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The Small Business Administration's Growth Accelerator Fund Competition

Small businesses and startups sometimes benefit from assistance growing their companies, including opportunities to raise capital, mentorship, and commercialization help. Accelerators—organizations often operated by experienced businesspeople—provide technical assistance and other services to new entrepreneurs in an effort to meet those needs and support the starting and scaling of businesses.

Since 2014, the Small Business Administration (SBA) has administered the Growth Accelerator Fund Competition (GAFC) to provide financial support for accelerators assisting science, technology, engineering, and math (STEM) and research and development (R&D)-focused small businesses and startups. The GAFC also targets accelerators that support businesses and/or geographies that traditionally face barriers in obtaining R&D funds and investment capital: businesses owned or led by women, minorities, and veterans, or businesses located in rural areas. Until FY2023, the GAFC provided \$50,000 awards to accelerators for operating capital; awards for the FY2023 GAFC range from \$50,000 to \$200,000.

Purpose

The SBA's intent for the GAFC is to help facilitate the success of startups by supporting accelerators that advise such businesses on growing revenue, sourcing outside funding, and avoiding common mistakes. The GAFC's goals include:

- increasing the pipeline and success of STEM/R&D-focused entrepreneurs and small businesses;
- increasing the success of STEM/R&D-focused entrepreneurs in accessing capital and resources to advance their businesses;
- incentivizing innovation-focused accelerators to provide equitable access to resources for underserved communities and industries;
- catalyzing partnerships and relationships between accelerators to strengthen the national innovation ecosystem; and
- connecting both new and established participants in the national innovation ecosystem.

The SBA's award announcements have noted SBA's desire for the GAFC to stimulate entrepreneurship outside of traditional coastal technology centers. In discussing GAFC-related legislation, some Members of Congress have noted the GAFC's success in facilitating innovation in regions beyond those longstanding hubs.

History

The SBA first operated the GAFC in FY2014, after a series of regional events in 2012 that convened over 100 universities and accelerators in discussions about how to work with high-growth entrepreneurs. These events helped lead to the development of the GAFC, which SBA has thus far held in FY2014, FY2015, FY2016, FY2017, FY2019, FY2021, and FY2023.

Congress has not provided the GAFC with specific statutory authorization. Rather, the program operates as an SBA initiative under authority provided by section 105 of the America COMPETES Reauthorization Act of 2010 (P.L. 111-358), which authorizes federal agencies to administer innovation-related prize competitions. Several bills in recent years, discussed below, attempted to provide statutory authority for the GAFC.

Table 1 presents the number of awards and the total dollar amount awarded since the GAFC's inception. From FY2014 to FY2022, the GAFC made 387 awards—all for \$50,000—totaling \$19.35 million.

Table 1. GAFC Awards Given, Total Value of Awards, and Recommended Funding Levels, FY2014-FY2023

Fiscal Year	Number of Awards	Total Awards Amount(\$ millions)	Recommended Funding (\$millions)
2014	50	\$2.50	\$2.50
2015	88	\$4.40	\$4.00
2016	85	\$4.25	\$1.00
2017	20	\$1.00	\$1.00
2018	0	\$0	\$1.00
2019	60	\$3.00	\$2.00
2020	0	\$0	\$2.00
2021	84	\$4.20	\$2.00
2022	0	\$0	\$3.00
2023	To be determined ^a	\$3.00 ^b	\$10.00

Sources: SBA, *Congressional Budget Justification and Annual Performance Report*, various years, and explanatory statements from various appropriations bills.

- a. SBA plans to announce the number of awards for FY2023 in two stages, first in April 2023 then in September 2023.

- b. This is the projected amount cited by the FY2023 funding announcement, based on FY2022 GAFC appropriations.

Program Implementation

The GAFC is open to applicants that are:

- private entities, both nonprofit and for-profit—including corporations—based in the United States;
- nonfederal government entities including state, county, tribal, and municipal governments;
- academic institutions based in the United States; or
- individuals or teams comprised of U.S. citizens or permanent residents 18 years and older.

