Challenges and Opportunities for Pursuing Equitable Distribution of Small Business Relief
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Background

The Small Business Administration (SBA) has strategic goals to support small business revenue and job growth and restore small businesses after disasters. As part of these goals, the SBA wants to know what strategies it can implement to help women, minority, and other underserved entrepreneurs recover more quickly from the coronavirus (COVID-19) pandemic.¹

Through Paycheck Protection Program (PPP) forgivable loans, Economic Injury Disaster Loans (EIDL), and other grants, loans, and debt relief, SBA distributed more than $1.3 trillion dollars of aid to small businesses during the pandemic. PPP reforms in February 2021 explicitly put equity at the center of relief policies to ensure that “Mom-and-Pop businesses in underserved communities”² could get the help they needed.

A great deal of federal COVID-19 relief funding has also been disbursed at the local level. For example,

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed March 27, 2020 provided $5 billion of Community Development Block Grant (CDBG) funding, for uses including economic development assistance to small businesses. This amount was on top of $3.4 billion in annual CDBG grants in the fiscal year 2020.

- The CARES Act also provided $150 billion to states for uses including "Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures."³

- The Heroes Act signed May 15, 2020 allocated $15 billion for a one-year state and local government small business grant program.

SBA's partnership with the Office of Evaluation Sciences (OES) allows it to better understand community-based approaches that localities have taken to help small businesses. In November 2020, OES produced a report titled “Increasing Access to Small Business Grant and Loan Programs for Historically Underserved Groups," which outlined challenges for local governments setting up relief programs. That report drew on conversations between OES team members and officials in 7 cities, as well as desk research about administrative burden and equity.

The present report is an extension of that descriptive work, which was further spurred by a January 2021 Executive Order outlining the Biden Administration's policy that "the Federal

The Executive Order gave this definition:

“The term “equity” means the consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment, such as Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.”

In light of this Administration priority, the topics explored in the initial work are more relevant than ever.

After releasing the 2020 report, OES continued to engage with some of the same local officials and some new ones. OES also spoke with several individual “mentors” and groups that provided technical assistance to applicants. This document shares further information about what cities found challenging in disbursing small business relief, as well as strategies they believed helped them do so more equitably. For example, one local grants administrator said:

“‘There were a lot of lessons learned as programs were implemented. Our initial microloan program was stood up in days. We noticed disparities and issues with equity, so we paused the program and made changes. The program evolved a lot. We kept strategizing to make it equitable. At the end we feel it was accomplished well. Some of the lessons we learned were used when we did the other city programs.’”

Local discretion in program design, combined with variation in the key challenges for a locality (e.g., tighter or looser constraints on administrative time, sophisticated versus outdated software, standing vendor contracts versus freedom to negotiate) means that different cities take different approaches. Even within a single city, tactics change over time. Learning about which of these approaches are more and less successful can contribute to an evidence base about what works. However, most cities were working too rapidly, with too few resources, to build systematic evidence during program implementation. In addition to capturing their anecdotal impressions about what worked well, this report identifies the strategies that seem most in need of rigorous evaluation, and provides ideas about how those evaluations could be conducted.

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5 Quotes shared in this report are not necessarily verbatim, because although careful notes were taken, interviews were not recorded. All interviewees and their cities are presented anonymously.
Challenges encountered

The intent of this report is to focus on what seems to work rather than what was difficult. The challenges in this section are shared because (1) some of them point to seemingly ineffective strategies that readers may want to avoid implementing, and (2) many of the “successes” can only be understood as ways to overcome those challenges.

Cities encountered some challenges that affect access to funding for all applicants. Most of these challenges tend to be more problematic for underserved applicants, who may have less time and fewer resources. For example, difficulty understanding the language of program materials primarily applied to people with more recent immigrant backgrounds or lower levels of education. Difficulty interacting with online materials because of connectivity or technology limitations primarily applied to people with less wealth and lower incomes. The next sections discuss some such challenges in more detail, and where appropriate, also discuss how these challenges could disproportionately burden potential applicants from underserved groups.

