February 2025

The State Small Business Credit Initiative: Making it Work For American Manufacturers

The U.S. Treasury's State Small Business Credit Initiative (SSBCI) is a promising funding source for small manufacturers. Unfortunately, three-plus years into the 10-year program, SSBCI funding is not reaching most of the nation's small manufacturers. This paper explores why, lifts up what is working, and shares tactics that states can deploy to reach more of these smaller manufacturers.

Urban Manufacturing Alliance

Contents

Preface

REPORT AUTHORS

Audra Ladd
Gretchen Kalwinski

At the time of publication, there is uncertainty as to the future of the State Small Business Credit Initative (SSBCI). It is our hope that Congress' funding commitments will be honored. For some context, on January 22, 2025, through executive order the Trump Administration terminated all Diversity, Equity, and Inclusion (DEI) staff and programs related to federal workforce, federal contracting, and spending. On January 28, the Administration's Office of Management and Budget rescinded its call to pause payments for federal grants (SSBCI falls under this umbrella) but there is still wide confusion about the future funding and deployment partner. With these destabilizing actions from the White House, many states have paused some or all of their SSBCI programs.

List of Figures & Tables

① The State Small Business Credit Initiative and the Manufacturing Sector

EXPANDING A PROMISING PROGRAM

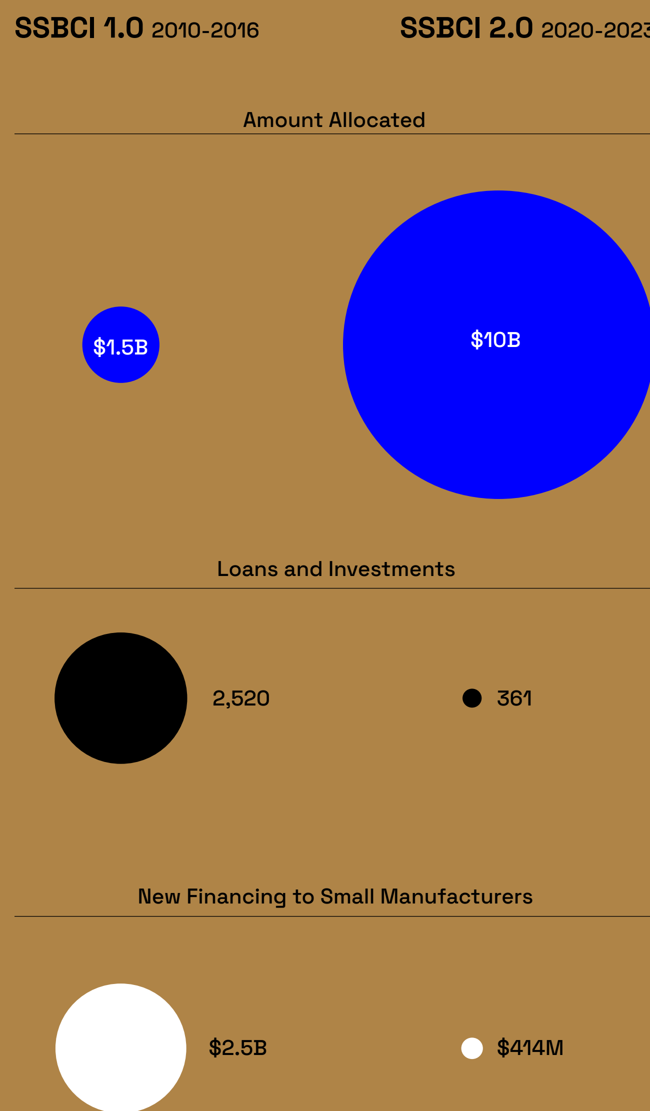
In 2021, the American Rescue Plan Act (ARPA) allocated $10 billion to the State Small Business Credit Initiative (SSBCI) 2.0, a program that fosters small business development by supporting existing (or creating new state pipelines of) accessible credit and capital investments. This represents a historic investment in the country's small businesses by Congress who authorized a similar but much smaller program a decade earlier. "SSBCI 1.0" was a $1.5 billion program created in 2010 to address the severe decline in small business lending that accompanied the Great Recession.[1] **In the 2.0 program, ARPA provided six times the amount of the 1.0 program. This substantial funding was approved with the tacit understanding that it would finance small business development to meet the demand created by ARPA.**

The SSBCI 2.0 plan notes that dollars can be used to "create capital access programs, other capital support programs, and venture capital investments."[2] The overarching goal of the program is to reduce collateral requirements, lower lending costs, and provide new equity investments in private companies, using public dollars to leverage substantial private investment. One crucial update in the 2.0 version of SSBCI is that it includes new funding provisions designed to help tackle enduring and systemic gaps around access to capital. This aspect of the program was included as part of the government response to the economic challenges of the COVID-19 pandemic.[3]

The expansion of this program was good news for small manufacturers. Generally, business owners in this sector encounter barriers to getting credit for business costs such as new equipment, raw materials, or working capital. Naturally, this challenge makes it more difficult for them to expand their businesses than those in non-manufacturing sectors (See page 5).

