

# Small Business Administration: A Primer on Programs and Funding

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## Summary

The Small Business Administration (SBA) administers several types of programs to support small businesses, including loan guaranty and venture capital programs to enhance small business access to capital; contracting programs to increase small business opportunities in federal contracting; direct loan programs for businesses, homeowners, and renters to assist their recovery from natural disasters; and small business management and technical assistance training programs to assist business formation and expansion.

Congressional interest in the SBA's loan, venture capital, training, and contracting programs has increased in recent years, primarily because small businesses are viewed as a means to stimulate economic activity, create jobs, and assist in the national economic recovery. Many Members of Congress also regularly receive constituent inquiries about the SBA's programs.

This report provides an overview of the SBA's business loan guaranty programs (including the 7(a) loan guaranty program, the 504/Certified Development Company [CDC] program, International Trade and Export Promotion Loan programs, and the Microloan program); venture capital programs (including the Small Business Investment Company program and the New Markets Venture Capital program); entrepreneurial development programs (including Small Business Development Centers, Women's Business Centers, and SCORE); government contracting and business development programs (including the 8(a) Minority Small Business and Capital Ownership Development Program, the Historically Underutilized Business Zones [HUBZones] program, the Service-Disabled Veteran-Owned Small Business Program, and the Women-Owned Small Business [WOSB] Federal Contract program); and capital access programs (including the Surety Bond Guarantee Program).

The report also discusses programmatic changes resulting from the enactment of P.L. 111-5, the American Recovery and Reinvestment Act of 2009, P.L. 111-240, the Small Business Jobs Act of 2010, P.L. 112-239, the National Defense Authorization Act for Fiscal Year 2013, P.L. 114-38, the Veterans Entrepreneurship Act of 2015, P.L. 114-88, the Recovery Improvements for Small Entities After Disaster Act of 2015 (RISE After Disaster Act of 2015), P.L. 114-92, the National Defense Authorization Act for Fiscal Year 2016, and P.L. 114-113, the Consolidated Appropriations Act, 2016. In addition, it provides an overview of the SBA's budget and references other CRS reports that examine these programs in greater detail.

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## Introduction

Established in 1953, the Small Business Administration's (SBA's) origins can be traced to the Great Depression of the 1930s and World War II, when concerns about unemployment and war production were paramount. The SBA assumed some of the functions of the Reconstruction Finance Corporation (RFC), which had been created by the federal government in 1932 to provide funding for businesses of all sizes during the Depression and later financed war production. During the early 1950s, the RFC was disbanded following charges of political favoritism in the granting of loans and contracts.<sup>1</sup>

In 1953, Congress passed the Small Business Act (P.L. 83-163), which authorized the SBA. The act specifies that the SBA's mission is to promote the interests of small businesses to enhance competition in the private marketplace:

It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government (including but not limited to contracts or subcontracts for maintenance, repair, and construction) be placed with small-business enterprises, to insure that a fair proportion of the total sales of Government property be made to such enterprises, and to maintain and strengthen the overall economy of the Nation.<sup>2</sup>

The SBA currently administers several types of programs to support small businesses, including loan guaranty and venture capital programs to enhance small business access to capital; contracting programs to increase small business opportunities in federal contracting; direct loan programs for businesses, homeowners, and renters to assist their recovery from natural disasters; and small business management and technical assistance training programs to assist business formation and expansion. Congressional interest in these programs has increased in recent years, primarily because small businesses are viewed as a means to stimulate economic activity, create jobs, and assist in the national economic recovery. Many Members of Congress also regularly receive constituent inquiries about the SBA's programs.

This report provides an overview of the SBA's programs and funding. It also references other CRS reports that examine the SBA's programs in greater detail.<sup>3</sup>

The SBA's FY2016 congressional budget justification document includes funding and program costs for the following programs and offices:

1. entrepreneurial development programs (including Small Business Development Centers, Women's Business Centers, SCORE, and veterans' programs);

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<sup>1</sup> U.S. Congress, Senate Committee on Expenditures, Subcommittee on Investigations, *Influence in Government Procurement*, 82<sup>nd</sup> Cong., 1<sup>st</sup> sess., September 13-15, 17, 19-21, 24-28, October 3-5, 1951 (Washington: GPO, 1951); and U.S. Congress, Senate Banking and Currency, *RFC Act Amendments of 1951*, hearing on bills to amend the Reconstruction Finance Corporation Act, 82<sup>nd</sup> Cong., 1<sup>st</sup> sess., April 27, 30, May 1, 2, 22, 23, 1951 (Washington: GPO, 1951).

<sup>2</sup> P.L. 83-163, the Small Business Act of 1953 (as amended), see <http://legcoun.house.gov/members/Comps/SBA.pdf>.

<sup>3</sup> The Small Business Administration's (SBA's) programs have detailed rules on program requirements and administration that are not covered in this report. More detailed information concerning the SBA's programs is available in the CRS reports referenced later in this report, on the SBA's website at <https://www.sba.gov/>, in 15 U.S.C. §631 et seq., and in Title 13 of the Code of Federal Regulations, see <http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR&searchPath=Title+13%2FChapter+I&oldPath=Title+13&isCollapsed=true&selectedYearFrom=2015&ycord=0>.

2. disaster assistance;
3. capital access programs (including the 7(a) program, the 504/Certified Development Company [CDC] program, the Microloan program, International Trade and Export Promotion Loans, and the Surety Bond Guarantee program);
4. government contracting and business development programs (including the 7(j) program, the 8(a) Minority Small Business and Capital Ownership Development program, the Historically Underutilized Business Zones [HUBZones] program, the Prime Contract Assistance program, the Women's Business Program, and the Subcontracting program);
5. regional and district offices (counseling, training, and outreach services);
6. the Office of Inspector General (OIG);
7. capital investment programs (including the Small Business Investment Company [SBIC] program, the New Market Venture Capital program, the Small Business Innovation Research [SBIR] program, and the Small Business Technology Transfer program [STTR]);
8. the Office of Advocacy; and
9. executive direction programs (the National Women's Business Council, Office of Ombudsman, and BusinessUSA website initiative).

**Table 1** shows the SBA's estimated costs in FY2016 for these program areas. Program costs often differ from new budget authority provided in annual appropriations acts because the SBA has specified authority to carry over appropriations from previous fiscal years. The SBA also has limited, specified authority to shift appropriations among various programs.

**Table 1. Major SBA Program Areas, Estimated Program Costs, FY2016**  
(\$ in millions)

Program Category	Estimated Costs
Entrepreneurial Development Programs	\$253.239
Disaster Loan Programs	\$236.373
Capital Access Programs	\$178.497
Government Contracting and 8(a) Business Development Programs	\$104.950
Regional and District Offices	\$49.673
Office of Inspector General	\$28.161
Capital Investment Programs	\$27.167
Office of Advocacy	\$13.722
Executive Direction Programs	\$4.512
<b>Total</b>	<b>\$896.294</b>

**Source:** U.S. Small Business Administration, *FY2017 Congressional Budget Justification and FY2015 Annual Performance Report*, pp. 24-26, at [https://www.sba.gov/sites/default/files/FY17-CBJ\\_FY15-APR.pdf](https://www.sba.gov/sites/default/files/FY17-CBJ_FY15-APR.pdf).

**Notes:** Program costs often differ from new budget authority provided in annual appropriations acts because the SBA has specified authority to carry over appropriations from previous fiscal years. The SBA also has limited, specified authority to shift appropriations among various programs.

## Entrepreneurial Development Programs<sup>4</sup>

The SBA's entrepreneurial development (ED) noncredit programs provide a variety of management and training services to small businesses. Initially, the SBA provided its own management and technical assistance training programs. Over time, the SBA has come to rely increasingly on third parties to provide that training.

The SBA receives appropriations for eight management and technical assistance training programs:

- Small Business Development Centers (SBDCs),
- Women Business Centers (WBCs),
- SCORE,
- the Microloan Technical Assistance Program,
- the Program for Investment in Microentrepreneurs (PRIME),
- Veterans Programs (including Veterans Business Outreach Centers, Boots to Business, Veteran Women Igniting the Spirit of Entrepreneurship [VWISE], Entrepreneurship Bootcamp for Veterans with Disabilities, and Boots to Business Reboot),
- the 7(j) Technical Assistance Program, and
- the Native American Outreach Program.

It also receives appropriations for three management and technical assistance training initiatives:

- the Entrepreneurial Development Initiative (Clusters),
- the Entrepreneurship Education Initiative, and
- Growth Accelerators.

The SBA reports that over 1 million aspiring entrepreneurs and small business owners receive training from an SBA-supported resource partner each year. Some of this training is free, and some is offered at low cost.

SBDCs provide free or low-cost assistance to small businesses using programs customized to local conditions. SBDCs support small business in marketing and business strategy, finance, technology transfer, government contracting, management, manufacturing, engineering, sales, accounting, exporting, and other topics. SBDCs are funded by grants from the SBA and matching funds. There are 63 lead SBDC service centers, one located in each state (four in Texas and six in California), the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa. These lead SBDC service centers manage more than 900 SBDC outreach locations.

WBCs are similar to SBDCs, except they concentrate on assisting women entrepreneurs. There are currently 105 WBCs, with at least one WBC in most states and territories.

SCORE was established on October 5, 1964, by then-SBA Administrator Eugene P. Foley as a national, volunteer organization, uniting more than 50 independent nonprofit organizations into a single, national nonprofit organization. SCORE's 320 chapters and more than 800 branch offices are located throughout the United States and partner with more than 11,000 volunteer counselors,

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<sup>4</sup> For further information and analysis, see CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*, by (name redacted) .

who are working or retired business owners, executives, and corporate leaders, to provide management and training assistance to small businesses.

The SBA's Microloan Technical Assistance program is part of the SBA's Microloan program but receives a separate appropriation. It provides grants to Microloan intermediaries to offer management and technical training assistance to Microloan program borrowers and prospective borrowers.<sup>5</sup> There are currently 152 intermediaries participating in the program, serving 45 states, the District of Columbia, and Puerto Rico.<sup>6</sup>

The Program for Investment in Microentrepreneurs (PRIME) provides SBA grants to nonprofit microenterprise development organizations or programs that have “a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs; an intermediary; a microenterprise development organization or program that is accountable to a local community, working in conjunction with a state or local government or Indian tribe; or an Indian tribe acting on its own, if the Indian tribe can certify that no private organization or program referred to in this paragraph exists within its jurisdiction.”<sup>7</sup>

The SBA's Office of Veterans Business Development (OVBD) administers several management and training programs to assist veteran-owned businesses, including 15 Veterans Business Outreach Centers which provide “outreach, assessment, long term counseling, training, coordinated service delivery referrals, mentoring and network building, procurement assistance and E-based assistance to benefit Small Business concerns and potential concerns owned and controlled by Veterans, Service Disabled Veterans and Members of Reserve Components of the U.S. Military.”<sup>8</sup>

The SBA's 7(j) Technical Assistance Program provides “a wide variety of management and technical assistance to eligible individuals or concerns to meet their specific needs, including: (a) counseling and training in the areas of financing, management, accounting, bookkeeping, marketing, and operation of small business concerns; and (b) the identification and development of new business opportunities.”<sup>9</sup> Eligible individuals and businesses include “8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment, or low income or firms owned by low income individuals.”<sup>10</sup>

The SBA's Office of Native American Affairs provides management and technical educational assistance to Native Americans (American Indians, Alaska natives, native Hawaiians, and the indigenous people of Guam and American Samoa) to start and expand small businesses.

The SBA reports that “regional innovative clusters are on-the-ground collaborations between business, research, education, financing and government institutions that work to develop and

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<sup>5</sup> For further analysis of the SBA's Microloan program, see CRS Report R41057, *Small Business Administration Microloan Program*, by (name redacted) .

<sup>6</sup> SBA, *Microloan Program: Partner Identification & Management System Participating Intermediary Microlenders Report*, January 13, 2015, at [https://www.sba.gov/sites/default/files/articles/Participating%20Intermediary%20Microlenders%20Report\\_1501.pdf](https://www.sba.gov/sites/default/files/articles/Participating%20Intermediary%20Microlenders%20Report_1501.pdf).

<sup>7</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Section 173. Establishment of Program and Section 175. Qualified Organizations.

