

119TH CONGRESS
2D SESSION

S. _____

To amend the Small Business Act to spur entrepreneurial ecosystems in underserved communities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. MARKEY (for himself, Ms. HIRONO, and Mr. BOOKER) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Small Business Act to spur entrepreneurial ecosystems in underserved communities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strengthening Place-
5 based Access, Resources, and Knowledge Act” or the
6 “SPARK Act”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

1 (1) Studies have found that incubators, accel-
2 erators, and other similar models are effective at in-
3 creasing revenues, the number of employees, and the
4 likelihood that the business venture will be success-
5 ful for participants.

6 (2) According to the 2023 Report on Startup
7 Firms Owned by People of Color: Findings from the
8 2022 Small Business Credit Survey—

9 (A) startups owned by racial minorities are
10 more than twice as likely to be denied for fi-
11 nancing from lenders than non-minority-owned
12 startups; and

13 (B) mission-oriented financial institutions
14 and community-based lenders, including minor-
15 ity depository institutions and community devel-
16 opment financial institutions, are critical in
17 helping minority-owned businesses access cap-
18 ital.

19 (3) According to the Kauffman Foundation—

20 (A) minority-owned and women-owned
21 businesses are half as likely to have workers
22 than non-minority-owned and men-owned busi-
23 nesses; and

24 (B) if minorities started businesses at the
25 same rate as non-minorities, approximately

1 9,500,000 jobs would be added to the economy
2 of the United States.

3 (4) According to the Center for Rural Innova-
4 tion—

5 (A) less than 1 percent of all venture cap-
6 ital funding goes to businesses located in rural
7 areas;

8 (B) rural entrepreneurship rates have fall-
9 en from 20 percent in the 1980s to just more
10 than 12 percent in the 2010s; and

11 (C) financial barriers in rural areas are es-
12 pecially prominent for minority populations.

13 (5) According to PitchBook, only 2 percent of
14 all venture capital funding goes to businesses with
15 women founders.

16 (6) According to Crunchbase, less than 3 per-
17 cent of all venture capital funding goes to businesses
18 with Black and Hispanic founders.

19 **SEC. 3. PURPOSES.**

20 The purposes of the Spark Program established
21 under section 49 of the Small Business Act, as amended
22 by this Act, are to—

23 (1) spur economic growth in underserved com-
24 munities by creating good paying jobs and increas-
25 ing access to capital;

1 (2) increase prospects for success for small
2 business concerns in underserved communities,
3 which often suffer from higher business failure rates
4 than the national average;

5 (3) create a pipeline for individuals in under-
6 served and rural markets into small business owner-
7 ship;

8 (4) close the gaps that underserved small busi-
9 ness concerns often have in terms of revenue and
10 number of employees, which represent lost oppor-
11 tunity for the economy of the United States;

12 (5) encourage collaboration between the Small
13 Business Administration and organizations that
14 serve low-income, minority, and rural communities;
15 and

16 (6) grow existing incubators and accelerators
17 that are focused on empowering underserved com-
18 munities and entrepreneurs.

19 **SEC. 4. SPARK PROGRAM.**

20 The Small Business Act (15 U.S.C. 631 et seq.) is
21 amended—

22 (1) by redesignating section 49 (15 U.S.C. 631
23 note) as section 51; and

24 (2) by inserting after section 48 (15 U.S.C.
25 657u) the following:

1 **“SEC. 49. SPARK PROGRAM.**

2 “(a) DEFINITIONS.—In this section:

3 “(1) ACCELERATOR.—The term ‘accelerator’
4 means an organization—

5 “(A) that—

6 “(i) works with a startup or growing
7 small business concern for a predetermined
8 period;

9 “(ii) provides mentorship and instruc-
10 tion to scale businesses; and

11 “(iii) increases the investment readi-
12 ness of small business concerns; and

13 “(B) that may—

14 “(i) provide, but is not exclusively de-
15 signed to provide, seed investment in ex-
16 change for a small amount of equity; and

17 “(ii) offer startup capital or the op-
18 portunity to raise capital from outside in-
19 vestors.

20 “(2) ELIGIBLE ENTITY.—

21 “(A) IN GENERAL.—The term ‘eligible en-
22 tity’ means an organization operating, or plan-
23 ning to operate—

24 “(i) an accelerator;

25 “(ii) an incubator; or

1 “(iii) any other small business innova-
2 tion-focused project, as approved by the
3 Administrator.

4 “(B) INCLUSIONS.—The term ‘eligible en-
5 tity’ includes any of the following, if the organi-
6 zation is as described in subparagraph (A):

7 “(i) An organization described in sec-
8 tion 501(c)(3) of the Internal Revenue
9 Code of 1986.