Documentation burdens

Possibly the biggest challenge for potential applicants was in providing documentation that proved eligibility or prioritized an applicant for funding. Many cities required a business license for applications. Administrators in one city said that this requirement posed a barrier for home-based businesses who had previously not seen a need to pay $250 for the license.

The most burdensome pieces of documentation to provide were tax documents and Profit & Loss statements. These documentation requirements are potentially a barrier to equity, because businesses that are smaller with fewer resources (e.g., no staff accountant; no accounting software), or which operate in industries with less need for regular accounting (e.g., creative industries), have more difficulty satisfying the requirements. One city employee said:

“We did draft a sample template for profit and loss from the SBA website. If they had a tax return, it was pretty simple for them to drop in their monthly P&L. But had one person we referred and our PSO was trying to go through 2 years of receipts to construct that. We might be able to help her if we still have money left when she’s done, but it’s really labor intensive.”

As seen at the end of the quote above, documentation requirements also created burdens for local administrators. Those cities that allocated funds with a “points system” that prioritized based on economic (e.g., pre-COVID revenue, number of full-time employees) and non-economic (e.g., rated likelihood of surviving the pandemic based on a written recovery plan) criteria generally had heavier documentation requirements, making them potentially more burdensome for both applicants and administrators. Even efforts to limit the need for applicants to personally submit documents (e.g., the SBA’s use of form 4506T to authorize direct the Internal Revenue Service (IRS) to provide federal income tax information to SBA) could create new challenges, as seen when IRS backlog and processing times slowed the disbursement of disaster loans.
**Legislative constraints**

Cities were limited in their ability to address documentation burdens when they believed (correctly or incorrectly) that legislation required specific documentation.

There was an impression that using Community Development Block Grant (CDBG) funds necessitated certain documentation that would not otherwise be collected. In one city CDBG money was used for $5000 grants to allow restaurants to obtain supplies and furniture to offer outdoor dining. The city wanted to collect only minimal essential data for compliance, and to allow self-certification in an application that was not overly burdensome. However, officials were eager for information about how other programs were dealing with CDBG compliance.

CDBG regulations are federally mandated, but cities are also constrained by state and local legislation. In one instance, a state legislature allocated money to be disbursed to hospitality-industry businesses by each county in the state. The legislation specified that businesses which demonstrated a 50% revenue reduction due to COVID-19 would be prioritized. This requirement meant that counties had to require applicant businesses to submit Profit and Loss statements, even though local officials had found these to be difficult for many businesses to produce. This requirement likely had a disproportionate impact on historically underserved businesses.

Legislation also constrained the ability to collect data that would facilitate targeting and later analyses. The state legislation discussed in the previous paragraph explicitly stated that no additional information could be required to be reported to the state. This legislation created a barrier to comparing the statewide flow of funding to different demographic groups as a check on equity. Some states have standing legislation that prohibits collecting demographic data. While the intent was typically to prohibit discrimination against underserved groups, these laws also make it more difficult to know about or report on the equitable flow of funds to these groups.

**Lack of business data**

In an ideal world, city records would allow for the quick identification of eligible businesses, which could allow for more effective communication to businesses who might be eligible for support, and for easy direct transfer of funds. At minimum, a list of eligible businesses would allow the city to compare rates of applications and funding by characteristics such as neighborhood, demographic group, and industry, to identify potential disparities.

Unfortunately, producing a comprehensive list of likely-eligible businesses is near impossible. Many cities have business licenses and business tax records, which can be a starting point for a list. However, lists based on tax data would omit those businesses that operate as sole proprietors without employees, which are unlikely to have Employer Identification Numbers (EINs). Without an EIN, these sole proprietorships will be missing from IRS datasets. This is unfortunate because
the Quarterly Census of Employment and Wages (QCEW)\(^6\) provides good data on profit and loss that could be used to pre-qualify businesses based on the previous year’s revenue. Sole proprietorships without employees operate under Social Security Numbers, so they only show up in business license data (at best).