<sup>8</sup> SBA, “Veterans Business Outreach Centers,” at <https://www.sba.gov/offices/headquarters/ovbd/resources/362341>. There were eight veterans business outreach centers in FY2009.

<sup>9</sup> 13 C.F.R. §124.702.

<sup>10</sup> SBA, *FY2012 Congressional Budget Justification and FY2010 Annual Performance Report*, p. 75, at <http://www.sba.gov/content/fy-2012-congressional-budget-justification-and-fy-2010-annual-performance-report>.



grow a particular industry or related set of industries in a particular geographic region.”<sup>11</sup> The SBA has supported the Entrepreneurial Development Initiative (Clusters) since FY2009, and the initiative has received recommended appropriations from Congress since FY2010.

The SBA’s Entrepreneurship Education initiative offers high-growth small businesses in underserved communities “a seven-month executive leader education series” consisting of “more than 100 hours of specialized training, technical resources, a professional networking system, and other resources to strengthen their business model and promote economic development within urban communities.”<sup>12</sup> At the conclusion of the training, “participants produce a three-year strategic growth action plan with benchmarks and performance targets that help them access the necessary support and resources to move forward for the next stage of business growth.”<sup>13</sup>

The SBA describes growth accelerators as “organizations that help entrepreneurs start and scale their businesses.”<sup>14</sup> Growth accelerators are typically run by experienced entrepreneurs and help small businesses access seed capital and mentors. The SBA claims that growth accelerators “help accelerate a startup company’s path towards success with targeted advice on revenue growth, employee growth, sourcing outside funding and avoiding pitfalls.”<sup>15</sup>

## Disaster Loans

### Overview<sup>16</sup>

SBA disaster assistance is provided in the form of loans, not grants, which must be repaid to the federal government. The SBA’s disaster loans are unique in two respects: they are the only loans made by the SBA that (1) go directly to the ultimate borrower and (2) are not limited to small businesses.<sup>17</sup>

SBA disaster loans are available to individuals, businesses, and nonprofit organizations in declared disaster areas.<sup>18</sup> About 80% of the SBA’s direct disaster loans are issued to individuals and households (renters and property owners) to repair and replace homes and personal property. In recent years, the SBA Disaster Loan Program has been the subject of regular congressional and media attention because of concerns expressed about the time it takes the SBA to process disaster loan applications.

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<sup>11</sup> SBA, *FY2014 Congressional Budget Justification and FY2012 Annual Performance Report*, p. 60, at <https://www.sba.gov/sites/default/files/files/1-FY%202014%20CBJ%20FY%202012%20APR.PDF>.

<sup>12</sup> *Ibid.*, p. 71.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*, p. 59.

<sup>15</sup> *Ibid.* See also Jonathan Porat, “Exploring the Policy Relevance of Startup Accelerators,” SBA, Office of Advocacy, Issue Brief No. 4, November 17, 2014, at <https://www.sba.gov/sites/default/files/advocacy/Issue%20Brief%204%20Accelerators%20FINAL.pdf>.

<sup>16</sup> For additional information and analysis, see CRS Report R41309, *The SBA Disaster Loan Program: Overview and Possible Issues for Congress*, by (name redacted) .

<sup>17</sup> 13 C.F.R. §123.200.

<sup>18</sup> 13 C.F.R. §123.105 and 13 §123.203.

## Types of Disaster Loans

The SBA Disaster Loan Program includes the following categories of loans for disaster-related losses: home disaster loans, business physical disaster loans, economic injury disaster loans, and pre-disaster mitigation loans.<sup>19</sup>

### Disaster Loans to Homeowners, Renters, and Personal Property Owners

Homeowners, renters, and personal property owners located in a declared disaster area (and in contiguous counties) may apply to the SBA for loans to help recover losses from a declared disaster. Only victims located in a declared disaster area (and contiguous counties) are eligible to apply for disaster loans. Disaster declarations are “official notices recognizing that specific geographic areas have been damaged by floods and other acts of nature, riots, civil disorders, or industrial accidents such as oil spills.”<sup>20</sup> Five categories of declarations put the SBA Disaster Loan Program into effect. These include two types of presidential major disaster declarations as authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act)<sup>21</sup> and three types of SBA declarations.<sup>22</sup>

The SBA’s Home Disaster Loan Program falls into two categories: personal property loans and real property loans. These loans are limited to uninsured losses. The maximum term for SBA disaster loans is 30 years, but the law restricts businesses with credit available elsewhere to a maximum 7-year term. The SBA sets the installment payment amount and corresponding maturity based upon each borrower’s ability to repay.

### Personal Property Loans

A personal property loan provides a creditworthy homeowner or renter with up to \$40,000 to repair or replace personal property items, such as furniture, clothing, or automobiles, damaged or lost in a disaster. These loans cover only uninsured or underinsured property and primary residences and cannot be used to replace extraordinarily expensive or irreplaceable items, such as antiques or recreational vehicles. Interest rates vary depending on whether applicants are able to obtain credit elsewhere. For applicants who can obtain credit without SBA assistance, the interest rate may not exceed 8% per year. For applicants who cannot obtain credit without SBA assistance, the interest rate may not exceed 4% per year.<sup>23</sup>

### Real Property Loans

A creditworthy homeowner may apply for a real property loan of up to \$200,000 to repair or restore his or her primary residence to its pre-disaster condition.<sup>24</sup> The loans may not be used to

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<sup>19</sup> The SBA also offers military reservist economic injury disaster loans. These loans are available when economic injury is incurred as a direct result of a business owner or an essential employee being called to active duty. Generally, these loans are not associated with disasters. See CRS Report R42695, *SBA Veterans Assistance Programs: An Analysis of Contemporary Issues*, by (name redacted) and (name redacted)

<sup>20</sup> 13 C.F.R. §123.2.

<sup>21</sup> P.L. 93-288, Disaster Relief Act Amendments; and 42 U.S.C. §5721 et seq.

<sup>22</sup> Disaster declarations are published in the *Federal Register* and can also be found on the SBA website at <https://www.sba.gov/content/current-disaster-declarations>.

<sup>23</sup> 13 C.F.R. §123.105(a)(1).

<sup>24</sup> 13 C.F.R. §123.105(a)(2). For mitigation measures implemented after a disaster has occurred to protect the damaged property from a similar disaster in the future, a homeowner can request that the approved loan amount be increased by (continued...)

upgrade homes or build additions, unless upgrades or changes are required by city or county building codes. The interest rate for real property loans is determined in the same way as it is determined for personal property loans.

## **Disaster Loans to Businesses and Nonprofit Organizations**

Several types of loans, discussed below, are available to businesses and nonprofit organizations located in counties covered by a presidential disaster declaration. In certain circumstances, the SBA will also make these loans available when a governor, the Secretary of Agriculture, or the Secretary of Commerce makes a disaster declaration. Physical disaster loans are available to almost any nonprofit organization or business. Other business disaster loans are limited to small businesses.

### ***Physical Disaster Loan***

Any business or nonprofit organization, regardless of size, can apply for a physical disaster business loan of up to \$2 million for repairs and replacements to real property, machinery, equipment, fixtures, inventory, and leasehold improvements that are not covered by insurance. Physical disaster loans for businesses may use up to 20% of the verified loss amount for mitigation measures in an effort to prevent loss from a similar disaster in the future. Nonprofit organizations that are rejected or approved by the SBA for less than the requested amount for a physical disaster loan are, in some circumstances, eligible for grants from the Federal Emergency Management Agency (FEMA). For applicants that can obtain credit without SBA assistance, the interest rate may not exceed 8% per year. For applicants that cannot obtain credit without SBA assistance, the interest rate may not exceed 4% per year.<sup>25</sup>

### ***Economic Injury Disaster Loans***

Economic injury disaster loans (EIDLs) are limited to small businesses as defined by the SBA's size regulations, which vary from industry to industry.<sup>26</sup> If the Secretary of Agriculture designates an agriculture production disaster, small farms and small cooperatives are eligible. EIDLs are available in the counties included in a presidential disaster declaration and contiguous counties. The loans are designed to provide small businesses with operating funds until those businesses recover. The maximum loan is \$2 million, and the terms are the same as personal and physical disaster business loans. The loan can have a maturity of up to 30 years and has an interest rate of 4% or less.<sup>27</sup>

### ***Pre-Disaster Mitigation Loan Program***

To support FEMA's Pre-Disaster Mitigation Program, the SBA may make low-interest, fixed-rate loans to small businesses to finance measures to protect commercial property, leasehold

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(...continued)

the lesser of the cost of the mitigation measure or up to 20% of the verified loss (before deducting compensation from other sources), to a maximum of \$200,000. 13 C.F.R. §127.

<sup>25</sup> 13 C.F.R. §123.203.

<sup>26</sup> See 13 C.F.R. §123.300 for eligibility requirements. Size standards vary according to a variety of factors, including industry type, average firm size, and start-up costs and entry barriers. Size standards can be located in 13 C.F.R. 121. For further information and analysis, see CRS Report R40860, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*, by (name redacted) .

<sup>27</sup> 13 C.F.R. §123.302.

improvements, or contents from disaster-related damages that may occur in the future.<sup>28</sup> A business that participates in the program may borrow up to \$50,000 each fiscal year. The business applying for the loan must be located in a Special Flood Hazard Area (SFHA).<sup>29</sup> The interest rate for a pre-disaster mitigation loan is fixed at 4% per annum or less.<sup>30</sup>

## Capital Access Programs

### Overview

The SBA has authority to make direct loans but, with the exception of disaster loans and loans to Microloan program intermediaries, has not exercised that authority since 1998.<sup>31</sup> The SBA indicated that it stopped issuing direct business loans primarily because the subsidy rate was “10 to 15 times higher” than the subsidy rate for its loan guaranty programs.<sup>32</sup> Instead of making direct loans, the SBA guarantees loans issued by approved lenders to encourage those lenders to provide loans to small businesses “that might not otherwise obtain financing on reasonable terms and conditions.”<sup>33</sup> With few exceptions, to qualify for SBA assistance, an organization must be both a business and small.<sup>34</sup>

### What Is a Business?

To participate in any of the SBA programs, a business must meet the SBA’s definition of *small business*. This is a business that

- is organized for profit;
- has a place of business in the United States;
- operates primarily within the United States or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor;

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<sup>28</sup> For further information and analysis concerning FEMA’s Pre-Disaster Mitigation Program see CRS Report RL34537, *FEMA’s Pre-Disaster Mitigation Program: Overview and Issues*, by (name redacted) .

<sup>29</sup> 13 C.F.R. §123.403(a).

<sup>30</sup> 13 C.F.R. §123.406.

<sup>31</sup> Prior to October 1, 1985, the SBA provided direct business loans to qualified small businesses. From October 1, 1985, to September 30, 1994, SBA direct business loan eligibility was limited to qualified small businesses owned by individuals with low incomes or located in areas of high unemployment, owned by Vietnam-era or disabled veterans, owned by the handicapped or certain organizations employing them, and certified under the minority small business capital ownership development program. Microloan program intermediaries were also eligible. On October 1, 1994, SBA direct loan eligibility was limited to Microloan program intermediaries and small businesses owned by the handicapped. Funding to support direct loans to the handicapped through the Handicapped Assistance (renamed the Disabled Assistance) Loan program ended in 1996. The last loan under the Disabled Assistance Loan program was issued in FY1998. See U.S. Congress, House Committee on Small Business, *Summary of Activities*, 105<sup>th</sup> Cong., 2<sup>nd</sup> sess., January 2, 1999, H.Rept. 105-849 (Washington: GPO, 1999), p. 8.

<sup>32</sup> U.S. Congress, Senate Committee on Small Business, *Hearing on the Proposed Fiscal Year 1995 Budget for the Small Business Administration*, 103<sup>rd</sup> Cong., 2<sup>nd</sup> sess., February 22, 1994, S. Hrg. 103-583 (Washington: GPO, 1994), p. 20.

<sup>33</sup> SBA, *Fiscal Year 2010 Congressional Budget Justification*, p. 30, at [https://www.sba.gov/sites/default/files/Congressional\\_Budget\\_Justification\\_2010.pdf](https://www.sba.gov/sites/default/files/Congressional_Budget_Justification_2010.pdf).