10 “(ii) A community development finan-
11 cial institution, as defined in section 103 of
12 the Community Development Banking and
13 Financial Institutions Act of 1994 (12
14 U.S.C. 4702).

15 “(iii) A minority depository institu-
16 tion, as defined in section 308(b) of the
17 Financial Institutions Reform, Recovery,
18 and Enforcement Act of 1989 (12 U.S.C.
19 1463 note).

20 “(iv) A lender under the program es-
21 tablished under section 7(m).

22 “(v) A development company that is
23 certified under title V of the Small Busi-
24 ness Investment Act of 1958 (15 U.S.C.
25 695 et seq.).

1 poses of the Community Reinvestment Act
2 of 1977 (12 U.S.C. 2901 et seq.); or

3 “(C) any area for which a disaster declara-
4 tion or determination described in subpara-
5 graph (A), (B), (C), or (E) of section 7(b)(2)
6 has been made that has not terminated more
7 than 2 years before the date on which an eligi-
8 ble entity enters into a cooperative agreement
9 with the Administration under this section with
10 respect to the area (or later, as determined by
11 the Administrator), except that, in the case of
12 a major disaster described in subparagraph (A)
13 of section 7(b)(2), that period shall be 5 years.

14 “(4) GROWING; NEWLY ESTABLISHED; START-
15 UP.—The terms ‘growing’, ‘newly established’, and
16 ‘startup’, with respect to a small business concern,
17 mean growing, newly established, and startup, re-
18 spectively, within the meanings given those terms
19 under section 7(m).

20 “(5) INCUBATOR.—The term ‘incubator’ means
21 an organization—

22 “(A) that—

23 “(i) tends to work with startup and
24 newly established small business concerns;
25 and

1 “(ii) provides mentorship to startup
2 and newly established small business con-
3 cerns; and

4 “(B) that may—

5 “(i) provide a co-working environment
6 or a month-to-month lease program; and

7 “(ii) work with startups or newly es-
8 tablished small business concerns for a
9 predetermined period or an open-ended pe-
10 riod.

11 “(6) INDIVIDUALS WITH A DISABILITY.—The
12 term ‘individuals with a disability’ means more than
13 1 individual with a disability, as defined in section
14 3 of the Americans with Disabilities Act of 1990 (42
15 U.S.C. 12102).

16 “(7) RURAL AREA.—The term ‘rural area’ has
17 the meaning given the term in section 7(m)(11).

18 “(8) SOCIALLY AND ECONOMICALLY DISADVAN-
19 TAGED INDIVIDUAL.—The term ‘socially and eco-
20 nomically disadvantaged individual’ means a socially
21 and economically disadvantaged individual within the
22 meaning given that term in section 8(d)(3)(C).

23 “(b) ESTABLISHMENT.—Not later than 1 year after
24 the date of enactment of the Strengthening Place-based
25 Access, Resources, and Knowledge Act, the Administrator

1 shall develop and begin implementing a program (to be
2 known as the ‘Spark Program’) to enter into cooperative
3 agreements with eligible entities under this section.

4 “(c) AUTHORITY.—

5 “(1) IN GENERAL.—The Administrator may—

6 “(A) with respect to eligible entities that
7 have submitted applications for such purpose,
8 enter into cooperative agreements to provide fi-
9 nancial assistance to those eligible entities to
10 conduct 5-year projects for the benefit of start-
11 up, newly established, or growing small business
12 concerns, which may include cooperatives and
13 community land trusts; and

14 “(B) renew a cooperative agreement en-
15 tered into under this section for additional 3-
16 year periods, in accordance with paragraph (3).

17 “(2) PROJECT REQUIREMENTS.—A project con-
18 ducted under a cooperative agreement under this
19 section shall—

20 “(A) be carried out in such locations as to
21 provide maximum accessibility and benefits to
22 the small business concerns that the project is
23 intended to serve;

24 “(B) have a full-time staff, including a
25 full-time director who shall—

1 “(i) have the authority to make ex-
2 penditures under the budget of the project;
3 and

4 “(ii) manage the activities carried out
5 under the project;

6 “(C) include the joint provision of pro-
7 grams and services by the eligible entity and
8 the Administration, which—

9 “(i) shall be jointly developed, nego-
10 tiated, and agreed upon, with full partici-
11 pation of both parties, pursuant to an exe-
12 cuted cooperative agreement between the
13 eligible entity and the Administration; and

14 “(ii) shall include—

15 “(I) one-to-one individual coun-
16 seling, as described in section
17 21(c)(3)(A); and

