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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 programs has grown especially acute in recent months due to the widespread, adverse impact of the novel coronavirus (COVID-19) pandemic on the national economy.

This report provides an overview of the SBA's programs, including

- entrepreneurial development programs (including Small Business Development Centers, Women's Business Centers, SCORE, and Microloan Technical Assistance);
- disaster assistance;
- capital access programs (including the 7(a) loan guaranty program, the 504/Certified Development Company loan guaranty program, the Microloan program, International Trade and Export Promotion programs, and lender oversight);
- contracting 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, the Women-Owned Small Business [WOSB] Federal Contract Program, and the Surety Bond Guarantee Program);
- SBA regional and district offices, the Office of Inspector General, and the Office of Advocacy; and
- capital investment programs (including the Small Business Investment Company program, the New Markets Venture Capital program, the Small Business Innovation Research [SBIR] program, the Small Business Technology Transfer program [STTR], and growth accelerators).

The report also discusses recent programmatic changes resulting from the enactment of legislation, including

- P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which, among other provisions, created the Paycheck Protection Program (PPP) to provide forgivable, low-interest loans to small businesses, small 501(c)(3) nonprofit organizations, and small 501(c)(19) veterans organizations that have been adversely affected by COVID-19.
- P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act, which, among other provisions, increased the PPP authorization limit from $349 billion to $659 billion.
- P.L. 116-260, the Consolidated Appropriations Act, 2021, which, among other provisions, extends the PPP through March 31, 2021, increases the program's authorization amount from $659 billion to $806.45 billion, and allows second-draw PPP loans of up to $2 million.

- P.L. 117-2, the American Rescue Plan Act of 2021, which, among other provisions, increased the PPP authorization amount to $813.7 billion and provided $53.6 billion for SBA program enhancements, including $28.6 billion for a restaurant revitalization grant program.

This report also provides an overview of the SBA's budget and references other CRS reports that examine the SBA's 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.[1]

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.[2]

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 and create jobs. This interest has grown especially acute in recent months due to the widespread, adverse impact of the novel coronavirus (COVID-19) pandemic on the national economy.

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.[3]

The SBA's FY2022 congressional budget justification document includes funding and program costs for the following programs and offices:

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[1] U.S. Congress, Senate Committee on Expenditures, Subcommittee on Investigations, *Influence in Government Procurement*, 82nd Cong., 1st 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, 82nd Cong., 1st sess., April 27, 30, May 1, 2, 22, 23, 1951 (Washington: GPO, 1951).

[2] P.L. 83-163, the Small Business Act of 1953 (as amended), see https://www.govinfo.gov/content/pkg/COMPS-1834/pdf/COMPS-1834.pdf.

[3] 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 https://www.govinfo.gov/content/pkg/CFR-2019-title13-vol1/pdf/CFR-2019-title13-vol1-chapI.pdf.

1. disaster assistance (including disaster loan making, servicing, and liquidation; the Shuttered Venue Operators Grant program;[4] and Economic Injury Disaster Loan (EIDL) grants);
2. capital access programs (including the Paycheck Protection Program, 7(a) loan guaranty program, the 504/Certified Development Company [CDC] loan guaranty program, the Microloan program, International Trade and Export Promotion programs, and lender oversight);
3. entrepreneurial development programs (including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, Entrepreneurship Education, Native American Outreach, Regional Innovation Clusters, Cybersecurity Grants, Community Navigator Pilot Program, Centralized HUB for COVID-19 information, PRIME, the State Trade Expansion Program, and veterans' programs);
4. contracting programs (including the 7(j) Management and Technical Assistance 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, the Subcontracting program, and the Surety Bond Guarantee program);
5. capital investment programs (including the Small Business Investment Company [SBIC] program, the New Market Venture Capital program, the Small Business Innovation Research [SBIR] program, the Small Business Technology Transfer program [STTR], and growth accelerators);
6. regional and district offices (counseling, training, and outreach services);
7. the Office of Inspector General (OIG);
8. the Restaurant Revitalization Fund;
9. the Office of Advocacy; and
10. executive direction programs (the National Women's Business Council, Office of Ombudsman, and Faith-Based Initiatives).