FIGURE 1: MEASURING SSBCI 2.0 AGAINST 1.0

In year 3 of 10, SSBCI 2.0 is currently on track to leave billions of allocated funds for small businesses on the table



A SLOW START

Despite the strong evidence that SSBCI can be a great tool for manufacturing, such as the White House's 2023 report "The State Small Business Credit Initiative and the Rebuilding of the U.S. Manufacturing Base" we are finding that SSBCI funding is not reaching small manufacturers to the extent we had hoped.[4] In fact, compared to SSBCI 1.0, the number of loans to manufacturers and the total percentage of loans in 2022–2023 are significantly lower than expected.

At the end of 2023, there were only 361 total loans or equity investments made to manufacturers, totalling $414+ million (Table 1). In sharp contrast, during SSBCI 1.0 (2010 to 2016) the program supported 2,520 loans and investments totaling $2.5 billion in new financing to small manufacturers, potentially creating/retaining 41,000 jobs.[5]

Even if we posit that 2.0 has not been operating long enough to compare to 1.0, there is additional information that leads us to a similar conclusion—such as the data from the 2022-2023 SSBCI Annual Report[6] and the many conversations that Urban Manufacturing Alliance has had with SSBCI staff at U.S. Treasury, SSBCI program managers at the state level, lenders, and other community economic development organizations. Of all of the loan product transactions, only 8.2 percent of the total have been to manufacturing companies. For equity investments, we have seen a larger than expected 20.3 percent invested in manufacturing companies with a median investment of $1,000,000.

This current outcome is suboptimal because we know the crucial role manufacturing plays in our economy; it creates jobs, creates an additional $1.38 in economic activity for every dollar spent, and spurs innovation (68% of all R&D spending is in the manufacturing sector).

We acknowledge that the data from the annual report is nearly a year old and we hope to see improvement in the years to come. Until then, this report will explore why reaching small manufacturers has been challenging, even by the states convened in an SSBCI Manufacturing Working Group, and what can be done both in program construction and deployment to address these issues.

TABLE 1: TOP 10 INDUSTRIES TO RECEIVE SSBCI LOANS AND INVESTMENTS

Manufacturing loans/investments are significantly lower in SSBCI 2.0 compared to 1.0.

	SSBCI 1.0		SSBCI 2.0	
	# of Loans	Value of Loans/ Investments	# of Loans	Value of Loans/ Investments
Professional, Scientific and Technical Services	1,771	$1,794M	431	$469M
Manufacturing	2,520	$2,548M	361	$414M
Accommodation and Food Services	2,602	$937M	404	$272M
Health Care and Social Assistance	1,230	$585M	237	$169M
Information	681	$1,080M	156	$160M
Construction	1,586	$391M	238	$144M
Other Services (except Public Administration)	1,789	$270M	259	$127M
Retail Trade	3,646	$864M	339	$122M
Wholesale Trade	1,172	$604M	112	$106M
Real Estate and Rental and Leasing	494	$327M	107	$93M

Source: U.S. Treasury Department, See Endnote 7.

THEORIES ABOUT THE DOWNTURN IN MANUFACTURING LENDING

It would be remiss not to mention macroeconomic trends that contributed to the challenge of lending to small manufacturers. High inflation and corresponding high interest rates have made it hard for small manufacturers to obtain materials and sell products at inflation-adjusted amounts — and have made borrowing prohibitively expensive. Inflation stabilized during 2024 but interest rates for business loans still remain in the double digits.

As for how these two issues are playing out in SSBCI lending, we see success when lenders use the loan participation program to 'buy down' or 'blend' the interest rate to single digits. In areas of the country where manufacturing is a newer, growing part of the economy (i.e., the South and Southwest) we are seeing success specifically where there is a network of lenders or an entity that facilitates transactions. The Rural Center in North Carolina is an example of where this is working, as evidenced by three of the top 10 SSBCI bank lenders by transaction volume being in North Carolina.[8]

> "The manufacturing sector is by nature more capital intensive...Manufacturers need capital for upfront purchases of materials, technology, equipment, and facilities to produce them into final goods—the returns on capital come after final production."

EVEN GREATER CHALLENGES FOR SMALL MANUFACTURERS

We foreshadowed some of these challenges in the policy brief we released at the launch of the program, "SSBCI 2.0: A New Capital Tool For Revitalizing and Diversifying Manufacturing."[9] As noted above, one underlying challenge faced by the manufacturing sector is that it is, by nature, more capital intensive than sectors that can quickly convert products and services into sales. Manufacturers need capital for upfront purchases of materials, technology, equipment, and facilities to produce them into final goods — the returns on capital come after final production. This large upfront investment can significantly deter lenders from providing financing, as they may not be able to meet standard cash flow payback calculations.[10]

Of course, this challenge is exacerbated for non-white, non-male manufacturing business owners who also face the inherent, historical racism and sexism present in our financial systems. SSBCI plays a critical role in fostering equity within communities by offering "patient capital" to diverse small businesses. Therefore, SSBCI's success should be measured not only by job creation and retention but also by its progress in advancing racial equity.[11]

SSBCI FUNDING TYPES AND THEIR APPLICABILITY TO SMALL MANUFACTURERS

There are five different SSBCI funding or program types — Capital Access, Collateral Support, Loan Guarantee, Loan Participation, and Venture Capital/Equity. The first four are loan-related products and Venture Capital/Equity is money that is in exchange for ownership interest. This diversity of funding types provides an opportunity for states to craft a program that fills the financing gaps of their small business lending landscape. See Figure 2 for definitions.