<sup>34</sup> The SBA provides financial assistance to nonprofit organizations to provide training to small business owners and to provide loans to small businesses through the SBA Microloan program. Also, nonprofit child care centers are eligible to participate in SBA’s Microloan program.

- is independently owned and operated; and
- is not dominant in its field on a national basis.<sup>35</sup>

The business may be a sole proprietorship, partnership, corporation, or any other legal form.

### **What Is Small?**<sup>36</sup>

The SBA uses two measures to determine if a business is small: SBA-derived industry specific size standards or a combination of the business's net worth and net income. For example, businesses participating in the SBA's 7(a) loan guaranty program are deemed small if they either meet the SBA's industry-specific size standards for firms in 1,047 industrial classifications in 18 sub-industry activities described in the North American Industry Classification System (NAICS) or do not have more than \$15 million in tangible net worth and not more than \$5 million in average net income after federal taxes (excluding any carryover losses) for the two full fiscal years before the date of the application. All of the company's subsidiaries, parent companies, and affiliates are considered in determining if it meets the size standard.<sup>37</sup>

The SBA's industry size standards vary by industry, are designed to encourage competition within the industry, and are based on one of the following four measures: the firm's (1) average annual receipts in the previous three years, (2) number of employees, (3) asset size, or (4) for refineries, a combination of number of employees and barrel per day refining capacity. Historically, the SBA has used the number of employees to determine if manufacturing and mining companies are small and average annual receipts for most other industries.

As a starting point, the SBA presumes \$7.0 million in average annual receipts in the previous three years to be an appropriate size standard for the services, retail trade, construction, and other industries with receipts-based size standards. It considers 500 employees to be an appropriate size for the manufacturing, mining, and other industries with employee-based size standards and 100 employees to be appropriate for the wholesale trade industries. These three levels, referred to as *anchor size standards*, are used by the SBA as benchmarks or starting points when establishing its size standards. To the extent an industry displays "differing industry characteristics" necessary to enable small businesses to compete successfully with larger businesses within that industry, the SBA will consider a size standard higher, or in some cases lower, than an anchor size standard.<sup>38</sup> Overall, about 98% of all businesses are considered small by the SBA.<sup>39</sup> These firms represent about 30% of industry receipts.

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<sup>35</sup> 13 C.F.R. §121.105.

<sup>36</sup> For additional information and analysis, see CRS Report R40860, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*, by (name redacted) .

<sup>37</sup> 13 C.F.R. §121.201; and P.L. 111-240, the Small Business Act of 2010, §1116. Alternative Size Standards.

<sup>38</sup> SBA, Office of Government Contracting and Business Development, "SBA Size Standards Methodology," April 2009, pp. 1-8, at [https://www.sba.gov/sites/default/files/size\\_standards\\_methodology.pdf](https://www.sba.gov/sites/default/files/size_standards_methodology.pdf).

<sup>39</sup> SBA, "Table of Small Business Size Standards Matched to North American Industry Classification System Codes," at <https://www.sba.gov/content/small-business-size-standards>; and SBA, "SBA's Size Standards Analysis: An Overview on Methodology and Comprehensive Size Standards Review," power point presentation, Khem R. Sharma, SBA Office of Size Standards, July 13, 2011, p. 4, at [http://www.gtscoalition.com/wp-content/uploads/2011/07/Size-Stds-Presentation\\_Dr.-Sharma-SBA.pdf](http://www.gtscoalition.com/wp-content/uploads/2011/07/Size-Stds-Presentation_Dr.-Sharma-SBA.pdf).

## Loan Guarantees

### Overview

The SBA provides loan guarantees for small businesses that cannot obtain credit elsewhere. Its largest loan guaranty programs are the 7(a) loan guaranty program, the 504/CDC loan guaranty program, international trade and export promotion loans, and the Microloan program.

The SBA's loan guaranty programs require personal guarantees from borrowers and share the risk of default with lenders by making the guaranty less than 100%. In the event of a default, the borrower owes the amount contracted less the value of any collateral liquidated. The SBA can attempt to recover the unpaid debt through administrative offset, salary offset, or IRS tax refund offset. Most types of businesses are eligible for loan guarantees, but a few are not. A list of ineligible businesses (such as insurance companies, real estate investment firms, firms involved in financial speculation or pyramid sales, and businesses involved in illegal activities) is contained in 13 C.F.R. Section 120.110.<sup>40</sup> With one exception, nonprofit and charitable organizations are also ineligible.<sup>41</sup>

As shown in the following tables, most of these programs charge fees to help offset program costs, including costs related to loan defaults. In most instances, the fees are set in statute. For example, for 7(a) loans with a maturity exceeding 12 months, the SBA is authorized to charge lenders an up-front guaranty fee of up to 2% for the SBA guaranteed portion of loans of \$150,000 or less, up to 3% for the SBA guaranteed portion of loans exceeding \$150,000 but not more than \$700,000, and up to 3.5% for the SBA guaranteed portion of loans exceeding \$700,000. Lenders with a 7(a) loan that has a SBA guaranteed portion in excess of \$1 million can be charged an additional fee not to exceed 0.25% of the guaranteed amount in excess of \$1 million. These loans are also subject to an ongoing servicing fee not to exceed 0.55% of the outstanding balance of the guaranteed portion of the loan.<sup>42</sup> In addition, lenders are authorized to collect fees from borrowers to offset their administrative expenses.

In an effort to assist small business owners, the SBA has

- waived its annual service fee and up-front, one-time guaranty fee for all 7(a) loans of \$150,000 or less approved in FY2014, FY2015, and FY2016;
- reduced its annual service fee for all other 7(a) loans from 0.55% in FY2013 to 0.52% in FY2014, 0.519% in FY2015, and 0.473% in FY2016;
- waived its up-front, one-time guaranty fee for all veteran loans under the 7(a) SBAExpress program (up to \$350,000) from January 1, 2014, through the end of FY2015,<sup>43</sup> and

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<sup>40</sup> Title 13 of the Code of Federal Regulations can be viewed at <https://www.gpo.gov/fdsys/browse/collectionCfr.action?selectedYearFrom=2016&go=Go>.

<sup>41</sup> P.L. 105-135, the Small Business Reauthorization Act of 1997, expanded the SBA's Microloan program's eligibility to include borrowers establishing a nonprofit child care business.

<sup>42</sup> 15 U.S.C. §636(a)(23)(a).

<sup>43</sup> The small business must be owned and controlled (51%+) by one or more of the following groups: veteran; active duty military in the Transition Assistance Program; reservist or National Guard member; a spouse of any of these groups; or a widowed spouse of a servicemember or veteran who died during service or of a service-connected disability. P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015, provided statutory authorization to waive the 7(a) SBAExpress program's guarantee fee for veterans (and their spouses) in FY2015.



- waived 50% of the up-front, one-time guaranty fee on all non-SBAExpress 7(a) loans (of \$150,001 up to and including \$5 million) for veterans in FY2015 and FY2016.

P.L. 114-38, the Veterans Entrepreneurship Act of 2015, made the SBAExpress program's veteran fee waiver permanent, except during any upcoming fiscal year for which the President's budget, submitted to Congress, includes a cost for the 7(a) program, in its entirety, that is above zero.

The SBA has announced that it intends to waive its annual service fee and up-front, one-time guaranty fee for all 7(a) loans of \$150,000 or less approved in FY2017; and waive 50% of the up-front, one-time guaranty fee on all non-SBAExpress 7(a) loans (of \$150,001 up to and including \$500,000) for veterans in FY2017.<sup>44</sup>

The SBA's goal is to achieve a zero subsidy rate, meaning that the appropriation of budget authority for new loan guaranties is not required. As shown in **Table 2**, the SBA's fees and proceeds from loan liquidations do not always generate sufficient revenue to cover loan losses, resulting in the need for additional appropriations to account for the shortfall. However, "due to the continued improvement in performance in the loan portfolio," the SBA did not request funding for credit subsidies for the 7(a) and 504/CDC loan guaranty programs for FY2016 and FY2017.<sup>45</sup>

**Table 2. SBA Business Loan Subsidies, Authorized Amounts, FY2010-FY2017**

(\$ in millions)

Fiscal Year	7(a) Loan Guaranty Program	504/CDC Loan Guaranty Program	Microloan Program	Total Subsidy
2010	\$80.00	\$0.00	\$3.00	\$83.00
2011 <sup>a</sup>	\$79.84	\$0.00	\$2.99	\$82.83
2012	\$139.40	\$67.70	\$3.68	\$210.78
2013 <sup>b</sup>	\$218.38	\$97.87	\$3.49	\$319.74
2014	\$0.00	\$107.00	\$4.60	\$111.60
2015	\$0.00	\$45.00	\$2.50	\$47.50
2016	\$0.00	\$0.00	\$3.34	\$3.34
2017 request	\$0.00	\$0.00	\$4.34	\$4.34

**Sources:** SBA, *Congressional Budget Justification* (Summary of Credit Programs & Revolving Fund), various years, at <https://www.sba.gov/about-sba/sba-performance/performance-budget-finances/congressional-budget-justificationannual-performance-reports>; P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; P.L. 112-74, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; SBA, "General Statement Regarding the Implications of Sequestration," P.L. 113-76, the Consolidated Appropriations Act, 2014; P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015; P.L. 114-113, the Consolidated Appropriations Act, 2016; and U.S. Office of Management and Budget, *Budget of the United States Government*,

<sup>44</sup> SBA, *FY2017 Congressional Budget Justification and FY2015 Annual Performance Report*, p. 7, at [https://www.sba.gov/sites/default/files/FY17-CBJ\\_FY15-APR-appendices.pdf](https://www.sba.gov/sites/default/files/FY17-CBJ_FY15-APR-appendices.pdf).

<sup>45</sup> SBA, *FY2016 Congressional Budget Justification and FY2014 Annual Performance Report*, p. 6, at <https://www.sba.gov/sites/default/files/1-FY%202016%20CBJ%20FY%202014%20APR.PDF>; and U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2017; Appendix: Small Business Administration*, pp. 1213-1223, at <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/sba.pdf>.

*Fiscal Year 2017; Appendix: Small Business Administration*, pp. 1213-1223, at <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/sba.pdf>.

- a. In FY2011, there was a 0.2% across-the-board rescission. Before the rescission, the authorized subsidy amounts were \$80.0 million for the 7(a) program, \$0.0 for the 504/ Certified Development Companies (CDC) program, and \$3.0 million for the Microloan program.
- b. In FY2013, there was a 0.2% across-the-board rescission and sequestration. Before these reductions, the authorized subsidy amounts were \$225.5 million for the 7(a) program, \$108.1 million for the 504/CDC program, \$3.678 million for the Microloan program, and \$337.278 million total.

## 7(a) Loan Guaranty Program<sup>46</sup>

The 7(a) loan guaranty program is named after the section of the Small Business Act that authorizes it. These are loans made by SBA partners (mostly banks but also some other financial institutions) and partially guaranteed by the SBA. The 7(a) program's current guaranty rate is 85% for loans of \$150,000 or less and 75% for loans greater than \$150,000 (up to a maximum guaranty of \$3.75 million—75% of \$5 million). Although the SBA's offer to guarantee a loan provides an incentive for lenders to make the loan, lenders are not required to do so.

**Table 3** provides information on the 7(a) program's key features, including its eligible uses, maximum loan amount, loan maturity, interest rates, and guarantee fees.