18 “(II) a formal, structured
19 mentorship program;

20 “(D) incorporate continuous upgrades and
21 modifications to the services and programs of-
22 fered under the project, as needed to meet the
23 changing and evolving needs of the business
24 community;

1 “(E) involve working with underserved
2 groups, which include—

3 “(i) women;

4 “(ii) socially and economically dis-
5 advantaged individuals;

6 “(iii) veterans or spouses of veterans;

7 “(iv) individuals with disabilities;

8 “(v) small business concerns located
9 in rural areas, including startup, newly es-
10 tablished, or growing small business con-
11 cerns located in rural areas;

12 “(vi) members of an Indian Tribe in-
13 dividually identified (including parentheti-
14 cally) in the most recent list published pur-
15 suant to section 104 of the Federally Rec-
16 ognized Indian Tribe List Act of 1994 (25
17 U.S.C. 5131);

18 “(vii) individuals who have completed
19 a term of imprisonment in a Federal,
20 State, or local jail or prison; or

21 “(viii) small business concerns, if not
22 less than 50 percent of the employees of
23 the small business concern reside in a low-
24 or moderate-income community;

1 “(F) not impose or otherwise collect a fee
2 or other compensation in connection with par-
3 ticipation in the programs and services de-
4 scribed in subparagraph (C)(ii); and

5 “(G) ensure that small business concerns
6 participating in the project have access, includ-
7 ing through resource partners, to information
8 concerning Federal, State, and local regulations
9 that affect small business concerns.

10 “(3) CONTINUED FUNDING.—

11 “(A) IN GENERAL.—An eligible entity that
12 enters into an initial cooperative agreement, or
13 a renewal of a cooperative agreement, under
14 paragraph (1) may submit an application for a
15 3-year renewal of the cooperative agreement at
16 such time, in such manner, and accompanied by
17 such information as the Administrator may es-
18 tablish.

19 “(B) APPLICATION AND APPROVAL CRI-
20 TERIA.—

21 “(i) CRITERIA.—The Administrator
22 shall develop and publish criteria for the
23 consideration and approval of applications
24 for renewals of cooperative agreements by
25 eligible entities under this paragraph,

1 which shall take into account the structure
2 and the stated goals of the project.

3 “(ii) NOTIFICATION.—Not later than
4 60 days after the date of the deadline to
5 submit applications for each fiscal year,
6 the Administrator shall approve or deny
7 any application under this paragraph and
8 notify the applicant for each such applica-
9 tion.

10 “(C) PRIORITY.—In allocating funds made
11 available for cooperative agreements under this
12 section, the Administrator shall give applica-
13 tions under this paragraph priority over first-
14 time applications for cooperative agreements
15 under paragraph (1)(A).

16 “(4) SCOPE OF AUTHORITY.—

17 “(A) SUBJECT TO APPROPRIATIONS.—The
18 authority of the Administrator to enter into co-
19 operative agreements under this section shall be
20 in effect for each fiscal year only to the extent
21 and in the amounts as are provided in advance
22 in appropriations Acts.

23 “(B) SUSPENSION, TERMINATION, AND
24 FAILURE TO RENEW OR EXTEND.—After the
25 Administrator has entered into a cooperative

1 agreement with an eligible entity under this sec-
2 tion, the Administrator may not suspend, termi-
3 nate, or fail to renew or extend the cooperative
4 agreement unless the Administrator provides
5 the eligible entity with written notification set-
6 ting forth the reasons for that suspension, ter-
7 mination, or failure and affords the eligible en-
8 tity an opportunity for a hearing, appeal, or
9 other administrative proceeding under chapter 5
10 of title 5, United States Code.

11 “(5) LIMITATION ON USE OF FUNDS.—An eligi-
12 ble entity that has entered into a cooperative agree-
13 ment under this section may not use any portion of
14 the financial assistance provided under that coopera-
15 tive agreement to directly provide capital to any par-
16 ticipant in any project that is funded with that fi-
17 nancial assistance.

