

Congress of the United States
Washington, DC 20515

May 4, 2020

The Honorable Nydia Velázquez
Chair
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Velázquez,

Thank you for the opportunity to share feedback on the Small Business Administration's Paycheck Protection Program on behalf of Colorado's life sciences ecosystem.

The Colorado BioScience Association (CBSA) represents over 720 life sciences organizations across the state of Colorado that drive innovations, products, and services to improve and save lives. Our state is the center of life sciences for the Rocky Mountain Region, directly employing 30,000 people and spinning out an average of 20 new life sciences companies each year. The industry is largely comprised of small, early-stage companies that play a crucial role in the development of breakthrough technologies and therapies that are leading to improved patient outcomes and reduced health care costs.

Many of these small, early-stage companies are experiencing significant challenges as a result of the COVID-19 pandemic, including the ability to continue operations and retain employees. Members of the Colorado BioScience Association were encouraged by the creation of the Paycheck Protection Program, recognizing that it could offer needed support and relief to navigate this challenging time.

Many Colorado life sciences companies successfully obtained loans through the program. In fact, 41% of companies that responded to a recent CBSA survey said they were able to get a loan through the first round of funding. Those companies attribute their positive experience to their strong existing relationship with their lender and their preparation in advance of the program opening on April 3. However, many other companies experienced significant challenges in accessing the essential funds to support their ongoing business operations. While we appreciate this critical lifeline for many Colorado companies, there are notable issues in how the program was designed that we hope will be addressed in the near term to ensure it is effectively meeting the needs of the small businesses it was created to help.

One concern that has been raised by Colorado life sciences companies is that some small businesses with equity investors may not be eligible for the program. Most startups in the life sciences ecosystem rely on outside investments to grow into their market. Under existing SBA affiliate regulations, however, companies with equity investors may be required to aggregate the employees of their investor's portfolio companies and count them in their employee count,

pushing many above the 500-employee threshold. While we understand the intent of these regulations, some early stage companies that fall into this category may not have access to greater resources within those funds. For these companies this funding is critical to navigate this economic crisis, but so far, they are not able to access it through private or public sources. There is also remaining confusion among Colorado small businesses about the affiliation rules, and for some, they have had to spend substantial time and resources just to determine whether they qualify for the program. For these reasons, we urge you to include language in the next stimulus bill to waive SBA affiliation rules for small businesses that would otherwise meet the revenue and employee threshold.

We have also received significant feedback from Colorado's life sciences community about the disparities in communications, access, and application processing between different lending institutions. We are concerned by the lack of consistency in the application process and the lack of transparency, particularly in how applications are prioritized by lenders. This is especially troubling for many small businesses that are concerned that banks might prioritize larger companies applying for larger loans, putting them at a disadvantage. This resonates for Colorado's life sciences ecosystem, where 78% of the companies that responded to the recent program survey identified themselves as early or growth stage and 59% had 10 employees or less. We hope you will consider ways to ensure consistency and transparency in the process so that small, early-stage companies have an equal chance of obtaining the critical financial support they need.

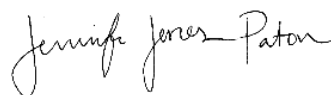
Lastly, the current structure of the program is not designed to discourage healthy businesses from accessing the loans. Applicants are only required to make a good faith certification that the current economic uncertainty makes the loan necessary to support the company's ongoing operations, and the funds will be used to retain workers and address other covered expenses. We understand that requiring applicants to demonstrate the impact on their business up front could take too long and hurt the vulnerable businesses that truly need the funding. Nonetheless, we encourage you to consider possible steps to make a healthy business that likely has alternative capital sources reconsider applying for the program.

Thank you for your leadership and support of the small business community. We welcome the opportunity to work with you and the Small Business Committee to strengthen the Paycheck Protection Program and ensure it provides the resources and flexibility that Colorado's small businesses need.

Sincerely,



Jason Crow
Member of Congress



Jennifer Jones Paton
President and CEO
Colorado BioScience Association

