



October 20, 2022

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

Re: State Small Business Credit Initiative Technical Assistance Funds— Notice and Request for Information (TREAS-DO-2022-0017)

Dear Director Stout:

The Local Initiatives Support Corporation (LISC) thanks the US Department of the Treasury (Treasury) for the opportunity to provide feedback on the [State Small Business Credit Initiative](#) (SSBCI) technical assistance programs as authorized under the [American Rescue Plan](#) (H.R.1319). The authorization to provide up to \$500 million in support for small business technical assistance programs alongside the deployment of capital programs provides an opportunity to ensure SSBCI resources support inclusive small business ecosystems. We appreciate Treasury's diligence in developing new guidance, processes, and applications to increase SSBCI accessibility for new and existing small businesses, particularly those owned by socially and economically disadvantaged individuals (SEDI-owned businesses).

Background on LISC

Established in 1979, LISC is a national nonprofit housing and community development organization and certified community development financial institution (CDFI) with offices in 38 cities and a rural network serving more than 2,400 counties across 49 states and Puerto Rico. LISC's work supports a comprehensive approach to community development, including small business support and economic development, affordable housing, building family wealth and incomes, and community safety. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants, equity investments, technical assistance, and policy support. Since its inception, LISC has invested more than \$27 billion in grants, loans, and equity and leveraged an additional \$75 billion throughout the United States to address socioeconomic and racial disparities.

[Small business support](#) is an essential instrument in LISC's community and economic development toolkit. Our inclusive economic development framework enhances the ability of people, places, and businesses to achieve shared prosperity. As one of the largest CDFIs in the nation, we work in partnership with local grassroots groups, community-based organizations, financial institutions, and government agencies to finance programs and businesses that leave a positive long-term impact. LISC also develops and builds the capacity of coordinated assistance networks for enterprises overlooked by conventional financing channels, such as businesses in low- and moderate-income communities, microbusinesses, and businesses owned by veterans, women, and minority entrepreneurs.

LISC supports business development and job growth in historically underserved communities in urban and rural areas by helping equip local businesses with the resources they need to grow. LISC operates a national network of over 170 Business Development Organizations (BDOs), organizations with deep local roots and the trust of their communities who understand the conditions on the ground and the needs of underserved small business owners to foster more inclusive small ecosystems across the nation. BDOs provide high-quality business TA, coaching, and education and increase equitable access to public and private financing products that expand business opportunities across their lifecycle. LISC BDO partners include CDFIs, community development corporations, chambers, business improvement districts, merchant associations, incubators, accelerators, and more. By supporting community-rooted BDOs, LISC is helping to address disparities in opportunity by connecting SEDI-owned and very small businesses to training, resources, and capital they might not access otherwise.

Specific Comments

LISC recognizes the promise of SSBCI Technical Assistance (TA) resources to help meet the needs of SEDI-owned businesses and historically disinvested communities, and we are pleased to comment on several questions posed in the [Notice and Request for Information](#). We appreciate Treasury's consideration of information on how to support the provision of TA most effectively to qualifying businesses applying to SSBCI credit and investment programs and other public programs that support small businesses.

1. Gaps in Technical Assistance (TA) to small businesses. What gaps exist in the types and availability of TA to small businesses that seek small business financing?

Implemented strategically, LISC believes that Treasury's SSBCI TA resources can help close longstanding gaps in the types of availability of TA that will expand entrepreneurial opportunities and strengthen local economies. This is particularly important as TA gaps often exacerbate socioeconomic and racial disparities, which have prevented many SEDI businesses from accessing high-quality TA and affordable financing. LISC advises Treasury to fund a comprehensive portfolio of TA programs that intentionally supports SEDI businesses across the business life cycle and leverages public, private, and nonprofit stakeholders equipped with existing TA expertise.

Advancing an inclusive small business ecosystem requires equitable capital and technical assistance access. We know that providing entrepreneurs with financing, resources, and technical support grows businesses, expands employment and asset-building opportunities, and strengthens economies. The inequitable access to small business TA has been well documented and regularly limits the growth of SEDI businesses. A lack of accessible technical assistance, financial analysis, management support, and business counseling leaves many disconnected from federally funded programs, such as SSBCI and other public small business programs. There is also a need to invest in TA that bridges the capital continuum between debt and venture capital or equity financing. These investment opportunities often overlook SEDI businesses and are regionally limited, with the vast majority being directed to just [five metro areas](#).