Even business licenses do not enable a comprehensive list of likely-eligible businesses. Eligibility criteria typically limited the annual revenue or number of employees a business could have, which are difficult to determine from licenses and tax returns; most programs also had income loss due to COVID-19 as an eligibility criterion, and there is no existing database that could easily show this at the business level.

One member of a group that offered technical assistance said:

“Many of our clients who have asked for help applying for grant programs don’t meet the requirements. For instance they have no EIN; they stopped doing business during COVID; they have grant money already from PPP [Paycheck Protection Program] and haven’t spent it but want more; etc. Do you have a pre-qualified list?”

This person’s closing question was in reference to OES efforts to evaluate application assistance in a specific city as an evidence-building initiative. That initiative did not get off the ground, partly because of the lack of a list of likely-eligible applicants with useful contact information.

Further complications in creating such a list are: (1) business licenses and tax returns generally do not have demographic information; (2) the most common type of contact information on these records is a physical address, which is not very useful for quickly sharing information during a pandemic when many people are working remotely; and (3) the data is generally held by a separate office (e.g., Revenue) which may or may not have the capacity and willingness to quickly share data with other offices. All these factors combine to make it difficult to compile a list of eligible businesses, and particularly difficult to categorize entrants on the list as women-owned, Black-owned, etc. Even if one could overcome those hurdles, the resulting list would probably not have the contact information useful in a pandemic with stay-at-home orders.

If looking for a set of underserved businesses, one could turn to the specific Chambers of Commerce, or to a relevant office (e.g., the Office of Opportunity) where businesses self-certify that they are women-owned or minority-owned. This is a good starting place in many cities. However, some officials and observers expressed concern that these businesses tended to be older and more successful than women-owned and minority-owned businesses that were not connected. If so, then targeting certified businesses would still exclude the most disadvantaged businesses in a community.

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\(^6\) The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering more than 95 percent of U.S. jobs available at the county, Metropolitan Statistical Area (MSA), state and national levels by detailed industry.
Lack of strategic data

In multiple instances, administrators prioritized industries that they believed were most affected (e.g., by lockdowns) over time. This happened both within long-running programs, and between programs in cities that implemented multiple discrete programs over time. However, in at least one city, administrators felt their decisions were “a bit arbitrary” and wished they could have used a data-driven approach.

Not only did cities lack reliable information about where relief was most needed, they had little information about where relief would have the biggest impact. One administrator described a lack of clarity about how best to use infusions of stimulus funds to support businesses; there were neighborhoods where many retail businesses had closed but it was unclear what was the right balance between supporting downtown and neighborhoods. In another city, an employee said:

“I would love to know how other cities made decisions about brick and mortar versus home-based online businesses. They’re all businesses, but we have limited resources; how to decide where our funds would have the biggest impact?”

Success stories

Some of the common effective tactics that city administrators reported include making materials available in many languages (to address language barriers), obtaining access to straightforward technical platforms for applicants and administrators (to address digital access barriers), and partnering with community organizations to raise awareness and credibility. Many local governments coped with similar challenges early in the pandemic and were resilient and creative in finding solutions. For instance, after encountering online access challenges in an early round of funding, one city implemented a drop-off option for paper applications in a future round.

The next sections discuss tactics that cities believed were useful, but which seem to have potential costs as well as benefits.

Application assistance

Cities used application assistance (also referred to as technical assistance, business mentoring, third-party assistance, etc.) to help local businesses directly apply for federal funds like PPP, Economic Injury Disaster Loans (EIDL), and the Shuttered Venues Operator Grant, as well as apply to local programs. Several cities shared that they paid technical assistance providers. One city reported that about 225 local businesses received PPP loans, for which the city paid about $23,000 to technical assistance providers.

Application assistance providers, usually part of a group, offer a wide range of help. Some community organizations simply helped spread the word about funding programs. Others provided actual assistance with applying, which ranged from language assistance (helping
someone understand instructions) to digital assistance (typing into a form) to looking at tax returns to determine eligibility, etc. Representatives of one large business mentor group said:

"We don’t take the responsibility to do the client’s application work (or business planning work), partly for liability reasons. Also because they need to own the effort of asking for money."

