



2023 Equity Action Plan

U.S. Small Business Administration

Pursuant to Executive Order 14091, Section 3

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A Message from SBA Administrator Isabella Casillas Guzman



On behalf of more than 33 million small businesses and innovative startups across America, the [U.S. Small Business Administration](#) (“SBA” or “Agency”) is submitting its 2023 Equity Action Plan update. The highlighted selection of steps outlined in this plan, as well as SBA’s more comprehensive strategies and goals across all its programs, will advance President Biden’s commitment to investing in equity so more Americans with great ideas can achieve the American Dream of business ownership.

The Biden-Harris Administration ushered in an entrepreneurial boom unlike any other in American history. Since January of 2021, Americans filed more than 14.6 million applications to start businesses, an unprecedented surge. People of color and women continue to open businesses at high rates, as they have for more than a decade. More than ever, SBA must help all our historically underserved small businesses thrive.

Delivering on SBA’s 2022 Equity Action Plan, SBA modernized programs and leveraged networks and resources to expand access to the Agency’s programs and services—especially for underserved entrepreneurs. SBA’s 2023 Equity Action Plan update builds on the achievements of the 2022 Equity Action Plan with actionable steps including expanding access to capital and revenue growth opportunities, tailoring business counseling, training, and other services, and improving disaster assistance so it is better adapted to serve underserved communities.

Our equity initiatives align SBA’s strategic goals of being equitable and customer-centric, leveraging technology, building resilient small businesses and a sustainable economy, and strengthening stewardship of resources. As we continue to advance these goals, we anticipate continued growth and opportunity for America’s small business owners to do what we know they do best: create good jobs, drive competition and innovation, and create a more equitable and sustainable economy that leaves no one behind.

A handwritten signature in blue ink that reads "Isabella Casillas Guzman". The signature is fluid and cursive.

Isabel Casillas Guzman
SBA Administrator

Advancing Equity Through SBA’s Mission

SBA helps Americans start and grow successful small businesses. Through our investments in equity across our 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.

In alignment with [Executive Order \(EO\) 14091](#) (“Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government”), **SBA identifies underserved communities as those populations as well as geographic communities that have been systematically denied the opportunity to participate fully in aspects of economic, social, and civic life.**¹ Some SBA programs utilize a specific definition for underserved communities and/or disadvantaged small business as outlined in program statutes and regulations.

¹ EO 14091 builds upon prior equity-related Executive Orders, including [EO 13985](#) (“Advancing Racial Equity and Support for Underserved Communities Through the Federal Government”) and [EO 14020](#) (“Establishment of the White House Gender Policy Council”).

Executive Summary

Since its founding, SBA has delivered millions of loans, loan guarantees, contracts, counseling sessions, and other forms of assistance to small businesses and innovative startups. Many of these businesses are owned by entrepreneurs who identify with communities that have been traditionally underserved and where federal policies have historically impeded equal opportunity. SBA's **2023 Equity Action Plan update** outlines how SBA will mitigate barriers and improve access to small business resources for all Americans, including underserved communities.

Building on the accomplishments of [SBA's 2022 Equity Action Plan](#), in alignment with [SBA's Strategic Plan: FY 2022-2026](#) and [Agency Priority Goals](#), and in accordance with [EO 14091](#), the **2023 Equity Action Plan update outlines the following strategies:**

- **Improve Access to Loan Capital** by enrolling new lenders with a capacity to reach underserved markets, using SBA's simplified lending rules to increase existing lenders' participation, and proposing new policy that encourages more lending to justice-involved entrepreneurs.
- **Improve Access to Federal Government Procurement and Contracting Opportunities** by leveraging resources to support Small Disadvantaged Businesses (SDBs) and working with federal agencies to advocate for and identify more contracting opportunities for SDBs.
- **Improve Access to Disaster Assistance** by modernizing technology, streamlining the application process, and increasing support for underserved disaster survivors navigating the application process.
- **Improve Access to Business Counseling, Training, and Services** by tailoring outreach, training, and educational resources to the specific needs of underserved communities.
- **Improve Access to Investment Capital** by implementing new rules for the Small Business Investment Company (SBIC) Program that increase diversity among participating fund managers, which can lead to more investment capital deployed to underserved entrepreneurs.

SBA's regular engagement with the small business community and its stakeholders helped inform the Equity Action Plan. Through its nationwide network of field and program offices, SBA communicates directly with entrepreneurs via activities such as: training events, small business coaching sessions, office hour calls, and the regulation and policy notification process. SBA also gains insights from [Resource Partners](#), small business trade associations, chambers of commerce and other entities similarly focused on aiding small business growth. [SBA's Council on Underserved Communities \(CUC\)](#) continues to consult directly with the Administrator and SBA executive leaders. The collaboration and input from all these sources are invaluable as SBA continues to formulate meaningful, equity-conscious policies, practices, and strategies that can create opportunities for underserved firms.

SBA's Equity Progress Update and Accomplishments

A. 2022 Equity Action Plan Update (pursuant to EO 13985):

Equity Action #1: Improve Access to Capital

SBA advanced significant reforms to its lending programs to improve equity in capital access.

- [Community Advantage Small Business Lending Companies](#) (CA SBLCs): Effective April 12, 2023, SBA used its regulatory authority to create a new type of SBLC called a Community Advantage Small Business Lending Company, which provided for the conversion of Community Advantage Pilot lenders to fully licensed CA SBLCs with permanent 7(a) lending authority. The move to CA SBLC included measures borrower application requirements and making the application mobile friendly. Borrower data became integrated automatically and a high-quality customer service support system was made available.
 - From FY 2022 to FY 2023, Community Advantage lending to underserved borrowers increased by 11 percent by total loan count and 23 percent by total loan dollars.
- [Small Business Lending Company \(SBLC\) Moratorium Rule](#): On June 1, 2023, SBA opened a window for new applications for SBLC licenses. The application window remained open until July 31, 2023. SBLCs are a category of lenders that are directly regulated by SBA to provide [SBA 7\(a\) loans](#) nationally. The new SBLCs will help target critical market gaps in SBA lending to underserved small businesses. These institutions have historically lent to businesses that have less access to capital, including to Black, Latino, Native, and rural entrepreneurs, at higher rates.
- [Affiliation and Lending Criteria Rule](#): On August 1, 2023, SBA published simplified program rules to increase access and participation.