18 “(d) CRITERIA.—

19 “(1) IN GENERAL.—The Administrator shall—

20 “(A) establish and evaluate in terms of rel-
21 ative importance the criteria the Administrator
22 shall use in awarding cooperative agreements
23 under this section, which shall include—

24 “(i) whether the proposed project will
25 be located in—

1 “(I) a federally recognized area
2 of economic distress;

3 “(II) a rural area; or

4 “(III) an area lacking sufficient
5 entrepreneurial development re-
6 sources, as determined by the Admin-
7 istrator;

8 “(ii) whether the proposed project
9 demonstrates a commitment, and details a
10 specific plan, to partner with core stake-
11 holders working with small business con-
12 cerns in the relevant area, including—

13 “(I) investment and lending orga-
14 nizations;

15 “(II) nongovernmental organiza-
16 tions;

17 “(III) programs of State and
18 local governments that are concerned
19 with aiding small business concerns;

20 “(IV) Federal agencies, including
21 the Minority Business Development
22 Agency of the Department of Com-
23 merce; and

1 “(V) for-profit organizations with
2 an expertise in small business innova-
3 tion;

4 “(iii) whether the proposed project
5 will serve underserved groups described in
6 subsection (c)(2)(E);

7 “(iv) whether the proposed project is
8 a local, place-based initiative that seeks to
9 engage local communities and consumers;
10 and

11 “(v) whether the proposed project will
12 provide or connect small business concerns
13 with investment, grant-making, or procure-
14 ment opportunities;

15 “(B) make publicly available, including on
16 the website of the Administration, and state in
17 each solicitation for applications for cooperative
18 agreements under this section, the selection cri-
19 teria and ranking established under subpara-
20 graph (A); and

21 “(C) evaluate applicants for cooperative
22 agreements under this section in accordance
23 with the selection criteria and ranking estab-
24 lished under subparagraph (A).

1 “(2) CONTENTS.—The selection criteria estab-
2 lished under paragraph (1)(A) shall consider—

3 “(A) the record of the applicable eligible
4 entity in assisting growing, newly established,
5 and startup small business concerns, including,
6 for each of the 3 full years before the date on
7 which the eligible entity applies for a coopera-
8 tive agreement under this section (or, if the eli-
9 gible entity has been in operation for less than
10 3 years, for the most recent full year the eligi-
11 ble entity was in operation)—

12 “(i) the number and retention rate of
13 growing, newly established, and startup
14 business concerns in the program of the el-
15 igible entity;

16 “(ii) the average period of participa-
17 tion by growing, newly established, and
18 startup small business concerns in the pro-
19 gram of the eligible entity;

20 “(iii) the total and median capital
21 raised by growing, newly established, and
22 startup small business concerns partici-
23 pating in the program of the eligible entity;

24 “(iv) the number of investments,
25 grants, or loans received by growing, newly

1 established, and startup small business
2 concerns participating in the program of
3 the eligible entity; and

4 “(v) the total and median number of
5 employees of growing, newly established,
6 and startup small business concerns par-
7 ticipating in the program of the eligible en-
8 tity;

9 “(B) the structure and goals of the appli-
10 cable project;

11 “(C) ties that the applicable eligible entity
12 has to the business community;

13 “(D) the resources available for the appli-
14 cable project;

15 “(E) the capabilities of the applicable
16 project, including coordination with local re-
17 source partners and local or national lending
18 partners of the Administration;

19 “(F) the unique business and economic
20 challenges faced by the community in which the
21 applicable eligible entity is located and busi-
22 nesses in that community;

23 “(G) the proposed budget and plan for use
24 of funds; and

1 “(H) any other criteria determined appro-
2 priate by the Administrator.

3 “(e) PROGRAM EXAMINATION.—

4 “(1) IN GENERAL.—The Administrator shall—

5 “(A) develop and implement an annual
6 programmatic and financial examination of
7 each project carried out with financial assist-
8 ance provided under this section, under which
9 each eligible entity entering into a cooperative
10 agreement under this section shall provide to
11 the Administrator—

12 “(i) an itemized cost breakdown of ac-
13 tual expenditures for costs incurred during
14 the preceding year; and

15 “(ii) documentation regarding the
16 amount of assistance from non-Federal
17 sources obtained and expended by the eligi-
18 ble entity during the preceding year; and

19 “(B) analyze the results of each examina-
20 tion conducted under subparagraph (A) and,
21 based on that analysis, make a determination
22 regarding the programmatic and financial via-
23 bility of each eligible entity.

24 “(2) CONDITIONS FOR CONTINUED FUNDING.—

25 In determining whether to continue or renew a coop-

1 erative agreement under this section, the Adminis-
2 trator—

3 “(A) shall consider the results of the most
4 recent examination of the applicable project
5 under paragraph (1); and

6 “(B) may terminate or not renew a cooper-
7 ative agreement, if—

8 “(i) the Administrator determines
9 that the applicable eligible entity has failed
10 to provide information required to be pro-
11 vided (including information provided for
12 purpose of the annual report by the Ad-
13 ministrator under subsection (l)); or

14 “(ii) the information provided by the
15 applicable eligible entity is inadequate.