This report also provides a brief overview of

- P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which, among other provisions, created the $349 billion Paycheck Protection Program (PPP) to provide forgivable, low-interest loans to small businesses, small 501(c)(3) nonprofit organizations, and small 501(c)(19) veterans organizations that have been adversely affected by COVID-19.[5] Initially, PPP loans were available until June 30, 2020, had a two-year term, and a 1.0% interest rate.
- P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act, which, among other provisions, increased the PPP authorization limit to $659 billion and appropriated an additional $321.335 billion to support that authorization level.[6]

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[4] For additional information and analysis of the SBA's Shuttered Venue Operators Grant program, see CRS Report R46689, *SBA Shuttered Venue Operators Grant Program (SVOG)*, by Robert Jay Dilger and Sean Lowry.

[5] For additional information and analysis of the SBA provisions in P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

[6] For additional information and analysis of the SBA provisions in P.L. 116-139, the Paycheck Protection Program and

- P.L. 116-142, the Paycheck Protection Program Flexibility Act, which, among other provisions, extended the PPP loan forgiveness covered period from 8 weeks after the loan's origination date to the earlier of 24 weeks or December 31, 2020. Current PPP borrowers were allowed to remain under the 8-week covered period. The act also provided a minimum five-year maturity for all PPP loans made on or after enactment (June 5, 2020).
- P.L. 116-147, to extend the authority for commitments for the paycheck protection program, which extended the PPP covered loan period from June 30, 2020, to August 8, 2020, and authorized $659 billion for PPP loan commitments and $30 billion for 7(a) loan commitments.
- P.L. 116-260, the Consolidated Appropriations Act, 2021, which, among other provisions, extends the PPP through March 31, 2021, increases the program's authorization amount from $659 billion to $806.45 billion, and allows second-draw PPP loans of up to $2 million.
- P.L. 117-2, the American Rescue Plan Act of 2021, which, among other provisions, increased the PPP authorization amount to $813.7 billion and provided $53.6 billion for SBA program enhancements, including $28.6 billion for a restaurant revitalization grant program.

Table 1 shows the SBA's estimated costs in FY2021 for the SBA's 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, FY2021

($ in millions)

Program Category	Estimated Costs
Disaster Loan Programs	$53,060.207
Capital Access Programs	$548.788
Entrepreneurial Development Programs	$433.811
Contracting Programs	$107.702
Capital Investment Programs	$45.162
Regional and District Offices	$42.549
Office of Inspector General	$37.260
Restaurant Revitalization Fund	$28.711
Office of Advocacy	$16.112
Executive Direction Programs	$4.359
Total	**$54,324.661**

Sources: U.S. Small Business Administration, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, pp. 21-23, at https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report.

Health Care Enhancement Act (Enhancement Act), see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry; and CRS Report R46325, *Fourth COVID-19 Relief Package (P.L. 116-139): In Brief*, coordinated by William L. Painter.

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. The table excludes program costs for the SBA's COVID-19-related programs, which have been provided $760.98 billion in supplemental appropriations.

Disaster Loans

Overview[7]

Prior to the COVID-19 pandemic, SBA disaster assistance was provided in the form of loans, not grants, which must be repaid to the federal government. As will be discussed, funding for the SBA's disaster loan programs was increased significantly in FY2020 and FY2021 to help small businesses adversely affected by the COVID-19 pandemic, In addition, several temporary disaster assistance grant programs were created:

- the CARES Act appropriated $10 billion for Emergency Economic Injury Disaster Loan (EIDL) advance payment grants;
- P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act, appropriated another $10 billion for EIDL advance payment grants;
- P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), appropriated $20 billion for Targeted EIDL advance payment grants; and
- P.L. 117-2, the American Rescue Plan Act of 2021, appropriated another $10 billion for Targeted EIDL advance payment grants and $5 billion for Targeted EIDL advance payment supplemental grants.

The SBA's disaster loan programs are unique in two respects: (1) they are the only loans made by the SBA that go directly to the ultimate borrower; and (2) SBA disaster assistance is not limited to small businesses.[8]

SBA disaster loans are available to individuals, businesses, and nonprofit organizations in declared disaster areas.[9] 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. The SBA disbursed $401 million in disaster loans in FY2016, $889 million in FY2017, $3.59 billion in FY2018, $1.5 billion in FY2019, and $194.6 billion in FY2020 ($194 billion in COVID-19-related disaster loans and $582 million for natural disasters).[10]

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7 For additional information and analysis, see CRS Report R41309, *The SBA Disaster Loan Program: Overview and Possible Issues for Congress*, by Bruce R. Lindsay.

