

October 26, 2022

Jeffrey Stout
Director, Office of Federal Program Finance
United States Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: SSBCI Request for Information Comments

On behalf of the member of the African American Alliance of CDFI CEOs (the Alliance), we respectfully submit the following comments in response to the Department of the Treasury (Treasury) request for comments on how Treasury can use its authorities to fund technical assistance (TA) to very-small businesses (VSBs) and business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses applying to State Small Business Credit Initiative (SSBCI) credit and investment programs.

The Alliance is a membership-driven intermediary organization that aims to: build the capacity of member organizations; build bridges to economic stability, well-being, and wealth for Black individuals, families, and communities; and build power in Black communities by challenging and influencing financial sectors to operate more equitably. Since launching in 2018, the Alliance has established a network of 69 CEOs of Black-led Community Development Financial Institutions (CDFIs), which includes loan funds, credit unions, and venture capital funds. Alliance members reach historically underserved communities in all 50 states by providing financial services in the small business, affordable housing, and commercial real estate development sectors.

Background:

The American Rescue Plan Act of 2021 (ARPA) reauthorized and amended the Small Business Jobs Act of 2010 to provide \$10 billion to fund SSBCI as a response to the economic effects of the COVID-19 pandemic. ARPA specifically provided over \$9 billion to fund small business programs of eligible jurisdictions and up to \$500 million for TA to qualifying businesses. ARPA authorizes Treasury to deploy the \$500 million for TA in three ways:

1. *TA funding to eligible jurisdictions:* Treasury may provide funds to eligible jurisdictions to carry out a TA plan under which a jurisdiction will provide legal, accounting, and financial advisory services, either directly or contracted with legal, accounting, and financial advisory firms, with priority given to SEDI-owned businesses, to VSBs and SEDI-owned businesses applying for SSBCI capital programs and other jurisdiction or Federal programs that support small businesses.
2. *TA funding to the Minority Business Development Agency (MBDA):* Treasury may transfer amounts to the MBDA so that the MBDA may use such amounts in a matter it determines appropriate, including through contracting with third parties, to provide TA to SEDI-owned businesses applying to SSBCI capital programs and other jurisdiction or Federal programs that support small businesses.

3. *TA funding to TA providers:* Treasury may contract with legal, accounting, and financial advisory firms (with priority given to SEDI-owned businesses), to provide TA to SEDI-owned businesses applying to SSBCI capital programs and other jurisdiction or Federal programs that support small businesses.

To date, Treasury has allocated \$200 million of the \$500 million in TA funding to an SSBCI TA Grant Program to support jurisdictions' TA plans and \$100 million to the Minority Business Development Agency (MBDA). This request for information (RFI) relates specifically to how Treasury might allocate the remaining TA dollars, either through additional funding to jurisdictions or contracts with TA providers.

We believe these TA dollars can prove instrumental in helping SEDI-owned businesses and VSBs overcome the technical support gap that has historically prevented them from expanding their businesses. This support will also place these businesses in a better position to apply for SSBCI capital and other state or federal programs that support small businesses. However, to maximize the impact of the TA program, Treasury and participating states should lean on the experience of CDFIs with a proven track record of serving the very businesses that are at the heart of the SSBCI TA program.

Gaps in Types and Availability of TA to Small Businesses

Access to capital and TA is critical to the growth and sustainability of the diverse businesses supported by Alliance members. TA assists small businesses in identifying capital sources that are responsive to their specific needs, but there is a great demand for additional TA to address gaps in access to capital for minority business owners. This is the case for established minority-owned small businesses that may be unaware of the types of TA that may help them access capital to scale up their business or are overwhelmed by the TA process, generally. Furthermore, minority-owned small businesses have diverse, industry-specific TA needs. For instance, a salon owner may need assistance interpreting complex health, safety, and sanitary regulations, which would not necessarily be the case for the owner of an auto detail shop. For these small businesses a “one size fits all” approach to TA is not likely to yield sustained business growth and development. Finally, quality technical assistance is often concentrated in metropolitan commercial centers. Unfortunately, these centers are difficult to reach for small business owners located in rural areas or in less affluent parts of urban areas, as these populations often lack access to reliable transportation and broadband internet necessary for mobile TA offerings. These gaps were exacerbated by the COVID-19 pandemic, evidenced by the countless minority-owned small businesses that were not prepared to secure the federal assistance necessary to keep their doors open throughout and in the aftermath of the pandemic.

These gaps highlight the need for flexibility in the acceptable uses of the remaining SSBCI TA funding. To maximize the impact of the TA allocation, Treasury should allow recipients to use the funding to provide support services that are valuable to a wide range of diverse businesses, regardless of their size or stage in the business life cycle. For instance, most businesses, including those that are SEDI-owned and VSBs, are exploring business strategies aimed at addressing the challenges posed by the current high inflation economy. TA in the form of financial literacy, business development, workforce development job training, and grant application assistance, can help small businesses weather the challenges of today's economy while also equipping them with the tools to expand their operations. Given their stature in the communities for which they serve, CDFIs are uniquely positioned to provide this assistance to diverse business owners in their markets. To that end, Treasury should allocate a sizable portion of the remaining SSBCI TA dollars to CDFIs – or intermediary organizations that support CDFIs – with a demonstrated track record of providing high-quality TA to small businesses located in communities that struggle with persistent poverty, including those in rural areas. The Alliance is such an intermediary organization and is primed to administer the TA program. Therefore, we urge Treasury to direct 12.5 percent (\$25 million) of



the remaining \$200 million to the Alliance, which will provide its members with five (5) years of continuous funding and programming as they deliver culturally competent and timely TA and mentoring to underserved business owners. The development and level of assistance envisioned by the Alliance is sorely needed by minority led CDFIs in their efforts to increase access to critical capital for SEDI-owned businesses and VSBs that have been shut out of the traditional banking system.

We appreciate Treasury's commitment to expanding the network of technical support SEDI-owned businesses and VSBs through SSBCI TA funding. Throughout its history, the Alliance has been intentional in its commitment to identifying the major barriers faced by minority entrepreneurs across the country and equipping its members with the resources necessary to overcome those barriers and effect positive change for those entrepreneurs. For their part, and through hundreds of years of collective experience, our members have a comprehensive understanding of the unique challenges faced by minority business owners across different industries, socioeconomic statuses, and geographies, and have proven adept at tailoring TA to meet the specific needs of those entrepreneurs. For these reasons, the Alliance should be considered a natural and ideal partner of Treasury as it determines how best to maximize the impact of this critical funding. Thank you for considering these comments.

Please contact Lenwood V. Long, Sr. (lvlong@aaacdfi.org), Alliance President and CEO, if you require clarification on the contents of this comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Lenwood V. Long Sr." with a stylized flourish at the end.

Lenwood V. Long Sr.
President and CEO
African American Alliance of CDFI CEOs