16 “(3) STUDY AND REPORT.—Not later than 2
17 years after the date of enactment of the Strength-
18 ening Place-based Access, Resources, and Knowledge
19 Act, the Administrator shall—

20 “(A) conduct a study to determine whether
21 the program examination criteria under this
22 subsection and the reporting requirements
23 under subsection (l) should vary or include
24 other metrics based on the type and location of
25 a project; and

1 “(B) submit to Congress a report detailing
2 the results of the study conducted under sub-
3 paragraph (A).

4 “(f) TRAINING AND TECHNICAL ASSISTANCE.—The
5 Administrator—

6 “(1) shall provide in-person or online training
7 and technical assistance to each eligible entity enter-
8 ing into a cooperative agreement under this section
9 at the beginning of the participation of the eligible
10 entity in the Spark Program in order to build the
11 capacity of the eligible entity and ensure compliance
12 with procedures established by the Administrator;

13 “(2) shall ensure that the training and tech-
14 nical assistance described in paragraph (1) is pro-
15 vided at no cost or at a low cost; and

16 “(3) may enter into a contract to provide the
17 training or technical assistance described in para-
18 graph (1) with 1 or more organizations with exper-
19 tise in the entrepreneurial development programs of
20 the Administration, innovation, and entrepreneurial
21 development.

22 “(g) COORDINATION.—In carrying out a project with
23 financial assistance provided under this section, an eligible
24 entity may coordinate with—

1 “(1) resource and lending partners of the Ad-
2 ministration;

3 “(2) programs of State and local governments
4 that are concerned with aiding small business con-
5 cerns; and

6 “(3) other Federal agencies, including to pro-
7 vide services to and assist small business concerns in
8 participating in the SBIR and STTR programs, as
9 defined in section 9(e).

10 “(h) FUNDING LIMIT.—The amount of financial as-
11 sistance provided to an eligible entity under a cooperative
12 agreement entered into under this section shall be not less
13 than \$500,000 during each year.

14 “(i) CONTRACT AUTHORITY.—

15 “(1) IN GENERAL.—An eligible entity that has
16 entered into a cooperative agreement under this sec-
17 tion may enter into a contract with a Federal de-
18 partment or agency to provide specific assistance to
19 startup, newly established, or growing small business
20 concerns.

21 “(2) PERFORMANCE.—Performance of a con-
22 tract entered into under paragraph (1) may not
23 hinder the eligible entity in carrying out the terms
24 of the cooperative agreement under this section.

1 “(3) ADDITIONAL PROVISION.—Notwith-
2 standing any other provision of law, a contract for
3 assistance under paragraph (1) shall not be applied
4 to any Federal department or agency’s small busi-
5 ness, woman-owned business, or socially and eco-
6 nomically disadvantaged business contracting goal
7 under section 15(g).

8 “(j) PRIVACY REQUIREMENTS.—

9 “(1) IN GENERAL.—An eligible entity may not
10 disclose the name, address, or telephone number of
11 any individual or small business concern receiving
12 assistance under this section without the consent of
13 that individual or small business concern, unless—

14 “(A) the Administrator is ordered to make
15 such a disclosure by a court in any civil or
16 criminal enforcement action initiated by a Fed-
17 eral or State agency; or

18 “(B) the Administrator considers such a
19 disclosure to be necessary for the purpose of
20 conducting a financial audit of an eligible enti-
21 ty, except that a disclosure under this subpara-
22 graph shall be limited to the information nec-
23 essary for that audit.

24 “(2) ADMINISTRATION USE OF INFORMATION.—

25 This subsection shall not—

1 “(A) restrict Administration access to pro-
2 gram activity data; or

3 “(B) prevent the Administration from
4 using client information (other than the infor-
5 mation described in subparagraph (A)) to con-
6 duct client surveys.

7 “(3) REGULATIONS.—The Administrator shall
8 issue regulations to establish standards for requiring
9 disclosures during a financial audit under paragraph
10 (1)(B).

11 “(k) PUBLICATION OF INFORMATION.—The Adminis-
12 trator shall—

13 “(1) publish information about the program
14 carried out under this section online, including—

15 “(A) on the website of the Administration;
16 and

17 “(B) on the social media of the Adminis-
18 tration; and

19 “(2) request that the resource and lending part-
20 ners of the Administration and the district offices of
21 the Administration publicize the program carried out
22 under this section.