SBA increased the number of community financial institutions enrolled in Lender Match to 236 in FY 2022. The Agency was on track to exceed the Agency Priority Goal of enrolling 240 lenders by the end of FY 2023.

SBA continued to expand the reach of the investment capital SBIC Program to fill gaps for growth oriented, underserved, and undercapitalized small businesses.

- [SBIC Growth and Diversification Rule](#): Finalized on August 17, 2023, this rule encouraged expanded participation by a more diverse range of fund managers across the nation by establishing a new fund-of-funds license, aligning terms to fit with patient and growth strategies, enabling smaller-sized funds to receive support; and by simplifying and streamlining licensing rules. Greater diversity in funds is proven to increase the diversity of underlying investments.
- In FY 2022, SBA's efforts led to SBIC financing to women-owned, minority-owned, and veteran-owned small business increasing by 29 percent compared to the previous year.

Equity Actions #2 and #3: Improve Access to Federal Government Procurement and Contracting Opportunities by Increasing Government Spending on Small Disadvantaged Businesses (SDB) and Increasing SDB Participation

SBA used its authority to negotiate [contracting goals](#) with all [24 Chief Financial Officers Act agencies](#) to drive more federal dollars to [SDB owners](#)². These goals were set to meet the FY 2022 interim goal of 11 percent of contract awards to SDBs as a milestone toward 15 percent by FY 2025.

- Dollars earned by SDBs increased from \$62.4 billion in FY 2021 to a record \$69.9 billion in FY 2022. (Data and methodology available at [sba.gov/scorecard](#).)
- 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. (Data available on SBA Small Business Data HUB at [datahub.certify.sba.gov](#).)
- SBA recruited additional [Procurement Center Representatives](#) to increase the tracking and set-aside of federal contracts to small businesses.

SBA used its new voting capacity on the [Category Management Leadership Council \(CMLC\)](#) to advocate for small businesses.³

- All ten categories monitored by the CMLC established small-business goals for FY 2023 and tracked small-business spending for FY 2022.

SBA partnered with the General Services Administration (GSA) to create greater opportunities for 8(a) Program participants.

- The launch of the [8\(a\) Multiple Award Schedule \(MAS\) Pool](#) increases 8(a) Program participants' opportunities within the GSA's [MAS Program](#).

SBA continues to work with the Office of Management and Budget's (OMB's) Office of Federal Procurement Policy (OFPP) to construct measures and goals to determine if small businesses are being encouraged to participate in federal contracting.

- In 2023, SBA and OFPP rolled out new electronic tools to identify qualified businesses and measure the health of the industrial base, including the [Small Business Data HUB \(sba.gov\)](#) and GSA's [Resources and Tools to Advance Equity in Procurement | D2D \(gsa.gov\)](#).

SBA enrolled more SDBs into [SBA's business development and contracting programs](#).

- Number of SDBs that received a government contract increased to 23,260 in FY 2022.

² Federal small business procurement goals are set by Congress, which requires that the Federal government shall direct a percentage of spending dollars to small business concerns and certain socioeconomic categories of small businesses. The Small Business Act (Section 15(g), 15 U.S.C. 644(g) (1)) includes the various small business procurement goals.

³ The CMLC oversees the category management program established by the Office of Management and Budget in Memorandum No. M-19-13. In FY 2022, the category management program provided guidance for over \$340 billion in Federal contracts designated as spend under management.

- OMB/GSA tracking of the number of new entrants each year into the federal marketplace started in FY 2023 via the [Supplier Base Dashboard](#).

SBA continues to maximize application education and assistance for the [8\(a\) Business Development program](#) – a federal contracting and training program for experienced small business owners who are socially and economically disadvantaged.

- In FY 2022, 542 new 8(a) firms were certified.

Equity Action #4: Improve Access to Disaster Assistance

SBA is developing a systematic and formal process with [SBA Resource Partners](#) to assist businesses with application completion, reconsiderations, credit repair, and managerial and technical services.

- [Disaster Loan Program Modifications Rule](#): SBA completed rulemaking to increase the maximum allowable disaster loan amount to ensure the amount of disaster assistance is sufficient to help disaster victims complete a full recovery.
- [Disaster Assistance for Rural Communities Act](#): SBA implemented statutory changes increasing the accessibility of disaster assistance for rural communities.
- SBA is actively piloting—and is preparing to fully adopt for all disasters – a new Unified Lending Platform that vastly reduces the amount of work for disaster victims and speeds up the process from application to approval.
- Leveraging a new "Whole of SBA Approach," SBA is fostering an extensive network of partnerships to conduct deliberate customer service campaigns earlier in the disaster response cycle. These partners include 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. Additionally, SBA works with mayors, Voluntary Organizations Active in Disaster (VOAD), Minority Servicing Institutions (MSIs), Historically Black Colleges and Universities (HBCUs), and Native American Tribal Nations to optimize recovery resource delivery.

SBA continues to identify and develop formal and informal relationships with financial institutions and local community support groups to arrange for additional assistance.