**Table 3. Summary of the 7(a) Loan Guaranty Program's Key Features**

Key Feature	Program Summary
Use of Proceeds	Fixed assets, working capital, financing of start-ups, or to purchase an existing business; some debt payment allowed, but lender's loan exposure may not be reduced with the Express products. Lines of credit are offered with the Express programs.
Maximum Loan Amount	\$5 million.
Maturity	5 years to 7 years for working capital, up to 25 years for equipment and real estate. All other loan purposes have a maximum term of 10 years.
Maximum Interest Rates	Base rate plus 2.25% for maturities of fewer than 7 years. Base rate plus 2.75% for maturities of 7 years or longer. Loans of \$50,000 or less may add an additional 1% and loans under \$25,000 may add an additional 2%. There is a prepayment penalty for loans with maturities of 15 years or more if prepaid during the first 3 years.
Guaranty Fees	For loans with a maturity of 12 months or less, the SBA normally charges an up-front guaranty fee of 0.25% of the guaranteed portion of the loan (0% for loans of \$150,000 or less in FY2016). For loans with maturities of more than 12 months, the SBA is authorized to charge an up-front guaranty fee of: up to 2% for loans of \$150,000 or less (0% in FY2016); up to 3% for loans of \$150,001 to \$700,000; up to 3.5% for loans of more than \$700,000; and up to 3.75% for the guaranty portion over \$1 million. The SBA is also allowed to charge an ongoing, annual servicing fee of up to 0.55% (0% for loans of \$150,000 or less; 0.473% for loans of more than \$150,000 in FY2016). For FY2016, the SBA is not charging an up-front guaranty fee or an annual servicing fee for 7(a) loans in the amount of \$150,000 or less; the up-front, one-time loan guaranty fee for all veteran loans under the 7(a) SBAExpress program (for loans of up to \$350,000), or 50% of the up-front loan guaranty fee on veteran non-SBAExpress 7(a) loans (for loans of \$150,001 up to and including \$5 million).
Job Creation	No job creation requirements.

**Source:** Table compiled by CRS from data from the SBA.

<sup>46</sup> For further information and analysis, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by (name redacted) .



**Notes:** In 2009 and 2010, Congress provided \$962.5 million to temporarily eliminate some of the SBA's fees. For example, the Small Business Jobs Act of 2010 (P.L. 111-240) provided \$505 million (plus \$5 million for administrative expenses) to subsidize fees in the SBA's 7(a) and 504/CDC loan guarantee programs from its date of enactment (September 27, 2010) through December 31, 2010.

As mentioned previously, in FY2016, the SBA is not charging the up-front loan guaranty fee and ongoing servicing fee for 7(a) loans of \$150,000 or less; the up-front, one-time loan guaranty fee for all veteran loans under the 7(a) SBAExpress program (for loans up to and including \$350,000), or 50% of the up-front loan guaranty fee on veteran non-SBAExpress 7(a) loans (for loans of \$150,001 up to and including \$5 million).<sup>47</sup> Lenders are permitted to charge borrowers fees to recoup specified expenses. Because the SBA's fees on loans of \$150,000 or less are zero, lenders are prohibited from charging borrowers a guaranty fee on those loans.<sup>48</sup>

Variable-rate loans can be pegged to either the prime rate or the SBA optional peg rate, which is a weighted average of rates that the federal government pays for loans with maturities similar to the guaranteed loan. The spread over the prime rate or SBA optional peg rate is negotiable between the borrower and the lender, but no more than 6%. The adjustment period can be no more than monthly and cannot change over the life of the loan.

### *Variations on the 7(a) Program*

The 7(a) program has several specialized programs that offer streamlined and expedited loan procedures for particular groups of borrowers, including the SBAExpress program (for loans of \$350,000 or less), the Export Express program (for loans of up to \$500,000 for entering or expanding an existing export market), and the Community Advantage pilot program (for loans of \$250,000 or less). The SBA also has a Small Loan Advantage program (for loans of \$350,000 or less), but it is currently being used as the 7(a) program's model for processing loans of \$350,000 or less and exists as a separate, specialized program in name only.

The SBAExpress program was established as a pilot program by the SBA on February 27, 1995, and made permanent through legislation, subject to reauthorization, in 2004 (P.L. 108-447, the Consolidated Appropriations Act, 2005). The program is designed to increase the availability of credit to small businesses by permitting lenders to use their existing documentation and procedures in return for receiving a reduced SBA guarantee on loans. It provides a 50% loan guarantee on loan amounts of \$350,000 or less.<sup>49</sup> The loan proceeds can be used for the same purposes as the 7(a) program, except participant debt restructuring cannot exceed 50% of the project and may be used for revolving credit. The program's fees and loan terms are the same as the 7(a) program, except the term for a revolving line of credit cannot exceed seven years.

The Community Advantage pilot program began operations on February 15, 2011, and is limited to mission-focused lenders targeting underserved markets. Originally scheduled to cease operations on March 15, 2014, the program has been extended several times and is currently scheduled to operate through March 31, 2020.

Lenders must receive SBA approval to participate in these 7(a) specialized programs.

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<sup>47</sup> SBA, "SBA Information Notice: 7(a) and 504 Fees Effective October 1, 2014," at [https://www.sba.gov/sites/default/files/lender\\_notices/5000-1318.pdf](https://www.sba.gov/sites/default/files/lender_notices/5000-1318.pdf); and SBA, "SBA Information Notice: 7(a) and 504 Fees Effective on October 1, 2015," September 28, 2015, at [https://www.sba.gov/sites/default/files/lender\\_notices/5000-1352.pdf](https://www.sba.gov/sites/default/files/lender_notices/5000-1352.pdf).

<sup>48</sup> Ibid.

<sup>49</sup> P.L. 111-240, the Small Business Jobs Act of 2010, temporarily increased the SBAExpress program's loan limit to \$1 million for one year following enactment (through September 26, 2011).

As mentioned previously, the SBA is not charging an up-front guaranty fee or an annual servicing fee for 7(a) loans in the amount of \$150,000 or less; the up-front, one-time loan guaranty fee for all veteran loans under the SBAExpress program; or 50% of the up-front loan guaranty fee on veteran non-SBAExpress 7(a) loans (for loans of \$150,001 up to and including \$5 million).<sup>50</sup>

### ***Special Purpose Loan Guaranty Programs***

In addition to the 7(a) loan guaranty program, the SBA has special purpose loan guaranty programs for small businesses adjusting to the North American Free Trade Agreement (NAFTA), to support Employee Stock Ownership Program trusts, pollution control facilities, and working capital.

*Community Adjustment and Investment Program.* The Community Adjustment and Investment Program (CAIP) uses federal funds to pay the fees on 7(a) and 504/CDC loans to businesses located in communities that have been adversely affected by NAFTA.

*Employee Trusts.* The SBA will guarantee loans to Employee Stock Ownership Plans (ESOPs) that are used either to lend money to the employer or to purchase control from the owner. ESOPs must meet regulations established by the IRS, Department of the Treasury, and Department of Labor. These are 7(a) loans.

*Pollution Control.* In 1976, the SBA was provided authorization to guarantee the payment of rentals or other amounts due under qualified contracts for pollution control facilities. P.L. 100-590, the Small Business Reauthorization and Amendment Act of 1988, eliminated the revolving fund for pollution control guaranteed loans and transferred its remaining funds to the SBA's business loan and investment revolving fund. Since 1989, loans for pollution control have been guaranteed under the 7(a) loan guaranty program.

*CAPLines.* CAPLines are five special 7(a) loan guaranty programs designed to meet the requirements of small businesses for short-term or cyclical working capital. The maximum term is five years.

### **The 504/CDC Loan Guaranty Program<sup>51</sup>**

The 504/CDC loan guaranty program uses Certified Development Companies (CDCs), which are private, nonprofit corporations established to contribute to economic development within their communities. Each CDC has its own geographic territory. The program provides long-term, fixed-rate loans for major fixed assets such as land, structures, machinery, and equipment. Program loans cannot be used for working capital, inventory, or repaying debt. A commercial lender provides up to 50% of the financing package, which is secured by a senior lien. The CDC's loan of up to 40% is secured by a junior lien. The SBA backs the CDC with a guaranteed debenture.<sup>52</sup> The small business must contribute at least 10% as equity.

To participate in the program, small businesses cannot exceed \$15 million in tangible net worth and cannot have average net income of more than \$5 million for two full fiscal years before the

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<sup>50</sup> SBA, "SBA Will Continue to Zero Out Fees on Small Dollar Loans, Expands Relief for Larger Loans to Vets," October 1, 2014, at <https://www.sba.gov/content/sba-will-continue-zero-out-fees-small-dollar-loans-expands-relief-larger-loans-vets>; and SBA, "SBA Information Notice: SBA Veterans Advantage: Renewal of Fee Relief for Certain Loans," September 30, 2015, at [https://www.sba.gov/sites/default/files/lender\\_notices/5000-1354.pdf](https://www.sba.gov/sites/default/files/lender_notices/5000-1354.pdf).

<sup>51</sup> For further information and analysis, see CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by (name redacted) .

<sup>52</sup> A debenture is a bond that is not secured by a lien on specific collateral.

date of application. Also, CDCs must intend to create or retain one job for every \$65,000 of the debenture (\$100,000 for small manufacturers) or meet an alternative job creation standard if they meet any one of 15 community or public policy goals.

**Table 4** summarizes the 504/CDC loan guaranty program's key features.

**Table 4. Summary of the 504/CDC Loan Guaranty Program's Key Features**

Key Feature	Program Summary
Use of Proceeds	Fixed assets only—no working capital.
Maximum Loan Amount	Maximum 504/CDC participation in a single project is \$5 million and \$5.5 million for manufacturers; minimum is \$50,000. There is no limit on the project size.
Maturity	10 years for equipment; 20 years for real estate. Unguaranteed financing may have a shorter term.
Maximum Interest Rates	Fixed rate is established when the debenture backing the loan is sold and is based on the current market rate for 5-year and 10-year Treasury bonds.
Participation Requirements	504/CDC projects generally have three main participants: a third-party lender provides 50% or more of the financing; a CDC provides up to 40% of the financing through a 504/CDC debenture, which is guaranteed 100% by the SBA; and the borrower contributes at least 10% of the financing. For good cause shown, the SBA may authorize an increase in the CDC's percentage of project costs covered up to 50%. No more than 50% of eligible costs can be from federal sources.
Guaranty Fees	The SBA is authorized to charge CDCs a one-time, up-front guaranty fee (0.5% of the debenture), an annual servicing fee (0.9375% of the unpaid principal balance), a funding fee (not to exceed 0.25% of the debenture), an annual development company fee (0.125% of the debenture's outstanding principal balance), and a one-time participation fee (0.5% of the senior mortgage loan if in a senior lien position to the SBA and the loan was approved after September 30, 1996). In addition, CDCs are allowed to charge borrowers a processing (or packaging) fee of up to 1.5% of the net debenture proceeds and a closing fee, servicing fee, late fee, assumption fee, Central Servicing Agent (CSA) fee, other agent fees, and an underwriters' fee.
Job Creation Requirements	Must intend to create or retain one job for every \$65,000 of the debenture (\$100,000 for small manufacturers) or meet an alternative job creation standard if it meets any one of 15 community or public policy goals.

**Source:** Table compiled by CRS from data from the SBA.

**Notes:** The maximum loan amount is the total financial package, including the commercial loan and the CDC loan. It does not include the owner's minimum 10% equity contribution. It assumes the CDC loan is 40% of the total package. The 504/CDC servicing fee for FY2016 is 0.914% of the unpaid principal balance.

## International Trade and Export Promotion Programs<sup>53</sup>

Although any of SBA's loan guaranty programs can be used by firms looking to begin exporting or expanding their current exporting operations, the SBA has three loan programs that specifically focus on trade and export promotion:

1. Export Express loan program provides working capital or fixed asset financing for firms that will begin or expand exporting. It offers a 90% guaranty on loans of \$350,000 or less and a 75% guaranty on loans of \$350,001 to \$500,000.

<sup>53</sup> For further information and analysis, see CRS Report R43155, *Small Business Administration Trade and Export Promotion Programs*, by (name redacted)

2. Export Working Capital loan program provides financing to support export orders or the export transaction cycle, from purchase order to final payment. It offers a 90% guaranty of loans up to \$5 million.
3. International Trade loan program provides long-term financing to support firms that are expanding because of growing export sales or have been adversely affected by imports and need to modernize to meet foreign competition. It offers a 90% guaranty on loans up to \$5 million.<sup>54</sup>

In many ways, the SBA's trade and export promotion loan programs share similar characteristics with other SBA loan guaranty programs. For example, the Export Express program resembles the SBAExpress program. The SBAExpress program shares several characteristics with the standard 7(a) loan guarantee program except that the SBAExpress program has an expedited approval process, a lower maximum loan amount, and a smaller percentage of the loan guaranteed. Similarly, the Export Express program shares several of the characteristics of the standard International Trade loan program, such as an expedited approval process in exchange for a lower maximum loan amount (\$500,000 compared with \$5 million) and a lower percentage of guaranty.

