



## The Saving Our Street (SOS) Act

### **Background:**

In the battle against COVID-19, small businesses are increasingly pushed to the brink as cities and states enact necessary restrictions and overall demand for services further plummets. Congress authorized the Paycheck Protection Program (PPP) to provide financial support and stability to these affected businesses. Yet our micro-businesses, generating almost \$3 trillion in sales and receipts annually<sup>1</sup> and accounting for most minority-owned businesses, continue to be left out and left behind. Without action, the bodegas, barbershops, and beauty salons that serve as backbones of our communities are at high risk of failing, depriving millions of economic mobility and security and further widening the racial and gender wealth gap. Main Street small businesses are receiving relief, but more must be done to save *our* street, too.

### **Minority Businesses by the Numbers:**

- As of 2012, black and brown businesses make up 30% of all businesses in the U.S. generating \$1.38 trillion in revenue and providing 7.2 million jobs.<sup>2</sup>
- Between 2007 and 2017, minority-owned businesses managed to grow at ten times the rate of all small businesses.<sup>3</sup>
- Even as overall business formation fell, minority-owned businesses accounted for half of all new businesses created in the last decade.

### **Disparities in Access to Lending:**

- Entrepreneurs of color are less likely to be approved for a loan, and if approved, loans are for smaller amounts with higher interest rates than those offered to white borrowers.<sup>4</sup>
- The Minority Business Development Agency (MBDA) reported that minority-owned businesses are less likely to apply for small business loans due to fear of rejection.<sup>5</sup>
- In addition to the PPP's broad exclusion of business owners with any criminal history, experts estimate that upward of 90% of women and minority-owned businesses may be locked out of the PPP.<sup>6</sup>

### **The Saving Our Street (SOS) Act**

Senator Harris' and Rep. Pressley's Saving Our Street Act provides critical funding to businesses and non-profits that are simply too small to fail. Specifically, the legislation:

- Provides up to \$250,000 in direct grants to micro businesses or nonprofits through the newly established Microbusiness Assistance Fund that can be used for payroll, rent and mortgage, utilities and other business expenses, including PPE and hazard pay.
- Sets aside 75% of the \$120 billion in funding for historically underrepresented businesses including minority-owned and veteran-owned businesses
- Requires a report about the ethnicity, race, industry, geographical demographics, and gender of grant applicants and recipients.

<sup>1</sup> Author's calculation, based on AEO data, of the difference between the "4.87 trillion economic impact" of microbusinesses and the sum of the \$1.6 trillion induced output and \$364 billion indirect output. See Association for Enterprise Opportunity, 2013. Pg. 8. U.S. Census Bureau, "Statistics about Business Size (Including Small Business)," <https://www.census.gov/econ/smallbus.html>.

<sup>2</sup> U.S. Government SBA, Minority Business Ownership: Data from the 2012 Survey of Business Owners, Michael McManus. Issue Brief Number 12, U.S. SBA Office of Advocacy: 2016

<sup>3</sup> Jared Weitz, "Why Minorities Have So Much Trouble Accessing Small Business Loans," Forbes, January 22, 2018

<sup>4</sup> Annual Report to Congress Pursuant to the Equal Credit Opportunity Act, <https://www.justice.gov/crt/publications>.

<sup>5</sup> "Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs," *Minority Business Ownership: Characteristics and Issues*, no. January (2011): 79–130.

<sup>6</sup> Harrington, Ashley. "Small Business Must Extend to Businesses of Color." Center for Responsible Lending. April 6, 2020.