- In collaboration with local organizations, SBA's new Portable Loan Outreach Center (PLOC) initiative focused on providing support to underserved disaster survivors that might not otherwise have access to SBA assistance. In FY 2023, several rural areas have been served by PLOCs. For example, in [Mississippi](#), 352 business contacts had 72 successful loan applications; in Florida, 248 contacts led to 132 accepted applications.

SBA also continues to conduct targeted outreach and “listening sessions” to get feedback from new and existing stakeholders.

- As of the third quarter of FY 2023 (June), SBA conducted 3,957 targeted outreach activities and events for disaster survivors in underserved communities, emphasizing engagement with key community stakeholders.

Equity Action #5: Improve Access to Business Counseling, Training, and Services

All SBA offices continue to investigate approaches to strengthen the lines of communication with and support to underserved communities. Examples include:

- Nearly \$45 million (32 percent of total) of funding allocated to SBDCs are now associated with investments at MSIs. In 2022, [five new WBCs were selected to be operated at established MSIs](#), while 60 percent of WBCs are located in rural communities. In 2023, SBA created the [Tribal College Small Business Achievement grant](#) to support Native American economic development.
- The [VBOC Program](#) expanded by six centers (up to 28) and SBA hosted a [Military Spouse Entrepreneur Virtual Summit](#).
- SBA hosted outreach events with various federal agencies, including the new [Path to Prosperity series](#) which served over 3,300 attendees from mostly rural areas.
- SBA signed a Strategic Alliance Memorandums (SAM) with the [American Jewish Committee](#) to combat antisemitism. SAMs were also signed with 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.

B. Environmental Justice Scorecard (pursuant to section 223 of EO 14008):

SBA's efforts support environmental justice for underserved communities and the [Justice40 Initiative](#) through the [SBA Disaster Loan Program](#), which provides financial assistance to businesses of all sizes, nonprofit organizations, homeowners, and renters following a disaster and helps small businesses prepare for disasters through mitigation loans. SBA is working to reduce barriers to access the Disaster Loan Program by modernizing the technology disaster survivors use to apply for disaster lending products and disaster assistance. The new platform will provide an enhanced user interface, faster damage verification, and quicker application reviews. SBA began piloting the new platform in August 2023 and plans to launch nationally in 2024.

C. Advancing Equity Through Key Legislation:

SBA was one of the lead agencies for [American Rescue Plan](#) (ARP) implementation of critical COVID-19 relief and community support. For example, the [Community Navigator Pilot Program](#) (CNPP), established by ARP, has successfully attained participation rates for underserved small business owners at rates well beyond traditional SBA programming. Of CNPP clients providing information, at least 80 percent are considered socially and economically disadvantaged.

SBA Strategies to Advance Equity in FY 2024

SBA is [committed to helping all underserved small businesses](#) start, grow, and compete in domestic and global markets. The following strategies highlight examples of barriers these businesses are facing and the respective actions that SBA is taking to provide quality and equitable access to loan and investment capital; federal procurement and contracting; counseling, training, and services; and disaster assistance.

Strategy #1: Improve Access to Loan Capital by enrolling new lenders with a capacity to reach underserved markets, using SBA’s simplified lending rules to increase existing lenders’ participation, and proposing new policy that encourages more lending to justice-involved entrepreneurs.

Whole-of-Government Equity Objective:

Economic Justice: Build a strong, fair, and inclusive workforce and economy.

Collaborating Agencies:

- Consumer Financial Protection Bureau (CFPB)
- Minority Business Development Agency (MBDA)
- U.S. Department of Treasury (TREAS)

Barriers to Equity:

- 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 credit⁴ and Black, Asian, and Hispanic small business owners most likely have to use personal funds to sustain their business.⁵

Evidence Base to Support Strategy:

- Since 1980, the number of banks has dropped from 14,400 to 4,600, leaving small businesses with fewer options to secure lending.⁶
- Studies have documented that underserved communities need better access to credit. For example, Black-owned startups are about three times less likely than the comparison group to report that their loan requests are always approved, even accounting for credit scores and net worth.⁷ In addition, loan requests are for smaller amounts. “[A] larger share of veteran-owned businesses that applied for

⁴ SBA Office of Advocacy, [Minority-Owned Employer Businesses and their Credit Market Experiences in 2017](#) (July 22, 2020), Page 5, <https://advocacy.sba.gov/wp-content/uploads/2020/07/Minority-Owned-Employer-Businesses-and-their-Credit-Market-Experiences-in-2017.pdf>.

⁵ Federal Reserve Banks, [Small Business Credit Survey: 2021 Report on Firms Owned by People of Color](#) (2021), Page 9, <https://www.newyorkfed.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color>.

⁶ SBA Office of Advocacy, [Effects of Small Loans on Bank and Small Business Growth](#) (Mar 2021), Page 6, <https://advocacy.sba.gov/wp-content/uploads/2021/03/De-Novo-Bank-Formation.pdf>.

⁷ Fairle, Stanford Institute for Economic Policy Research, [Financing Black-Owned Businesses](#) (May 2017), <https://siepr.stanford.edu/publications/policy-brief/financing-black-owned-businesses>.

financing sought \$100K or less compared to nonveteran-owned businesses.”⁸ For Black- and Hispanic-owned firms that applied for financing, one-quarter sought \$25,000 or less.⁹

- Expanded access to loan programs could help a significant number of small business owners that are also justice-involved individuals. “National estimates show that 3.8 percent of small business owners have a criminal record. This percentage corresponds to approximately 1.1 million small business owners.”¹⁰ These owners could benefit from a change in policy that expands eligibility for loan programs.
- Due to barriers to traditional employment such as exclusionary background checks, justice-involved individuals are more likely to seek pathways to entrepreneurship as a means to secure employment upon re-entry. Research shows that, “. . .justice-involved individuals are 50 percent more likely to become entrepreneurs than their counterparts who have never been incarcerated.”¹¹ Reducing barriers to federal loan programs for justice-involved individuals assists them in pursuing what is proven to be a more viable employment option.