Some groups were willing to be listed publicly by a city program (and hence to receive visibility and referrals) while others did not want to be listed publicly, but worked behind the scenes.

Although cities described application assistance as a key tool for reaching underserved businesses, there are several challenges. As illustrated by the quote above, there are some things assistance providers do not do, and one of these is outreach. Thus, leveraging this tool relies on a business owner learning about available assistance and contacting a group to ask for help. Underserved business owners who do not know about available assistance or who are unwilling or unable to access this help cannot benefit from it.

A second challenge was limited staff and volunteer capacity. In the middle of March 2021, OES spoke with a mentor group about providing application assistance for a large local program that had a 3-week application window. Representatives of this group said that most of their (volunteer) mentors were fully booked through May and would not have capacity to help in this short intense window. A typical mentor would be assigned 1-2 new clients a week, while a well-qualified mentor might be able to take 3-5 in a week, so helping a few hundred applicants apply to the local program would require a large group of volunteers. This was particularly true given concerns that some businesses would need more than one session: an initial one to tell them which information to gather, and another session to prepare the application after they’d gathered the information.

At a time when most meetings were taking place online, it would theoretically be possible to leverage assistance nationwide rather than being limited to capacity available in a local area. However, a higher-up at one national organization said that while this is theoretically possible, local knowledge is critical, which is a primary reason for the existence of local chapters.

A third challenge is that helping one person has little positive effect on others who would also need assistance. A volunteer who supported immigrant-owned businesses in the Latinx community in one city described the support as one-on-one; it was about working with an individual person and helping with presumably simple things like signing a digital form (not easy for someone whose only internet access is through a smartphone) as well as applying for patio permits and navigating city programs to make it easier for their businesses to operate. The effectiveness of this support was heavily dependent on trust; business owners remained skeptical of those outside of the community and messages would circulate in the group if an “outsider” made contact. The intensive one-on-one help didn’t transfer from one person to the next, making it challenging to provide this support to very many people.
Finally, some mentor groups are not well positioned to effectively support the most underserved businesses, because of the extreme differences in backgrounds and experience. Many of the experienced mentors OES spoke to found it difficult to believe that a business owner would have trouble creating a Profit & Loss statement. These mentors were dedicated and caring, and are undoubtedly able to provide invaluable support to many mentees, but come from a different set of expectations and resources than the most underserved business owners. The implicit assumptions (even when well-intentioned) made by these mentors would make it nearly impossible to create the level of trust and mutual understanding necessary for these efforts to be successful.

One example of this gap comes from a large network of free volunteer small business mentors. For several years this group has identified reaching Black-, Hispanic-, Native, and women-owned businesses as a priority. A group representative was proud to say:

“Our mentors are really well connected in our local communities. They can make introductions and bridge gaps, to local government and media. Many clients have said that those intros and connections have been as valuable as the mentoring itself.”

The group’s mentors were primarily retired businesspeople, older and better off financially than the population average, and with a great deal of expertise. However, these mentors may not be connected to underserved communities in a way that would enable them to easily identify with and support the businesses there.

Personal connections and background in an underserved community may help mentors reach underserved businesses by building trust. Anecdotally, some immigrant and minority business owners did not apply for relief funding because they didn’t trust the process or the providers. Lack of trust (e.g., in government) can combine with a fear of debt—particularly relevant for loan programs—which is high for Black-owned businesses. The reluctance to borrow is sensible in light of previous cases where borrowing led to losing property, but debt aversion can make it hard to grow a business. Matching underserved businesses with mentors from similar backgrounds and communities can help to bridge these barriers.

**Representative staff and infrastructure**

One city staff member pointed out that it is important to ensure that the staff administering the program is representative of the target audience. This person said:

“I have a question. Does your work look at the race and ethnicity of the staff administering the program? Our city is 77% Black, Brown, Latino. Also largest [Southeast Asian country] population outside of that country. We’ve been very intentional about our staffing. That could make a big difference in who succeeds.”
On a related note, one expert felt that what is missing in the present landscape is resources for minority business owners with fewer than 20 employees. The expert said:

“A spokesperson would be helpful to give them a voice. Chambers [e.g., a Black Chamber of Commerce] should step up as that voice.”