Additionally, the SBA administers the State Trade and Export Promotion (STEP) grant program. STEP grants are awarded to states to execute export programs that assist small business concerns, such as a trade show exhibition, training workshops, or a foreign trade mission. Initially, the STEP program was authorized for three years and appropriated \$30 million annually in FY2011 and FY2012. The program's authorization expired at the end of FY2012, and the President has not requested appropriations for subsequent rounds of awards. However, Congress approved \$8 million in appropriations for STEP in FY2014, \$17.4 million for FY2015, and \$18.0 million for FY2016.

### The Microloan Program<sup>55</sup>

The Microloan program provides direct loans to qualified nonprofit intermediary Microloan lenders that, in turn, provide "microloans" of up to \$50,000 to small businesses and nonprofit child care centers. It also provides marketing, management, and technical assistance to Microloan borrowers and potential borrowers. The program was authorized in 1991 as a five-year demonstration project and became operational in 1992. It was made permanent, subject to reauthorization, by P.L. 105-135, the Small Business Reauthorization Act of 1997. Although the program is open to all small businesses, it targets new and early stage businesses in underserved markets, including borrowers with little to no credit history, low-income borrowers, and women and minority entrepreneurs in both rural and urban areas who generally do not qualify for conventional loans or other, larger SBA guaranteed loans.

**Table 5** summarizes the Microloan program's key features.

**Table 5. Summary of the Microloan Program's Key Features**

Key Feature	Program Summary
Use of proceeds	Working capital and acquisition of materials, supplies, furniture, fixtures, and equipment. Loans cannot be made to acquire land or property.

<sup>54</sup> The International Trade loan program limits its guaranty for working capital to \$4 million (\$4.444 million gross loan amount).

<sup>55</sup> For further information and analysis, see CRS Report R41057, *Small Business Administration Microloan Program*, by (name redacted) .

Key Feature	Program Summary
Maximum Loan Amount	\$50,000.
Maturity	Up to six years.
Maximum Interest Rates	<p>The SBA charges intermediaries an interest rate that is based on the five-year Treasury rate, adjusted to the nearest one-eighth percent (called the Base Rate), less 1.25% if the intermediary maintains a historic portfolio of Microloans averaging more than \$10,000 and less 2.0% if the intermediary maintains a historic portfolio of Microloans averaging \$10,000 or less. The Base Rate, after adjustment, is called the Intermediary's Cost of Funds. The Intermediary's Cost of Funds is initially calculated one year from the date of the note and is reviewed annually and adjusted as necessary (called recasting). The interest rate cannot be less than zero.</p> <p>On loans of more than \$10,000, the maximum interest rate that can be charged to the borrower is the interest rate charged by the SBA on the loan to the intermediary, plus 7.75%. On loans of \$10,000 or less, the maximum interest rate that can be charged to the borrower is the interest charged by the SBA on the loan to the intermediary, plus 8.5%. Rates are negotiated between the borrower and the intermediary and typically range from 7% to 9%.</p>
Guaranty Fees	The SBA does not charge intermediaries up-front or ongoing service fees under the Microloan program.
Job Creation Requirements	No job creation requirements.

**Source:** Table compiled by CRS from data from the SBA.

## Surety Bond Guarantee Program<sup>56</sup>

The SBA's Surety Bond Guarantee Program is designed to increase small businesses' access to federal, state, and local government contracting, as well as private-sector contracts, by guaranteeing bid, performance, and payment bonds for small businesses that cannot obtain surety bonds through regular commercial channels.<sup>57</sup> The program guarantees individual contracts of up to \$6.5 million and up to \$10 million if a federal contracting officer certifies that such a guarantee is necessary. The SBA's guarantee ranges from not to exceed 70% to not to exceed 90% of the surety's loss if a default occurs.<sup>58</sup> In FY2015, the SBA guaranteed 11,480 bid and final surety bonds with a total contract value of over \$6.3 billion.

A surety bond is a three-party instrument between a surety (someone who agrees to be responsible for the debt or obligation of another), a contractor, and a project owner. The agreement binds the contractor to comply with the terms and conditions of a contract. If the contractor is unable to successfully perform the contract, the surety assumes the contractor's

<sup>56</sup> For additional information and analysis, see CRS Report R42037, *SBA Surety Bond Guarantee Program*, by (name redacted) .

<sup>57</sup> Ancillary bonds are also eligible if they are incidental and essential to a contract for which the SBA has guaranteed a final bond. A reclamation bond is eligible if it is issued to reclaim an abandoned mine site and for a project undertaken for a specific period of time.

<sup>58</sup> P.L. 114-92, the National Defense Authorization Act for Fiscal Year 2016, includes a provision that increases the Preferred Surety Bond Guarantee Program's guarantee rate from not to exceed 70% to not to exceed 90% of losses starting one year from enactment (effective November 25, 2016). For additional information and analysis, see CRS Report R42037, *SBA Surety Bond Guarantee Program*, by (name redacted) .

responsibilities and ensures that the project is completed. The surety bond reduces the risk associated with contracting.<sup>59</sup>

Surety bonds are viewed as a means to encourage project owners to contract with small businesses that may not have the credit history or prior experience of larger businesses and are considered to be at greater risk of failing to comply with the contract's terms and conditions.<sup>60</sup>

## Small Business Contracting Programs<sup>61</sup>

Several programs assist small businesses in obtaining and performing federal contracts and subcontracts. These include various prime contracting programs; subcontracting programs; and other assistance (e.g., the federal goaling program and federal Offices of Small and Disadvantaged Business Utilization).

### Prime Contracting Programs

Several contracting programs allow small businesses to compete only with similar firms for government contracts or receive sole-source awards in circumstances in which such awards could not be made to other firms. These programs, which give small businesses a chance to win government contracts without having to compete against larger and more experienced companies, include the following:

- **8(a) Program.**<sup>62</sup> The 8(a) Minority Small Business and Capital Ownership Development Program (named for the section of the Small Business Act from which it derives its authority) is for businesses owned by persons who are socially and economically disadvantaged.<sup>63</sup> In addition, an individual's net worth, excluding ownership interest in the 8(a) firm and equity in his or her primary personal residence, must be less than \$250,000 at the time of application to the 8(a) Program, and less than \$750,000 thereafter. A firm certified by the SBA as an 8(a) firm is eligible for set-aside and sole-source contracts. The SBA also provides technical assistance and training to 8(a) firms. Firms may participate in the 8(a) Program for no more than nine years. As of May 5, 2016, there were 6,849 firms with active certifications in the 8(a) program.<sup>64</sup>
- **Historically Underutilized Business Zone Program.**<sup>65</sup> This program assists small businesses located in Historically Underutilized Business Zones

<sup>59</sup> SBA, "Surety Bonds," at <https://www.sba.gov/category/navigation-structure/loans-grants/bonds/surety-bonds>.

<sup>60</sup> Ibid.

<sup>61</sup> These programs apply government-wide but are implemented under the authority of the Small Business Act, pursuant to regulations promulgated by the SBA that determine, in part, eligibility for the programs.

<sup>62</sup> For further information and analysis, see CRS Report R40744, *The "8(a) Program" for Small Businesses Owned and Controlled by the Socially and Economically Disadvantaged: Legal Requirements and Issues*, by (name redacted).

<sup>63</sup> Section 8(a) of the Small Business Act, P.L. 85-536, as amended, can be found at 15 U.S.C 637(a). Regulations are in 13 C.F.R. §124. For recent legal developments, see CRS Report R40987, *"Disadvantaged" Small Businesses: Definitions and Designations for Purposes of Federal and Federally Funded Contracting Programs*, by (name redacted), and CRS Report RL33284, *Minority Contracting and Affirmative Action for Disadvantaged Small Businesses: Legal Issues*, by (name redacted).

<sup>64</sup> SBA, "Dynamic Small Business Search," at [http://dsbs.sba.gov/dsbs/search/dsp\\_dsbs.cfm](http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm).

<sup>65</sup> For additional information and analysis, see CRS Report R41268, *Small Business Administration HUBZone Program*, by (name redacted).



(HUBZones) through set-asides, sole-source awards, and price evaluation preferences in full and open competitions.<sup>66</sup> The determination of whether an area is a HUBZone is based upon criteria specified in 13 C.F.R. Section 126.103. To be certified as a HUBZone small business, at least 35% of the small business's employees must generally reside in a HUBZone. As of May 5, 2016, there were 5,632 firms with active HUBZone certifications.<sup>67</sup>

- **Service-Disabled Veteran-Owned Small Business Program.** This program assists service-disabled veteran-owned small businesses through set-asides and sole-source awards. For purposes of this program, veterans and service-related disabilities are defined as they are under the statutes governing veterans affairs.<sup>68</sup>
- **Women-Owned Small Business Program.** Under this program, contracts may be set aside for economically disadvantaged women-owned small businesses in industries in which women are underrepresented and women-owned small businesses in industries in which women are substantially underrepresented. Also, federal agencies may award sole-source contracts to women-owned small businesses so long as the award can be made at a fair and reasonable price, and the anticipated value of the contract is below \$4 million (\$6.5 million for manufacturing contracts).<sup>69</sup>
- **Other small businesses.** Agencies may also set aside contracts or make sole-source awards to small businesses not participating in any other program under certain conditions.

## Subcontracting Programs for Small Disadvantaged Businesses

Other federal programs promote subcontracting with small disadvantaged businesses (SDBs). SDBs include 8(a) participants and other small businesses that are at least 51% unconditionally owned and controlled by socially or economically disadvantaged individuals or groups. Individuals owning and controlling non-8(a) SDBs may have net worth of up to \$750,000 (excluding ownership interests in the SDB firm and equity in their primary personal residence). Otherwise, however, SDBs must generally satisfy the same eligibility requirements as 8(a) firms, although they do not apply to the SBA to be designated SDBs in the same way that 8(a) firms do.

Federal agencies must negotiate “subcontracting plans” with the apparently successful bidder or offeror on eligible prime contracts prior to awarding the contract. Subcontracting plans set goals for the percentage of subcontract dollars to be awarded to SDBs, among others, and describe efforts that will be made to ensure that SDBs “have an equitable opportunity to compete for subcontracts.” Federal agencies may also consider the extent of subcontracting with SDBs in determining to whom to award a contract or give contractors “monetary incentives” to

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<sup>66</sup> For recent legal developments relating to the priority given to the HUBZone program, see CRS Report R40591, *Set-Asides for Small Businesses: Recent Developments in the Law Regarding Precedence Among the Set-Aside Programs and Set-Asides Under Indefinite-Delivery/Indefinite-Quantity Contracts*, by (name redacted).

<sup>67</sup> SBA, “Dynamic Small Business Search,” at [http://dsbs.sba.gov/dsbs/search/dsp\\_dsbs.cfm](http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm).

<sup>68</sup> Veteran-owned small businesses and service-disabled veteran-owned small businesses are eligible for separate preferences in procurements conducted by the Department of Veterans Affairs under the authority of the Veterans Benefits, Health Care, and Information Technology Act, as amended by the Veterans’ Benefits Improvements Act of 2008.

<sup>69</sup> P.L. 113-291, the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015.

subcontract with SDBs. As of May 5, 2016, there were 5,215 SBA-certified SDBs and 98,892 self-certified SDBs.<sup>70</sup>

## Goaling Program

Since 1978, federal agency heads have been required to establish federal procurement contracting goals, in consultation with the SBA, “that realistically reflect the potential of small business concerns” to participate in federal procurement. Each agency is required, at the conclusion of each fiscal year, to report its progress in meeting these goals to the SBA.<sup>71</sup>

In 1988, Congress authorized the President to annually establish government-wide minimum participation goals for procurement contracts awarded to small businesses and small businesses owned and controlled by socially and economically disadvantaged individuals. Congress required the government-wide minimum participation goal for small businesses to be “not less than 20% of the total value of all prime contract awards for each fiscal year” and “not less than 5% of the total value of all prime contract and subcontract awards for each fiscal year” for small businesses owned and controlled by socially and economically disadvantaged individuals.<sup>72</sup>

Each federal agency was also directed to “have an annual goal that presents, for that agency, the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of contracts let by such agency.”<sup>73</sup> The SBA was required to report to the President annually on the attainment of these goals and to include this information in an annual report to Congress.<sup>74</sup> The SBA negotiates the goals with each federal agency and establishes a “small business eligible” baseline for evaluating the agency’s performance.