Actions to Achieve Equity:

1. **Award three new SBLC licenses to help fill gaps in small business lending:** For the first time in over 40 years, SBA will [increase the number of licensed SBLCs](#), and for the first time, is evaluating SBLC applicants for their demonstrated potential to fill gaps in the credit markets, including small dollar lending and lending to underserved populations.
2. **Convert current CA Pilot Program lenders to permanently licensed CA SBLCs¹²:** With the sunset of the CA Pilot Program, [CA lenders will be permanently licensed 7\(a\) lenders](#). The [7\(a\) Loan Program](#), SBA’s primary business loan program, provides financing to small business borrowers to be used for asset purchases, working capital, and debt refinancing, among other purposes. Permanent

⁸ Federal Reserve Bank of New York and SBA, [Financing Their Future: Veteran Entrepreneurs and Capital Access](#) (Nov 2018), Page 14, <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2017/report-on-veteran-entrepreneurs-and-capital-access>.

⁹ Federal Reserve Banks, [Small Business Credit Survey: 2021 Report on Firms Owned by People of Color](#) (2021), Page 23.

¹⁰ RAND Corporation, [The Prevalence of Criminal Records Among Small Business Owners](#) (2021), https://www.rand.org/pubs/research_briefs/RBA1295-1.html.

¹¹ Hwang and Phillips, Columbia Business School, [Entrepreneurship as a Response to Labor Market Discrimination for Formerly Incarcerated People](#) (July 2020), Page 28, https://www.researchgate.net/profile/Kylie-Hwang/publication/340270406_Entrepreneurship_as_a_Response_to_Labor_Market_Discrimination_for_Formerly_Incarcerated_People/links/5e81410ba6fdcc139c13d52c/Entrepreneurship-as-a-Response-to-Labor-Market-Discrimination-for-Formerly-Incarcerated-People.pdf.

¹² The CA Pilot Program is a critical program that provides financing to low-income borrowers, borrowers from underserved communities, and SBA’s Veteran-Owned Small Business Certification Program. CA was introduced as a pilot program in 2011, which allowed SBA to test the new program and ideas but limited the size and duration of the program. On April 12, 2023, [SBA published a final rule](#) which provides for grandfathering of current CA Pilot lenders to be licensed as CA SBLCs. Final Rule 2023-07181: <https://www.govinfo.gov/content/pkg/FR-2023-04-12/pdf/2023-07181.pdf>

licensing ensures that community-based, mission-driven lenders can continue to provide access to capital to underserved markets via small dollar loans. These loans 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.

3. **Expand justice-involved individuals' access to business development and capital¹³:** On September 14, 2023, SBA published a Notice of Proposed Rulemaking [that would revise regulations to remove certain criminal history questions from preliminary business loan applications](#). The notice provided a 60-day period within which SBA received comments from the public and the lending industry regarding the proposal. SBA envisions that the proposed changes to the rule will increase access to capital for justice involved individuals, where previous regulations may have been a deterrent to entrepreneurs with justice involvement. The rule will apply to the [7\(a\)](#), [504](#), [Microloan](#), and [Disaster](#) loan programs.

Proposed Metrics:

2-4 Years (Outputs):

- Increased number of new CA SBLCs.
- Increased number of new CA SBLC loans to underserved small businesses.
- Increased total loan amount of new CA SBLC loans to underserved small businesses.
- Increased number of trainings and briefings for SBA lenders on procedural changes for justice-involved individuals seeking 7(a) and 504 loans.

5+ Years (Outcomes):

- Increased percent of loans to underserved small businesses through SBA capital programs.

Public Participation and Community Engagement:

SBA will leverage its field offices to build local partnerships with new lenders and organizations whose mission involves helping justice-involved individuals. These efforts will be supported by SBA program offices focused on capital access and entrepreneurial development and will include the development of communication materials such as on-demand training videos, webinars, and presentations at partner conferences.

¹³ In February 2021, [SBA expanded eligibility for the Paycheck Protection Program](#) by removing restrictions for entrepreneurs with certain prior criminal convictions or other involvement in the justice system. In 2022, [SBA eliminated criminal history record restrictions](#) which were limiting access to its Community Advantage loans.

Strategy #2: Improve Access to Federal Government Procurement and Contracting Opportunities by leveraging resources to support Small Disadvantaged Businesses (SDBs) and working with federal agencies to advocate for and identify more contracting opportunities for SDBs.

Whole-of-Government Equity Objective:

Economic Justice: Build a strong, fair, and inclusive workforce and economy.

Collaborating Agencies: All federal agencies

Barriers to Equity:

- The certification processes for small business contracting programs involves navigating multiple steps during separate online application processes and includes providing documentation for several qualification criteria. The process can be an initial barrier for small businesses owners, including small business owners of underserved communities¹⁴, to properly obtain and utilize the certification programs without significant application education and assistance.
- Consolidated buying practices – purchasing services or products in bulk from one or more suppliers to maximize efficiencies – reduce opportunities for small vendors, including SDBs, to compete for contracts. Contract bundling, a subset of consolidation, takes procurements previously dedicated to small businesses and transforms them into larger, more complex purchases that either expressly or practically exclude small firms. Given that the federal government has [an overall 23 percent target goal](#) for small business and socio-economic prime contracting and subcontracting participation, there is a challenge to find the right balance between efficiency and equity program objectives in federal procurement when considering how federal dollars are allocated.¹⁵ An increased focus on efficiency via bundling leads to a reduction in the allocation of federal dollars to small firms and, ultimately, underserved communities.

