Capital Access Policy

What it is, why it affects your startup, and how to get involved

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What is access to capital?

- Arguably most important factor in founding a startup
- Multiple avenues for startups to get capital
  - But not everyone has equal access to those avenues
  - Women, people of color, immigrants, and rural entrepreneurs face increased difficulty in accessing capital
- Policy—through legislation or regulation—sets the playing field for capital access
Avenues for capital access

- Self Funding - Most startups launch with personal savings or family loans
- Commercial Lending - e.g., small business loans
- Venture Capital
- Regulation Crowdfunding
- Angel Investment
- Incubator or Accelerator programs
- Government Grant programs
- Tax Incentives - e.g., Federal R&D tax credit
- SBA programs - e.g., SBIR/STTR, others

Each of these invoke different policy actors
Key Policy Actors in Capital Access

- Federal Agencies:
  - Agencies are responsible for much of the regulatory environment
  - Agencies often issue notices of proposed rulemakings in the Federal Register, which have periods for public comment
    - Comment periods are great opportunities for startups to have their voices heard
  
Tip: Sign up for alerts from the Federal Register by keyword and by Agency
Key Policy Actors in Capital Access

- Key Federal Agencies:
  - Small Business Administration (SBA):
    - Through loans or grants, has a direct hand in funding startups
    - Rulemaking for emergency loan programs, like PPP
  - Securities and Exchange Commission (SEC):
    - Regulator of capital markets
    - Rulemaking for Regulation Crowdfunding
      - As the result of input from the startup community, the SEC has made adjustments to crowdfunding limits and investor definitions
Key Policy Actors in Capital Access (cont.)

- Congress
  - Impacts capital access through the passage of legislation
  - Can legislate solutions to capital access when they can’t be solved by regulation at the agency level

- Most work in the capital access space is done by committees and subcommittees
  - Targeted outreach to members of these committees can be more effective than general outreach to your member
  - Committees offer comment periods following hearings, another avenue for your voice to be heard
Key Congressional Committees for Capital Access Policy

- House Financial Services Committee (Chair: Maxine Waters; Ranking Member: Patrick McHenry)
  - Where amendments to laws like the Securities Act or JOBS Act would occur so that they better work for startups

- FinServ Key Subcommittees:
  - Investor Protection, Entrepreneurship, and Capital Markets (Chr. Brad Sherman; RM Bill Huizenga)
  - Diversity and Inclusion (Chr. Joyce Beatty; RM Ann Wagner)
  - Task Force on Financial Technology (Chr. Stephen Lynch; RM Tom Emmer)
Key Congressional Committees for Capital Access Policy

- House Committee on Small Business (Chair: Nydia Velazquez; Ranking Member: Steve Chabot)
  - The SBA falls under their jurisdiction, and it is where a lot of work on the PPP has occurred
- Key Subcommittees:
  - Economic Growth, Tax, and Capital Access (Chr. Andy Kim; RM Kevin Hern)
  - Innovation and Workforce Development (Chr. Jason Crow; RM Troy Balderson)
Key Congressional Committees for Capital Access Policy

- House Ways and Means Committee (Chair: Richard Neal; Ranking Member: Kevin Brady)
  - Ways and Means handles Tax and Trade Policy. Any tax incentives, say, for angel investment, would likely fall under the jurisdiction of this committee
Key Congressional Committees for Capital Access Policy

- Senate Banking Committee (Chr. Mike Crapo; RM Sherrod Brown)
  - This committee has jurisdiction over banking, financial institutions, federal monetary policy, and financial aid to commerce and industry
- Key Subcommittees:
  - Economic Policy (Chr. Tom Cotton; RM Catherine Cortez Masto)
    - Jurisdiction over disaster assistance, small business lending, loan guarantees and economic growth
  - Securities, Insurance, and Investment (Chr. Pat Toomey; RM Chris Van Hollen)
Key Congressional Committees for Capital Access Policy

- Senate Committee on Small Business (Chr. Marco Rubio; RM Ben Cardin)
  ○ Responsible for SBA oversight
- Senate Committee on Finance (Chr. Chuck Grassley: RM Ron Wyden)
  ○ Responsible for tax matters
Why do startups need to get involved?

- Policy can affect all areas of your business, especially how you access capital
- Policymakers rely on input from startups for direction on policy
- If only large companies and associations with large, organized voices come to the table, those are the only concerns that will be addressed
- Example:
  - Effective advocacy from startups led to the passage and implementation of the JOBS Act
  - Startups are still engaging to make sure provisions like Regulation Crowdfunding are working for them
How do startups get involved?

- If you have an experience or opinion on a policy issue, share it with policymakers, other startups, your entrepreneur support organization, and advocacy organizations like Engine.

- Targeted outreach to members of the committee that governs the issue you care about may be more effective than reaching out to your member, but both are helpful and important.
Outreach and Advocacy Strategies

- Reach out through phone calls, letters, or setting up a meeting
- Members often hold town halls and roundtables on specific issues—seek to attend those that are relevant
- Many members employ a business liaison—seek to build a relationship, if so
  - They can be a good first point of contact for several issues
- Consult your local ESO to see if they have a standing relationship with your member
- Collective voices are better than one
  - Engage with organizations like Engine
    - Provide feedback and insights on issues you encounter so they are reflected
    - Join coalition letters—orgs. often send letters to policymakers on various issues; these letters are made stronger with each additional startup signatory
    - Take part in national advocacy events like Congressional Startup Day