This expert also referred to a lack of representation in civic infrastructure, which is defined as “the laws, processes, institutions, and associations that support regular opportunities for people to connect with each other, solve problems, make decisions, and celebrate community.” Civic infrastructure includes crowdfunding programs, lending circles, participatory budgeting, and meetings and platforms that give people a chance to give input on policy. When underserved community members are not represented in civic infrastructure, this hinders the building of social capital and trust between underserved communities and government and financial institutions.

Of course, concerns about representation in infrastructure go beyond the considerations needed in emergency situations like the COVID pandemic. However, building that representation could help mitigate concerns about program design and trust in future emergencies.

Creative outreach

Cities tried a variety of tactics to raise awareness of grant and loan programs. Some of these were general: press releases, TV appearances, webinars, emails to previous applicants. Others were tailored more specifically to reaching underserved applicants: flyers door-to-door in specific neighborhoods, personal door-knocking in those neighborhoods, and emails to Community Development Financial Institutions or Community Economic Development Office contact lists.

One city used business “pop-ups,” placed on busy corners in targeted neighborhoods, which they estimated had helped 500 applicants. A city employee said:

“An extreme case on one end is an older woman who speaks no English, is undocumented, not digitally savvy, learned about our grant programs through our pop-up. If she hadn’t gone there, would not have benefitted from any of our programs. She needs a lot of assistance. We still need to find ways to provide the wraparound support services.”

As was true of the pop-ups, powerful outreach could overcome not only barriers of awareness but also initial barriers of digital accessibility. City or financial institution partner staff performing outreach with tablets or laptop computers could help applicants finish an application that they may not have been able to complete on their own. One large city’s small business services department invested in vans which go into communities, bring technology, and facilitate one-on-one meetings for licensing and other services. Going out to businesses, rather than waiting

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for them to come to the city website/office/application portal, was seen as a powerful way to reach those in underserved communities.

**Two-stage application process**

The Challenges section above discussed the potential contribution of documentation burdens to inequities in funding. To counter these burdens, several cities adopted a two-stage application process, requiring minimal information at the first stage (one city described it as a basic Survey Monkey form), and requesting documentation at a second stage later on. This approach particularly made sense in cities that allocated funding on a first-come, first-served basis, because they only asked for documentation when they were ready to process a business’s application. It was also appropriate when recipients were selected by lottery, because the city only requested documentation from those who had been selected in the lottery and hence were likely to receive funding. The apparent merits of this approach led it to be referred to as a “best practice” by one city administrator.

The two-stage application process has clear merit in that it saves time and effort for businesses that will not receive funding anyway. However, OES is not aware of any evidence that this approach narrows, or at least does not widen, disparities in reaching underserved businesses. And indeed, a potential drawback of the two-stage approach is that applicants may be less likely to respond to documentation requests that are separated in time from an initial application. One city estimated that 95% of applications were missing “something.” The city would reach out to the applicant, and if they did not respond, would go to the next applicant. They described their method as “first come, first ready, first served.” The challenges in getting “ready” prevented some applicants from being served. Requiring all documentation up-front creates burdens, but it may be a way to collect documentation from applicants who would not otherwise provide it. After time passes, applicants may be discouraged, may have turned attention to other things, or may simply be hard to reach.

Administrators in one city described their initial assumption that they would be able to disburse funding over a 3-month period, that the program would be oversubscribed, and applicants would do what was required to get the money. These assumptions were incorrect in the long term. Although the city received many more initial applications than it could fund, administrators had a response rate of only about 70% to requests for documentation in stage two, and the city was eventually able to fund every eligible business that followed up, albeit over a much longer time frame than anticipated.