Evidence Base to Support Strategy:

- As identified in the GSA Office of Evaluation Sciences report, “Personal connections and background in an underserved community may help mentors reach underserved businesses by building trust. ... Matching underserved businesses with mentors from similar backgrounds and communities can help to

¹⁴ U.S. General Services Administration, Office of Evaluation Services, [Challenges and Opportunities for Pursuing Equitable Distribution of Small Business Relief](#) (Aug 2021), Page 4, <https://oes.gsa.gov/assets/publications/OES-SBA%20Descriptive%20Equity%20Report.pdf>. “...documentation requirements are potentially a barrier to equity, because businesses that are smaller with fewer resources (e.g., no staff accountant; no accounting software), or which operate in industries with less need for regular accounting (e.g., creative industries), have more difficulty satisfying the requirements.”

¹⁵ SBA, [FY 2021 Bundled and Consolidated Contract Report to Congress](#) (May 2023), <https://www.sba.gov/document/report-bundled-consolidated-contract-report>.

bridge [barriers],”¹⁶ such as navigating program application and documentation requirements.

- With a focus on transforming the customer experience and service delivery, the White House noted that in recent years, the annual paperwork burden imposed by federal executive departments and agencies on the public has been in excess of nine billion hours.¹⁷ This lost time imposes a serious burden on [applicants] as they interact with the government.
- SBA monitors how contract bundling affects federal procurement opportunities for small businesses and is working with agencies to flag large dollars procurements early in their procurement process.¹⁸ SBA has seen the benefit of engaging with federal partners to mitigate the impact of consolidated buying practices. For example, in FY 2021, SBA negotiated with the Department of the Air Force on a \$7.7 billion bundled Enterprise-wide Information Technology requirement which created a historical, staggered small and socioeconomic prime contracting approach.

Actions to Achieve Equity:

1. **Advance education programs and outreach to SDBs and small businesses in underserved communities** through updates to the [7\(j\) grant program](#). SBA will be able to target SDBs in the underserved communities and improve education and support of staff at [SBA field offices](#) and [Resource Partners](#). This update to the grant program secures nationwide technical assistance, designed to provide one-on-one needs-based training and counseling to firms in these communities. These tailored services aim to elevate firms’ capabilities and readiness to improve their operations and sustainability in the federal marketplace. Further, SBA field offices and Resource Partners will provide a clear understanding to potential applicants of how to properly obtain and use the [SBA certification set-aside programs](#) (Women Owned Small Business (WOSB), 8(a), HUBZone, and Veterans Certification). Achieving a better understanding of the various set-aside programs supports the development of a contract-ready pool of SDBs as potential contract awardees.
2. **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. Modernize and harmonize the process firms use through automation and digitization.
3. **Mitigate the impact of consolidated buying practices** by proactively establishing line of sight best practices through portfolio management and early engagement

¹⁶ U.S. General Services Administration, Office of Evaluation Services, [Challenges and Opportunities for Pursuing Equitable Distribution of Small Business Relief](#), Page 9.

¹⁷ White House, [Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government](#) (Dec 2021), <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/12/13/executive-order-on-transforming-federal-customer-experience-and-service-delivery-to-rebuild-trust-in-government/>.

¹⁸ SBA, [FY 2021 Bundled and Consolidated Contract Report to Congress](#) (May 2023).

with federal agencies. Consolidated buying occurs when agencies consolidate contracts previously performed (or suitable of being performed) by small businesses and award those contracts as a larger contract not suitable for small businesses. The use of data and targeted intervention affords SBA an opportunity to work with federal agencies to identify small business contract opportunities and assist them with attaining their SDB goals.

Proposed Metrics:

2-4 Years (Outputs):

- Increased number of newly certified firms in SBA certification programs.
- Increased number of small businesses that receive assistance through the business development programs.
- Increased number of unique small business counseling sessions on government contracting.
- Increased number of early engagements conducted with the “Big 7” federal agencies to advocate and identify contracting opportunities for the set aside programs more effectively.

5+ Years (Outcomes):

- Increased percent of federal contract dollars to SDBs.
- Increased number of newly certified firms receiving federal prime contracts.

Public Participation and Community Engagement:

SBA’s field team members will continue to engage with small businesses, including small business owners of underserved communities, seeking SBA certification for government contracting and business development programs. SBA will communicate developments and results with key stakeholders including the [Small Business Procurement Advisory Council](#), federal procurement centers, local chambers of commerce and to the small business community through programs such as National Small Business Week events, and local/national procurement conferences.

Strategy #3: Improve Access to Disaster Assistance by modernizing technology, streamlining the application process, and increasing support for underserved disaster survivors navigating the application process.

Whole-of-Government Equity Objective:

Economic Justice: Build a strong, fair, and inclusive workforce and economy.

Collaborating Agencies:

- Federal Emergency Management Agency (FEMA)
- U.S. Department of Housing and Urban Development (HUD)
- U.S. Department of Commerce - Economic Development Administration (EDA)

Barriers to Equity:

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.¹⁹
- Internet availability is required to access information and apply for SBA disaster loan programs.
- Limited access to financial preparedness counseling and strict minimum loan approval requirements can be barriers to accessing disaster loan products.

