



Key Points

- *Small businesses have borne the brunt of the credit crisis, unable to secure capital to meet obligations and expand operations.*
- *Small businesses account for 65% of job growth in the U.S.*
- *H.R. 3854 will support \$44 million in lending and create or save approximately 1.3 million jobs per year.*
- *ARRA provides a 65% subsidy of unemployed worker COBRA benefits. Businesses have to pay this up front and file for a reimbursement later. This places undue financial burdens on already struggling companies.*

Provide Relief for Small Businesses

AIA Position

The American Institute of Architects (AIA) believes that supporting small businesses is the fastest way to grow the economy and create jobs. Today, small businesses are bearing the brunt of the economic downturn. Many small businesses cannot access credit vital for staying in business, and they are unable to secure capital to expand their operations. The AIA believes that action must be taken to free up credit and restore confidence in lending.

Action Sought

The AIA urges members of Congress to support the Small Business Financing and Investment Act (H.R. 3854) and take steps to relieve the burdens of COBRA subsidies.

Explanation and Justification

The design and construction industry has been hit particularly hard by the recent economic downturn. Construction was down 27% in December 2009 alone, due in large part due to the lack of available financing. Because small businesses account for the majority of design and construction companies, for the economy to recover, policymakers must ensure that small entrepreneurs have access to capital.

Small Business Financing and Investment Act

The Small Business Financing and Investment Act (H.R. 3854), which passed the House in 2009 by an overwhelming majority, aims to increase lender confidence and thereby generate additional financing options for small businesses. The bill will expand the SBA's microloan program, increase the maximum loan amount under the 7(a) program from \$2 million to \$3 million, and increase the maximum long-term financing opportunities in the 504 loan program from \$2 million to \$25 million, depending on the number of jobs created. This important legislation will significantly help small businesses not only secure loans, but gain access to larger amounts of capital so that American business can once again begin to grow.

COBRA Subsidy

Under current law, a recently laid-off worker can continue to receive 18 months of medical insurance through their former employer's insurance company. The American Recovery and Reinvestment Act created a 65 percent government subsidy to defray the cost of COBRA insurance. The employer must pay this amount up front and obtain reimbursement through a payroll tax credit. This is a difficult burden for small firms that have been forced to lay off employees and creates cash flow problems that could lead to additional layoffs. Offering additional bridge loans or expediting the process by which small businesses are reimbursed will limit these financial burdens.