The small business eligible baseline excludes certain contracts that the SBA has determined do not realistically reflect the potential for small business participation in federal procurement (such as contracts awarded to mandatory and directed sources), contracts awarded and performed overseas, contracts funded predominantly from agency-generated sources, contracts not covered by Federal Acquisition Regulations, and contracts not reported in the Federal Procurement Data System (such as contracts or government procurement card purchases valued less than \$3,000).<sup>75</sup> These exclusions typically account for 18% to 20% of all federal prime contracts each year.

The SBA then evaluates the agencies’ performance against their negotiated goals annually, using data from the Federal Procurement Data System—Next Generation, managed by the U.S. General Services Administration, to generate the small business eligible baseline. This information is compiled into the official Small Business Goaling Report, which the SBA releases annually.

Over the years, federal government-wide procurement contracting goals have been established for small businesses generally (P.L. 100-656, the Business Opportunity Development Reform Act of 1988, and P.L. 105-135, the HUBZone Act of 1997—Title VI of the Small Business Reauthorization Act of 1997), small businesses owned and controlled by socially and

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<sup>70</sup> SBA, “Dynamic Small Business Search,” at [http://dsbs.sba.gov/dsbs/search/dsp\\_dsbs.cfm](http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm).

<sup>71</sup> P.L. 95-507, a bill to amend the Small Business Act and the Small Business Investment Act of 1958.

<sup>72</sup> P.L. 100-656, the Business Opportunity Development Reform Act of 1988.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> See U.S. General Services Administration, Federal Procurement Data System—Next Generation, “Small Business Goaling Report: Fiscal Year 2011,” at [https://www.fpbs.gov/downloads/top\\_requests/FPDSNG\\_SB\\_Goaling\\_FY\\_2011.pdf](https://www.fpbs.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2011.pdf).



economically disadvantaged individuals (P.L. 100-656, the Business Opportunity Development Reform Act of 1988), women (P.L. 103-355, the Federal Acquisition Streamlining Act of 1994), small businesses located within a HUBZone (P.L. 105-135, the HUBZone Act of 1997—Title VI of the Small Business Reauthorization Act of 1997), and small businesses owned and controlled by a service disabled veteran (P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999).

The current federal small business contracting goals are

- at least 23% of the total value of all small business eligible prime contract awards to small businesses for each fiscal year,
- 5% of the total value of all small business eligible prime contract awards and subcontract awards to small disadvantaged businesses for each fiscal year,
- 5% of the total value of all small business eligible prime contract awards and subcontract awards to women-owned small businesses,
- 3% of the total value of all small business eligible prime contract awards and subcontract awards to HUBZone small businesses, and
- 3% of the total value of all small business eligible prime contract awards and subcontract awards to service-disabled veteran-owned small businesses.<sup>76</sup>

Although there are no punitive consequences for not meeting the small business procurement goals, the SBA's Small Business Goaling Report is distributed widely, receives media attention, and serves to heighten public awareness of the issue of small business contracting. For example, agency performance as reported in the SBA's Small Business Goaling Report is often cited by Members during their questioning of federal agency witnesses during congressional hearings.

As shown in **Table 6**, the *FY2015 Small Business Goaling Report*, using data in the Federal Procurement Data System, indicates that federal agencies met the federal contracting goal for small businesses generally (for the third year in a row and the third time in nine years), small disadvantaged businesses, women-owned small businesses (for the first time), and service-disabled veteran-owned small businesses in FY2015.

Federal agencies awarded 25.75% of the value of their small business eligible contracts (\$352.3 billion) to small businesses (\$90.7 billion), 10.06% to small disadvantaged businesses (\$35.4 billion), 5.05% to women-owned small businesses (\$17.8 billion), 1.82% to HUBZone small businesses (\$6.4 billion), and 3.93% to service-disabled veteran-owned small businesses (\$13.8 billion).<sup>77</sup> The percentage of total reported federal contracts (without exclusions) awarded to those small businesses in FY2015 is also provided in the table for comparative purposes.

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<sup>76</sup> 15 U.S.C. §644(g)(1)-(2).

<sup>77</sup> U.S. General Services Administration, Federal Procurement Data System—Next Generation, “Small Business Goaling Report: Fiscal Year 2015,” at [https://www.fpbs.gov/downloads/top\\_requests/FPDSNG\\_SB\\_Goaling\\_FY\\_2015.pdf](https://www.fpbs.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2015.pdf).

**Table 6. Federal Contracting Goals and Percentage of FY2015 Federal Contract Dollars Awarded to Small Businesses, by Type**

Business Type	Federal Goal	Percentage of FY2015 Federal Contracts (small business eligible)	Percentage of FY2015 Federal Contracts (all reported contracts)
Small Businesses	23.0%	25.75%	22.22%
Small Disadvantaged Businesses	5.0%	10.06%	8.57%
Women-Owned Small Businesses	5.0%	5.05%	4.23%
HUBZone Small Businesses	3.0%	1.82%	1.55%
Service-Disabled Veteran-Owned Small Businesses	3.0%	3.93%	3.28%

**Sources:** SBA, “Statutory Guidelines,” at <https://www.sba.gov/content/statutory-guidelines-0> (federal goals); U.S. General Services Administration, Federal Procurement Data System—Next Generation, “Small Business Goaling Report: Fiscal Year 2015,” at [https://www.fpds.gov/downloads/top\\_requests/FPDSNG\\_SB\\_Goaling\\_FY\\_2015.pdf](https://www.fpds.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2015.pdf); and U.S. General Services Administration, Federal Procurement Data System—Next Generation, at <https://www.fpds.gov/fpdsng/> (contract dollars).

**Notes:** The Federal Procurement Data System (FPDS) is a dynamic system with records updated daily. The Small Business Goaling Report for FY2015 reports that small business eligible contracts, as of February 19, 2016, totaled \$352.3 billion and that \$90.7 billion was awarded to small businesses, \$35.4 billion to small disadvantaged businesses, \$17.8 billion to women-owned small businesses, \$6.4 billion to SBA-certified HUBZone small businesses, and \$13.8 billion to service-disabled veteran-owned small businesses. The Small Business Goaling Report for FY2015 does not indicate the total amount of federal contracts reported in the FPDS on February 19, 2016. Therefore, the percentages provided in the column for all reported contracts in FY2015 were calculated using FPDS data as reported on March 2, 2016: \$437.6 billion in total contracts, \$97.3 billion awarded to small businesses, \$37.5 billion to small disadvantaged businesses, \$18.5 billion to women-owned small businesses, \$6.8 billion to HUBZone small businesses, and \$14.3 billion to service-disabled veteran-owned small businesses.

## Office of Small and Disadvantaged Business Utilization

Government agencies with procurement authority have an Office of Small and Disadvantaged Business Utilization (OSDBU) to advocate within the agency for small businesses, as well as assist small businesses in their dealings with federal agencies (e.g., obtaining payment).

## Regional and District Offices

As mentioned previously, the SBA proves funding to third parties, such as SBDCs, to provide management and training services to small business owners and aspiring entrepreneurs. The SBA also provides management, training, and outreach services to small business owners and aspiring entrepreneurs through its 68 district offices. These offices are overseen by the SBA Office of Field Operations and 10 regional offices.

SBA district offices conduct more than 20,000 outreach events annually with stakeholders and resource partners, “including lender trainings, government contracting events, joint efforts with agency resource partners, underserved market events, and events targeted to high growth entrepreneurial markets such as exporting.”<sup>78</sup> In FY2015, SBA district offices focused “their

<sup>78</sup> SBA, *FY2016 Congressional Budget Justification and FY2014 Annual Performance Report*, p. 107, at <https://www.sba.gov/sites/default/files/1-FY%202016%20CBJ%20FY%202014%20APR.PDF>.

marketing and outreach efforts on underserved communities and geographically diverse areas of the country.”<sup>79</sup> They also performed annual program eligibility and compliance reviews on 100% of the 8(a) business development firms in the SBA’s portfolio and conducted 518 on-site examinations (a 10% sample of HUBZone certified firms) to validate compliance with the HUBZone program’s geographic requirement for principal offices.<sup>80</sup>

## Office of Inspector General

The Office of Inspector General’s (OIG’s) mission is “to improve SBA management and effectiveness, and to detect and deter fraud in the Agency’s programs.”<sup>81</sup> It serves as “an independent and objective oversight office created within the SBA by the Inspector General Act of 1978 [P.L. 95-452], as amended.”<sup>82</sup> The Inspector General, who is nominated by the President and confirmed by the Senate, directs the office. The Inspector General Act provides the OIG with the following responsibilities:

- “promote economy, efficiency, and effectiveness in the management of SBA programs and supporting operations;
- conduct and supervise audits, investigations, and reviews relating to the SBA’s programs and support operations;
- detect and prevent fraud, waste and abuse;
- review existing and proposed legislation and regulations and make appropriate recommendations;
- maintain effective working relationships with other Federal, State and local governmental agencies, and non-governmental entities, regarding the mandated duties of the Inspector General;
- keep the SBA Administrator and Congress informed of serious problems and recommend corrective actions and implementation measures;
- comply with the audit standards of the Comptroller General;
- avoid duplication of Government Accountability Office (GAO) activities; and
- report violations of Federal criminal law to the Attorney General.”<sup>83</sup>

## Capital Investment Programs

The SBA has several programs to improve small business access to capital markets, including the Small Business Investment Company program, the New Market Venture Capital Program, and two special high technology contracting programs (the Small Business Innovative Research and Small Business Technology Transfer programs).

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<sup>79</sup> SBA, *FY2017 Congressional Budget Justification and FY2015 Annual Performance Report*, p. 43, at [https://www.sba.gov/sites/default/files/FY17-CBJ\\_FY15-APR-appendices.pdf](https://www.sba.gov/sites/default/files/FY17-CBJ_FY15-APR-appendices.pdf).

<sup>80</sup> Ibid., pp. 136-139.

<sup>81</sup> SBA, “Office of Inspector General,” at <https://www.sba.gov/office-of-inspector-general>.

<sup>82</sup> SBA, “Office of the Inspector General Strategic Plan for FY 2012–2017,” p. 3, at <https://www.sba.gov/sites/default/files/oig/SBA-OIG%202012-2017%20Strategic%20Plan%20.pdf>.

<sup>83</sup> Ibid.

## The Small Business Investment Company Program<sup>84</sup>

The Small Business Investment Company (SBIC) program enhances small business access to venture capital by stimulating and supplementing “the flow of private equity capital and long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply.”<sup>85</sup> The SBA works with 300 privately owned and managed SBICs licensed by the SBA to provide financing to small businesses with private capital the SBIC has raised and with funds the SBIC borrows at favorable rates because the SBA guarantees the debenture (loan obligation). SBICs provide equity capital to small businesses in various ways, including by

- purchasing small business equity securities (e.g., stock, stock options, warrants, limited partnership interests, membership interests in a limited liability company, or joint venture interests);<sup>86</sup>
- making loans to small businesses, either independently or in cooperation with other private or public lenders, that have a maturity of no more than 20 years;<sup>87</sup>
- purchasing debt securities from small businesses, which may be convertible into, or have rights to purchase, equity in the small business;<sup>88</sup> and
- subject to limitations, providing small businesses a guarantee of their monetary obligations to creditors not associated with the SBIC.<sup>89</sup>

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<sup>84</sup> For further information and analysis, see CRS Report R41456, *SBA Small Business Investment Company Program*, by (name redacted) .

<sup>85</sup> 15 U.S.C. §661.

<sup>86</sup> 13 C.F.R. §107.800. The SBIC is not allowed to become a general partner in any unincorporated business or become jointly or severally liable for any obligations of an unincorporated business.

<sup>87</sup> 13 C.F.R. §107.810; and 13 C.F.R. §107.840.

<sup>88</sup> 13 C.F.R. §107.815. Debt securities are instruments evidencing a loan with an option or any other right to acquire equity securities in a small business or its affiliates, or a loan which by its terms is convertible into an equity position, or a loan with a right to receive royalties that are excluded from the cost of money.

<sup>89</sup> 13 C.F.R. §107.820.