23 “(l) ANNUAL REPORTING.—Not later than 1 year
24 after the date on which the Administrator establishes the
25 program under this section, and annually thereafter, the

1 Administrator shall submit to Congress a report on the
2 activities under the program, including—

3 “(1) the number of startup, newly established,
4 and growing small business concerns participating in
5 the project carried out by each eligible entity under
6 a cooperative agreement entered into under this sec-
7 tion (referred to in this subsection as ‘participants’),
8 including a breakdown of the owners of the partici-
9 pants by race, gender, veteran status, and urban
10 versus rural location;

11 “(2) the retention rate for participants;

12 “(3) the total and median amount of capital
13 accessed by participants, including the type of cap-
14 ital accessed;

15 “(4) the total and median number of employees
16 of participants;

17 “(5) the number and median wage of jobs cre-
18 ated by participants;

19 “(6) the number of jobs sustained by partici-
20 pants; and

21 “(7) information regarding such other metrics
22 as the Administrator determines appropriate, includ-
23 ing coordination with other private or public small
24 business assistance programs.

25 “(m) FUNDING.—

1 “(1) AUTHORIZATION OF APPROPRIATIONS.—

2 There are authorized to be appropriated such sums

3 as may be necessary to carry out this section.

4 “(2) ADMINISTRATIVE EXPENSES.—Of the

5 amount made available to carry out this section for

6 any fiscal year, not more than 10 percent may be

7 used by the Administrator for administrative ex-

8 penses.”.

9 **SEC. 5. SPARK FINANCING PROGRAM.**

10 The Small Business Act (15 U.S.C. 631 et seq.), as

11 amended by section 4, is amended by inserting after sec-

12 tion 49 the following:

13 **“SEC. 50. SPARK FINANCING PROGRAM.**

14 “(a) DEFINITIONS.—In this section:

15 “(1) COVERED ENTITY.—The term ‘covered en-

16 tity’ means—

17 “(A) an eligible entity; or

18 “(B) solely for the purposes of making

19 loans under subsection (c)(3)(A)(ii), another

20 lender or organization determined appropriate

21 by the Administrator.

22 “(2) COVERED SMALL BUSINESS CONCERN.—

23 The term ‘covered small business concern’ means a

24 small business concern that is—

1 “(A) owned by an individual that is a
2 member of an underserved group described in
3 section 49(c)(2)(E); or

4 “(B) located in a federally recognized area
5 of economic distress.

6 “(3) ELIGIBLE ENTITY; FEDERALLY RECOG-
7 NIZED AREA OF ECONOMIC DISTRESS; GROWING;
8 NEWLY ESTABLISHED; STARTUP.—The terms ‘eligi-
9 ble entity’, ‘federally recognized area of economic
10 distress’, ‘growing’, ‘newly established’, and ‘startup’
11 have the meanings given those terms in section
12 49(a).

13 “(b) ESTABLISHMENT OF PROGRAM.—Not later than
14 1 year after the date of enactment of the Strengthening
15 Place-based Access, Resources, and Knowledge Act, the
16 Administrator shall establish, and thereafter the Adminis-
17 trator shall carry out, a grant and loan program (to be
18 known as the ‘Spark Financing Program’), under which,
19 in accordance with the requirements of this section, the
20 Administrator shall provide financial assistance to covered
21 entities, which shall use that financial assistance to make
22 grants or loans to covered small business concerns.

23 “(c) FINANCIAL ASSISTANCE TO ELIGIBLE ENTI-
24 TIES.—

1 “(1) IN GENERAL.—The Administrator shall
2 provide financial assistance to covered entities under
3 this section as follows:

4 “(A) If the covered entity has entered into
5 a cooperative agreement under section 49—

6 “(i) the amount of financial assistance
7 provided under this section shall be not
8 more than \$1,000,000 per year; and

9 “(ii) the entity—

10 “(I) shall receive financial assist-
11 ance under this section at the same
12 time that the covered entity receives
13 financial assistance pursuant to that
14 cooperative agreement under section
15 49; and

16 “(II) shall not be required to re-
17 apply for funding under this section
18 on an annual basis.

19 “(B) If the covered entity has not entered
20 into a cooperative agreement under section
21 49—

22 “(i) the amount of financial assistance
23 provided under this section shall be not
24 more than \$500,000 per year; and

1 “(ii) the covered entity shall reapply
2 for financial assistance under this section
3 on an annual basis.

4 “(2) APPLICATION.—

5 “(A) IN GENERAL.—A covered entity seek-
6 ing financial assistance under this section—

7 “(i) may, if the covered entity seeks to
8 enter into or renew a cooperative agree-
9 ment under section 49, seek that financial
10 assistance in an application submitted by
11 the covered entity with respect to entering
12 into or renewing that cooperative agree-
13 ment, as applicable; or

14 “(ii) if the covered entity does not
15 seek to enter into a, or is not seeking to
16 renew an existing, cooperative agreement
17 under section 49, shall submit to the Ad-
18 ministrator an application seeking that fi-
19 nancial assistance.