Rural businesses are particularly challenged by sparse resource availability in many communities and a lack of localized resources and capacity to deliver high-quality TA. Many rural microbusinesses are in capital deserts underserved by traditional financing institutions, which increases the need for TA to understand and access non-commercial investments that meet their specific needs and business projections. These businesses also face infrastructure challenges and gaps in high-speed internet

connectivity that can limit digital literacy and e-commerce growth potential. Addressing these barriers requires the delivery of technical assistance through anchor institutions and non-traditional partnerships that leverage rural community assets. We encourage Treasury to develop a rural investment strategy to direct TA resources that aids the disbursement of SSBCI within rural areas and to consider the advantages of utilizing community-based partnerships through trusted intermediaries, CDFIs, and Minority Serving Institutions (MSIs) to deliver inclusive and accessible TA programs.

2. Most effective method to deploy TA funding. How can the deployment of TA funding under 12 U.S.C. 5708(e)(1) and (3) most effectively impact VSBs and SEDI-owned businesses in communities throughout the United States?

To best support aspiring and existing entrepreneurs, LISC recommends that Treasury fund a continuum of services that supports the delivery of culturally informed and linguistically accessible TA to support very-small businesses (VSBs) and SEDI-owned businesses. We also encourage Treasury to consider providing additional TA support to VSB and SEDI seed businesses and intermediate “Main Street” businesses to support increased access to capital and inclusive economic growth. By investing in broader partnerships, Treasury can help to direct TA resources to highly underserved markets and fill gaps.

LISC recommends that Treasury ensures TA programs support partnerships with existing community-based business development organizations and CDFIs that provide one-on-one technical and financial assistance, convene stakeholders, and build connections for SEDI businesses across disparate areas. VSBs and SEDI-owned small businesses often require an array of personalized services. However, regardless of the business stage, access to an inclusive ecosystem that can bridge gaps and facilitate growth through interconnected TA programs and referrals is essential. We believe that by contracting with national intermediaries, Treasury can help to scale a comprehensive approach and build long-term capacity by funding organizations with longstanding relationships and community trust.

LISC recognizes that no single method will serve all businesses or communities and encourages Treasury to adopt a combination of broadly promoted and easily accessible digital and in-person TA through trusted local organizations with a history of serving VSBs and SEDI-owned businesses. Treasury should also consider requiring TA applicants to describe how their proposed programs will be integrated and build on other existing technical assistance resources – either through existing Small Business Administration and Minority Business Development Agency centers or in partnership with community-based organizations to ensure equitable access.

3. Considerations for a competitive TA grant program. If Treasury conducted a program to provide competitive grants to jurisdictions, in addition to the existing pre-allocated SSBCI TA Grant Program, what criteria should Treasury consider in selecting recipients and sizing awards?

Rural communities offer our local and national economies extraordinary talent, businesses, and assets but are often shortchanged of the private and federal investments needed to broaden access to small business TA and financing. To meet this distinctive challenge, LISC recommends that if Treasury were to establish a competitive grant program for jurisdictions that specific consideration be given to expanding TA support for rurally based small businesses through community-based organizations and investing in an intermediary infrastructure that connects resource providers across disparate areas and program types. We also urge Treasury to consider a rural set-aside within states that would intentionally direct funds to support rural small businesses.

4. Considerations for contracting. If Treasury contracted with legal, accounting, and financial advisory firms to provide TA to qualifying SEDI-owned businesses under 12 U.S.C. 5708(e)(3), what types of entities are best positioned to provide TA to address gaps in TA availability? Please provide specific examples.

LISC encourages Treasury to competitively source contracts with entities that will effectively use the TA allocation to support SEDI-owned businesses and VSBs. To this end, LISC recommends that Treasury broadly interpret the legislative language allowing for contracts “with legal, accounting, and financial advisory firms” to include all nonprofit organizations that provide high-quality TA to SEDI-owned businesses and VSBs. By doing so, Treasury can meet legislative intent by providing TA resources to states, the Minority Business Development Agency, and entities dedicated to fostering equitable access to capital and supporting the provision of one-on-one support for small businesses.