Each state had the ability to submit an application with one, a few, or all of the funding types. Even if two states decided on the same type of programs they also chose what percentage of funding was allocated to each.[12] This makes it complicated to compare and contrast programs or to understand why a program is reaching more small manufacturers in one state but not another. What we can do is compare the capital projects by transaction number for the whole of the program— versus only manufacturing.

FIGURE 2

5 Types of SSBCI Funding

CAP
Capital Access Programs

provide portfolio insurance in the form of a loan-loss reserve fund into which the lender and borrower contribute. Lenders may offset losses on SSBCI loans until the reserve is exhausted. These programs reduce the high risks that tend to be characteristic of new and small businesses.

LGP
Loan Guarantee Programs

ensure a lender of a partial repayment in the event of loan defaults. Some states, such as California, have a long history of loan guarantees by the state and thus have been accepted by the lending community.

CSP
Collateral Support Programs

supplement a borrower's available collateral with SSBCI funds. CSPs are particularly useful for manufacturers with adequate cash flow but a collateral shortfall.

LPP
Loan Participation Programs

provide credit support through the purchase of a portion of a loan made by a lender or through a direct loan alongside a private lender (co-lending). LPPs may address shortfalls in collateral and/or enable a lower overall interest rate for the borrower. This is SSBCI's most popular program. Manufacturers are supported by this program when lenders use it to lower the overall interest rate or to fill a collateral gap.

VC Equity
Venture Capital/Equity Programs

provide high-growth potential companies with equity investment (capital in exchange for a percentage of the ownership of a company). States may invest in venture capital funds or directly in small businesses. Most manufacturers do fit the high-growth, high rate of return model of traditional VC investment. However, we have seen a significant number of equity investments in manufacturing companies to date.

FIGURE 3

Total SSBCI Transactions by Program Type (2022-2023)

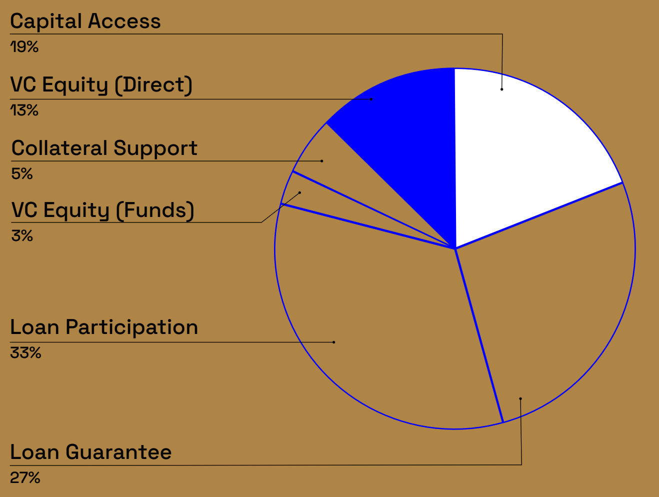
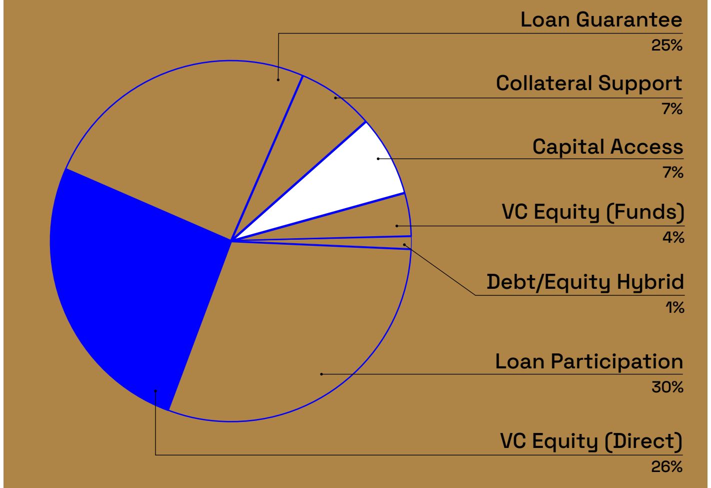


FIGURE 4

Share of Total SSBCI Manufacturing Transactions by Program Type (2022-2023)



In Figures 3 and 4, we see similarities in the most popular program of Loan Participation (30 percent of manufacturing transactions; 33 percent overall). Collateral Support and Loan Guarantee are also similar. The differences are that the manufacturing transactions have used the VC Equity (Direct) program, shown above in blue, at 26 percent versus 13 percent for all transactions.

This is good news as it means more manufacturing companies are receiving equity investments. The other difference is Capital Access, shown above in white, where only seven percent of manufacturing transactions have been supported by this product, while it is used in 19 percent of total transactions.

A Common Misconception about Manufacturing Loan Size

We've said that manufacturers typically need more capital than service or retail businesses, but how much more? In UMA's experience, a small manufacturer needs a loan higher than the $50,000 limit of the Small Business Administration's (SBA) microfinance program. Used as a proxy, the SBA community advantage program (which tops out at $350,000) is a fit for some small manufacturers, but like the SBA 7(a) program (which maxes out at $5 million) it requires a 10% minimum downpayment and a significant collateral pledge which many small manufacturers cannot meet. Broadly, most small manufacturers* served by our network need $100,000–$500,000, depending on the expansion.

