

The Spark Act

Ranking Member Edward J. Markey (MA)

Background:

Historically, minority and underserved small businesses have not received the same access to affordable capital that non-minority small businesses and big businesses receive. For example, minority-owned startups are more than twice as likely to be denied financing than those owned by non-minorities. Less than 1 percent of all venture capital goes to rural businesses; around 2 percent goes to women-owned businesses; and less than 3 percent goes to Black- and Hispanic-owned businesses. Despite the growth in the number of businesses started by underserved entrepreneurs, these businesses continue to have lower revenue, fewer employees, limited access to capital, and lower survival rates. We must provide critical support and assistance to underserved businesses to close the racial wealth gap, supercharge America's economy, and spark an entrepreneurial boom.

The SPARK Program will spur entrepreneurship and enhance outcomes for underserved entrepreneurs, giving their small businesses the best chance for success. It empowers the nation's expansive network of community lenders, nonprofits, Historically Black Colleges and Universities (HBCUs), Minority-Serving Institutions (MSIs), and community colleges to establish and grow existing accelerator and incubator programs to provide holistic support, including intensive mentorship, networking, business counseling, and access to capital.

Bill Summary:

The SPARK Act would **provide targeted entrepreneurial development assistance to minority and underserved small businesses**, including those owned by women, socially and economically disadvantaged individuals, veterans, individuals with disabilities, Native Americans, and justice-impacted individuals. It also would help small businesses located in rural areas and low to moderate income communities.

The legislation would create two programs: the **Spark Program** and the **Spark Financing Program**. Eligible organizations, which may include nonprofits, community development financial institutions (CDFIs), minority depository institutions, lenders participating in Small Business Administration programs, HBCUs, MSIs, and community colleges, can apply for both or one of the programs.

- **Spark Program:** Eligible organizations can apply to receive a minimum of \$500,000 annually, for an initial term of 5 years, to establish or expand accelerator or incubator services for underserved small businesses. This funding would be used for administrative, staffing, and other infrastructure needs associated with running accelerator or incubator programs.
- **Spark Financing Program:** Eligible organizations can apply to receive either (1) up to \$1 million annually, if they also receive funding under the Spark Program, and (2) up to \$500,000 annually, if they don't receive funding under the Spark Program. This funding would be used to provide financing directly to underserved small businesses. Organizations that receive this funding can either provide grants of up to \$20,000 or subsidized loans directly to underserved small businesses.