

## **ADDRESS SMALL BUSINESS RESOURCE DUPLICATION**

With more than 30 million<sup>1</sup> small businesses operating in the United States, the nation's smallest firms play an outsized role in the economy. To safeguard taxpayer dollars, federal small business programs must reduce duplication and streamline resources for small businesses.

### **BACKGROUND**

Small businesses represent a major driver of our nation's economy. Currently, over 30 million small businesses operate within the U.S.,<sup>2</sup> and over 47 percent of America's employees work for small businesses.<sup>3</sup> From coordinated federal programs to private sector solutions, small businesses, entrepreneurs, and startups have a wide range of available resources. The Small Business Administration (SBA) serves as the lead agency to promote small business access to capital, counseling, and contracting. However, duplication among various federal programs is costly and counterproductive.

Private sector businesses represent the hallmark of our nation's market-based economy. Federal Government programs should therefore complement rather than duplicate private sector resources for small businesses. For example, the SBA's 7(a) Loan Program addresses the lending gap that exists in the marketplace for the nation's smallest firms by offering government guaranteed loans. A small business that wants to obtain a 7(a) loan through the program must not be able to acquire capital through traditional means. The "Credit Elsewhere Test"<sup>4</sup> requires lenders to verify that a small business is not able to receive credit on reasonable terms from non-federal sources.<sup>5</sup> Federal programs that seek to replicate proven private sector resources are unnecessary and add to the national debt.

When circumstances do create a need for government small business resources, too often federal agencies fail to coordinate internally. The SBA, for example, offers counseling services through its Entrepreneurial Development programs to small businesses, entrepreneurs, and startups. In Fiscal Year 2018, the Small Business Development Center, Women's Business Center, and the SCORE Program advised and mentored over 300,000 clients.<sup>6</sup> While each program is distinct, the Women's Business Center program requires reforms in order to avoid duplicating efforts of the Small Business Development Center program.<sup>7</sup>

Another issue is duplication in services and lack of coordination across agencies. According to a recent Government Accountability Office (GAO) report, three separate agencies offer microlending programs.<sup>8</sup> The SBA offers the Microloan Program, the Treasury Department administers the Community Development Financial Institutions (CDFI) Program, and the Department of Agriculture administers the Farm Service Agency Microloan Program and the Rural Microentrepreneurial Assistance Program.<sup>9</sup> According to GAO, each of these various programs were included within the SBA Microloan report "based on their similarity in purpose to SBA's Microloan Program, use of funds, loan amount, and use of technical assistance grants."<sup>10</sup>

### **Quick Take**

With more than 30 million small businesses in America, Congress must ensure that federal programs complement rather than duplicate existing resources.

Where duplication appears, Congress should either clearly explain the need for distinct programs or consolidate them.

## CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution gives Congress the authority to “make all laws which shall be necessary and proper” for the purpose of “general welfare.”<sup>11</sup> With millions of small businesses operating within the United States, comprehensive oversight is imperative to ensure federal small business programs are running effectively and efficiently.

## POLICY SOLUTIONS

Across the board, legislation within the House Committee on Small Business’ jurisdiction must include comprehensive and robust oversight benchmarks. These strong provisions will assure Congress that the programs available to small businesses, entrepreneurs, and startups are operating in a manner that best stewards taxpayer dollars. Moreover, rigorous oversight protections reduce duplication, so programs are uniquely tailored to meet the needs of the nation’s 30 million small businesses.<sup>12</sup>

Legislation amending the 7(a) Loan Program should consider including language strengthening the “Credit Elsewhere Test.” Additionally, legislation reforming the Microloan Program and the Women’s Business Center Program should consider language that clearly delineates the programs from other federal programs or consolidates them.

**Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.**

---

<sup>1</sup> SBA Office of Advocacy, *Small Business Profile (2019)*, available at <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142719/2019-Small-Business-Profiles-US.pdf>.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> 15 U.S.C. § 632(h).

<sup>5</sup> 13 C.F.R. § 120.101.

<sup>6</sup> FY 2020 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2018 ANNUAL PERFORMANCE REPORT at 86 - 91.

<sup>7</sup> Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2019 available at [https://republicans-smallbusiness.house.gov/uploadedfiles/fy2019\\_sbc\\_budget\\_views\\_and\\_estimates.pdf](https://republicans-smallbusiness.house.gov/uploadedfiles/fy2019_sbc_budget_views_and_estimates.pdf).

<sup>8</sup> GAO, SBA MICROLOAN PROGRAM: OPPORTUNITIES EXIST TO STRENGTHEN PROGRAM PERFORMANCE MEASUREMENT, COLLABORATION, AND REPORTING, 31 (GAO-20-49) (2019).

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 30.

<sup>11</sup> U.S. CONST. art. 1, § 8.

<sup>12</sup> *Supra*, note 1.