In another city, 35% of the emails that were sent out inviting applicants to follow up with more documentation were never responded to. The response rate decreased over time: while 83% of the emails sent in the first month were responded to, the response rate dropped to 70% in the second month and down to 50% in the final two months.
In a city that used the two-stage process, and where there was also data on applicant demographics, 27% of businesses whose owners did not self-identify as Hispanic or Black received funding, vs. 22% of businesses whose owners identified as Hispanic or Black. It is unclear whether the two-stage process in that city resulted in more or fewer underserved applicants receiving funding than would have with an all-in-one approach.

Data collection and use

Some cities were able to find creative ways to use data in pursuit of equity goals. For instance, Census data was used in one city to identify underserved areas. Because the Census data wasn’t recent (2012), the city was considering adding a voluntary question on demographics to business license applications. The success stories about the use of data tended to come from cities that either embedded data scientists or research fellows in city departments—or partnered with universities or nonprofits to leverage their skills and time.

One specific way that data was collected was in building a contact database to facilitate information sharing. One city added a button on the program announcement page that people could use to enter their email address to be sent any updates (e.g., a new program announced; applications open; deadlines extended). This is a good way to begin to build a database to facilitate outreach (at little cost) later. This approach requires some forward thinking; it is relatively ineffective to add such a button shortly before making a program announcement. Some localities did not anticipate how long the pandemic relief process would last and may not have expected that there would be further rounds of funding and support offered. Thus, they may not have seen the need to leverage early opportunities to build a contact database for later.

OES discussed various options to build a contact list of likely-eligible businesses. For instance, business names and locations could be scraped from Yelp or Google Maps. However, the contact information available through these sites was generally not helpful. It was primarily a business phone number and physical address, and during the lockdown, it was unclear whether that information would allow anyone to reach businesses in a timely manner. Sometimes there was an email address, but it was almost always to a general inbox, or if the business was a large chain, like a hotel or restaurant, email addresses were typically for a national office. Online data about businesses is particularly difficult to obtain for businesses that aren’t customer-facing (e.g., are not restaurants or barber shops). These challenges speak to a more general problem in the business context, of the difference between businesses (where a city typically has better data) and business establishments (which a city typically wants to reach/fund).

A potentially promising source of future data are the private companies that collect data on representative financial transactions such as debit and credit card activity. OES found this data to be of limited use for tracking the activity of individual businesses, because a specific small business is unlikely to be reflected often in this data. However, for location-specific, industry-wide insights, such as a general impression of activity in the hospitality versus retail sectors, these data purveyors would be useful. It may also be possible to use the data collected by state employment
agencies about employees who are covered by unemployment insurance to identify a pool of potentially eligible businesses, such as businesses of a specific size (e.g., between 1-10 full-time employees) in a specific geographic area.

**Building evidence**

**Where evidence is most needed**

Looking across the tactics discussed above, three topics stand out as most in need of evidence.

- **Outreach:**
  - What are the most effective strategies for contacting underserved businesses?
  - How do businesses who apply independently online versus through community outreach (e.g., a pop-up assistance center) differ?
  - Is there a benefit of outreach (e.g., a pop-up assistance center) that allows funding applications to be initiated at community locations?

- **Technical assistance (TA):**
  - Is TA a cost-effective way to connect underserved businesses to capital?
  - How effective is TA at reducing disparities between underserved and other businesses?
  - When and how can TA be most effectively deployed?
  - What are useful strategies for recruiting and training TA providers in underserved communities? When are these providers most needed?

- **Documentation burdens:**
  - What requirements are unnecessarily burdensome, in that the documentation is challenging to provide and collecting it has only a small effect on preventing fraud?
  - What innovations can make required documentation less burdensome?
  - What is the effect of reducing documentation burdens on fraud and on access by underserved businesses?
  - Is a two-stage application process (light-touch initial application; documentation requested later) an effective way to reach underserved applicants?
  - When using a two-stage application process, does the increased number of stage-one applications more than offset the dropout at the second stage?
Approaches to evidence-building

One reason to examine local programs is that they may have discretion in the decision-making process that leads to different cities taking different approaches. However, few local programs engaged in rigorous evaluation, because of constraints on:

1. Time: Cities were under pressure to disburse funding as quickly as possible, allowing little time to design an evaluation;