The SSBCI 2022-2023 annual report shows that manufacturing is the fourth most popular industry by transaction count. Looking at Table 2, which depicts the top North American Industry Classification System (NAICS) manufacturing segments, "Bakeries and Tortilla Manufacturing" and "Other Misc. Manufacturing" are the only two categories with average loan sizes under half a million dollars. Our hope is that SSBCI will serve a greater number of smaller manufacturers while maintaining a healthy number of loans to larger manufacturers.

TABLE 2: TOP NAICS SEGMENTS AND 2022-2023 SSBCI LOAN OR INVESTMENT AMOUNTS

Despite need for loans between $100K–500K, only two manufacturing segments show average loan sizes under half a million dollars

NAICS	Definition	Transactions	Loan/Investment Amount	Average Loan/ Investment Amount
3391	Medical Equipment and Supplies Manufacturing	31	$79,673,290	$2,570,106
Other	Other Manufacturing	243	$318,038,589	$1,308,801
3119	Other Food Manufacturing	29	$26,995,262	$930,871
3121	Beverage Manufacturing	41	34,003,559	$829,355
3399	Other Miscellaneous Manufacturing	25	$10,461,800	$418,472
3118	Bakeries & Tortilla Manufacturing	25	$5,480,696	$219,228
Total		**394**	**$474,653,197**	**$1,204,704**

*We define small manufacturers as companies on a growth trajectory with a valuation of at least a million dollars, and 5-20 employees.

② SSBCI Funding to Manufacturers

EVALUATION OF SSBCI MANUFACTURING WORKING GROUP

The U.S. Treasury department initiated a manufacturing working group composed of states that had self-identified manufacturing as an important sector in their SSBCI applications. The purpose of this group is for the state program managers to share best practices and to hear from other federal agencies that also have manufacturing-related community investments or expertise. This initial group was comprised of 18 states with the geographic distribution shown in Figure 7.

Unfortunately, this group has met only sporadically since its inception and while Treasury shared some of the manufacturing-focused programs this group and other states are utilizing in the 2023 White House report,[13] there is a lack of true investment in tailoring programs or assistance to small manufacturers. Based on conversations we have had, state program managers are focused on getting the "dollars out the door" and, short of a customized program for small manufacturers, the funds are being invested agnostically or according to the economic clusters—or ease of lending—in their jurisdictions.

FIGURE 5

States Participating in the SSBCI Manufacturing Working Group

NORTHEAST
Maine
Vermont

MID-ATLANTIC
New Jersey
New York
Pennsylvania

MIDWEST
Iowa
Illinois
Minnesota
Michigan

SOUTH
Florida
Kentucky

SOUTHWEST
Nevada
New Mexico
Utah

WEST
Alaska
California
Hawaii
Washington

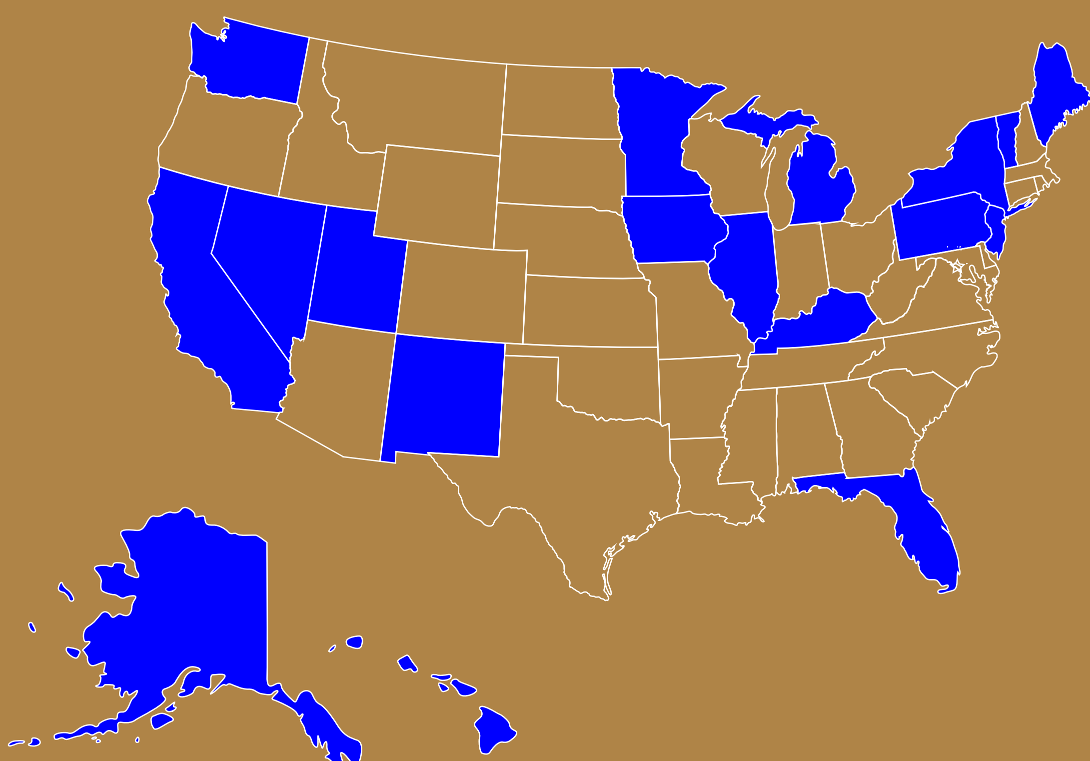


Table 3 shows that of the 17 states with the highest total dollar Venture Capital lending to manufacturers, there are eight from the Manufacturing Working Group (FL, IA, KY, ME, MN, NV, NY, PA) with Florida, Minnesota, Maine, Kentucky and Pennsylvania in the top 10. But on the loan side, of the top 22 states lending to manufacturers, only half (11) are from the working group and of these only four (FL, AK, MI and ME) are in the top 10.[14]

While these numbers suggest the working group has not given states sufficient support to connect manufacturers with capital, we do take inspiration from three states in this working group; we'll explore those examples below.

