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The Small Business Administration's State Trade Expansion Program

American small businesses regularly export to international markets, contributing to both domestic and global economies by trading with the approximately 95% of world population living outside the United States. Due to factors such as lack of experience or resources, some small businesses may encounter initial challenges breaking into or expanding their operations in foreign countries. Starting in 2011, the Small Business Administration's (SBA's) State Trade Expansion Program (STEP) has helped address these hurdles by offering competitive grants to state and territorial government entities for projects that help eligible small business concerns (ESBCs) build their export activities. STEP awards are one of several SBA programs to promote small business exports.

STEP provides funding for a two-year period. For FY2026, the grants offered ranged from \$100,000 to \$900,000. SBA anticipated making a total of \$20 million in awards.

The program has three specific goals:

- increase the number of small businesses exporting;
- increase the dollar value of small business exports; and
- increase the number of small businesses exploring significant new trade opportunities, which includes both new export opportunities and expansions.

Recent Legislation and Executive Actions

STEP, which Congress permanently authorized in the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125), has been the focus of significant legislative activity in recent years. The CARES Act (P.L. 116-136) extended the utilization period for STEP awards made in FY2018 and FY2019, making them available through FY2021, and allowed the SBA Administrator to reimburse grant recipients for financial losses related to canceled foreign trade shows and missions. In 2021, the House-passed Build Back Better Act (H.R. 5376) would have appropriated \$30 million for STEP for each fiscal year from FY2022 to FY2025. The funds would have remained available to the program for three fiscal years.

In the 118th Congress, the STEP Improvement Act of 2023 (S. 77) would have, among other things, required SBA to collect additional performance data, including the (1) total number of ESBCs assisted, (2) total dollar amount of export sales by ESBCs, and (3) number of ESBCs that have created new jobs through their participation in STEP. The legislation would have required SBA to conduct an annual survey to gather feedback on STEP. Similar legislation was introduced in the 117th (H.R. 8844, which passed the House, and S. 5221) and 116th (H.R. 6133, which passed the House) Congresses. Also in the 118th Congress, the

State Trade Expansion Program Modernization Act of 2024 (S. 4414) would have, among other things, required SBA to give unsuccessful STEP applicants recommendations for improving their application; established a template for awardees to use to fill out program compliance reports; and allowed awardees that did not use the full amount of their STEP grant during the performance period to use up to 20% of the original grant amount during the first full fiscal year after the end of the performance period.

Along with almost all of SBA's other entrepreneurial development (ED) programs (such as the Small Business Development Centers program), the Trump Administration's FY2027 budget request proposed zeroing out funding for STEP. Discussing ED programs as a whole, the budget request stated that it "eliminates a number of SBA programs that waste taxpayer dollars on failed business counseling and training programs." The Administration's FY2026 budget request also proposed zeroing out funding for STEP.

STEP History, Uses, and Outcomes

Congress authorized SBA to create a three-year State Trade and Export Promotion pilot grant program—a predecessor to the current STEP—in the Small Business Jobs Act of 2010 (P.L. 111-240). Program advocates argued it would help small businesses and promote job creation following the Great Recession. The pilot program was funded for two years; it was not funded in FY2013; and the current version of STEP has received appropriations each fiscal year since (\$20 million in FY2026). In 2016, Congress passed the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125), giving the program its current name and permanent statutory authority.

STEP grant funds may be used for the following purposes:

- participation in foreign trade missions;
- Department of Commerce subscription services;
- website fee payment;
- marketing media design;
- trade show exhibition;
- participation in export training workshops;
- reverse trade missions;
- procurement of consulting services; and
- other export initiatives deemed appropriate by SBA's Office of International Trade Associate Administrator or Deputy Associate Administrator.

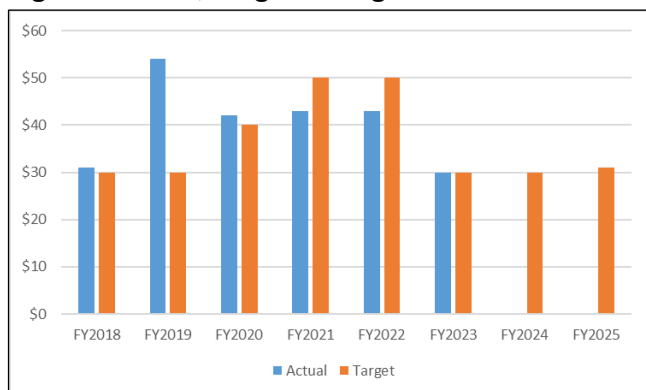
Other program provisions differ slightly among states. The 10 states with the largest number of small business exporters (in FY2026, those are California, Florida, Georgia, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas) can together receive no more than

