaluation of the US Department of Treasury State Small Business Credit Initiative” p. 17-21. (<https://www.treasury.gov/resource-center/sb-programs/Documents/SSBCI%20Program%20Evaluation%202016%20-%20Full%20Report.pdf>)



A Sampling of SSBCI Programs

California Capital Access Program

Run by the California Pollution Control Financing Authority, CalCAP was created in 1994 to encourage banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. California allocated a portion of its SSBCI funding to CalCAP and the program is successfully in operation today.

Georgia SSBCI Programs

The Georgia Department of Community Affairs established two programs with SSBCI funding: Georgia Loan Participation Program and Georgia Small Business Credit Guaranty, both of which are ready to deploy with a new tranche of funding.

Idaho Collateral Support Program

The Idaho Housing and Finance Association is the administrator of the Collateral Support Program, which places pledged cash deposits with lending institutions to enhance the collateral of qualified small business borrowers. This program is successfully in operation today.

Michigan Business Growth Fund / Collateral Support Program

The Michigan Economic Development Corporation funded three programs with SSBCI: Collateral Support, Loan Participation, and Capital Access. All three are still active today.

Minnesota Small Business Loan Guarantee Program

The Minnesota Department of Employment and Economic Development runs the Minnesota Small Business Loan Guarantee Program and is operational in this moment to support businesses affected by COVID-19. A new tranche of SSBCI funding could be immediately deployed through this program.

Grow Missouri Loan Fund

The Missouri Department of Economic Development administers the Grow Missouri Loan Fund, originally created with SSBCI funding. This program is stagnant but could be operational very quickly with a new tranche of funding.

New Jersey Venture Fund

The New Jersey Economic Development Authority used some of their SSBCI funding to support their Venture Fund, which is still active today and is ready to immediately make investments with a new tranche of funding.

North Carolina Capital Access Program

The NC Rural Center administers the Capital Access Program. Operations were suspended at the end of 2019, but the program is ready to be put into action immediately with new SSBCI funds.

Oregon SSBCI Programs



Business Oregon administers three programs with SSBCI funding: Credit Enhancement Fund, Oregon Business Development Fund, Capital Access Program. All three can be activated immediately with additional SSBCI funding.

South Carolina Loan Participation Program

South Carolina Jobs-Economic Development Authority and the Business Development Corporation partnered to create the SSBCI Loan Participation Program. This program can be activated immediately with a new tranche of SSBCI funding.

West Virginia Capital Access Program

West Virginia Jobs Investment Trust Board created the WV Capital Access Program with SSBCI funding. This program is ready to receive additional SSBCI funding to support small business in the state.