WHICH STATES ARE LEADING LENDING TO MANUFACTURERS?

Figures 6 and 7 show the number of manufacturing loan-credit and Venture Capital (VC) Equity investments made by states. Lending to manufacturers is happening, and when we look at both the credit and lending maps, three states stand out as using both programs to support manufacturers: Minnesota, Pennsylvania, and Kansas.

The main implication is that although the working group states named manufacturing as a focus sector in their application to the Treasury, they didn't actually build products, technical assistance, or marketing for manufacturers. With only a few exceptions, those states are running SSBCI in a sector-agnostic way.

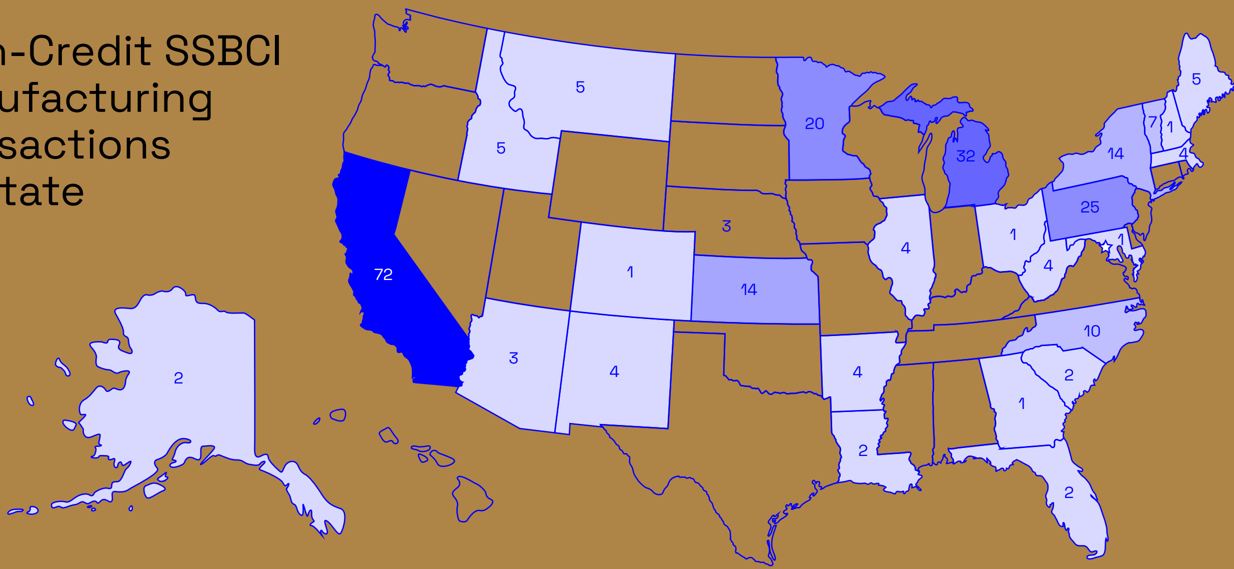
TABLE 3: AVERAGE SSBCI MANUFACTURING INVESTMENT TRANSACTION AMOUNT BY JURISDICTION

Participation in the SSBCI Manufacturing Working Group (states in blue) is not a predictor of which states lend most to manufacturers.

VC EQUITY	1	Connecticut	$7,887,816
	2	Maryland	$7,121,429
	3	Florida	$7,000,000
	4	Minnesota	$3,759,749
	5	Maine	$2,331,999
	6	Kentucky	$1,531,524
	7	Indiana	$1,445,500
	8	Pennsylvania	$1,434,493
	9	Colorado	$1,416,667
	10	Massachusetts	$1,285,000
	11	New York	$762,500
	12	Virginia	$658,063
	13	Kansas	$491,667
	14	Nevada	$571,586
	15	Iowa	$444,972
	16	Oklahoma	$441,659
	17	North Dakota	$200,000
LOAN-CREDIT	1	Florida	$10,486,754
	2	Idaho	$2,512,232
	3	South Carolina	$2,489,071
	4	Massachusetts	$2,233,850
	5	Puerto Rico	$1,959,000
	6	North Carolina	$1,531,524
	7	Alaska	$1,350,000
	8	Montana	$934,400
	9	Michigan	$836,617
	10	Maine	$817,215
	11	Nebraska	$780,450
	12	West Virginia	$730,495
	13	New Mexico	$658,750
	14	Vermont	$571,586
	15	Minnesota	$505,718
	16	Illinois	$383,900
	17	Arizona	$375,394
	18	Kansas	$307,186
	19	California	$305,394
	20	Pennsylvania	$243,463
	21	Louisiana	$75,000
	22	New York	$62,341
	23	Arkansas	$27,500

