Helping Small Businesses THRIVE Act

Senator Jeanne Shaheen (D-NH) and Senator Bill Cassidy (R-LA)

To help lower costs for small businesses, the Helping Small Businesses to Hedge Risk and Insure against Volatile Expenses (Helping Small Businesses THRIVE) Act protects small businesses against unexpected increases in costs, such as gasoline or electricity, and helps owners focus instead on running their businesses.

The Helping Small Businesses THRIVE Act directs the Small Business Administration (SBA) to create a pilot program that allows small businesses to hedge their cost exposure from commodities, like gasoline or lumber.

- The program would offer small businesses options for how to lock in their prices going forward – with a focus on inputs that already have liquid markets and technical assistance to help businesses take full advantage of the program. Along with that guidance, SBA would conduct outreach to small businesses to ensure they are aware of the program and can benefit from it.
- The program would first start to lock in costs for gasoline, diesel, and up to three additional commodities, with special attention given to standard utilities like natural gas or electricity.
- Additional commodities and utilities whose costs could be locked in could be added to the program after surveys and feedback from small businesses to assess which products would be most beneficial to them.
- Eligible small businesses would exclude traders and financial businesses to ensure this program focuses on small businesses and is not a tool for speculators.

Large businesses already protect themselves from inflation by locking in costs through hedging transactions. The Helping Small Businesses THRIVE Act gives small businesses the ability to access those same tools to protect against the volatile price of gasoline and other expenses. The legislation gives small business the cost-certainty, time and confidence to build and grow their businesses so that they can continue to provide good-paying jobs.

<u>Example:</u>
A business could purchase an option to protect against gasoline price increases for the next six months. The business would still buy their actual gas at a local gas station, and could benefit if prices went down. However, if gas prices increased, the business would be protected from this price increase and receive a payment from the program so that the locked in price is honored. For example:

- Business A buys an option for $.05 to pay no more than $3.50 per gallon of gasoline for 1000 gallons six months from now, locking in their gas cost at no more than $3,550 ($3.50/gallon x 1000 gallons, plus the $.05 cost of the option per gallon).
- If gas goes up to $5 per gallon, business A will still pay $5,000 ($5.00/gallon x 1000 gallons) at the gas station.
- HOWEVER, because business A locked in a maximum price of $3.50 per gallon from their hedge through the program, business A would receive a payment of $1,500 ($1.50 x 1000), leaving business A's net cost at the $3,550 they planned for. Business A would still benefit if gas prices went down by paying less at the pump.

The Helping Small Businesses THRIVE Act is supported by: *The Center for American Entrepreneurship*, *National Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship, National Association of Women Business Owners, National Small Business Association, Owner-Operator Independent Drivers Association, Small Business For America's Future*, *Small Business Majority* and *Women Impacting Public Policy*.