

United States Senate

WASHINGTON, DC 20510-3203

March 17, 2022

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen:

We write to request that the Department of the Treasury work with states to use funds from the American Rescue Plan Act-funded State Small Business Credit Initiative (SSBCI) to address the urgent need to bring manufacturing back to the United States to strengthen domestic supply chains, prevent delays and disruptions, and lower prices for American families. The manufacturing sector accounted for the largest share of total loans and investments under the previous round of SSBCI funding, and we hope to see robust investments in domestic manufacturing using the funding provided through the American Rescue Plan.

Treasury has taken an important step in the right direction by including in the initial SSBCI guidance direction to states to consider the benefits of investments in small and mid-size enterprise manufacturing and supply chain resiliency as they design other capital support programs. We appreciate that the Administration recently expressed an interest in convening a roundtable of key stakeholders, and we ask that Treasury consider hosting regional workshops to share best practices for helping states adopt investment strategies targeting supply chain weaknesses, particularly investment in minority-owned and rural small businesses.

We have already worked together on reviving American manufacturing, and our collective efforts have delivered real results: 367,000 new American manufacturing jobs were created last year, the most in nearly 30 years, fueled by an expansion of manufacturing activity every month that has recovered domestic manufacturing growth to pre-pandemic levels. Challenges remain, however, especially for smaller and disadvantaged manufacturers. Manufacturers have larger capital requirements than many other sectors and need access to ready capital.

Small and medium-sized manufacturers, which account for 98 percent of domestic manufacturers, face particular difficulties accessing capital to invest in equipment and facility upgrades, affecting their productivity. A National Science Foundation-funded study found that only 0.4 percent of private venture capital dollars invested in the U.S. went to manufacturing, starving the sector of the investment needed for scaling production here in America. Minority-owned, rural, and other socially and economically disadvantaged manufacturers face additional hurdles in accessing the capital they need to succeed.

The SSBCI is an important tool for strengthening America's small manufacturers, including providing the capital to expand the domestic production of critical goods that can fill immediate and future supply chain gaps in technologies like semiconductors, batteries, and other

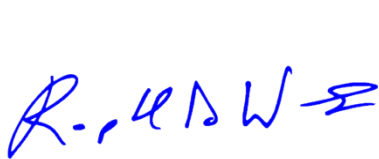
innovation industries. Along with encouraging venture capital investments, the SSBCI can also provide collateral support programs, loan guarantee, and loan participation programs which can support smaller manufacturers.

In addition to regional roundtables to help states make use of the SSBCI to support manufacturing, we request that Treasury help coordinate other federal resources to support state efforts like the Commerce Department's Manufacturing Extension Partnership, Manufacturing USA institutes, and Minority Business Development Agency centers. State agencies implementing the SSBCI can turn to intermediaries, working with federal partners to help educate lenders and venture capital investors about the unique needs of manufacturers, to support capital flowing to manufacturing and supply chain needs. For example, states should plan interventions that deploy SSBCI towards ownership transitions among the estimated 125,000 small manufacturers that are at risk of closure when their owners are expected to retire, helping to prevent the loss of these companies. Treasury should also consider support for jurisdictions adding innovative financing tools to deploy SSBCI program dollars effectively in supporting the unique cash flow attributes of manufacturers and supply chain industries.

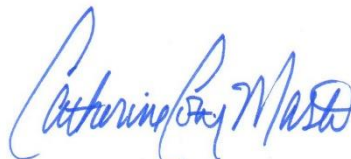
The SSBCI application for technical assistance (TA), due in late June 2022, also creates a window of opportunity to target support to small manufacturers. Congress gave Treasury the flexibility to deploy these funds, including the authority to partner with the Commerce Department, on issues like manufacturing and diverse ownership. We believe Treasury should incorporate advice for manufacturers specifically in the forthcoming TA guidelines. TA funds will also be an important opportunity to strengthen the role of Community Development Financial Institutions (CDFIs) in manufacturing, as they will likely be one of the key entities deploying SSBCI-backed debt products. CDFIs also provide, or have strong partnerships with organizations that provide, technical assistance to support growing manufacturing businesses, particularly those in rural areas or those owned by Americans in traditionally-marginalized communities.

We believe that funding from the SSBCI will support more resilient domestic supply chains and lead to a stronger manufacturing sector that will strengthen our economy and communities for generations. We thank you for considering our perspective and we look forward to your response.

Sincerely,



Raphael Warnock
United States Senator



Catherine Cortez Masto
United States Senator



Mark Kelly
United States Senator



Margaret Wood Hassan
United States Senator



Sherrod Brown
United States Senator



Charles E. Schumer
United States Senator

Tammy Baldwin
United States Senator

Robert P. Casey Jr.
United States Senator

Debbie Stabenow
United States Senator

Richard J. Durbin
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Amy Klobuchar
United States Senator

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Jeanne Shaheen
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