Evidence Base to Support Strategy:

- As part of a comparative analysis of language translation during disaster, one study noted that the, “Increasing cultural and linguistic diversity [in the United States] creates a demand for information to be available in multiple languages. This signifies a need for language translation to be a key element of disaster management.”²⁰
- The Legal Aid Disaster Resource Center (LADRC) reported that “many of the disaster management challenges in rural communities are related to the nature of the areas and the resources available to them. These challenges include longer travel distances for rural residents to reach commonly used community meeting spaces and access basic necessities.”²¹
- The LADRC also cites research²² that additional challenges for rural residents includes limited or lower quality online access. Rural residents are less likely than urban residents to have high-speed internet at home and to own a smartphone, tablet, or computer.”²³
- Per FEMA’s 2020 National Household Survey, “91 percent of people who experienced a disaster reported they incurred a financial impact. Only 22 percent

¹⁹ LADRC, [Disaster Relief and Recovery in Rural Areas](https://www.ladrc.org/disaster-relief-and-recovery-in-rural-areas/#:~:text=Disaster%20Relief%20and%20Recovery%20in%20Rural%20Areas%201,4%20Assistance%20for%20Housing%20and%20Agricultural%20Operations%20) (April 2023), <https://www.ladrc.org/disaster-relief-and-recovery-in-rural-areas/#:~:text=Disaster%20Relief%20and%20Recovery%20in%20Rural%20Areas%201,4%20Assistance%20for%20Housing%20and%20Agricultural%20Operations%20>.

²⁰ ScienceDirect, [Language translation during disaster: A comparative analysis of five national approaches](https://www.sciencedirect.com/science/article/abs/pii/S2212420918303832) (Oct 2018), <https://www.sciencedirect.com/science/article/abs/pii/S2212420918303832>.

²¹ LADRC, [Disaster Relief and Recovery in Rural Areas](https://www.ladrc.org/disaster-relief-and-recovery-in-rural-areas/#:~:text=Disaster%20Relief%20and%20Recovery%20in%20Rural%20Areas%201,4%20Assistance%20for%20Housing%20and%20Agricultural%20Operations%20).

²² Pew Research Center, [Some digital divides between rural, urban, suburban America persist](https://www.pewresearch.org/short-reads/2021/08/19/some-digital-divides-persist-between-rural-urban-and-suburban-america/) (Aug 2021), <https://www.pewresearch.org/short-reads/2021/08/19/some-digital-divides-persist-between-rural-urban-and-suburban-america/>.

²³ LADRC, [Disaster Relief and Recovery in Rural Areas](https://www.ladrc.org/disaster-relief-and-recovery-in-rural-areas/#:~:text=Disaster%20Relief%20and%20Recovery%20in%20Rural%20Areas%201,4%20Assistance%20for%20Housing%20and%20Agricultural%20Operations%20).

of financial resilience survey respondents indicated that financial preparedness means improving their credit score/borrowing ability.”²⁴

Actions to Achieve Equity:

1. **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.
2. **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.
3. **Expand the deployment of Portable Loan Outreach Centers (PLOCs)** which bring onsite services to remote and underserved areas, offering localized support. This will include enhancing collaborations with local community groups, nonprofits, and institutions to provide targeted, on-site workshops, information sessions, and personal counseling.
4. **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.
5. **Provide targeted intervention / technical assistance before determining an application’s status** by strengthening partnerships with SBA Resource Partners. Services provided by the Resource Partners will promote financial literacy and sustainable recovery. Examples include application assistance, reconsideration support, and credit repair counseling. These services can help survivors that experience financial disparities such as lower credit scores and unstable cash flows. Such challenges can cause an applicant to fail to meet underwriting criteria and hinder participation in disaster loan programs.

In alignment with the above Actions and with a continued focus on the [overall life experience of a disaster survivor](#), SBA is developing an interagency plan in partnership with FEMA and HUD. The goal of this plan is to guarantee the accessibility and utilization of reliable information, which includes information needs, data sources, techniques, and tactics to overcome information obstacles. Ultimately, it will result in a more sensitive and responsive recovery experience for people impacted by disasters.

Proposed Metrics:

2-4 Years (Outputs):

- Decreased average time from when a disaster victim begins to apply for an SBA loan until the loan’s disbursement.

²⁴ FEMA, [FEMA Data Digest: Financial Resilience](#) (April 2021), <https://community.fema.gov/PreparednessConnect/s/article/FEMA-Data-Digest-Financial-Resilience#:~:text=We%20conducted%20focus%20group%20and%20survey%20research%20to,who%20had%20not%20saved%20money%20for%20an%20emergency>.

- Increased number of languages used to translate SBA disaster education materials.
- Increased number of times PLOCs are deployed.
- Increased number of disaster survivors served for application intake and outreach engagement.
- Increased number of referrals to SBA Resource Partners.

5+ Years (Outcomes):

- Increased number of individuals reached through translated or interpreted services.
- Increased number of disaster loan applications from/through PLOCs.
- Increased percentage of disaster survivors served resulting in a disaster loan.

Public Participation and Community Engagement:

SBA conducts regular outreach with disaster survivors as part of the response and recovery process. For continued engagement and support from the entrepreneurial ecosystem, SBA field offices provide vital links between disaster operations and survivors. These connections strengthen the long-term recovery and overall resiliency of affected communities. SBA is also working with other federal agencies as part of a Life Experience Research Team to determine how to improve disaster response and recovery from the survivor's point of view. This work is documented at: [Recovering from a disaster | Performance.gov](#).

Strategy #4: Improve Access to Business Counseling, Training, and Services by tailoring outreach, training, and educational resources to the specific needs of underserved communities.

Whole-of-Government Equity Objective:

Economic Justice: Build a strong, fair, and inclusive workforce and economy.

