

# Lessons Learned from the Office of Evaluation Sciences Portfolio on Equity and Small Business Recovery

Nearly half of American employees work for a business with fewer than 500 employees. The COVID-19 pandemic posed significant risks to these small businesses, with pandemic closures concentrated more heavily among minority and female-owned businesses.<sup>1</sup> Federal agencies such as the Small Business Administration (SBA) and local governments provided grants and loans to aid in small business survival during stay-at-home orders and to stimulate recovery afterwards. To inform future economic relief efforts, this document describes lessons learned from a portfolio of work by [the Office of Evaluation Sciences](#) (OES) on equity and small business recovery efforts.

## What is the Office of Evaluation Sciences (OES)?

OES is an interdisciplinary team of experts within the Federal government, housed at the U.S. General Services Administration. Our team works with agencies to build evidence that translates into concrete recommendations for how to improve government.

## Lessons Learned from the Equity and Small Business Recovery Portfolio

From Spring 2020 to Fall 2021, OES conducted six projects that build evidence on equity and small business recovery in collaboration with the SBA and nine local government agencies.

The projects focused on the path that small businesses need to navigate to receive grants or loans (below figure), which often involves (1) learning about funding, (2) applying for funding, (3) passing initial eligibility screens, (4) providing documentation for more in-depth review, and (5) receiving funding and putting it to use. While all businesses faced challenges in progressing through these stages, underserved businesses<sup>2</sup> could face heightened challenges. We summarize many of these takeaways in [Challenges and Opportunities for Pursuing Equitable Distribution of Small Business Relief](#).

### (1) Documentation requirements affect who submits an application.

Grant and loan programs balanced getting money out the door quickly with ensuring program integrity. Our [discussions](#) with city administrators showed that the requirement to provide Profit & Loss statements or tax returns in order to prove COVID-19-related damages, could pose barriers to underserved businesses, which tend to be smaller and lack traditional accounting staff. Our [evaluation](#) leveraged data from a city agency that reduced documentation requirements midway through its review process. After the reduction in required documentation, underserved businesses were more likely to progress from starting an application to submitting it. Because other businesses also benefited, it was unclear whether the program change made access more equitable.

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<sup>1</sup> Fairlie, R. W. (2020). The impact of COVID-19 on small business owners: Evidence from the first three months after widespread social-distancing restrictions. *Journal of Economics & Management Strategy*, 29, 727-740.

<sup>2</sup> Executive Order 13985, [Advancing Racial Equity and Support for Underserved Communities Through the Federal Government](#), defines underserved communities as “populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life.” OES projects focused on different subsets of these communities, depending on the data collected by local government collaborators, but typically defined underserved businesses as those owned by members of racial and ethnic minority groups and by women.

#### *Additional takeaways*

- Because cities lacked reliable data on the full set of small businesses that *could* apply, it was difficult to evaluate the success of outreach efforts.
- Many businesses start an application but never finish its required elements. Giving businesses flexibility around what information to include in their initial application can reduce this dropoff.

### (2) Prioritization methods impact which applicant businesses are offered funds.

A key challenge for local agencies was how to allocate funds when the demand for funding exceeded the amount available. In a [quantitative, simulation-based study](#), we pooled business-level application data from three cities and examined the impact that different prioritization methods have on access to relief for underserved businesses.

#### *Additional takeaways:*

- First-come, first-served methods and points systems can disadvantage underserved businesses, which often apply later and receive fewer points due to lower levels of revenue and FTE
- “Set aside” methods that reserve a portion of funds for underserved businesses offer a more consistent way to improve access, but face tensions between prioritizing businesses located in high-need areas versus businesses owned by members of underserved groups.

### (3) It is difficult to quantify the impact of funding on business survival and resilience due in large part to data limitations.

Among businesses that apply for relief, those who get funded look very different from those who do not, making it difficult to attribute differences in outcomes to receiving funding. OES conducted two quasi-experimental evaluations—one of a [lottery design](#) and the other a [“selection on observables” approach](#)—to measure the impact of funding on business resilience. OES explored a range of administrative and private sector data sources; each faced challenges with low coverage rates for the very small businesses and sole proprietorships that comprised the majority of relief applicants. Ultimately using available data, across both evaluations, OES found no statistically significant evidence that funding helped businesses avert bankruptcy, stay open, or pivot to online services, and no statistically significant evidence of different impacts for underserved businesses. This does not mean that we can conclude that there is no impact of these funding programs, only that the research designs were limited in their ability to detect these impacts.

#### *Additional takeaways:*

- Quasi-experimental methods are an important complement to prospective evaluations as a tool to measure program impacts, but face challenges in this domain due to limited data to measure resilience of very small businesses.
- Many businesses did not respond to invitations to submit documents for funding, with nonresponse increasing over time. This not only attenuates program impacts but also highlights the importance of rapid disbursement and reducing documentation burdens.

### For More Detail on the OES Projects on Equity and Small Business Recovery:

1. [Increasing Access to Small Business Grant and Loan Programs for Historically Underserved Groups](#)
2. [How Documentation Burdens Affect the Equitable Distribution of Small Business Relief Funding](#)
3. [Who Receives Access to Small Business Relief? A Simulation-based Approach](#)
4. [Evaluation of San Diego Small Business Relief Fund](#)
5. [Dallas Small Business Continuity Fund Impact Evaluation](#)
6. **Synthesis:** [Challenges and Opportunities for Pursuing Equitable Distribution of Small Business Relief](#)