

United States Senate

WASHINGTON, DC 20510

April 14, 2023

The Honorable Chris Van Hollen
Chairman
Subcommittee on Financial Services
and General Government
Senate Committee on Appropriations
Washington, DC 20510

The Honorable Bill Hagerty
Ranking Member
Subcommittee on Financial Services
and General Government
Senate Committee on Appropriations
Washington, DC 20510

Dear Chairman Van Hollen and Ranking Member Hagerty:

As the Subcommittee begins its consideration of the Fiscal Year (FY) 2024 Financial Services and General Government bill, we urge the Subcommittee to support emerging small businesses and entrepreneurs through the Small Business Administration's (SBA) Growth Accelerator Fund (GAF) with level funding.

Business dynamism and entrepreneurship are fundamental components of a healthy economy, driving innovation and competition that sustain long-term economic growth. Unfortunately, new business formation has declined over the last forty years, and the companies that were formed over this period are failing at higher rates.¹ This issue is compounded by the concentration of venture capital investment: geographically 20 metropolitan areas make up for 90 percent of total venture capital investment.² This decline has only been exacerbated by COVID-19, as millions of small business owners struggled to keep their doors open.

Women and minority communities have been particularly hard hit. The pandemic disproportionately impacted women and minority owned businesses, both because of the disproportionate impact on the service and hospitality industries and historic barriers to capital. Further, female founders received just 1.9 percent of venture capital in 2022, the smallest share since 2016³; and less than 1 percent of founders backed by venture capital are African American. Although new business creation is being led by minority communities across the country, we leave behind millions in potential jobs and dollars in economic growth by failing to invest in these entrepreneurs.⁴

66 percent of small business face financial challenges.⁵ Exacerbating this challenge is a difficulty to find employees, as small business owners with finite resources are forced to compete with their larger counterparts on compensation and benefits. Amidst these challenges, the spirit of entrepreneurship is alive in our country. In 2022, Americans filed paperwork to start 5 million new businesses.⁶ This demonstrates

¹ https://www.brookings.edu/wp-content/uploads/2016/06/declining_business_dynamism_hathaway_litan.pdf

² <https://www.bloomberg.com/news/articles/2022-03-09/where-venture-capital-and-tech-jobs-are-growing>

³ <https://techcrunch.com/2023/01/18/women-founded-startups-raised-1-9-of-all-vc-funds-in-2022-a-drop-from-2021/#:~:text=Market%20Analysis-,Women%2Dfounded%20startups%20raised%201.9%25%20of%20all%20VC%20funds%20in,2022%2C%20a%20drop%20from%202021&text=Last%20year%2C%20U.S.%20startups%20with,to%20the%20latest%20PitchBook%20data.>

⁴ <http://globalpolicysolutions.org/report/color-entrepreneurship-racial-gap-among-firms-costs-u-s-billions/>

⁵ <https://www.datamangroup.com/small-businesses-by-the-numbers/>

⁶ <https://www.commerceinstitute.com/new-businesses-started-everyyear/#:~:text=The%20increase%20in%20small%20business,businesses%20were%20started%20in%2>

a 16 percent increase in filings since 2020.⁷ Start-up companies contribute to innovation, job growth, and economic strength. As our nation recovers, support for small businesses and burgeoning entrepreneurship is critical to sustained growth.

The Growth Accelerator Fund provides capital to accelerator programs that address the challenges facing founders of early-stage companies by providing them with the necessary education, mentorship, financing, cohort-based training and technical assistance during a vulnerable stage in their lifecycle. After five years, businesses that were nurtured in a business incubator have a survival rate of 87 percent.⁸ Additionally, GAF has been successful in spreading the growth of startups to places across the country that typically do not receive funding from private capital, awarding prizes to accelerators in 48 states, Puerto Rico, and the District of Columbia. Furthermore, GAF has prioritized awarding underserved populations, such as minority, veteran, rural, and women entrepreneurs.⁹

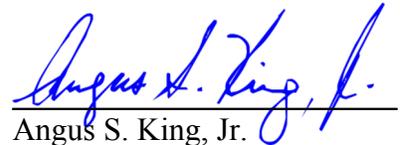
As we've seen historically, when small businesses thrive, America thrives. By expanding GAF, we can continue to invest in the next generation of American entrepreneurs and support the growth of new ideas and jobs. Given the need for small businesses across the country to be at the forefront of the economic recovery, we believe that level funding for FY 2024 is appropriate.

We urge you to continue level funding for SBA's unique and effective accelerator program for FY 2024. Thank you for your consideration of this request.

Sincerely,



Cory A. Booker
United States Senator



Angus S. King, Jr.
United States Senator



Catherine Cortez Masto
United States Senator



Richard Blumenthal
United States Senator

⁷ <https://www.nytimes.com/2021/08/19/business/startup-business-creation-pandemic.html>

⁸ <https://www.businessnewsdaily.com/272-incubators-increase-small-business-success.html>

⁹ https://www.loc.gov/rr/frd/pdf-files/SBA_Accelerators.pdf



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United States Senator



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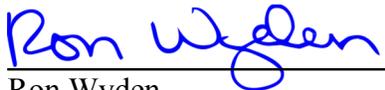
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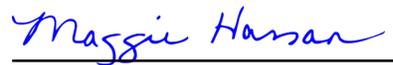
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