



The Small Business Administration: Reauthorization and Modernization

Center Forward Basics

May 2023

Overview

As the only cabinet-level federal agency dedicated to small businesses, the Small Business Administration (SBA) has an enormous mandate: assist small business owners across the country. It does this through technical assistance, funding opportunities, and other forms of support. While valuable resources for small businesses exist, many SBA programs have fallen behind their full potential because Congress has not reauthorized the SBA since 2000. Goldman Sachs *10,000 Small Businesses Voices* (10KSB Voices), in partnership with the Bipartisan Policy Center (BPC), BPC Action, and Center Forward recently released a report, "[Small Agency, Big Mandate: A Bipartisan Road Map to Modernizing SBA](#)." It makes the argument for reauthorizing SBA and lays out a plan for Congress to address the needs of small business owners through reauthorization. The report also details areas of the agency that could be modernized and proposes solutions within the three main functions of SBA: capital, contracting, and counseling.

The Small Business Administration

The SBA was first established in 1953 by President Dwight Eisenhower's signing of the Small Business Act, with the mission to "aid, counsel, assist, and protect insofar as is possible the interests of small business concerns." SBA is the only cabinet-level federal agency fully dedicated to small businesses and provides counseling, capital, and contracting expertise.

Programs and initiatives SBA offers include:

- Funding opportunities such as loans, disaster relief, surety bonds, grants, and assistance securing investment capital
- Guides to federal contracting with assistance programs for veterans, women-owned businesses, small disadvantaged businesses, and businesses in historically underutilized business zones (HUBZones)
- Entrepreneurial development programs and export and trade assistance

During the COVID-19 pandemic, SBA was at the frontlines of the government's small business support system. Congress created and SBA administered the Paycheck Protection Program (PPP) and COVID Economic Injury Disaster Loan (EIDL) programs during the public health emergency. PPP loan forgiveness through SBA remains available to borrowers at the time of this Basic's publication.

SBA Reauthorization

Congress last fully reauthorized the SBA in 2000. Before this, SBA was

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Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

Small Business Key Facts:

- Small businesses account for 99% of all employer firms and employ nearly half of the American private-sector workforce.
- Between 2020 and 2022, the annual average of new business applications rose by 78%.
- During the COVID-19 pandemic, SBA distributed more than \$1 trillion in emergency support to small businesses, which amounted to about 1/6 of the federal government's entire relief effort.
- 94% of entrepreneurs believe that Congress should reauthorize and modernize the SBA so the agency can better tailor programs and services to the needs of small businesses.

reauthorized seven times between 1980 and 2000. In the almost twenty-three years since, SBA has continued to operate as Congress reauthorized various SBA programs in a piecemeal fashion. Senator Marco Rubio released bill text in 2019 to fully reauthorize SBA, but there were disagreements over regulatory reforms, and the bill never reached committee markup. At the end of the 117th Congress, Senator Ben Cardin also introduced a bill to reauthorize SBA programs, which may be a starting place for the next attempt at reauthorization.

The COVID-19 pandemic highlighted both SBA's abilities to distribute resources and the challenges it faces to do so effectively. The demand for SBA's services also increased during the pandemic, which put a strain on an agency that has not been reauthorized in more than twenty years. Adding programs and responsibilities one at a time as opposed to having a full reauthorization created redundancies and inefficiency, and did not allow for SBA to phase out programs that became irrelevant or ineffective. 94% of entrepreneurs believe that reauthorization and modernization of SBA are needed to combat these pressures so the federal government can do more to address the needs of small businesses.

- New businesses account for the lion's share of net job creation each year.
- Small businesses are a key labor market entry point— including for young workers, those on the margins of the labor force, and others.
- Small businesses help support competition and dynamism, which contribute to overall economic growth and productivity.

SBA Modernization and Policy Proposals

The 10KSB Voices and BPC report discusses three core areas that Congress should address and modernize to make SBA work more effectively for small businesses. These core areas are related to the three main functions of SBA: access to capital, government contracting, and entrepreneurship development and counseling. For each of these, 10KSB Voices and BPC build upon bipartisan proposals from Congress to modernize SBA.