8 13 C.F.R. §123.200.

9 13 C.F.R. §123.105 and 13 C.F.R. §123.203.

10 SBA, Office of Legislative and Congressional Affairs, "WDS Report Amount Fiscal Year 2019, Table 1.4 Disbursements by Program," October 18, 2019; and SBA, *Agency Financial Report: Fiscal Year 2020*, p. 14, at https://www.sba.gov/document/report-agency-financial-report.

The SBA also disbursed $20 billion in Emergency Economic Injury Disaster Loan advance (grant) payments in FY2020.

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, and economic injury disaster loans.[11]

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."[12] 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)[13] and three types of SBA declarations.[14]

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.[15]

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 predisaster condition.[16] The loans may not be used to

[11] 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 Robert Jay Dilger and Sean Lowry.

[12] 13 C.F.R. §123.2.

[13] P.L. 93-288, Disaster Relief Act Amendments and 42 U.S.C. §5721 et seq.

[14] Disaster declarations are published in the *Federal Register* and can also be found on the SBA website at https://disasterloan.sba.gov/ela/Declarations/Index.

[15] 13 C.F.R. §123.105(a)(1).

[16] 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 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.

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.[17]

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.[18] 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.[19]

P.L. 116-123, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, provided EIDL eligibility to small businesses adversely affected by the coronavirus.[20]

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[17] 13 C.F.R. §123.203.

[18] 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 Robert Jay Dilger.

[19] 13 C.F.R. §123.302.

[20] Under present law and regulations, the first SBA EIDL payment is normally due five months after disbursement. However, on March 23, 2020, the SBA announced that it would defer payments on existing disaster loans through December 31, 2020, "to help borrowers during this unprecedented time." Payments on new EIDL loans were also deferred for one year (interest did accrue). Additionally, on March 12, 2021, the SBA extended the deferment period for all COVID-19-related EIDL and other disaster loans until 2022. Specifically, all disaster loans made in calendar

The CARES Act (P.L. 116-136) temporarily expanded (through December 31, 2020) EIDL eligibility beyond currently eligible small businesses, private nonprofit organizations, and small agricultural cooperatives, to include startups, cooperatives, and eligible employee-owned businesses (employee stock ownership plans) with fewer than 500 employees, sole proprietors, and independent contractors. The act also authorized the SBA Administrator, in response to economic injuries caused by COVID-19, to

- waive the no credit available elsewhere requirement;
- approve an applicant based solely on their credit score;
- not require applicants to submit a tax return or tax return transcript for approval;
- waive any rules related to the personal guarantee on advances and loans of not more than $200,000; and
- waive the requirement that the applicant needs to be in business for the one-year period before the disaster declaration, except that no waiver may be made for a business that was not in operation on January 31, 2020.

The CARES Act also authorized the SBA Administrator, through December 31, 2020, to provide up to $10,000 as an advance payment in the amount requested within three days after receiving an EIDL application from an eligible entity. Applicants were not required to repay the advance payment, even if subsequently denied an EIDL loan. The funds may be used for any eligible EIDL expense, including, among other expenses, providing paid sick leave to employees unable to work due to COVID-19, maintaining payroll to retain employees, and meeting increased costs to obtain materials due to supply chain disruptions. Due to anticipated high demand, the SBA limited EIDL-advance payments (also known as Emergency EIDL grants) to $1,000 per employee, up to a maximum of $10,000. The act appropriated $10 billion for Emergency EIDL grants.

The CARES Act was enacted on March 27, 2020. On March 30, 2020, the SBA updated its website to allow COVID-19-related EIDL applicants an option to request an Emergency EIDL Advance Payment grant.[21] On April 15, 2020, the SBA stopped accepting new EIDL and Emergency EIDL grant applications because it was approaching its appropriations limit for disaster assistance.[22] The SBA continued to process EIDL and Emergency EIDL grant applications that were submitted prior to April 16, 2020.