20 “(B) CONTENTS.—With respect to an ap-
21 plication seeking financial assistance under this
22 section, whether or not submitted as part of an
23 application under section 49—

1 “(i) the application shall detail the
2 proposed use of the financial assistance, as
3 provided under paragraph (3); and

4 “(ii) the Administrator shall evaluate
5 the application using the criteria described
6 in paragraphs (1) and (2) of section 49(d),
7 except that, for purposes of this clause,
8 any reference in such paragraph (1) or (2)
9 to a cooperative agreement under section
10 49 shall be deemed to be a reference to fi-
11 nancial assistance provided under this sec-
12 tion.

13 “(3) USES OF FINANCIAL ASSISTANCE.—

14 “(A) IN GENERAL.—

15 “(i) GRANTS.—

16 “(I) IN GENERAL.—Subject to
17 clause (ii), an eligible entity to which
18 financial assistance is provided under
19 this section may use that financial as-
20 sistance to make grants to covered
21 small business concerns to carry out
22 projects that are directed at the objec-
23 tives described in section 501(d) of
24 the Small Business Investment Act of
25 1958 (15 U.S.C. 695(d)).

1 “(aa) the difficulties faced
2 by covered small business con-
3 cerns in accessing conventional
4 financing; and

5 “(bb) the historical exclusion
6 of covered small business con-
7 cerns from credit markets;

8 “(IV) bring more lenders into
9 areas that suffer from under-invest-
10 ment; and

11 “(V) bridge public and private fi-
12 nancing programs to provide covered
13 small business concerns with a con-
14 tinuum of support.

15 “(B) NO FEE OR COMPENSATION RE-
16 QUIRED.—A covered small business concern
17 that receives a grant or loan made under sub-
18 paragraph (A) shall not be required to pay a
19 fee, or to otherwise pay any compensation, to
20 the applicable covered entity with respect to
21 that grant or loan.

22 “(4) VERIFICATION.—A covered entity that
23 makes a grant or loan to a covered small business
24 concern using financial assistance provided to the
25 covered entity under this section shall verify the le-

1 gitimacy of that covered small business concern,
2 which may include collecting the following informa-
3 tion from the covered small business concern:

4 “(A) A description of the history of the
5 covered small business concern and the nature
6 of the business of the covered small business
7 concern.

8 “(B) The amount and purpose of the grant
9 or loan.

10 “(C) The most recent financial statements
11 of the covered small business concern.

12 “(D) Past financial statements or tax re-
13 turns of the covered small business concern, as
14 determined appropriate by the Administrator.

15 “(E) The tax verification described in sec-
16 tion 120.191 of title 13, Code of Federal Regu-
17 lations, or any successor regulation.

18 “(F) A business plan provided by the small
19 business concern.

20 “(G) Any other material determined appro-
21 priate by the Administrator.

22 “(d) PROGRAM EXAMINATION.—

23 “(1) IN GENERAL.—The Administrator shall—

24 “(A) develop and implement an examina-
25 tion of the grants and loans made with financial

1 assistance provided under this section, under
2 which each covered entity to which financial as-
3 sistance is provided under this section shall pro-
4 vide to the Administrator—

5 “(i) documentation establishing
6 metrics to measure success on the use of
7 that financial assistance and detailing
8 whether that use satisfied those metrics;

9 “(ii) if the covered entity has made
10 loans with financial assistance provided
11 under this section, default rates for those
12 loans;

13 “(iii) if the covered entity has made
14 grants with financial assistance provided
15 under this section, failure rates of the cov-
16 ered small business concerns to which
17 those grants were made; and

18 “(iv) any other documentation that
19 the Administrator may require; and

20 “(B) analyze the results of the examina-
21 tion conducted under subparagraph (A).

22 “(2) USE OF EXAMINATION.—In determining
23 whether a covered entity described in subsection
24 (c)(1)(A) shall continue to receive financial assist-
25 ance under this section concurrent with the provision

1 of financial assistance pursuant to a cooperative
2 agreement under section 49, or whether to approve
3 a re-application for financial assistance provided
4 under this section that is submitted by a covered en-
5 tity described in subsection (c)(1)(B)(ii), the Admin-
6 istrator—

7 “(A) shall consider the results of the most
8 recent examination conducted under paragraph
9 (1); and

10 “(B) may withdraw financial assistance
11 provided under this section, or reject such a re-
12 application, if—

13 “(i) the Administrator determines
14 that the applicable covered entity has
15 failed to provide information required to be
16 provided (including information provided
17 for purpose of the annual report by the
18 Administrator under subsection (h)); or

19 “(ii) the information provided by the
20 applicable covered entity is inadequate.

