

Pursuant to Executive Order 14091 (February 16, 2023) on
"Further Advancing Racial Equity and Support for
Underserved Communities Through the Federal Government"

2023 Equity Action Plan Summary

U.S. Small Business Administration

Delivering equity through SBA

The U.S. Small Business Administration (SBA) helps Americans start, grow, and build resilient businesses. Through investments in equity across SBA's capital, contracting, counseling, innovation, and disaster recovery programs, SBA will continue to ensure that entrepreneurs anywhere and everywhere—including entrepreneurs from underserved communities and diverse backgrounds—can access the funding, knowledge networks, mentors, and revenue growth opportunities they need to achieve their American Dream of business ownership.

New strategies to advance equity

SBA identified five strategies for its 2023 Equity Action Plan through engaging with entrepreneurs through its nationwide network of [field offices](#) and connections to [Resource Partners](#), small business trade associations, chambers of commerce, and stakeholder groups like SBA's Council on Underserved Communities. Events like SBA's National Small Business Week and local and national procurement conferences provide additional touchpoints with these groups. SBA will continue to engage these groups throughout the year and beyond.

1. Improve access to loan capital. *Entrepreneurs depend on financial capital to start and grow their business and often have difficulty accessing it. Those barriers disproportionately fall on certain groups. For example, Black-owned and Hispanic-owned firms are more likely to have been denied credit and Black, Asian, and Hispanic small business owners most likely have to use personal funds to sustain their business. To address these barriers and others, SBA will:*

- Award new (for the first time in over 40 years) [Small Business Lending Company](#) (SBLC) licenses to help fill gaps in small business lending, including evaluating SBLC applicants for their demonstrated potential to fill gaps in the credit market, including small dollar lending and lending to underserved populations.
- Expand justice-involved individuals' access to business development and capital by [revising regulations to remove certain criminal history questions](#) from preliminary business loan applications.

New strategies to advance equity

- Convert current [Community Advantage \(CA\) Pilot Program lenders to permanently licensed CA SBLCs](#), ensuring that community-based, mission-driven lenders can continue to provide access to capital to underserved markets via small dollar loans that can meet the financing needs of underserved borrowers, as well as provide a bridge to more traditional business financing that will allow underserved borrowers to grow and scale their businesses.

2. Improve access to federal government procurement and contracting opportunities. *Based on SBA's engagement with businesses, many businesses shared that the certification processes for [small business contracting programs](#) involve navigating multiple steps during separate online application processes and include providing documentation for several qualification criteria. The process can be an initial barrier for small businesses owners, including small business owners of underserved communities, to properly obtain and utilize the certification programs without significant application education and assistance. Additionally, consolidated buying practices – purchasing services or products in bulk from one or more suppliers to maximize efficiencies – reduce opportunities for small vendors, including small disadvantaged businesses (SDBs), to compete for contracts. To address these barriers and others, SBA will:*

- Update the [7\(j\) grant program](#) to enable SBA to focus on SDBs in underserved communities and improve education and support of staff at SBA field offices and Resource Partners.
- Leverage technology to modernize the application process (to apply for, maintain, and manage candidate SBA set-aside program certification and status) for its four certification programs and

New strategies to advance equity

modernize and harmonize the process firms use through automation and digitization.

- Use data and targeted intervention to work with federal agencies to identify small business contract opportunities and assist them with attaining their SDB goals, mitigating the impact of consolidated buying practices on SDBs.

3. Improve access to disaster assistance. *Survivors of a disaster, including members of underserved communities, may encounter a variety of challenges to access basic needs. These challenges can be exacerbated by barriers to applying and receiving disaster assistance such as: SBA disaster assistance program materials and systems predominantly rely on English language proficiency; disaster assistance services are not readily available to communities that are geographically remote; internet availability is required to access information and apply for SBA disaster loan programs; and limited access to financial preparedness counseling and strict minimum loan approval requirements can be barriers to accessing disaster loan products. To address these barriers and others, SBA will:*

- Fully deploy a new, streamlined online lending platform for disaster victims to ease and speed up the process of applying for and receiving an [SBA disaster loan](#).
- Continue to develop and disseminate multilingual education materials to support disaster recovery and explore additional options to provide translation services across all outreach and support initiatives to reach and communicate with disaster survivors who speak little or no English.
- Expand the deployment of Portable Loan Outreach Centers (PLOCs), which bring onsite services to remote and underserved areas, offering localized support, enhancing collaborations with

New strategies to advance equity

local community groups, nonprofits, and institutions to provide targeted, on-site workshops, information sessions, and personal counseling.

- Coordinate with partners to provide disaster survivors with digital connectivity for application intake and document upload when infrastructure is damaged or high-speed internet is not available.
- Strengthen partnerships with SBA Resource Partners to provide targeted intervention / technical assistance before determining an application's status, including through application assistance, reconsideration support, and credit repair counseling.