2. Resources: Administrative teams may not have evaluation expertise, and were typically understaffed for emergency relief funding programs, leaving little employee bandwidth to focus on evaluation even if the expertise were there;

3. Sample size: Most local areas did not receive the volume of applications that would allow for statistically reliable findings; some cities even had more funding than eligible applicants, and

4. Interest: When a city identifies a tactic they think will help reaching underserved businesses, they may assume that it will help. In one city, administrators were concerned about using randomization, because it could be perceived as discouraging some applicants, or as being unfair about giving out information. This was a particular concern because the city business community was relatively small and as one administrator said, “word travels.” Administrators who have invested time, effort, and human capital to build relationships with underserved communities are understandably concerned about risking those relationships for evidence building.

In search of a collaboration to conduct an impact evaluation that could address one or more of the topics above, OES spoke to administrators in about 12 different local governments. All were eager for evidence to inform these sorts of decisions, but in all instances, one or more of the above constraints prevented a collaboration.

The SBA does not administer many direct loan or grant programs, although it did administer direct programs during the COVID pandemic. Thus, to build evidence on the topics above, SBA could:

- Leverage one of its direct programs
- Collaborate with one or more local governments
- Collaborate with a federal program for non-emergency capital
- Find a way to address a general underlying question in a setting outside of capital provision

The sections below provide more detailed ideas about possible evaluations, with illustrative examples drawn from the three topics above.
Leverage an SBA direct program

SBA COVID relief programs have mostly ended already or are ending soon. A retrospective analysis of one or more of these programs may be a useful way to build evidence about important questions. For example:

**Questions:** What is the effect of reducing documentation burdens on fraud and on access by underserved businesses?

**Possible research approach:** Descriptively compare the attributes of businesses that applied to the Restaurant Revitalization Fund (RRF) via an SBA POS Restaurant Partner (which reduced the documentation burden) to the attributes of businesses that applied to the RRF via restaurants.sba.gov (where applicants needed to provide more documentation). For example, where were prioritized businesses (>50% owned and controlled by women, Veteran(s), or socially and economically disadvantaged individuals) more successful? This analysis will be more valuable if it is possible to estimate the base rate of businesses eligible to apply through each of the two channels. *With or without a base rate estimate, these findings would not provide causal evidence.*

Collaborate with a local government

Many state, city, and county COVID relief programs have also ended, although others are ongoing and there may be new programs standing up over the coming months. A retrospective analysis of one or more completed programs could help build evidence (as suggested in the first two options below), and might also be a starting point for an impact evaluation of a new program in the same local area (as proposed in the third option below). For example:

**Question:** How do businesses who apply independently online versus through community outreach (e.g., a pop-up assistance center) differ?

**Possible research approach:** Descriptively compare the attributes of businesses that applied to a local program via online application to those that applied at a pop-up. Use any differences to speculate about how effective the pop-up approach is for reaching underserved applicants. *These findings would be suggestive but would not provide causal evidence.*

**Questions:** Is technical assistance a cost-effective way to connect underserved businesses to capital? How effective is it at reducing disparities between underserved and other businesses?

**Possible research approach:** Descriptively compare the attributes of businesses that applied with and without technical assistance (which was reported in applications in some cities). Pair this descriptive study with an investigation of the costs (to governments or nonprofits) of providing technical assistance. Based on the success rate of applicants from underserved groups with and without technical assistance, build a model of the cost-effectiveness of providing technical assistance (e.g., when funded by a state), with
preliminary evidence of how cost-effective this assistance is at reducing disparities. These findings would be suggestive, but would not provide causal evidence. Indeed, this design could dramatically underestimate the effectiveness of technical assistance because it is more likely to be used by businesses with a lower likelihood of funding. Ideally the analysis could be subset to businesses that are otherwise similar.

**Question:** What are the most effective outreach strategies for reaching underserved businesses?

**Possible research approach:** As discussed earlier, one barrier to conducting an impact evaluation with a local government has been challenges with varied assignment to programs. This reluctance might be reduced in the future by leveraging monetary incentives available to cities (e.g., via the People Lab’s [California 100 grants](#)). If a city is constrained in its ability to fully implement an outreach strategy—for instance, it probably isn’t feasible to put a pop-up on every corner every day—then it is easier to make a case for incorporating randomization into the decision. Impact evaluation provides for causal inferences about effects of different strategies. This approach is likely to be particularly challenging to implement.