Collaborating Agencies:

- U.S. Department of Agriculture (USDA)
- Federal Deposit Insurance Corporation (FDIC)
- U.S. Department of Defense (DoD)

Barriers to Equity:

- Roughly one in five rural small business owners indicate that access to capital as one of the top three challenges to maintaining or growing their business in their community.²⁵
- Lack of access to technical assistance and a supportive network is a significant barrier for people trying to start and grow businesses. This barrier is particularly

²⁵ Small Business Majority, [Examining the Unique Opportunities and Challenges Facing Rural Small Businesses](#) (Feb 2019), Page 12, https://smallbusinessmajority.org/sites/default/files/research-reports/Opportunities_and_Challenges_Facing_Rural_Small_Businesses.pdf.

prevalent among businesses owned by people of color and can be a serious barrier for people of color in starting and growing a business.²⁶

- Justice-involved citizens often report challenges due to the lack of knowledge around applying for a loan, incorporation, accounting, financial literacy, and tax filings, as well as management and leadership skills when aspiring to start their own businesses.²⁷

Evidence Base to Support Strategy:

- Examining the unique opportunities and challenges facing rural small businesses, a report from the Small Business Majority notes that 59 percent of these businesses indicate they need more information on the types of capital sources available.²⁸
- As highlighted by best practices for engaging with underserved communities, “Broad approaches to engagement, financial assistance, and other programs may fail to reach those who need help most desperately, meaning that the best intentions often fall short of producing results. In other words, for assistance programs to be successful, ...governments must meet the targeted groups where they are.”²⁹
- A recent study on the extent of self-employment amongst U.S. justice-involved individuals, concluded that “...training returning citizens on management and organizational practices...may help improve the success of their entrepreneurial activities.”³⁰

Actions to Achieve Equity:

1. **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.
2. **Strengthen small business services for underserved entrepreneurs** by partnering with more HBCUs, Tribal Colleges and Universities (TCUs), and MSIs - through SBA Resource Partner grant agreements and Agency strategic alliances.

²⁶ Kauffman Foundation, [Access to Capital for Entrepreneurs: Removing Barriers 2023 Update](https://www.kauffman.org/wp-content/uploads/2023/06/Access-to-Capital-for-Entrepreneurs-Report-2-June-2023.pdf) (June 2023), Page 45, <https://www.kauffman.org/wp-content/uploads/2023/06/Access-to-Capital-for-Entrepreneurs-Report-2-June-2023.pdf>.

²⁷ Hwang, The ANNALS of the American Academy of Political and Social Science (701(1), 114-133), [From Prison to Entrepreneurship: Can Entrepreneurship be a Reentry Strategy for Justice-Impacted Individuals](https://journals.sagepub.com/doi/full/10.1177/00027162221115378?journalCode=anna) (2022), citing Rieple (1998), <https://journals.sagepub.com/doi/full/10.1177/00027162221115378?journalCode=anna>

²⁸ Small Business Majority, [Examining the Unique Opportunities and Challenges Facing Rural Small Businesses](#) (2019), Page 14.

²⁹ ICMA, [Engaging Marginalized Communities: Challenges and Best Practices](#) (Sept 2021), <https://icma.org/articles/pm-magazine/engaging-marginalized-communities-challenges-and-best-practices>.

³⁰ Finlay, Mueller-Smith, Street, [Criminal Justice Involvement, Self-Employment, and Barriers in Recent Public Policy](#) (2022), Page 31, <https://kfinlay.github.io/pdf/FinlayMuellerSmithStreet2023.pdf>.

3. **Promote programs across the country that will provide training to people with arrest or conviction records** on how to pursue and succeed in entrepreneurship.³¹

Proposed Metrics:

2-4 Years (Outputs):

- Increased number of unique clients served in each specifically identified underserved community, including rural communities.
- Increased number of underserved small businesses receiving services through SBA Resource Partners located at HBCUs, TCUs, and MSIs and/or number of strategic alliances created.
- Increased number of partnerships established with organizations that support the re-entry of justice-involved individuals to become entrepreneurs.

5+ Years (Outcomes):

- Increased number of new businesses started through SBA counseling and training programs.

Public Participation and Community Engagement:

Through its District Offices, SBA provides specialized support through lender relations, business development, outreach, and marketing to reach small businesses. SBA will leverage these offices, in collaboration with program office leadership, to be a catalyst and convener to engage, grow, and sustain mutually beneficial partnerships between SBA and organizations within the entrepreneurship ecosystem that primarily support underrepresented entrepreneurs.

SBA's Office of Entrepreneurial Development will also actively engage with SBA's Council on Underserved Communities, SBA's Small Business Digital Alliance, inter-agency hosted client forums, Tribal consultations, and White House initiatives focusing on underserved communities.

Strategy #5: Improve Access to Investment Capital by implementing new rules for the Small Business Investment Company (SBIC) Program that increase diversity among participating fund managers, which can lead to more investment capital deployed to underserved entrepreneurs.

Since 1958, SBA has licensed and regulated private market investment funds as "SBICs." [SBICs](#) invest or lend private capital, plus funds borrowed with an SBA guarantee, to make equity and/or debt investments in small businesses and start-ups.

³¹ White House, [The White House Alternatives Rehabilitation and Reentry Strategic Plan](https://www.whitehouse.gov/wp-content/uploads/2023/04/The-White-House-Alternatives-Rehabilitation-and-Reentry-Strategic-Plan.pdf) (April 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/04/The-White-House-Alternatives-Rehabilitation-and-Reentry-Strategic-Plan.pdf>.

Whole-of-Government Equity Objective:

Economic Justice: Build a strong, fair, and inclusive workforce and economy.

Collaborating Agencies:

- U.S. Department of Defense (DoD)
- U.S. Department of Transportation (DOT)

Barriers to Equity:

- Small businesses and startups operating in underserved communities have historically faced barriers in accessing patient, equity, and growth-oriented debt investments.³²
- Diverse allocators invest in minority-owned small businesses at higher rates, and those allocators are gravitating toward longer duration, equity-oriented investment strategies. However, diverse allocators are underrepresented in the investment industry.

