



Harvard Model Congress

Boston 2024

Small Business Capital Allocation Update

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While legislative activity regarding small business capital allocation has been limited since summer 2023, there are a few developments in related areas that bear relevance and warrant attention. For instance, since July 6, 2023, several bills – including HR 4480, HR 5427, and HR 4670 – underwent the process of being introduced and reported in committee, culminating in their eventual passage in the House on November 28, 2023 (“Congressional Budget Office,” 2023).

To commence, HR 4480, the Successful Entrepreneurship for Reservists and Veterans Act (SERV Act), necessitates that the Small Business Administration must annually disclose any activities taken to assist veteran-owned small businesses (HR 4480). Beginning in 2024, this legislation will also ensure that veterans can secure SBA-appointed funding, which will be accomplished through an annual disclosure that describes how said funds have been utilized (HR 4480). Although this bill still needs to be passed in the Senate and signed by the president, its passage in the House represents a push toward improved capital allocation for disadvantaged groups. Moreover, the Congressional Budget Office (CBO) approximates that the 5-year cost of enforcing this legislation would be less than \$500,000 (“CBO Cost Estimate,” 2023). One should note that small business legislation is often criticized for detracting from other functions of the government budget, so bills with lower associated costs are likely to be more favorable for further congressional approval.

Another important bill to consider is HR 5427, as it would prevent any parties that have previously engaged in “financial misconduct... with respect to a covered loan or grant” from receiving further Small Business Administration funding (HR 5427). Although this legislation does not directly expand small business capital allocation for disadvantaged groups, the successful implementation of this program would expand the SBA’s budget and theoretically allow for increased funding for marginalized

demographics. Bills like HR 5427 would cut waste and improve the SBA's efficiency, especially considering the zero-cost associated with HR 5427 if it became effective.

In addition to HR 4480 and HR 5427, the bill HR 4670, the Small Business Contracting Transparency Act of 2023, was passed by the House on November 28, 2023. The focus of this legislation is to create annual disclosures that describe changes to the business landscape, primarily changes that would bear relevance to the success of woman-owned small businesses (HR 4670). However, although not the primary concern of this bill, the compilation of information for annual disclosures would also extend to small businesses operated in low-income areas, low employment regions, as well as those owned by veterans (HR 4670). While most of the data necessary to create these reports is already available, the CBO predicts that the leading cost for this project would be hiring employees to compile relevant information ("CBO Cost Estimate," 2023). Furthermore, the CBO approximates that the bill would conservatively require \$1 million to operate effectively over the next 5 years ("CBO Cost Estimate," 2023). Although the Senate would likely frown upon the higher cost of the bill, this information would allow Congress to allocate capital more effectively across groups in need of further funding. More specifically, this would be especially helpful for small business owners in marginalized communities who may not currently receive adequate funding for their business needs.

In regards to the upcoming presidential election, current President Biden recently emphasized his commitment to support small businesses while on the campaign trail. More specifically, on December 20, 2023, Biden recounted his Recompete program that "will choose 24 small businesses from economically distressed areas to receive grants of between \$20 million to \$50 million..." (Picciotto, 2023). The president also stressed that his economic policies are favorable for disadvantaged groups, specifically citing growing successes for Latino-owned and Black-owned small businesses (Picciotto, 2023). This statement from President Biden is favorable toward bills like HR 4480 and HR 4670, which marginally improves their chances of seeing the light of day. On the Republican side, leading presidential candidate Donald Trump has not spoken directly about U.S small businesses in recent months. However, it is probably that Trump will retain his views on small business from his 2016-2020 presidential run, meaning the Small Business Administration will likely be safe from federal budget cuts.

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