P.L. 116-139 appropriated an additional $50 billion for EIDL (to support up to $367.1 billion in loan authority) and $10 billion for Emergency EIDL grants. The act also provided EIDL eligibility to previously ineligible agricultural businesses. The SBA began accepting new EIDL and Emergency EIDL grant applications on a limited basis on May 4, 2020, to accommodate

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year 2020 will have a first payment due extended from 12 months to 24 months from the date of the note, and all disaster loans made in calendar year 2021 will have a first payment due extended from 12 months to 18 months from the date of the note. See SBA, "Carranza Implements Automatic Deferment on Existing SBA Disaster Loans Through End of 2020," March 23, 2020, at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/carranza-implements-automatic-deferment-existing-sba-disaster-loans-through-end-2020; and SBA, "SBA Extends Deferment Period for all COVID-19 EIDL and Other Disaster Loans until 2022," March 12, 2021, at https://www.sba.gov/article/2021/mar/16/sba-extends-deferment-period-all-covid-19-eidl-other-disaster-loans-until-2022.

[21] EIDL applicants that applied for a COVID-19-related EIDL prior to March 30, 2020, were required to reapply for an Emergency EIDL Advance Payment grant.

[22] SBA, "Statement by Secretary Mnuchin and Administrator Carranza on the Paycheck Protection Program and Economic Injury Disaster Loan Program."

these agricultural businesses. The SBA also processed applications from agricultural businesses that had submitted an EIDL application prior to the legislative change. All other EIDL loan applications that were submitted before the SBA stopped accepting new applications on April 15, 2020, continued to be processed on a first-in, first-out basis. The SBA resumed the acceptance of new EIDL and EIDL advance payment applications from all borrowers on June 15, 2020.[23]

On July 11, 2020, the SBA stopped accepting Emergency EIDL grant applications because the program had reached its authorization limit of $20 billion in grants.[24] The SBA approved 5,781,390 Emergency EIDL grant applications.[25] As of August 4, 2021, the SBA had approved 3,818,963 COVID-19-related EIDL loans, totaling nearly $244.1 billion.[26]

P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), enacted on December 27, 2020, among other provisions,

- extended the covered period for Emergency EIDL advance payments (grants) from December 31, 2020, to December 31, 2021, extended the time for the SBA to approve and disburse the funds from three to 21 days, and repealed the requirement that borrowers deduct the amount of their EIDL advance payment from their PPP loan forgiveness amount if the advance payment was refinanced into their PPP loan; and
- appropriated $20 billion for a Targeted EIDL advance payment (grant) program that provides a $10,000 advance payment to borrowers located in low-income communities that have suffered a revenue loss greater than 30% over specified time periods and have no more than 300 employees; applicants that meet these requirements and received an Emergency EIDL advance payment previously are eligible to receive an amount equal to the difference of what the borrower received and $10,000. The SBA is required to provide first priority in awarding the grants to eligible borrowers located in low-income communities that received an Emergency EIDL advance payment of less than $10,000 previously, and second priority to eligible first-time applicants located in low-income communities.

P.L. 117-2 appropriated an additional $53.6 billion for SBA program enhancements, including $10 billion for the Targeted EIDL advance payment (grant) program, $5 billion for the Targeted

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[23] SBA, "SBA's Economic Injury Disaster Loans and Advance Program Reopened to All Eligible Small Businesses and Non-Profits Impacted by COVID-19 Pandemic," June 15, 2020, at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sbas-economic-injury-disaster-loans-and-advance-program-reopened-all-eligible-small-businesses-and?utm_medium=email&utm_source=govdelivery.

[24] SBA, "SBA provided $20 billion to Small Businesses and Non-Profits Through the Emergency Economic Injury Disaster Loan Advance Program," press release, July 11, 2020, at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-provided-20-billion-small-businesses-and-non-profits-through-economic-injury-disaster-loan.

As of April 24, 2020, the SBA had approved nearly 1.2 million Emergency EIDL grants, totaling $4.8 billion. See SBA, "COVID-19 EIDL Advance Reports, April 24, 2020," at https://www.sba.gov/document/report-covid-19-eidl-advance-report-04-24-20.

[25] SBA, "Disaster Assistance Update Nationwide EIDL Loans July 15, 2020 (figures as of July 14, 2020)," at https://www.sba.gov/sites/default/files/2020-07/EIDL%20COVID-19%20Advance%207.15.20.pdf.