FIGURE 6

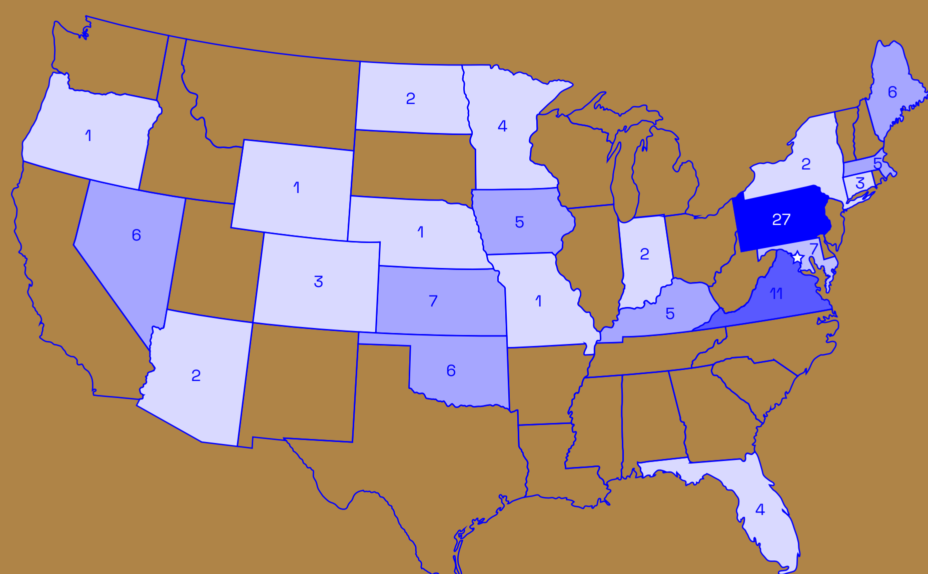
Loan-Credit SSBCI Manufacturing Transactions by State



1.	California	72
2.	Michigan	32
3.	Pennsylvania	25
4.	Minnesota	20
5.	Kansas	14
6.	New York	14
7.	North Carolina	10
8.	Vermont	7
9.	Idaho	5
10.	Maine	5
11.	Montana	5
12.	Arkansas	4
13.	Illinois	4
14.	Massachusetts	4
15.	New Mexico	4
16.	West Virginia	4
17.	Arizona	3
18.	Nebraska	3
19.	Alaska	2
20.	Puerto Rico	2
21.	Florida	2
22.	Louisiana	2
23.	South Carolina	2
24.	Colorado	1
25.	Georgia	1
26.	Maryland	1
27.	New Hampshire	1
28.	Ohio	1

FIGURE 7

VC-Equity SSBCI Manufacturing Transactions by State



1.	Pennsylvania	27
2.	Virginia	11
3.	Maryland	7
4.	Kansas	7
5.	Nevada	6
6.	Oklahoma	6
7.	Maine	6
8.	Massachusetts	5
9.	Iowa	5
10.	Kentucky	5
11.	Minnesota	4
12.	Florida	4
13.	Colorado	3
14.	Connecticut	3
15.	Indiana	2
16.	Arizona	2
17.	North Dakota	2
18.	New York	2
19.	Wyoming	1
20.	Missouri	1
21.	Nebraska	1
22.	Oregon	1

③ Where SSBCI is Working and Why

The good news: We are seeing inspirational examples from a number of states. While comparing one state's program to another is like comparing apples to oranges, when we consider the success stories, we do see one or more of the following elements at play:

1. A LEGACY OF MANUFACTURING

The state possessed a historic legacy of manufacturing and an intact network between bankers, manufacturers, and affiliate organizations. There's no way around the fact that states with integrated networks between manufacturers, lenders, and business support organizations have simply had more success on this front.

2. STRONG LENDING RELATIONSHIPS

The presence of an integrated ecosystem of lenders and business-support organizations compatible with small manufacturers helps facilitate lending to manufacturers. Lenders, particularly CDFIs, need to have deep expertise with the small manufacturing sector because it allows them to understand their unique needs and underwrite loans appropriately.

● **Montana**, for example, decided to invest their entire SSBCI program into one product—the Loan Participation Program. This decision was done in collaboration with the lending community and with historical knowledge of the 1.0 program. This clarity of design and deployment allowed the lenders to quickly deploy funds to small businesses, including manufacturers.

3. LENDING CREATIVITY

We must demand creativity by the lending community to de-risk the loan or lower the loan's cost to the manufacturer. For use of the Loan Participation Program (LPP), the U.S. Treasury's report on manufacturing lifts up three notable examples of this type of creativity:

● **North Carolina**
The North Carolina Loan Participation Program (LPP) typically purchases up to 20 percent of an eligible term loan on a subordinated basis. This helps small manufacturers that lack the cash equity required to meet loan-to-value minimum requirements, which creates a risk gap for lenders. In North Carolina, CEA Manufacturing used the NC Rural Center's LPP to get a loan for advanced manufacturing equipment that was originally unable to satisfy the bank's required loan-to-value ratio.[15]

● **Michigan**
In Michigan, lenders can tap into several SSBCI lending programs to help manufacturers with their working capital needs. The state is expanding three lending tools deployed initially in the first SSBCI—a Loan Guarantee Program, Loan Participation Program, and Collateral Support Program. The LPP is focused on loans of less than $250,000, while the two other programs are limited to loans that exceed $500,000. The latter two programs target industries with high potential economic impact, including manufacturing.[16]

● **Washington**
Washington's Loan Participation Program (LPP) offers deferred payments for borrowers that have long product cycles.

