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Reauthorization of the Small Business Administration: Background and Relevance

The Small Business Administration (SBA)

- The SBA is the only cabinet-level agency fully dedicated to small businesses.
- Its mission is to aid, counsel, assist, and protect the interests of small businesses; preserve free competitive enterprise; and maintain and strengthen the overall economy.
- SBA focus areas include counseling, capital, and contracting.

What Is Reauthorization?

The power to create, continue, or modify a government agency, program, or activity belongs to Congress and is referred to as its *authorization* authority.

When Congress authorizes a new agency or government activity, it defines the purpose, organization, and responsibilities of the federal government regarding a specific issue or realm of related concerns. Importantly, authorization paves the way for federal funding to be appropriated and spent to fulfill the purpose of the authorized agency or program.

Congress may authorize a program indefinitely or for a specified period. When Congress authorizes an agency or program for a defined period, *reauthorization* is needed for that agency or program to continue.

Most congressional committees have authorization authority and regularly conduct oversight of agencies, programs, and activities Congress has authorized.

The House Small Business Committee and the Senate Small Business and Entrepreneurship Committee have authorization and oversight authority over SBA.

When Was SBA Last Reauthorized?

- The SBA has been reauthorized numerous times since its creation in 1953. Between 1980 and 2000, for example, Congress reauthorized SBA **five times**, with reauthorization periods ranging from two to five years.
- **December 2000 was the last time** Congress reauthorized SBA in its entirety.
- Congress has not passed a comprehensive reauthorization of SBA in 7,951 days.¹

While Congress has not reauthorized the SBA in a wholistic manner in more than two decades, Congress has reauthorized various SBA programs since 2000. This piecemeal approach has kept the agency operating but without the benefit of a comprehensive evaluation and strengthening of its activities.

¹ As of September 27, 2022



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The last time Congress attempted a comprehensive reauthorization of SBA was in 2019. Senator Marco Rubio (then Chairman of the Senate Small Business and Entrepreneurship Committee) led the effort. It was preceded by eight hearings in which his committee examined various programs and aspects of the SBA. Partisan disagreements over sections of the bill that would implement various regulatory reforms derailed the effort.

What's at Stake for Small Businesses?

Reauthorization presents an important opportunity for stakeholders and Congress to modify an agency or program to better accomplish its stated mission or purpose. Without regular reauthorization, federal agencies and programs can operate in outdated ways that prevent an agency or program from fully accomplishing its purpose.

One way to think about the effects of failure to regularly reauthorize an agency or program is to consider how your phone would work if you went years without updating its software. Eventually, what was once a state-of-the-art phone would become difficult to use and of little value to the owner.

Emergency Relief and Preparedness

The COVID-19 pandemic thrust SBA to the fore of many Americans' lives as the agency led federal efforts to support small businesses through the crisis. SBA was responsible for distributing over \$1 trillion in emergency support, accounting for about one-sixth of the government's entire relief effort. For an agency that usually accounts for less than one percent of the annual federal budget, that was a vastly disproportionate responsibility. In fiscal year 2020, SBA facilitated lending to small businesses that "exceeded the total amount provided from all of the SBA's lending programs combined over the previous 29 years."²

- An agency that played such a central role in an unprecedented federal response to a crisis should receive the attention of Congress to ensure it has the resources and structure in place to respond even better to the next crisis and adapt to challenges highlighted by the pandemic.

National Economic Growth and Prosperity

There are close to 6 million small employer businesses in the United States. Small businesses constitute nearly 90 percent of all employer firms and close to half of private sector employment. SBA is charged with supporting them and the four million new "high propensity" businesses for which applications were filed in 2020, 2021, and the first half of 2022.³

² Robert Jay Dilger, "Small Business: Access to Capital and Job Creation," Congressional Research Service, July 14, 2022.

³ From the U.S. Census Bureau's Business Formation Statistics dataset. A "high propensity" application is one deemed, on various criteria, to have a high likelihood of becoming an employer firm. Over the time period referenced, high-propensity applications accounted for one-third of total business applications.



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- The importance of small businesses to the overall health of the American economy should compel Congress to pursue comprehensive SBA reauthorization so that the agency can better meet the needs of small businesses and, in doing so, support U.S. economic growth.

Economic Opportunity and Equity

Black, Hispanic, and other entrepreneurs of color have historically faced discrimination and barriers that have limited their opportunities to own their own businesses. Women, too, have faced obstacles to realizing their entrepreneurial dreams.

- The SBA is charged with leading the federal government's efforts to support small businesses. Congressional reauthorization can help the agency modernize so that its programs and activities effectively serve all small business owners in America.