4. Improve access to business counseling, training, and services.

There are more than 33 million small businesses and innovative startups across America. Roughly one in five rural small business owners indicate that access to capital is one of the top three challenges to maintaining or growing their business in their community. Many businesses just often need additional technical assistance and a supportive network to sustain and grow their businesses. To address these barriers and others, SBA will:

- Reach rural and other underserved entrepreneurs with relevant, tailored outreach and educational resources by leveraging SBA Resource Partners' technical assistance and training and delivering targeted campaigns via traditional marketing and online educational platforms.
- Strengthen small business services for underserved entrepreneurs by partnering with more Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority Serving Institutions (MSIs) – through SBA Resource Partner grant agreements and Agency strategic alliances.

New strategies to advance equity

5. Improve access to investment capital. *Small businesses and startups operating in underserved communities have historically faced barriers in accessing patient, equity, and growth-oriented debt investments. To address these barriers and others, SBA will:*

- Spur investment in underserved communities by licensing “[Reinvestor SBICs](#),” investment funds that commit capital to other investment funds that deploy capital to underserved small businesses and start-ups and can receive up to twice the private capital that they raised in the form of a government-backed debt instrument, shifting the risk-adjusted return profile to incentivize funds to allocate capital to other private funds that invest in underserved small businesses and startups that that they may view as riskier or more volatile.
- Broaden the SBIC program portfolio to make it a better fit for longer duration and / or equity-oriented investment funds via a new financial instrument called the “Accrual Debenture”, which will license funds using “[Accrual SBICs](#)” that will be eligible for 1.25 times the private capital that they have raised in the form of a government-backed debt capital.
- Leverage the new [Investment Capital Advisory Committee](#) (ICAC) comprised of private and non-profit leaders to create a more inclusive and accessible ecosystem for small businesses nationwide by helping SBA promote, expand, and strengthen the ecosystem of private funds financing U.S. small businesses and startups, to support funding entrepreneurs and small business owners from traditionally underserved communities.

What SBA accomplished

Below is a sampling of SBA's progress delivering on equity and racial justice since its first Equity Action Plan in 2022.

- ***Advanced significant reforms to SBA lending programs to improve equity in capital access.***

SBA opened a window from June 1 through July 31, 2023, for new applications for SBLC licenses for SBLCs, which have historically lent to businesses that have less access to capital, including Black, Latino, Native, and rural entrepreneurs, at higher rates, and published simplified program rules to increase access and participation.

- ***Negotiated [contracting goals](#) with all 24 Chief Financial Officers Act agencies to drive more federal dollars to [SDB owners](#).***

[Dollars earned by SDBs](#) increased from \$62.4 billion in FY 2021 to a record \$69.9 billion in FY 2022, while the number of federal government procurement and contracting opportunities reserved for [small business increased](#) from \$89.5 billion in FY 2021 to \$99.5 billion in FY 2022.

- ***Improved access to disaster assistance through a new process to assist businesses with application completion, reconsiderations, credit repair, and managerial and technical services.***

To optimize recovery resource delivery, SBA increased the maximum allowable disaster loan amount; implemented statutory changes to increase the accessibility of disaster assistance for rural

What SBA accomplished

communities and piloted a new lending platform to reduce burden and speed up the application and approval process; and began conducting customer service campaigns earlier in the disaster response cycle with partners including local, state, and federal entities such as SBA Resource Partners like [Small Business Development Centers](#) (SBDCs), [Women's Business Centers](#) (WBCs), the business mentoring organization [SCORE](#), and [Veterans Business Outreach Centers](#) (VBOCs), as well as [Community Navigators](#), economic development agencies, and emergency managers, and with mayors, Voluntary Organizations Active in Disaster (VOAD), MSIs, HBCUs, and Tribal Nations.

● ***Improved access to business counseling, training, and services, strengthening the lines of communication with and support to underserved communities.***

Created the [Tribal College Small Business Achievement grant](#) to support Native American economic development; expanded the [Veteran Business Outreach Centers \(VBOCs\)](#) Program by six centers (up to 28); promoted SBA programs and services to Black entrepreneurs and with [Operation HOPE](#) to provide financial literacy and resources for their efforts to create one million Black businesses; hosted outreach events with various federal agencies, including the new [Path to Prosperity](#) series which served over 3,300 attendees from mostly rural areas; and signed Strategic Alliance Memorandums (SAM) with: the [American Jewish Committee](#) to combat antisemitism; the [National Pan Hellenic Council](#) to promote SBA programs and services to Black entrepreneurs; and with [Operation HOPE](#) to provide financial literacy and resources for their efforts to create one million Black businesses.