In FY2023, the SBA implemented a new award structure for the GAFC. The SBA plans to award prizes in two stages. Stage one awards, for \$50,000, are to go to “catalysts” to form a “Growth Accelerator Partnership” with other catalysts. Catalysts may include entrepreneur-support organizations (such as accelerators), membership organizations, academic institutions, and nonprofits supporting innovation-focused small businesses and startups that conduct outreach and facilitate collaborative partnerships to advance a region’s innovation ecosystem.

Stage two awards, worth between \$50,000 and \$150,000, are to go to the resulting Growth Accelerator Partnerships. The SBA intends the Growth Accelerator Partnerships to help entrepreneurs commercialize their R&D efforts by using stage two awards for activities including training and mentorship, introducing entrepreneurs to customers and suppliers, and providing opportunities to pitch investors.

The SBA requested that the Growth Accelerator Partnerships support small businesses and startups working in one of the following “themes”:

- underserved communities;
- national security and competitiveness;
- domestic manufacturing and production;
- climate and renewable energy; or
- another theme proposed by the applicant.

Recent Legislation

The primary purpose of most GAFC-related bills in recent Congresses has been to provide the program with statutory authority. For example, in the 115th Congress, H.R. 2686 would have given the GAFC permanent statutory authority and required the SBA to develop metrics evaluating the program’s effectiveness. In the 116th Congress, H.R. 4387 similarly would have provided the GAFC permanent statutory authority and required the SBA to develop efficacy metrics. The bill passed the House but was not taken up by the full Senate.

In the 117th Congress, the House-passed version of the Build Back Better Act (BBA, H.R. 5376) would have appropriated a total of \$400 million to the GAFC through FY2031, established a minimum award amount of \$100,000, and provided the GAFC permanent statutory authority. H.R. 5376 evolved into P.L. 117-163 (commonly referred to as the Inflation Reduction Act of 2022, IRA); the IRA, however, did not include any of the BBA’s GAFC provisions. Also in the 117th Congress, H.R. 4945 would have amended the Small Business Act of 1953 (P.L. 83-163, as amended) to give the GAFC permanent statutory authority and increase minimum award size to \$1 million. The bill was introduced in the House but did not advance.

Considerations for Congress

Congress may consider whether to give the GAFC statutory authorization. Some Members of Congress have argued that providing statutory authorization, rather than continuing the GAFC as an SBA initiative, would give Congress an opportunity to provide greater oversight.

The SBA is not required to collect specific performance metrics for the GAFC. H.R. 2686 and H.R. 4387 in the 115th and 116th Congresses, respectively, would have required the SBA to gather certain metrics. For example, H.R. 4387 would have stipulated that the SBA develop “science-based” metrics that measured the GAFC’s economic impact. Additionally, a 2018 evaluation of the GAFC by the Library of Congress’s Federal Research Division (FRD) recommended that the SBA develop “statistically sound” reporting metrics for the GAFC; improve the collection, monitoring, and maintenance of those metrics; and enforce mandatory reporting requirements. Congress may debate if and how to act on those recommendations.

Congress may consider whether to require cost sharing. GAFC awardees are not required to provide matching funds. However, Congress and the SBA have considered a cost share requirement. In the explanatory statement to the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), Congress instructed the SBA to require \$4 in matching funds for every \$1 the agency awarded through the GAFC; the SBA did not act on the directive. The 2018 FRD evaluation also suggested a required match could increase awardee engagement.

Congress may consider the GAFC’s award size. Bills in previous Congresses sought to increase award sizes. The 2018 FRD evaluation (conducted when all awards were \$50,000) also noted feedback that the awards would benefit from being increased or scaled. However, Congress may note that the evaluation also found that the GAFC had been effective at its existing award sizes.

Additionally, as the GAFC targets businesses and regions that have had difficulty attracting financing, Congress may want to further assess how effective such efforts have been.

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