40% of the total amount appropriated to STEP. Additionally, STEP awards have a matching requirement. For states with high export volumes (for FY2026, California, New York, and Texas), the federal share of project costs is 65%, and the required state match is 35% of the sum of the federal award and the recipient's match amount; by this formula, for every \$1 of federal funds, the state must fund 53.8 cents. For all other states, the federal share is 75%, with the state matching 25% of the sum of the federal award and the recipient's match amount, or 33.3 cents for every federal dollar.

In 2021, SBA commissioned an evaluation of STEP by an outside consulting firm. The study found domestic firms expanding export operations most frequently use STEP funds to participate in trade show exhibitions, whereas newly exporting firms most frequently use awards for export training workshops. The evaluation found that, from FY2014 to FY2018, export sales from STEP-funded participation in trade show exhibitions dominated overall sales for STEP-funded activities, generating almost \$2 billion; other export initiatives (including foreign sales trips) made \$600 million; and foreign trade missions and reverse trade missions each earned about \$200 million. ESBCs in four states—Michigan, New Jersey, North Carolina, and Washington—accounted for 68% of sales from STEP-funded trade show exhibitions. Lastly, the study calculated that reverse trade missions had the highest return on investment (ROI) for STEP activities, followed by marketing media design and trade show exhibitions.

SBA has established an annual target average ROI for STEP, although it has not publicly updated that figure since FY2025. Average ROI is the dollar amount of small business exports for every \$1 in STEP grants. **Figure 1** presents actual and targeted average ROI for STEP for FY2018 to FY2023, and targeted ROI for FY2024 and FY2025. (SBA has not publicly reported actual ROI for those years.) STEP exceeded the targeted average ROI from FY2018 to FY2020. However, STEP did not achieve its target ROI in FY2021 and FY2022, during the COVID-19 pandemic. STEP matched its target ROI in FY2023, although SBA reduced the target ROI from previous years because of the “effect of canceled trade missions and trade shows on return on investment due to the pandemic, which will continue to lag for several more grant cycles.”

Figure 1. Actual, Target Average ROI of STEP Grants



Source: SBA, FY2025 Congressional Budget Justification FY2023 Annual Performance Report.

Notes: Amounts in millions.

Policy Considerations

Congress may consider the Trump Administration's request for no funding for STEP (and to all SBA's ED programs) for FY2027. A House committee version of the FY2027 financial services and general government appropriations bill (H.R. 8495) has proposed \$15 million for STEP (a decrease from \$20 million that the program received in FY2026).

Congress may continue its debate on which STEP performance metrics should be regularly reported. This could assist in better evaluating the program's outcomes. With some performance metrics leading to potentially nebulous conclusions, and with STEP activity concentrated in a few activities, Congress may wish to determine which metrics it considers most useful for evaluation and oversight and what, if any, role those metrics may play in driving amendments to the program. S. 77 and S. 4414 in the 118th Congress both included a list of mandatory performance metrics and required SBA to analyze them. This could be extended to reporting of STEP ROI, for which, as noted, SBA has not issued comprehensively updated data since FY2023. (SBA's FY2026 and FY2027 budget justifications provided no mentions of STEP ROI.)

The 2021 STEP evaluation found that some STEP benefits may accrue unevenly. Between FY2014 and FY2018, 68% of all STEP-related export sales from trade show exhibitions were from ESBCs in four states, with one—Michigan—accounting for 36% of export sales. Congress could consider additional rules to ensure ESBCs in all states benefit from STEP grants, such as increasing the federal share of project costs for states that do not have a high volume of exports. Conversely, Congress may determine that STEP is working as intended; the 2021 evaluation found that ESBCs in states which have participated in STEP the longest had the most export clients.

Congress may wish to consider how current and potential economic and business trends might impact STEP's design. For example, a number of STEP's most utilized activities, including trade show exhibitions and foreign sales trips, require business travel. The COVID-19 pandemic heavily diminished the ability of small businesses to travel abroad; SBA cited canceled trade missions and trade shows in lowering its FY2023 target STEP ROI. Congress may consider whether additional allowable uses, such as the purchase of virtual meeting and conference tools, might address this issue and help exporting small businesses compete in an increasingly interrelated world economy.

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