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Interview: Strengthening Entrepreneurship with Rep. Judy Chu



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On October 22, 2024, the Alliance for Entrepreneurial Equity hosted a roundtable in Los Angeles with a diverse group of policymakers, entrepreneurs, and small business advocates. Our goal was to discuss the unique challenges and opportunities within the local entrepreneurial landscape—and how to better support small business owners.

Afterward, we connected with California Congresswoman Judy Chu to get her insights on entrepreneurship and a lay of the land of current initiatives in Congress. This interview has been edited for length and clarity.

Alliance for Entrepreneurial Equity:

Why does Los Angeles have such a vibrant startup community—what sets this city apart from others?

Rep. Judy Chu:

Entrepreneurs are an invaluable pillar of the Los Angeles area, the San Gabriel Valley, and my own congressional district. And it's no coincidence that we are also one of the most diverse regions in the entire country. I proudly represent a district with a large population of immigrants from all over the world, and immigrants start small businesses at a rate more than two times greater than the non-immigrant population. I have seen the entrepreneurial spirit, determination, and unyielding work ethic from these small business owners and from those from so many backgrounds and walks of life: women, veterans, people of color, and many more. And they are all supported by the robust, local resources designed specifically for small businesses that help support this entrepreneurial vibrancy.

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I'm so proud to have brought the first two Small Business Development Centers (SBDCs) to the San Gabriel Valley—one at Pasadena City College and the other at the University of La Verne, which provide entrepreneurs and small business owners with free and low-cost services to help them create a business plan or secure financing.

But the story doesn't stop there. Because of the Pasadena City College's incredible track record in supporting San Gabriel Valley entrepreneurs, particularly through their SBDC, the institution was recently selected by the Biden-Harris Administration as one of just 17 institutions to be awarded federal funding to establish their very own Women's Business Centers. These Women's Business Centers are designed to help women-owned business owners overcome the unique obstacles they face. And what's more, Pasadena City College was the only community college to be selected.

This network of supportive resources, particularly for those from underserved backgrounds, has played a key role in promoting our vibrant small business community.

Alliance for Entrepreneurial Equity:

Even with great startup growth, there are still challenges—especially among minority entrepreneurs. When you talk to your constituents, what are some obstacles they mention to starting and growing a business?

Rep. Judy Chu:

Time and time again, my constituents tell me that the biggest obstacle they face in jumpstarting their small business is access to capital. This is true for small business owners across the board but disproportionately impacts minority and female entrepreneurs. In fact, we know that women-owned businesses are less likely to be able to obtain a bank loan and often start out with just half as much capital as their male-owned counterparts. And the disparities also exist between white-owned businesses and minority-owned ones.

As a member of the House Small Business Committee, expanding this access to capital for those who need it most has long been a priority of mine. That is why I have worked for years to strengthen and make permanent the Small Business Administration's Community Advantage pilot loan program. Community Advantage enables mission-based lenders to offer both loans and technical assistance to underserved business owners, like minority entrepreneurs, who too often are turned away from traditional banks due to a lack of credit history or assets. After operating as a pilot program for many years, I was so thrilled when President Biden and the SBA finalized a rule to make this program permanent. But there's still more work to be done to protect Community Advantage in future Administrations, which is why I introduced my Community Advantage Loan Program Act to further strengthen the program and permanently codify it in law.

Alliance for Entrepreneurial Equity:

You recently introduced legislation to incentivize investment in small businesses and to help startups hire early employees. What impact do you hope this bill and others like it will have on new business growth and employment?

Rep. Judy Chu:

Businesses without employees, or non-employer businesses, represent our nation's smallest businesses and are also some of our most diverse. In fact, over one-third of non-employer businesses are owned by people of color and more than four in ten are owned by women. But, due to their size, their industry, or the way they are organized, many of these non-employer businesses owned by women and people of color can't take advantage of tax benefits designed for small businesses. Simply put: minority and female entrepreneurs are underrepresented, underestimated,

and undercapitalized. This lack of capital has limited the ability of these entrepreneurs to hire their first employee and grow their businesses.

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That’s why I recently reintroduced the bicameral Providing Real Opportunities for Growth to Rising Entrepreneurs for Sustained Success Act, or PROGRESS Act, to improve access to capital for our nation’s smallest businesses—particularly those owned by women and people of color. The PROGRESS Act would make access to capital for non-employer businesses more equitable by creating two new tax incentives to unlock the growth potential of these businesses. The first, the First Employee Credit, will stimulate business growth and job creation. The second, the Investor Credit, would encourage third-party capital investment and allow small businesses to grow and thrive.

These tax credits will ensure that non-employer businesses, particularly those that are women- and minority-owned, have equitable access to the capital and resources they need to grow and thrive.

Alliance for Entrepreneurial Equity:

How do you see the Community Advantage Loan Program supporting the work of Community Development Financial Institutions (CDFIs) in addressing the capital needs of underserved and rural communities, and why are CDFIs crucial for improving access to financing for small businesses that may not qualify for traditional loans?

Rep. Judy Chu:

The SBA’s government-guaranteed loan programs provide capital to small business owners who otherwise may not be able to access it. Its flagship 7(a) program provides entrepreneurs with up to \$5 million in capital at reasonable rates, but unfortunately has struggled to reach underserved entrepreneurs. The Community Advantage Pilot Program was created to help close this credit gap in underserved markets by allowing mission-oriented nonprofit lenders, such as CDFIs, to make small-dollar 7(a) loans.

That’s exactly why these CDFIs are so important. Because underserved entrepreneurs are often overlooked and rejected by banks and other traditional lenders, these mission-driven lenders fill

critical gaps in the market by providing specialized financial assistance to small businesses that need it most. And I've seen firsthand the powerful impact CDFIs can have in my own district. From 2005 to 2022, CDFIs in the 28th congressional district provided over \$887 million in financing which in turn created or retained over 19,000 jobs. We also saw that CDFIs played an indispensable role in delivering pandemic assistance like Paycheck Protection Program loans to the underserved businesses that lacked relationships with the big banks.

Alliance for Entrepreneurial Equity:

Looking ahead, what legislative priorities or public-private partnerships would you like to see in order to promote equitable entrepreneurship and economic empowerment in America?

Rep. Judy Chu:

Public-private partnerships are a two-way street. Small businesses drive our nation's private sector, comprising 99.9% of all businesses in America and employing nearly half of all private-sector employees. In return, the public sector, particularly the federal government, must do everything in its power to support these small businesses, which often comes in the form of federally backed loans or capital investments.

However, only 42% of our nation's small businesses report that their financial needs are being met. Fortunately, loans backed by the Small Business Administration (SBA) can help fill this gap by offering additional sources of capital, but they are still falling short.

That is why, for the past several Congresses, I have introduced the bipartisan Investing in Main Street Act (H.R. 400) to address this problem. The Small Business Investment Companies (SBIC) Program is an investment program with an SBA guarantee that increases access to capital for high-growth, start-up businesses, making them one of the best ways to deliver investments.

Already, SBIC funding has helped companies like Apple and Intel get off the ground when they were just small businesses. But a 60-year-old law, the Small Business Investment Act of 1958, put a cap on how much banks or federal savings associations may invest in SBICs. My bill would amend that outdated law to increase the percentage of capital and surplus that a bank or federal savings association may invest in SBICs. This Congress, the House of Representatives passed this legislation by a vote of 411-13. If the Senate joins us in passing this bill and the President signs it into law, it could triple the amount of investment capital available to our nation's small businesses and will do much to improve these types of partnerships.

