



# Small Business Administration Programs for Women, Minorities, and Veterans

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## Summary

The Small Business Administration (SBA) encourages small business owners and those who want to start small businesses through technical support and guaranteeing private sector loans. Most programs are available to all who seek help, but some are targeted to specific groups such as women, minorities, and veterans. This report provides a brief summary of these SBA programs. More detailed information on many of the programs is available in CRS Report RL33243, *Small Business Administration: A Primer on Programs*, by N. Eric Weiss. The SBA website, <http://www.sba.gov>, has additional information. Brief mention is made of programs for women, minorities, and veterans in other federal agencies.

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## General Programs

These SBA programs are available to anyone interested in starting a small business or seeking assistance in managing one.

### Loans and Grants

The only loans (which must be repaid) that the SBA makes directly to businesses are physical and economic injury disaster loans. The SBA's major program to support small business access to capital is to guarantee loans made by private-sector lenders to small businesses. In general, these SBA loan guarantees result in reduced interest rates and longer repayment terms than private sector loans without the guarantee. Borrowers and lenders negotiate the terms of the loans, subject to SBA's limits on amount borrowed, interest rate, and maturity.

The SBA's flagship loan guarantee program is the "7(a)," which is named after the section of the Small Business Act that authorizes it.<sup>1</sup> The maximum amount of the loan is \$2.0 million, of which the SBA guarantees \$1.5 million.

In the "504" loan program, geographically-based Community Development Corporations (CDCs) make loans for major fixed assets. The business contributes 10% of the asset's cost. A private lender loans up to 50% of the cost and has a senior lien on the asset. The local CDC lends up to 40% backed by the SBA's guarantee, which is in the form of a debenture for a maximum of \$1.5 million for job creation criteria loans, a maximum of \$2.0 million for public policy criteria loans, and \$4.0 million for small manufacturers.

The SBA also supports microloans (loans of \$35,000 or less) through grants to nonprofits.

The SBA does not make grants (which do not have to be repaid) to small businesses, but it does make some grants to nonprofits that in turn provide advice to small businesses.

### Technical Support

Technical support for small businesses is advice in all aspects of starting and managing a small business to entrepreneurs. The SBA provides technical support by grants to nonprofit groups such as the Service Corps of Retired Executives (SCORE), Small Business Development Centers (SBDCs), and the Small Business Training Network. These grants typically cover 50% of the nonprofit's operating costs.

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<sup>1</sup> P.L. 85-536 as amended, 72 Stat. 384.

## **Targeted Programs**

### **Loans**

The only SBA loan programs restricted to members of targeted groups are those targeted to veterans and reservists. The SBA has some loan programs for special reasons for borrowing such as exports.

The SBA announced the Patriot Express Pilot Loan Initiative in 2007. Under the program, the SBA expedites its decision on guaranteeing private sector loans to veterans, service-disabled veterans, reservists (including National Guard members), active duty service members eligible for transition assistance, and spouses and widows of those in these groups. The maximum amount of the loans is \$500,000.

Military Reservist Economic Injury Disaster Loans from the SBA are available to small businesses when an essential employee, including an owner, is called up to active duty during a period of conflict. The loan is designed to help cover cash flow reductions caused by the military call up to active duty to a maximum of \$1.5 million. There are additional restrictions.

### **Technical Support**

SBA officials have testified that technical support requirements do not vary greatly among those looking to start or grow small businesses. Nevertheless, the SBA has programs targeted to women, members of economically and socially disadvantaged groups, and veterans.

### **Women**

The SBA has Women's Business Centers (WBCs) in each state. The WBCs provide women with help in all areas of business: finance, marketing, management, production, human resources, etc. The SBA provides grants to cover some of the WBCs' costs.

Each of the SBA's district offices has a women's business ownership representative to provide women with assistance.

### **Economically and Socially Disadvantaged**

A technical support program targeted for economically and socially disadvantaged groups is the Native American Outreach, which provides technical support for American Indians, Alaskan Natives, Native Hawaiians, tribally owned small businesses and businesses located in Native American communities.

### **Veterans**

The SBA provides specialized business development support of veterans, reservists, and National Guard members. It does this through Veterans Business Outreach Centers. Help includes pre-business plan workshops, concept assessments, business plan assistance, training, and mentoring. Veterans business development officers are located in each state and provide similar assistance.

In addition, the National Veterans Business Development Corporation (VeteransCorp) provides business advice to veterans. VeteransCorp is a federally chartered nonprofit originally funded by the SBA, Department of Defense, and the Department of Veterans Affairs. The heads of these three agencies are ex officio members of the board of directors. VeteransCorp is currently funded by a direct appropriation.

## **Government Contracting**

The SBA coordinates the federal government's efforts to encourage federal agencies to contract with members of specific groups for goods and services; it negotiates with government agencies to meet government-wide contracting goals:

- 23% of prime contracts (measured in dollars) for small businesses,
- 5% of prime and subcontracts for small disadvantaged businesses,
- 5% of prime and subcontracts for women-owned small businesses,
- 3% of prime and subcontracts for HUBZone (Historically Under Utilized Business Zone) businesses, and
- 3% of prime and subcontracts for service-disabled veteran-owned small businesses.

The goals are not mandatory, and some agencies have higher individual goals while other agencies have lower goals.

The "8(a)" business development contracting is the main program by which economically and socially disadvantaged businesses compete for government contracts. Federal agencies are allowed to restrict competition on certain contracts to firms that have SBA 8(a) certifications. The 8(a) program includes technical support and mentoring programs. SBA also has a small disadvantaged business (SDB) designation that provides technical support. All 8(a) firms are SDBs, but not all SDBs are 8(a)s.

The HUBZone program encourages government agencies to award contracts to businesses located in areas that meet certain specific criteria concerning high unemployment rates or high housing costs as defined by the HUBZone Act of 1997.<sup>2</sup> In addition, at least 35% of the small business' employees must live in a HUBZone. HUBZone firms can compete for government contracts limited to HUBZone firms and receive a 10% price adjustment in competitive contracts. In some circumstances, HUBZone firms can be awarded sole-source contracts.

## **Other Federal Sources of Assistance**

Other organizations within the federal government that provide support of various types for economically and socially disadvantaged, and small businesses. The following list is not exhaustive.

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<sup>2</sup> P.L. 106-554, 114 Stat. 2763.

- Every federal agency with contracting authority has an Office of Small and Disadvantaged Business Utilization (OSDBU) to encourage their agencies to use small businesses in prime contracts and subcontracts.
- The Department of Transportation sponsors a Disadvantaged Business Enterprise (DBE) program to comply with legislation passed in 1983 requiring that 10% of all federal highway and transit funds be expended with DBEs.<sup>3</sup> A similar program applies to airport funding.<sup>4</sup>
- The Minority Business Development Agency, housed in the Department of Commerce, is the only federal agency encouraging the growth of minority-owned business regardless of small business status.
- Other government agencies maintain programs targeted at members of specific racial or ethnic groups. For example, the Department of the Interior has programs giving preference for work on Indian reservations to tribal members.

## Additional Information

For information on the legal basis of targeted procurement programs, see CRS Report RL33284, *Minority Contracting and Affirmative Action for Disadvantaged Small Businesses: Legal Issues*, by Jody Feder.

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<sup>3</sup> P.L. 97-424, 96 Stat. 2097.

<sup>4</sup> P.L. 100-223, 101 Stat. 1486.