21 “(3) STUDY AND REPORT.—Not later than 2
22 years after the date of enactment of the Strength-
23 ening Place-based Access, Resources, and Knowledge
24 Act, the Administrator shall—

1 “(A) conduct a study to determine whether
2 the program examination criteria under this
3 subsection and the reporting requirements
4 under subsection (h) should vary or include
5 other metrics based on the type and location of
6 a project; and

7 “(B) submit to Congress a report detailing
8 the results of the study conducted under sub-
9 paragraph (A).

10 “(e) TRAINING AND TECHNICAL ASSISTANCE.—The
11 Administrator—

12 “(1) shall provide in-person or online training
13 and technical assistance to each covered entity to
14 which financial assistance is provided under this sec-
15 tion at the beginning of the participation of the cov-
16 ered entity in the program established under this
17 section in order to build the capacity of the covered
18 entity and ensure compliance with procedures estab-
19 lished by the Administrator;

20 “(2) shall ensure that the training and tech-
21 nical assistance described in paragraph (1) is pro-
22 vided at no cost or at a low cost; and

23 “(3) may enter into a contract to provide the
24 training or technical assistance described in para-
25 graph (1) with 1 or more organizations with exper-

1 tise in the entrepreneurial development programs of
2 the Administration, innovation, and entrepreneurial
3 development.

4 “(f) COORDINATION.—In making a grant or loan
5 with financial assistance provided under this section, a
6 covered entity may coordinate with—

7 “(1) resource and lending partners of the Ad-
8 ministration;

9 “(2) programs of State and local governments
10 that are concerned with aiding small business con-
11 cerns; and

12 “(3) other Federal agencies, including to pro-
13 vide services to and assist small business concerns in
14 participating in the SBIR and STTR programs, as
15 defined in section 9(e).

16 “(g) PUBLICATION OF INFORMATION.—The Adminis-
17 trator shall—

18 “(1) publish information about the program
19 carried out under this section online, including—

20 “(A) on the website of the Administration;
21 and

22 “(B) on the social media of the Adminis-
23 tration; and

24 “(2) request that the resource and lending part-
25 ners of the Administration and the district offices of

1 the Administration publicize the program carried out
2 under this section.

3 “(h) ANNUAL REPORTING.—Not later than 1 year
4 after the date on which the Administrator establishes the
5 program under this section, and annually thereafter, the
6 Administrator shall submit to Congress a report on the
7 activities under the program, including—

8 “(1) the number of grants and loans made
9 using the financial assistance provided under this
10 section;

11 “(2) the use of the funds from grants and loans
12 described in subparagraph (A);

13 “(3) the amount of financial assistance pro-
14 vided under this section that was expended for each
15 job created or retained through the expenditure of
16 that financial assistance;

17 “(4) the number of startup, newly established,
18 and growing covered small business concerns to
19 which grants and loans have been made using finan-
20 cial assistance provided under this section (referred
21 to in this subsection as ‘participants’), including a
22 breakdown of the owners of the participants by race,
23 gender, veteran status, and urban versus rural loca-
24 tion;

25 “(5) the retention rate for participants;

1 “(6) the total and median amount of capital
2 accessed by participants, including the type of cap-
3 ital accessed;

4 “(7) the total and median number of employees
5 of participants;

6 “(8) the number and median wage of jobs cre-
7 ated by participants;

8 “(9) the number of jobs sustained by partici-
9 pants; and

10 “(10) information regarding such other metrics
11 as the Administrator determines appropriate, includ-
12 ing coordination with other private or public small
13 business assistance programs.

14 “(i) FUNDING.—

15 “(1) AUTHORIZATION OF APPROPRIATIONS.—
16 There are authorized to be appropriated such sums
17 as may be necessary to carry out this section.

18 “(2) ADMINISTRATIVE EXPENSES.—Of the
19 amount made available to carry out this section for
20 any fiscal year, not more than 10 percent may be
21 used by the Administrator for administrative ex-
22 penses.”.

23 **SEC. 6. REGULATIONS.**

24 Not later than 1 year after the date of enactment
25 of this Act, the Administrator of the Small Business Ad-

1 ministration shall promulgate regulations to carry out sec-
2 tions 49 and 50 of the Small Business Act, as amended
3 by this Act, which shall include procedures to—

4 (1) verify the proper use of financial assistance
5 provided under each such section, including a grant
6 or loan made under such section 50 with financial
7 assistance provided under that section; and

8 (2) establish clawback provisions for any in-
9 stance of fraud committed with respect to any finan-
10 cial assistance, or any grant or loan, described in
11 paragraph (1) of this section.