Evidence Base to Support Strategy:

- As discussed in a National Bureau of Economic Research (NBER) working paper, “The ratio of debt to total capital (i.e., the leverage ratio) for Black-owned startups is persistently below that observed for their counterparts. Alternative sources of capital such as loans from friends and family, personal equity and credit cards do little to attenuate these differences. Black-owned startups also have lower levels of all other major sources of funding than the [comparison group].”³³
- In 2021, 76 percent of woman and minority-owned firms raised venture capital funds.³⁴ Only 1.4 percent of total U.S.-based assets under management (AUM) is managed by diverse-owned firms as of September 2021.³⁵
 - Gender-diverse investing teams are two times more likely to invest in gender-diverse founding teams, 2.6 times more likely to invest in women-led entrepreneur teams, and more than three times more likely to invest in a female CEO.³⁶
 - A 2010 study by the Minority Business Development Agency found that, “...investment disparities between minority and non-minority firms were

³² Across asset classes, minority- and women-owned firms are underrepresented relative to other firms. Knight Foundation, [Knight Diversity of Asset Managers Research Series: Industry](https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf) (Dec 2021), Page 4, https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf.

³³ Fairlie, Robb, Robinson, NBER, [Black and White: Access to Capital Among Minority-Owned Startups](https://www.nber.org/system/files/working_papers/w28154/w28154.pdf) (2020), Page 3, https://www.nber.org/system/files/working_papers/w28154/w28154.pdf.

³⁴ Fairview Capital, [Women and Minority-Owned Private Equity and Venture Capital Firms: Capital Market Review 2021](https://fairview.cdn.prismic.io/fairview/397ab706-dc64-4c31-981b-9ded2e43c788_FairviewCapital_2021_MarketReview.pdf) (2021), Page 3, https://fairview.cdn.prismic.io/fairview/397ab706-dc64-4c31-981b-9ded2e43c788_FairviewCapital_2021_MarketReview.pdf.

³⁵ Knight Foundation, [Knight Diversity of Asset Managers Research Series: Industry](https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf) (Dec 2021), Page 3.

³⁶ Stone, Forbes, [Diversity As Superpower: The \(Well-Known\) Data Against Homogeneous Teams In Venture Capital](https://www.forbes.com/sites/committeeof200/2020/09/22/diversity-as-uperpower-the-well-known-data-against-homogeneous-teams-in-venture-capital/) (Sept 2020), <https://www.forbes.com/sites/committeeof200/2020/09/22/diversity-as-uperpower-the-well-known-data-against-homogeneous-teams-in-venture-capital/>.

larger for external debt (bank loans, credit cards) and especially external equity, compared to the disparity in personal or family loan investments.”³⁷

- Structural aspects of the SBIC Program have historically limited the flow of equity and growth-oriented debt investments from SBIC-licensed funds to small businesses and start-ups operating in underserved communities, as well as capital-intensive industries and technology areas. Between October 1, 2016, and September 30, 2021, SBICs provided over \$29 billion in financings to Small Businesses.³⁸ However, only 18 percent of Debenture SBIC financings were in the form of patient capital equity investments, and less than a quarter of SBICs licensed were focused on equity. Over 75 percent of all financings of Small Businesses by Debenture SBICs included a debt component.

Actions to Achieve Equity:

1. **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. ‘[Reinvestor SBICs](#)’ can receive up to twice the private capital that they raised in the form of a government-backed debt instrument, which shifts 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. SBA leaves the definition of “underserved” for the Reinvestor SBIC program intentionally broad, enabling fund managers to make the case for why the underlying small businesses and startups that receive the investment capital are underserved.
2. **Broaden the SBIC program portfolio to make it a better fit for longer duration and/or equity-oriented investment funds,** which are the strategies that minority allocators are gravitating towards, via a new financial instrument called the “Accrual Debenture.” Funds that are licensed using this financial instrument will be called “[Accrual SBICs](#).” Accrual SBICs will be eligible for 1.25 times the private capital that they have raised in the form of a government-backed debt capital. This will both make the program a better fit for earlier-stage, longer duration strategies and increase the total capital available for managers using these strategies.
3. **Leverage 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. The committee will help SBA promote, expand, and strengthen the ecosystem of private funds financing U.S. small businesses and

³⁷ U.S. Department of Commerce, Minority Business Development Agency, [Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs](#) (Jan 2010), Page 6, <https://www.mbda.gov/sites/default/files/migrated/files-attachments/DisparitiesinCapitalAccessReport.pdf>.

³⁸ U.S. National Archives and Records Administration, SBA, [Federal Register: Small Business Investment Company Investment Diversification and Growth](#) (July 2023), <https://www.federalregister.gov/documents/2023/07/18/2023-13981/small-business-investment-company-investment-diversification-and-growth>.

startups, to support funding entrepreneurs and small business owners from traditionally underserved communities.

Proposed Metrics:

2-4 Years (Outputs):

- Increase in total committed and invested capital of Reinvestor SBICs from the baseline in FY 2024.
- Increase in total committed and invested capital of Accrual SBICs from the baseline in FY 2024.

5+ Years (Outcomes):

- Increase in total capital delivered to underserved startups and small businesses through licensed Reinvestor SBICs.
- Increase in total capital delivered to underserved CEOs and founders through licensed Accrual SBICs.

Public Participation and Community Engagement:

SBA's Office of Investment and Innovation conducted numerous outreach events over the past year focused on investors in underserved communities. Example engagement included road shows, roundtables, webinars, and participation in industry events. SBA's field offices collaborate on these activities and will continue to look for new opportunities to connect stakeholders in the entrepreneurship ecosystem as part of future outreach.

In addition to the Investment Capital Advisory Committee (ICAC), the SBA Administrator has also established the [Invention, Innovation, and Entrepreneurship Advisory Committee](#) (IIEAC). The IIEAC will be an independent source of information, advice, and recommendations to the Administrator on matters related to the U.S. startup and small business innovation ecosystem, including facilitating and enabling broad access to, and participation in, federal innovation support and funding programs.