[26] SBA, "SBA Disaster Assistance Update Nationwide EIDL Loans/COVID-19, August 5, 2021 (figures as of August 4, 2021)," at https://www.sba.gov/document/report-covid-19-eidl-loans-report-2021.

EIDL advance payment supplemental (grant) program, and $460 million for the disaster loan program ($70 million for disaster loan credit subsidies and $390 million for administrative costs).

As of August 4, 2021, the SBA had funded 331,341 Targeted EIDL advance payment grants, totaling over $2.7 billion; and 254,236 Targeted EIDL advance payment supplemental grants, totaling over $1.2 billion.[27]

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.[28] 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.[29] 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."[30] With few exceptions, to qualify for SBA assistance, an organization must be both a business and small.[31]

What Is a Small Business?

To participate in any of the SBA programs, a business must meet the Small Business Act'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;

[27] SBA, "SBA Disaster Assistance Update Nationwide EIDL Loans/COVID-19, August 5, 2021 (figures as of August 4, 2021)," at https://www.sba.gov/document/report-covid-19-eidl-loans-report-2021.

[28] 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*, 105th Cong., 2nd sess., January 2, 1999, H.Rept. 105-849 (Washington: GPO, 1999), p. 8.

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

[30] SBA, *Fiscal Year 2010 Congressional Budget Justification,* p. 30, at https://www.sba.gov/sites/default/files/Congressional_Budget_Justification_2010.pdf.

[31] 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. Nonprofit child care centers are eligible to participate in SBA's Microloan program.

- is independently owned and operated;
- is not dominant in its field on a national basis;[32] and
- does not exceed size standards established, and updated periodically, by the SBA.[33]

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

What Is Small?[34]

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 subindustry 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.[35]

The SBA's industry size standards vary by industry, and they are based on one of the following four measures: the firm's (1) average annual receipts in the previous three (or five) 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.

The SBA's size standards are designed to encourage competition within each industry; they are derived through an assessment of the following four economic factors: "average firm size, average assets size as a proxy of start-up costs and entry barriers, the 4-firm concentration ratio as a measure of industry competition, and size distribution of firms."[36] The SBA also considers the ability of small businesses to compete for federal contracting opportunities and, when necessary, several secondary factors "as they are relevant to the industries and the interests of small businesses, including technological change, competition among industries, industry growth trends, and impacts of size standard revisions on small businesses."[37]

[32] 13 C.F.R. §121.105.

[33] P.L. 111-240, the Small Business Jobs Act of 2010, requires the SBA to conduct a detailed review of not less than one-third of the SBA's industry size standards every 18 months beginning on the new law's date of enactment (September 27, 2010) and ensure that each size standard is reviewed at least once every five years.

[34] For additional information and analysis, see CRS Report R40860, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*, by Robert Jay Dilger.

[35] 13 C.F.R. §121.201 and P.L. 111-240, the Small Business Act of 2010, §1116. Alternative Size Standards.

[36] SBA, Office of Government Contracting and Business Development, "SBA Size Standards Methodology," April 2019, p. 29, at https://www.sba.gov/document/support—size-standards-methodology-white-paper (hereinafter cited as SBA, "SBA Size Standards Methodology").

[37] SBA, "SBA Size Standards Methodology," p. 1.

Loan Guarantees

Overview

The SBA provides loan guarantees for small businesses that cannot obtain credit elsewhere with reasonable terms and conditions. Its largest loan guaranty programs are the 7(a) loan guaranty program, the 504/CDC loan guaranty program, international trade and export promotion programs, 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.[38] With one exception, nonprofit and charitable organizations are also ineligible.[39]

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.

7(a) 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.[40] 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, from time-to-time, reduced its fees. For example, in FY2019, the SBA waived the annual service fee for 7(a) loans of $150,000 or less made to small businesses located in a rural area or a HUBZone and reduced the up-front one-time guaranty fee for these loans from 2.0% to 0.6667% of the guaranteed portion of the loan.[41]

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

[39] 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.

[40] 15 U.S.C. §636(a)(23)(a).

[41] SBA, "SBA Information Notice: 7(a) Fees Effective on October 1, 2018," at https://www.sba.gov/document/information-notice-5000-180010-7a-fees-effective-october-1-2018.

In addition, the SBA is required to waive the up-front, one-time guaranty fee on all veteran loans under the 7(a) SBAExpress program.[42] The maximum SBAExpress loan amount has been increased from $350,000 to $1 million (reverts to $500,000 on October 1, 2021).[43]

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.