STATES THAT STAND OUT

In addition, there are three states on the leaderboards for lending to small manufacturers. Below are case studies from each:

● Pennsylvania

In September of 2023, Joshua Willits (owner of Idea, LLC) and Lonely Monk Coffee Roasting, LLC closed on a $97,000 SSBCI loan to acquire Bagel Lovers Cafe. The essential financing was facilitated by the Pennsylvania Catalyst Loan Fund and provides fixed-rate financing of 4.75 percent, amortized over 10 years, with a balloon payment at the end of five years. The Pennsylvania Catalyst Loan fund (administered by the Capital Region Economic Development Corporation) is funded through the state's State Small Business Credit Initiative and was designed to support Socially and Economically Disadvantaged Individual (SEDI) borrowers as well as Very Small Businesses (VSB). This fund represents a joint application from eight counties and is managed by Chester County Economic Development Corporation in order to better support working capital needs. Program-wise, it has the potential to provide businesses and projects up to 50 percent financing on eligible costs, fixed interest rates up to five years, amortizations up to 15 years, a rate of 5.25 percent (as of May 1, 2024) and up to 100 percent financing (in conjunction with a willing institution). The loan enabled the business owners to enrich the local culinary scene; Willits has already made many improvements, including restoring the brand's original New York-style kettle boiled bagel recipe, offering local, artisan roaster Lonely Monk Coffee, and adding a commercial espresso machine, revamped menu, and colorful murals.[17]

> "There's no way around the fact that states with integrated networks between manufacturers, lenders, and business support organizations have simply had more success."

● Kansas

Kansas-based manufacturer Razer Precision Instruments (RPI) was founded to fill a gap in quality for small pressure gauges. These products play a critical role in the supply chain and in many industrial processes, and faulty gauges represent significant risk to employees and companies that rely on their integrity. RPI President Kenny Burris says, "Faulty gauges created the idea for a business to build a better gauge for industry." Burris had the industry expertise to launch the business, but needed technical assistance and access to the right capital to grow a profitable company. He worked with the commercialization team at Kansas State's Technology Development Institute to structure the business plan and plan to go to market. That's how he heard about the SSBCI-supported GROWKS Loan Program,[18] a program of the 501c3 nonprofit organization NetWork Kansas that provides companion loans alongside private lenders to open up access to capital for companies that may otherwise struggle to "tick" conventional credit boxes. For Burris, GROWKS provided $100,000 in subordinated debt using the loan participation program.

● Michigan

Extrunet America is a Michigan-based supply chain company that produces extrusion machinery and tooling for clients in the decking, fencing, and window industries. The Michigan Economic Development Corporation provided Extrunet America with $532,000 in SSBCI-funded collateral loan support, unlocking access to a $1.3 million bank loan to fund business expansion by almost doubling their production facility and adding three new jobs.[19] This transaction demonstrates how jurisdictions can use SSBCI support to fill collateral gaps and unlock commercial loans. Michigan is also known for its strong Technical Assistance (TA) program: The Michigan Strategic Fund (MSF) that convenes a diverse and comprehensive list of TA providers who can deliver one-on-one assistance to SEDI small businesses at any phase of the application process (and provide guidance throughout the length of their loan).

④ Recommendations for the Future of SSBCI and Small Manufacturers

SSBCI is reaching larger manufacturers and encourages continued investment in these firms. We believe SSBCI could be supporting more small manufacturers. This focused support will require both SSBCI state program leads and the U.S. Treasury SSBCI staff to identify how the current programs can be tailored—and to create an imperative to do so. Along with continuing to capture and share stories of small manufacturers accessing SSBCI funds, we have two broader recommendations about what states and the U.S. Treasury can do right now to ensure the remainder of the program is more successful in supporting small manufacturers.

SSBCI LEADERSHIP & STAFF AT U.S. TREASURY

1. Reconstitute the SSBCI Manufacturing Working Group with states that truly want to tailor their programs to support small manufacturers

Reworking the working group's structure with the explicit purpose of prioritizing small manufacturers has the potential to powerfully impact the manufacturers in those states. **The expectations of participation should include: A consistent meeting cadence, an objective review of each state's products and programs that identify areas of retooling, and rigorous, consistent content focused on sharing success stories, collective problem solving, and peer-to-peer mentoring.**

There are two specific ways the U.S. Treasury SSBCI leadership and staff can support learning across states:

- **Mentorship between legacy manufacturing states and new manufacturing states:** In parts of the country that do not benefit from a manufacturing legacy—but where manufacturing is growing quickly due to population migration or reshoring (i.e. the South and Southwest)—those states must invest in developing a manufacturing ecosystem. This can be done by learning from Rust Belt states as well as creating intentional connections to the Manufacturing Extension Partnership Centers and manufacturing associations. SSBCI technical assistance funding could also be used to support this work.

- **Encourage states to work across state lines:** A significant drawback of the SSBCI program is that it is state specific and there are no incentives for states to work across state lines even when an economic region spans said boundaries. We are not seeing adjacent states co-market the program or focus onboarding regional banks into the lender pool. We recommend the U.S. Treasury explores incentives to encourage states to work with neighboring states and to engage regional economic development organizations to support this effort. The SSBCI staff could also encourage the use of technical assistance funds for this purpose.