**Table 7. Summary of Small Business Investment Company Program's Key Features**

Key Feature	Program Summary
Use of Proceeds	To purchase small business equity securities, make loans to small businesses, purchase debt securities from small businesses, and provide, subject to limitations, small businesses a guarantee of their monetary obligations to creditors not associated with the SBIC.
Maximum Leverage Amount	A licensed SBIC in good standing with a demonstrated need for funds may apply to the SBA for financial assistance (called leverage) of up to 300% of its private capital. However, most SBICs are approved for a maximum of 200% of their private capital, and no fund management team may exceed the allowable maximum amount of leverage, currently \$150 million per SBIC and \$350 million for two or more licenses under common control. SBICs licensed on or after October 1, 2009, may elect to have a maximum leverage amount of \$175 million per SBIC if they have invested at least 50% of their financings in low-income geographic areas and certify that at least 50% of their future investments will be in low-income geographic areas.
Maturity	SBA-guaranteed debenture participation certificates can have a term of up to 15 years, although currently only one outstanding SBA-guaranteed debenture participation certificate has a term exceeding 10 years and all recent public offerings have specified a term of 10 years. SBA-guaranteed debentures provide for semiannual interest payments and a lump sum principal payment to investors at maturity. SBICs are allowed to prepay SBA-guaranteed debentures without penalty. However, a SBA-guaranteed debenture must be prepaid in whole and not in part and can only be prepaid on a semiannual payment date. Also, low-to-moderate income area (LMI) debentures are available in two maturities, for 5 years and 10 years (plus the stub period).
Maximum Interest Rates	The debenture's coupon (interest) rate is determined by market conditions and the interest rate of 10-year Treasury securities at the time of the sale.
Guaranty Fees	The SBA requires the SBIC to pay a 3% origination fee for each debenture issued (1% at commitment and 2% at draw), an annual fee on the leverage drawn, which is fixed at the time of the leverage commitment, and other administrative and underwriting fees, which are adjusted annually.
Job Creation Requirements	No job creation requirements.

**Source:** Table compiled by CRS from data from the SBA.

## New Market Venture Capital Program<sup>90</sup>

The New Market Venture Capital (NMVC) program encourages equity investments in small businesses in low-income areas that meet specific statistical criteria established by regulation. The program operates through public-private partnerships between the SBA and newly formed NMVC investment companies and existing Specialized Small Business Investment Companies (SSBICs) that operate under the Small Business Investment Company program.

The NMVC program's objective is to serve the unmet equity needs of local entrepreneurs in low-income areas by providing developmental venture capital investments and technical assistance, helping to create quality employment opportunities for low-income area residents, and building wealth within those areas.

<sup>90</sup> For further information and analysis of the New Markets Venture Capital program, see CRS Report R42565, *SBA New Markets Venture Capital Program*, by (name redacted) .

The SBA's role is essentially the same as with the SBIC program. The SBA selects participants for the NMVC program, provides funding for their investments and operational assistance activities, and regulates their operations to ensure public policy objectives are being met. The SBA requires the companies to provide regular performance reports and have annual financial examinations by the SBA.

## **Small Business Innovation Research Program<sup>91</sup>**

The Small Business Innovation Research (SBIR) program is designed to increase the participation of small, high technology firms in federal research and development (R&D) endeavors, provide additional opportunities for the involvement of minority and disadvantaged individuals in the R&D process, and result in the expanded commercialization of the results of federally funded R&D.<sup>92</sup> Current law requires that every federal department with an R&D budget of \$100 million or more establish and operate a SBIR program. A set percentage of that agency's applicable extramural R&D budget—originally set at not less than 0.2% in FY1983 and currently not less than 3.0% in FY2016—is to be used to support mission-related work in small businesses.<sup>93</sup>

Agency SBIR efforts involve a three-phase process. During Phase I, awards of up to \$150,000 for six months are made to evaluate a concept's scientific or technical merit and feasibility. The project must be of interest to and coincide with the mission of the supporting organization. Projects that demonstrate potential after the initial endeavor may compete for Phase II awards of up to \$1 million, lasting one to two years. Phase II awards are for the performance of the principal R&D by the small business. Phase III funding, directed at the commercialization of the product or process, is expected to be generated in the private sector. Federal dollars may be used if the government perceives that the final technology or technique will meet public needs.

Eight departments and three other federal agencies currently have SBIR programs, including the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, and Transportation; the Environmental Protection Agency; the National Aeronautics and Space Administration (NASA); and the National Science Foundation (NSF). Each agency's SBIR activity reflects that organization's management style. Individual departments select R&D interests, administer program operations, and control financial support. Funding can be disbursed in the form of contracts, grants, or cooperative agreements. Separate agency solicitations are issued at established times.

The SBA is responsible for establishing the broad policy and guidelines under which individual departments operate their SBIR programs. The SBA monitors and reports to Congress on the conduct of the separate departmental activities.

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<sup>91</sup> For further information and analysis of the SBIR program, see CRS Report R43695, *Small Business Innovation Research and Small Business Technology Transfer Programs*, by (name redacted)

<sup>92</sup> See P.L. 97-219, the Small Business Innovation Development Act of 1982; and 15 U.S.C. §638.

<sup>93</sup> The percentage of each designated agency's applicable extramural research and development budget to be used to support mission-related work in small businesses was scheduled to increase to not less than 2.7% in FY2013, not less than 2.8% in FY2014, not less than 2.9% in FY2015, not less than 3.0% in FY2016, and not less than 3.2% in FY2017 and each fiscal year thereafter. See P.L. 112-81, the National Defense Authorization Act for Fiscal Year 2012; and SBA, "Small Business Innovation Research Program Policy Directive," 77 *Federal Register* 46806-46855.



## Small Business Technology Transfer Program

The Small Business Technology Transfer program (STTR) provides funding for research proposals that are developed and executed cooperatively between a small firm and a scientist in a nonprofit research organization and meet the mission requirements of the federal funding agency.<sup>94</sup> Up to \$150,000 in Phase I financing is available for approximately one year to fund the exploration of the scientific, technical, and commercial feasibility of an idea or technology. Phase II awards of up to \$1 million may be made for two years, during which time the developer performs R&D work and begins to consider commercial potential. Only Phase I award winners are considered for Phase II. Phase III funding, directed at the commercialization of the product or process, is expected to be generated in the private sector. The small business must find funding in the private sector or other non-STTR federal agency.

The STTR program is funded by a set-aside, initially set at not less than 0.05% in FY1994 and now at not less than 0.45%, of the extramural R&D budget of departments that spend more than \$1 billion per year on this effort.<sup>95</sup> The Departments of Energy, Defense, and Health and Human Services, participate in the STTR program, as do NASA and NSF.

The SBA is responsible for establishing the broad policy and guidelines under which individual departments operate their STTR programs. The SBA monitors and reports to Congress on the conduct of the separate departmental activities.

## Office of Advocacy<sup>96</sup>

The SBA's Office of Advocacy is "an independent voice for small business within the federal government."<sup>97</sup> The Chief Counsel for Advocacy, who is nominated by the President and confirmed by the Senate, directs the office. The Office of Advocacy's mission is to "encourage policies that support the development and growth of American small businesses" by

- intervening early in federal agencies' regulatory development process on proposals that affect small businesses and providing Regulatory Flexibility Act compliance training to federal agency policymakers and regulatory development officials;
- producing research to inform policymakers and other stakeholders on the impact of federal regulatory burdens on small businesses, to document the vital role of small businesses in the economy, and to explore and explain the wide variety of issues of concern to the small business community; and
- fostering a two-way communication between federal agencies and the small business community.<sup>98</sup>

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<sup>94</sup> See P.L. 102-564, the Small Business Research and Development Enhancement Act of 1992; and 15 U.S.C. §638.

<sup>95</sup> The STTR program's set-aside was not less than 0.4% in FY2015, and was increased to 0.45% in FY2016 and each fiscal year thereafter. See P.L. 112-81, the National Defense Authorization Act for Fiscal Year 2012; and SBA, "Small Business Technology Transfer Program Policy Directive," 77 *Federal Register* 46855-46908.

<sup>96</sup> For further information and analysis of the Office of Advocacy, see CRS Report R43625, *SBA Office of Advocacy: Overview, History, and Current Issues*, by (name redacted) .

<sup>97</sup> SBA, "Office of Advocacy: About Us," at <https://www.sba.gov/category/advocacy-navigation-structure/about-us-0>.

<sup>98</sup> SBA, Office of Advocacy, *FY2013 Congressional Budget Justification*, p. 2, at <https://www.sba.gov/sites/default/files/files/1-508%20Compliant%20FY%202013%20CBA%20FY%202011%20APR%281%29.pdf>.

## Executive Direction Programs

The SBA's executive direction programs consist of the National Women's Business Council, the Office of Ombudsman, and the BusinessUSA website initiative.

### The National Women's Business Council

The National Women's Business Council is a bipartisan federal advisory council created to serve as an independent source of advice and counsel to the President, Congress, and the SBA on economic issues of importance to women business owners. The council's mission "is to promote bold initiatives, policies, and programs designed to support women's business enterprises at all stages of development in the public and private sector marketplaces—from start-up to success to significance."<sup>99</sup>

### Office of Ombudsman

The National Ombudsman's mission "is to assist small businesses when they experience excessive or unfair federal regulatory enforcement actions, such as repetitive audits or investigations, excessive fines, penalties, threats, retaliation or other unfair enforcement action by a federal agency."<sup>100</sup> The Office of Ombudsman works with federal agencies that have regulatory authority over small businesses to provide a means for entrepreneurs to comment about enforcement activities and encourage agencies to address those concerns promptly. It also receives comments from small businesses about unfair federal compliance or enforcement activities and refers those comments to the Inspector General of the affected agency in appropriate circumstances. In addition, the National Ombudsman files an annual report with Congress and affected federal agencies that rates federal agencies based on substantiated comments received from small business owners. Affected agencies are provided an opportunity to comment on the draft version of the annual report to Congress before it is submitted.<sup>101</sup>

### BusinessUSA

The SBA's BusinessUSA website initiative provides a common Internet-based platform for the sharing of information of interest to both small and large businesses from 10 federal agencies, including the SBA. It is designed to focus on the needs of small businesses and to "match businesses with the services relevant to them, regardless of where the information is located or which agency's website, call center, or office they go to for help."<sup>102</sup> The BusinessUSA website (<http://www.BusinessUSA.gov>) presents information about several topics, including starting and expanding a business, financing, export opportunities, disaster assistance, resources for veterans, health care changes, and counseling and training services.

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<sup>99</sup> The National Women's Business Council, "About the Council," Washington, DC, at <https://www.nwbc.gov/about-the-nwbc>.

<sup>100</sup> SBA, "Office of the National Ombudsman and Assistant Administrator for Regulatory Enforcement Fairness," at <https://www.sba.gov/ombudsman>.

<sup>101</sup> SBA, "National Ombudsman's Fiscal Year Reports to Congress," at <https://www.sba.gov/ombudsman/national-ombudsmans-fiscal-year-reports-congress>.

<sup>102</sup> Karen Mills, former SBA Administrator, "BusinessUSA: New Website to Help Small Businesses and Exporters Navigate the Federal Government," February 13, 2013, at <http://www.sba.gov/community/blogs/official-sba-news-and-views/open-business/businessusa-new-website-help-small-business>.



## Legislative Activity

During the 111<sup>th</sup> Congress, several laws were enacted that included provisions designed to increase small business access to capital. For example, P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA) provided the SBA an additional \$730 million in temporary funding, including \$375 million to subsidize fees for the SBA's 7(a) and 504/CDC loan guaranty programs and to increase the 7(a) program's maximum loan guaranty percentage to 90% for all regular 7(a) loans through September 30, 2010, or when appropriated funding for the subsidies and loan modification was exhausted. P.L. 111-240, the Small Business Jobs Act of 2010, authorized the Secretary of the Treasury to establish a \$30 billion Small Business Lending Fund (SBLF) to encourage community banks with less than \$10 billion in assets to increase their lending to small businesses (about \$4.0 billion was issued) and a \$1.5 billion State Small Business Credit Initiative to provide funding to participating states with small business capital access programs. The act also provided the SBA an additional \$697.5 million; including \$510 million to continue the SBA's fee subsidies and the 7(a) program's 90% maximum loan guaranty percentage through December 31, 2010, and about \$12 billion in tax relief for small businesses.<sup>103</sup> P.L. 111-322, the Continuing Appropriations and Surface Transportation Extensions Act, 2011, authorized the SBA to continue its fee subsidies and the 7(a) program's 90% maximum loan guaranty percentage through March 4, 2011, or until available funding was exhausted, which occurred on January 3, 2011.

