

March 26, 2020

The Honorable Richard Shelby
Chairman
Senate Committee on Appropriations

The Honorable Patrick Leahy
Vice Chairman
Senate Committee on Appropriations

The Honorable John Kennedy
Chairman
Financial Services and General Government
Appropriations Subcommittee

The Honorable Christopher Coons
Ranking Member
Financial Services and General Government
Appropriations Subcommittee

Dear Chairman Shelby, Vice Chairman Leahy, Chairman Kennedy, and Ranking Member Coons:

As you begin drafting the Fiscal Year (FY) 2021 Financial Services and General Government and Related Agencies Appropriations Bill, we respectfully request that you include report language prohibiting the Small Business Administration (SBA) from denying loan applications for the 7(a) Loan Guarantee Program, Disaster Assistance Program, Microloan Program, and 504/Certified Development Company to cannabis small businesses in states that have legalized cannabis use.

Over the last decade, there has been a clear shift in public opinion toward supporting the legalization of cannabis in the United States. Some states, including Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, and Washington, have legalized both the recreational and medicinal use of cannabis. States collected an estimated \$1.3 billion in tax revenue from legal cannabis sales in 2018.¹ However, SBA's current policy excludes small businesses with "direct" or "indirect" products or services that aid the use, growth, enhancement, or other development of cannabis from SBA-backed financing. Consequently, small businesses in states with some form of legal cannabis must choose between remaining eligible for SBA loan programs, or doing business with a rapidly-growing and legal industry.

The SBA's loan programs provide financial assistance in the form of loans and loan guarantees to small businesses who cannot easily access capital, which disproportionately impacts minority entrepreneurs. These include the 7(a) Loan Guarantee Program, Disaster Assistance Program, Microloan Program, and 504/Certified Development Company. Currently, most banks are reluctant to serve cannabis businesses due to conflicts with federal law, meaning that these businesses often are forced to operate using purely cash, creating an unsafe operation. SBA loans would be especially helpful to cannabis small businesses because they would fill gaps left by the private sector. Access to these SBA loan programs could ensure that small businesses – especially those led by our minority, women, and veteran entrepreneurs – can raise money for their ventures and support job creation.

¹ Institute of Taxation and Economic Policy. <https://itep.org/state-and-local-cannabis-tax-revenue-on-pace-for-1-6-billion-in-2019/>

We strongly support ensuring that SBA loan programs are made available to all cannabis small businesses. We therefore ask the Subcommittee on Financial Services and General Government to include language in your forthcoming legislation to help extend SBA loan programs to legal cannabis businesses.

Thank you for your leadership in crafting this important appropriations bill, and for your consideration of this request.

Sincerely,

/s/ Jacky Rosen
/s/ Ron Wyden
/s/ Tammy Duckworth
/s/ Michael F. Bennet
/s/ Kirsten Gillibrand
/s/ Bernard Sanders
/s/ Edward J. Markey
/s/ Cory A. Booker
/s/ Robert Menendez
/s/ Jeffrey A. Merkley
/s/ Kamala D. Harris