Access to capital is a persistent challenge for small business owners. It can be particularly difficult depending on the age of the business, the size of the loan, and the business's location. Women business owners, business owners of color, rural business owners, and other underserved groups also report having a more difficult time accessing capital and credit. To address issues related to accessing capital, 10KSB Voices and BPC recommend:

- Clarification of SBA's definition of a "microbusiness" for its programs
- Expansion of microloan programs and making them more accessible
- Expansion of SBA 7(a) guaranteed loans to cover small business priorities, such as child care services in addition to operating capital and long-term fixed assets
- Permitting investment of federal funds in Small Business Investment Companies (SBICs)

Government contracting can be a great opportunity for small businesses, and SBA has resources for small businesses and works with federal agencies to pursue small business procurement targets. The federal government is required to award 23% of annual direct contract dollars to small businesses. The government has separate targets for small, disadvantaged businesses (SDB), women-owned small businesses (WOSB), small businesses located in HUBZones, and service-disabled veteran-owned small businesses (SDVOSB). However, individual agencies often do not meet these goals, or they double-count contracts against multiple set-asides for underserved businesses. The 10KSB Voices and BPC report lists these policy solutions to improve government contracting:

- Streamline contracting opportunities and small business certification programs
- Improve data quality by protecting against "double-dipping" or counting agency performance against multiple goals
- Ensure small business subcontractors are treated fairly and paid on time by large prime contractors
- Provide SBA with enough resources to advocate for small businesses in talks with contracting officers in federal agencies
- Invest in outreach and technical assistance to better educate new business owners

Entrepreneurial development and counseling have changed dramatically since SBA was last reauthorized. There are more small businesses now than in 2000 and more businesses are owned by women and minorities. More small business support programs have also been created to support this increase. Entrepreneurial development and technical assistance are the largest line items in SBA's budget, but many entrepreneurs and small business owners are dissatisfied with SBA's communication about what resources and services are available. This is due in part to gaps in coordination caused by the lack of a complete reauthorization. In a potential reauthorization, 95% of small business owners support developing a 21st-century marketing and communications strategy so the agency can showcase its available resources. More specifically, 10KSB Voices and BPC suggest:

- Updating technology, systems, and processes to speed up customer support response times
- Improving marketing by SBA district offices with allocated resources and local expertise
- Ensuring technical assistance and training programs address the business issues of the day, such as the range of digital tools available to small businesses
- Updating the SBA's current mentoring model to reflect the diversity of small business owners today

Conclusion

At the end of July 2023, SBA will turn 70. After recurrent reauthorizations through the year 2000, the agency has been without formal reauthorization by Congress for over two decades. After the experience of COVID-19 and amid a shifting landscape of small business ownership, lawmakers have an opportunity to review the core tenets of SBA, strengthen the things SBA does well, and help the agency adapt to new challenges. Building on the progress of bipartisan proposals from prior sessions, the 118th Congress has a prime opportunity to prioritize small business support. Small business advocates encourage Congress to review, reauthorize, and modernize the three core competencies of SBA: capital, contracting, and counseling.

Links to Additional Resources

- Goldman Sachs 10,000 Small Businesses Voices – [Small Agency, Big Mandate: A Bipartisan Road Map to Modernizing SBA](#)
- Bipartisan Policy Center – [Why Should We Reauthorize the Small Business Administration?](#)
- Bipartisan Policy Center – [Support for Small Businesses Remains Strong](#)
- Forbes – [Toward A 21st Century Small Business Administration](#)
- U.S. Chamber of Commerce – [It's Time to Reauthorize the SBA and Listen to Small Business Owners](#)
- Senator Ben Cardin – [Cardin Introduces Legislation to Reauthorize and Modernize the Small Business Administration](#)
- Senator Marco Rubio – [Rubio Releases Chairman's Mark to Reauthorize the Small Business Act](#)
- Small Business Administration – [About SBA](#)
- Small Business Administration – [Funding Programs](#)
- Small Business Administration – [Organization](#)