During the 112<sup>th</sup> Congress, the SBA's statutory authorization expired (on July 31, 2011).<sup>104</sup> Since then, the SBA has been operating under authority provided by annual appropriations acts. Prior to July 31, 2011, the SBA's authorization had been temporarily extended 15 times since 2006.

P.L. 112-239, the National Defense Authorization Act for Fiscal Year 2013, made a number of changes to several SBA programs. For example, among other provisions, the act increased the SBA's surety bond limit from \$2 million to \$6.5 million (and up to \$10 million if a federal contracting officer certifies that such a guarantee is necessary); required the SBA to oversee and establish standards for most federal mentor-protégé programs and establish a mentor-protégé program for all small business concerns; required the SBA's Chief Counsel for Advocacy to enter into a contract with an appropriate entity to conduct an independent assessment of the small business procurement goals, including an assessment of which contracts should be subject to the goals; and addressed the SBA's recent practice of combining size standards within industrial groups as a means to reduce the complexity of its size standards by requiring the SBA to make available a justification when establishing or approving a size standard that the size standard is appropriate for each individual industry classification.

During the 113<sup>th</sup> Congress, legislation was introduced to reauthorize two temporary SBA programs authorized by P.L. 111-240 that had expired: a temporary two-year 504/CDC loan

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<sup>103</sup> P.L. 111-240, the Small Business Jobs Act of 2010, made several changes relating to the SBA's loan guaranty programs. The legislation increased loan limits for the 7(a) program from \$2 million to \$5 million and raised the 504/CDC program's loan limits from \$2 million to \$5 million for standard borrowers and from \$4 million to \$5.5 million for manufacturers. It temporarily expanded for two years the eligibility for low-interest refinancing under the SBA's 504/CDC program for qualified debt. It also amended the SBAExpress program, the SBA Microloan program, the SBA secondary market program, the SBA size standards, and the SBA International Trade Finance program. For further information and analysis concerning P.L. 111-240, the Small Business Jobs Act of 2010, see CRS Report R41385, *Small Business Legislation During the 111<sup>th</sup> Congress*, by (name redacted) and (name redacted); and CRS Report R40985, *Small Business: Access to Capital and Job Creation*, by (name redacted).

<sup>104</sup> P.L. 112-17, the Small Business Additional Temporary Extension Act of 2011.

refinancing program for purposes other than business expansion (expired on September 27, 2012) and the Office of International Trade's State Trade and Export Promotion (STEP) grant program (authorized for three years, funded for two years).<sup>105</sup> The STEP program was subsequently provided an appropriation of \$8 million in FY2014, \$17.4 million in FY2015, and \$18.0 million in FY2016. In addition, P.L. 113-76, the Consolidated Appropriations Act, 2014, increased the SBA's SBIC program's annual authorization amount to \$4 billion from \$3 billion. Legislation was also introduced to target additional SBA assistance to start-up and early stage small businesses through the SBIC program and to provide additional resources to WBCs.<sup>106</sup>

During the 114<sup>th</sup> Congress

- P.L. 114-38, the Veterans Entrepreneurship Act of 2015, authorized and made permanent the SBA's current practice of waiving the SBAExpress loan program's one time, up-front loan guaranty fee for veterans (and their spouse). The act also increased the 7(a) loan program's FY2015 authorization limit from \$18.75 billion to \$23.5 billion (later increased to \$26.5 billion).
- P.L. 114-88, the Recovery Improvements for Small Entities After Disaster Act of 2015 (RISE After Disaster Act of 2015), includes several provisions designed to assist individuals and small businesses affected by Hurricane Sandy in 2012, and, among other things, authorizes the SBA to provide up to two years of additional financial assistance, on a competitive basis, to SBDCs, WBCs, SCORE, or any proposed consortium of such individuals or entities to assist small businesses located in a presidentially declared major disaster area; authorizes SBDCs to provide assistance to small businesses outside the SBDC's state, without regard to geographical proximity to the SBDC, if the small business is in a presidentially declared major disaster area; and temporarily increases, for three years, the minimum disaster loan amount for which the SBA may require collateral, from \$14,000 to \$25,000 (or, as under existing law, any higher amount the SBA determines appropriate in the event of a disaster).
- P.L. 114-92, the National Defense Authorization Act for Fiscal Year 2016, includes a provision that expands the definition of a Base Realignment and

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<sup>105</sup> H.R. 1240, the Commercial Real Estate and Economic Development Act of 2013 (CREED Act of 2013), would have extended the temporary expansion of the projects eligible for 504/CDC program refinancing of existing debt for five years following the bill's enactment. It was referred to the House Committee on Small Business on March 18, 2013. Its companion bill in the Senate (S. 289) was referred to the Senate Committee on Small Business and Entrepreneurship on February 12, 2013, and was ordered to be reported favorably, with an amendment, on June 17, 2013. As amended, S. 289 would have extended the temporary expansion of the projects eligible for 504/CDC program refinancing of existing debt during any fiscal year in which the 504/CDC program is operating at zero subsidy. H.R. 2333, the Next STEP Act of 2013, would have provided for the permanent extension of the STEP program. On July 17, 2013, the Senate passed a Financial Services appropriations bill (S. 1371) that recommended \$20 million in STEP funding for FY2014.

<sup>106</sup> For example, the Small Business Investment Enhancement and Tax Relief Act (H.R. 30) and the Small Business Innovation Act (S. 1285) would have authorized the Administration to establish a separate SBIC program for early stage small businesses. Also, the Expanding Access to Capital for Entrepreneurial Leaders Act (S. 511, EXCEL Act) and the Small Business Innovation Act of 2013 (S. 1285) would have increased the SBIC program's annual authorization amount to \$4 billion from \$3 billion and increase the program's family of funds limit (the amount of outstanding leverage allowed for two or more SBIC licenses under common control) to \$350 million from \$225 million. The Women's Small Business Ownership Act of 2014 (S. 2693) would have authorized to be appropriated \$26.75 million for Women Business Centers (WBCs) for each of FYs 2015-2019, nearly double the amount (\$14 million) appropriated in FY2014; increased the WBC annual grant award amount from not more than \$150,000 to not more than \$250,000; and authorized the SBA Administrator to waive, in whole or in part, the WBC nonfederal matching requirement for up to two consecutive fiscal years under specified circumstances.

Closure Act (BRAC) military base closure area under the HUBZone program to include the lands within the external boundaries of the closed base and the census tract or nonmetropolitan county in which the lands of the closed base are wholly contained, intersect it, or are contiguous to it. This change is designed to make it easier for businesses located in those areas to meet the HUBZone program's requirement that at least 35% of its employees reside in a HUBZone area. The act also extends BRAC base closure area HUBZone eligibility from five years to not less than eight years, provides HUBZone eligibility to qualified disaster areas, and adds Native Hawaiian Organizations to the list of HUBZone eligible small business concerns.<sup>107</sup> Starting one year from enactment (effective November 25, 2016), the act also adds requirements concerning the pledge of assets by individual sureties participating in the SBA's Surety Bond Guarantee Program and increases the guaranty rate from not less than 70% to not less than 90% for preferred sureties participating in that program.

- P.L. 114-113, the Consolidated Appropriations Act, 2016, expands the projects eligible for refinancing under the 504/CDC loan guaranty program in any fiscal year in which the refinancing program and the 504/CDC program as a whole do not have credit subsidy costs, generally limits refinancing under this provision to no more than 50% of the dollars loaned under the 504/CDC program during the previous fiscal year, and increases the SBIC program's family of funds limit (the amount of outstanding leverage allowed for two or more SBIC licenses under common control) to \$350 million from \$225 million. The act also provided the 7(a) loan program a FY2016 authorization limit of \$26.5 billion.

The House has also passed legislation to expand the role of the SBA's Office of Advocacy in the federal rule-making process (H.R. 527, the Small Business Regulatory Flexibility Improvements Act of 2015). Other legislation currently under consideration includes, among others, bills to eliminate restrictions on Microloan intermediaries' use of technical assistance funding, increase the amount of funding Microloan intermediaries may receive from the SBA, add data collection and reporting requirements for SBDCs, increase WBC annual grant awards, and modify SCORE program requirements with respect to the role of participating volunteers, program plans and goals, and reporting.

Over the years, the SBA has discontinued many programs. Some of these cancellations were done administratively, others at the direction of Congress. In many cases, key features of the programs were incorporated into other programs. In recent years, the small loans FASTRAK loan program (now called SBAExpress, which continues), LowDoc loan program, handicapped assistance loan program, disabled assistance loan program, community express pilot program, Dealer Floor Plan program, Small/Rural Lender Advantage program, and Patriot Express program have been discontinued. The SBA has also ended its support of the veterans franchise program (VETFRAN), which the Department of Veterans Affairs continues to support. During the 112<sup>th</sup> Congress, both the House and Senate Committees on Small Business considered legislation to terminate several smaller SBA programs, such as the Drug-Free Workplace Program, and several authorized but inactive programs, such as the lease guarantee loan program, the pollution control loan program, and the small business telecommuting pilot program.<sup>108</sup>

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<sup>107</sup> The act redefined a BRAC base closure area under the HUBZone program to include the lands within the external boundaries of the closed base and the census tract or nonmetropolitan county in which the lands of the closed base are wholly contained, intersect it, or are contiguous to it.

<sup>108</sup> See the legislative history of H.R. 2608 (112<sup>th</sup> Congress), the Continuing Appropriations Act, 2012. Before (continued...)

## Appropriations<sup>109</sup>

The SBA's received an appropriation of \$928.975 million in FY2014, \$887.604 million in FY2015, and \$871.042 million in FY2016. The Obama Administration has requested \$877.894 million for the SBA in FY2017.

As shown in **Table 8**, the SBA's FY2016 appropriation of \$871.042 million includes \$268.00 million for salaries and expenses, \$231.10 million for entrepreneurial development and noncredit programs, \$152.73 million for administrative expenses related to the SBA's business loan programs, \$3.34 million for business loan credit subsidies (for the Microloan program), \$19.9 million for Office of Inspector General, \$9.12 million for the Office of Advocacy, and \$186.86 million for disaster assistance.<sup>110</sup>

**Table 8. SBA Appropriations, FY2014-FY2017**  
(\$ in millions)

Program Account	FY2014	FY2015	FY2016	FY2017 request
Salaries and Expenses	\$250.000	\$257.000	\$268.000	\$275.033
Entrepreneurial Development	\$196.165	\$220.000	\$231.100	\$230.600
Business Loan Administration	\$151.560	\$147.726	\$152.726	\$152.726
Business Loan Credit Subsidy	\$111.600	\$47.500	\$3.338	\$4.338
Office of Inspector General	\$19.000	\$19.400	\$19.900	\$19.900
Office of Advocacy	\$8.750	\$9.120	\$9.120	\$9.320
Disaster Assistance	\$191.900	\$186.858	\$186.858	\$185.977
<b>Total</b>	<b>\$928.975</b>	<b>\$887.604</b>	<b>\$871.042</b>	<b>\$877.894</b>

**Sources:** P.L. 113-76, the Consolidated Appropriations Act, 2014, P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015; P.L. 114-113, Consolidated Appropriations Act, 2016, and U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2017*; Appendix: *Small Business Administration*, pp. 1213-1223, at <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/sba.pdf>.

**Notes:** The sum of the amounts appropriated for each of the program accounts may not equal the total amount appropriated for that fiscal year due to rounding.

(...continued)

becoming the legislative vehicle for the continuing appropriations bill, the bill contained the Small Business Program Extension and Reform Act of 2011.

<sup>109</sup> For further information concerning appropriations for the Small Business Administration and other independent agencies, see CRS Report R43352, *Financial Services and General Government (FSGG): FY2014 Appropriations*, coordinated by (name redacted) and CRS Report R43846, *Small Business Administration (SBA) Funding: Overview and Recent Trends*, by (name redacted).

<sup>110</sup> P.L. 114-113, the Consolidated Appropriations Act, 2016.

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