Business development organizations provide direct support to address disparities in opportunity by connecting SEDI-owned businesses and VSBs to training, resources, and capital they might not access otherwise. Treasury can scale this work through partnerships that leverage cultural competence and proximity to deliver comprehensive continuums of service, share best practices, and deliver in-depth one-on-one TA tailored to the unique business needs that close gaps. Treasury should consider setting aside a portion of the remaining \$200 million in TA funds to leverage the networks of trusted nonprofit intermediaries with deep connections to locally based business development organizations to quickly and efficiently deploy funding to support technical assistance.

With long-term, established relationships with on-the-ground organizations, intermediaries are uniquely equipped to respond to new opportunities with proven abilities to effectively manage and direct federal resources to the areas where they are most needed. These direct connections allow national nonprofits to understand hyperlocal needs and facilitate the targeted use of funds while maintaining flexibility for community-based organizations to meet their local needs, with backbone organizations providing technical assistance, training, and compliance oversight. The use of subgrantees would advance the goals of the TA programs, and multiple federal programs to date point to this model’s effectiveness. We encourage Treasury to consider the Section 4 Capacity Building Program at the Department of Housing and Urban Development and the Community Navigator Pilot Program at the Small Business Administration as impactful subgrantee models.

Adopting a similar model would simplify the administration of the TA resources and more equitably allow for resources to be directed to smaller, community-based organizations that may lack the capacity to apply directly and administer federal funds. LISC offers the following specific advantages of utilizing intermediary networks to deploy TA for Treasury’s consideration

- Leverage nationwide networks with trusted relationships that overcome barriers to equity by replacing transactional systems with community-based organizations dedicated to serving historically disadvantaged people and places;
- Capacity to carry out one-on-one technical assistance and capacity-building delivery to smaller community organizations to allow for successful implementation and adaptation to evolving business challenges and maximizing SSBCI uptake;

- Ability to tailor and specifically uplift priority communities by geography, demographics, business type, size, and other desired metrics while supporting local leadership;⁵
- Linkage to trusted, culturally competent, and linguistically accessible partners rooted in their communities with demonstrated effectiveness and fiscally sound practices;
- Utilization of existing financial delivery and data tracking systems built to comply with federal regulations standards yet are quick and effectively targeted in managing subgrantees;
- Promotion of small business TA field-building and convening of local, regional, and national stakeholders to establish and share best practices;
- Build on existing programs serving underserved populations and communities; and
- Strong communications and public relations networks to further elevate SSBCI program awareness and communicate the work through a person and community-centered lens.

5. Leveraging TA funding. How could the Federal TA funding crowd in and leverage private, nonprofit, and philanthropic funds for the same purposes? Are there existing private sector, nonprofit, and philanthropic-funded TA services for VSBs and SEDI-owned businesses, and how could Treasury's efforts leverage that funding?

Treasury can best leverage TA funding by ensuring TA complements existing services provided by public, private, nonprofit, and philanthropic resources. National organizations with a local presence and relationships with smaller organizations are well experienced in leveraging multiple funding sources to support small businesses locally and through online platforms that build national support networks.

LISC recommends that Treasury consider how nonprofit organizations with existing relationships with public, private, and philanthropic partners could be uniquely well-suited to leverage TA funds and carry out impactful programming. LISC believes Treasury can foster broader and more inclusive small business ecosystems by allocating resources designed to leverage other funding sources and proven program models. By doing so, Treasury can expand the impact and the scope of existing programming that intentionally connects VSBs and SEDI-owned businesses and the BDOs that serve them. LISC urges Treasury to consider how such an approach would better align efforts and avoid crowd in; thereby allowing SSBCI TA resources to support multi-faceted approaches that increase the uptake of SSBCI capital products within historically underserved populations and communities.

Thank you for considering these responses. Please contact Michelle Harati (mharati@lisc.org), LISC Senior Policy Officer, if you need additional clarification on the letter's recommendations.

Sincerely,



Matt Josephs
Senior Vice President for Policy