**Collaborate with a federal program for non-emergency capital**

**Question:** What are useful strategies for recruiting and training TA providers in underserved communities?

**Possible research approach:** Leverage SBA’s Community Navigators program⁸ to explore variation in community approaches and learn more about which types of groups, using which strategies, seem to effectively reach businesses in underserved communities. This could be done with an implementation evaluation of the Community Navigators program in a few selected locations (performance periods are projected to commence in September 2021).

**Question:** How effective is TA at reducing disparities between underserved and other businesses?

**Possible research approach:** After an initial implementation evaluation, the Community Navigators program could be used to conduct an impact evaluation of either the program or a program change. To do the former, if there are more eligible applications for funding from community groups than SBA is able to fund, then randomization could be used to decide which of the eligible applications to fund. Community-level data on economic growth (for instance) could be used to compare the communities where navigators were funded to those where eligible applicants were not funded. To do the latter, funded organizations could be randomly assigned to one or more of:

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⁸ The Community Navigators program would also be a good setting for further qualitative research with underserved businesses. An important component of equity is ensuring that underserved groups are able to weigh in on the challenges they face, the solutions they want, and their perception of how fair or unfair processes and outcomes are. Input from these businesses should be a component of any of the evidence building approaches discussed here.
● Use active outreach versus passive reception
● Meet face-to-face versus remotely
● Have more or fewer “spoke” groups connected to one “hub”
● Be provided with contact information for businesses in underserved areas, such as information acquired from Yelp or Google Maps, versus not be provided with this information

To evaluate the effect of these program changes, data from the organizations could be combined with data on an SBA direct loan program (if a relevant one is operating) or on other data about business growth. This would be a way to build causal evidence of how effective TA providers in underserved communities are at narrowing the gap (e.g., in access to capital) between underserved and other businesses.

Question: What is the effect of reducing documentation requirements on access by underserved businesses? What requirements are unnecessarily burdensome?

Possible research approach: Leverage the State Small Business Credit Initiative (SSBCI)\(^9\) by comparing funding to underserved groups based on changes from the 2011-2017 version to the 2022 version. Some states are likely to adopt the same program design and documentation requirements, while others are likely to make changes. The comparison could take the form of a modified difference-in-differences approach,\(^{10}\) asking how changes in documentation requirements changed the demographic or geographic composition of the funded businesses. This approach would not give perfect causal evidence, but depending on the extent of changes and data availability, it could be relatively strong.

Use a setting outside of capital provision

Question: What innovations can make required documentation less burdensome?

Possible research approach: Multiple government agencies are interested in diversifying their suppliers, and reducing the documentation burdens involved in procurement may help. Federal acquisitions involve solicitations posted on SAM.gov, where businesses must register before responding to any offers.\(^{11}\) Registration involves providing several forms of documentation, including some specific to small businesses (the SBA supplemental page). This setting could be used to test innovations that make documentation provision less burdensome, such as clear checklists, reminder messages, progress prompts, etc. It may even be possible in this setting to test a variation on documentation reduction that involves some “pre-filling” of a form using existing data, to see the effect on application rates and outcomes.

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\(^9\) The American Rescue Plan Act of 2021 reauthorizes and amends a 2010 act which established the State Small Business Credit Initiative (SSBCI) Program. SSBCI provides Eligible Jurisdictions funding for: (1) small business financing programs, which includes capital access programs, loan participations, loan guarantees, collateral support, and venture equity programs; and (2) technical assistance to small businesses applying for SSBCI and other government programs.

\(^{10}\) For an example of this approach in the context of youth employment programs, see Bhanot, Syon P. & Sara B. Heller. Does Administrative Burden Deter Young People? Evidence from Summer Jobs Programs. NBER Working Paper. (July 19, 2021)