SSBCI STATE PROGRAM LEADS

2. Get creative in the way you use SSBCI's capital products

States can gain inspiration from and replicate the examples in this paper such as: using the Loan Participation program to blend down interest rates, extending payback timelines beyond a three- or five-year term, using the Capital Access program to remove credit requirements, and using the Collateral Support program to reduce the percentage borrowers must contribute. To support this creativity, we recommend that the SSBCI staff continue to share business case study examples and offer support in modifying programs.

5

CONCLUSION

We implore both SSBCI program managers & lenders to remember: The funds are there to be used. If states adopt from the successful examples we've highlighted, there are endless possibilities for the creation, growth, and support of small manufacturers—particularly those that are minority- and women-owned. As we are not yet to the halfway mark of this 10-year program, there is still ample time to modify the overall SSBCI program and the states' individual plans. Supporting manufacturers, particularly smaller ones, is an economic imperative if we want to improve our domestic supply chain capabilities, create local family-wage jobs and uplift the locally-made products that showcase our communities' cultures & capabilities. If utilized in this tailored, intentional way, SSBCI as a funding tool can become truly impactful in realizing this future.

List of Abbreviations

Abbreviation	Definition
ARPA	American Rescue Plan Act
CDFI	Community Development Financial Institution
IRA	Inflation Reduction Act
MWG	Manufacturing Working Group
NAICS	North American Industry Classification System
SEDI	Socially and Economically Disadvantaged Individuals
SSBCI	State Small Business Credit Initiative
TA	Technical Assistance

Glossary

Term	Definition
Inflation Reduction Act	An act signed into law by President Biden on August 16, 2022, which marked one of the largest investments in the American economy, energy security, and climate that Congress has made in the nation's history.
North American Industry Classification System	The standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.
Patient Capital	Also known as long-term capital, this is an investment made in a business with the expectation of a steady profit over time.
Technical Assistance	This type of assistance includes legal, accounting, and financial advisory services, and is part of what SSBCI provides (along with capital) to promote small business stability, growth, and success.

Endnotes

1. State Science & Technology Institute, "Addressing Capital Access in 2021: How States Can Make The Most Of The Second State Small Business Credit Initiative." 2021.

2. Urban Manufacturing Alliance & The Century Foundation, "SSBCI 2.0: A New Capital Tool for Revitalizing and Diversifying Manufacturing." 2022.

3. Ibid.

4. The White House, "The State Small Business Credit Initiative and the Rebuilding of the U.S. Manufacturing Base." May 2023.

5. U.S. Department of the Treasury, "State Small Business Credit Initiative: A Summary Of States' 2016 Annual Reports." 2017.

6. State Small Business Credit Initiatve, SSBCI Annual Report 2022-2023, December 2024.

7. SSBCI 1.0 data comes from U.S. Treasury, "State Small Business Credit Initiative: A Summary Of States' 2016 Annual Reports." 2017, page 57-63. SSBCI 2.0 data comes from U.S. Treasury "Insights in Manufacturing Transactions – SSBCI 2.0." State Small Business Credit Initiative, page 16, accessed 1 February 2025.

8. Of note, the NC Rural Center's program does not have a minimum credit score. View their Loan Participation Requirements

9. Urban Manufacturing Alliance & The Century Foundation, "SSBCI 2.0: A New Capital Tool for Revitalizing and Diversifying Manufacturing." Pages 10-12. 2022.

10. Ibid.

11. Urban Manufacturing Alliance, "Inclusive Capital for Manufacturers: Advancing Racial Equity and Community Wealth Building through a Sector-Based Approach to Capital Access." 2021.

12. The U.S. Treasury Department provides detailed summaries of each state's program types, lending and investment partners, targeted sectors or company stage, and other program implementation information.

13. The White House, "The State Small Business Credit Initiative and the Rebuilding of the U.S. Manufacturing Base." May 2023.

14. U.S. Treasury, "Insights in Manufacturing Transactions – SSBCI 2.0." State Small Business Credit Initiative, Slide Deck, accessed 1 February 2025.

15. NC Rural Center, "Loan Participation Program." Webpage accessed 1 February 2025.

16. Michigan Economic Development Corporation, "Access to Capital for Small Businesses." Webpage accessed 1 February 2025.

17. Gleiter, Sue. 'Longtime Dauphin County deli brings back original bagel recipe: "People love the product,"' Penn Live. published 18 January 2024.

18. To learn more about GROWKS, visit their website.

19. U.S. Treasury webpage, "SSBCI 2.0 Success Spotlights" accessed 1 February 2025.

20. To learn more about Michigan Economic Development Corporation's Technical Assistance program, visit their website.

Acknowledgements

This report and UMA's broader capital program would not be possible without our philanthropic partners, including the Surdna Foundation. Thanks to The Center for Regional Economic Competitiveness (CREC) for their analysis of the manufacturing specific data shared in the annual report data . Special thank you to the leadership and staff of the U.S. Treasury's SSBCI program, particularly Ron Kelly and his team for their dedication to SSBCI's mission.

The State Small Business Credit Initiative: Making it Work For American Manufacturers

Urban Manufacturing Alliance

The Urban Manufacturign Alliance transforms manufacturing ecosystems into drivers of just and equitable development that puts communities first. We see a future where manufacturing is a go-to solution that helps people, places, businesses, and the planet thrive. We engage practitioners and organizations to learn, share, and co-create solutions, which we then scale in-place or in new communities.

URBANMFG.ORG