Table 2. SBA Business Loan Subsidies, Authorized Amounts, FY2010-FY2022

($ 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[a]	$79.84	$0.00	$2.99	$82.83
2012	$139.40	$67.70	$3.68	$210.78
2013[b]	$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	$0.00	$0.00	$4.34	$4.34
2018	$0.00	$0.00	$3.44	$3.44
2019	$0.00	$0.00	$4.00	$4.00
2020[c]	$99.00	$0.00	$5.00	$104.00
2021[d]	$15.00	$0.00	$12.00	$27.00
2022 request	$0.00	$0.00	$6.00	$6.00

Sources: SBA, *Congressional Justification* (Summary of Credit Programs & Revolving Fund), various years, at https://www.sba.gov/about-sba/sba-performance/performance-budget-finances/congressional-budget-justification-annual-performance-report; 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; P.L. 115-31, the Consolidated Appropriations Act, 2017; P.L. 115-141, the

[42] The SBA had waived the up-front, one-time guaranty fee on all veteran loans under the 7(a) SBAExpress program from January 1, 2014, through the end of FY2015. P.L. 114-38 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 waived the fee, pursuant to P.L. 114-38, in FY2016, FY2017, FY2018, and FY2019. P.L. 116-136, the CARES Act, removed the requirement that the cost for the 7(a) program is above zero.

[43] P.L. 116-136, the CARES Act, temporarily increased the SBAExpress maximum loan amount from $350,000 to $1 million (scheduled to revert to $350,000 on January 1, 2021). P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), temporarily continued the SBAExpress maximum loan amount of $1 million. It is now scheduled to revert to $500,000 on October 1, 2021.

Consolidated Appropriations Act, 2018; P.L. 116-6, the Consolidated Appropriations Act, 2019; P.L. 116-93, the Consolidated Appropriations Act, 2020; P.L. 116-260, the Consolidated Appropriations Act, 2021; and U.S. Small Business Administration, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 8, at https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report.

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.

c. In FY2020, P.L. 116-136, the CARES Act, appropriated $366 billion for loan credit subsidies for the Paycheck Protection Program ($349 billion) and SBA debt relief payments ($17 billion); and P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act, appropriated $321.335 billion for loan credit subsidies for the Paycheck Protection Program.

d. In FY2021, P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), appropriated $289.895 billion for loan credit subsidies: $284.45 billion for the Paycheck Protection Program, $3.5 billion for SBA debt relief payments, and $1.918 billion for SBA program enhancements. P.L. 117-2, the American Rescue Plan Act of 2021, appropriated an additional $7.25 billion for Paycheck Protection Program loan credit subsidies.

7(a) Loan Guaranty Program[44]

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 lending partners (mostly banks but also some other financial institutions) and partially guaranteed by the SBA.

In FY2020, the SBA approved 42,302 7(a) loans totaling $22.6 billion.[45] In FY2020, there were 1,673 active lending partners providing 7(a) loans.[46]

The CARES Act appropriated $17 billion to pay the principal, interest, and any associated fees owed on an existing 7(a) loan, 504/CDC loan, or Microloan and for loans subsequently approved and fully disbursed prior to September 27, 2020, for a six-month period.[47]

P.L. 116-260 appropriated an additional $3.5 billion for SBA's monthly debt relief payments, capped at $9,000 per month per borrower. The SBA is authorized to provide up to an additional eight monthly payments, depending on the availability of funds, when the loan was disbursed, the type of loan received, and the business's industry.

Because the SBA determined that the $3.5 billion provided is insufficient to make the maximum number of monthly payments authorized in P.L. 116-260, the SBA announced that it will pay two additional monthly payments on 7(a) and 504/CDC loans that were in repayment before March 27, 2020, starting with the next payment due on or after February 1, 2021. After the first two monthly payments are provided, businesses with an SBA Community Advantage loan, Microloan, or operating in specified economically hard-hit industries will receive an additional three monthly

[44] For further information and analysis, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger.

[45] SBA, "SBA Lending Statistics for Major Programs (as of 9/30/2020)," at https://www.sba.gov/sites/default/files/2020-10/WebsiteReport_asof_20200930-508.pdf.

[46] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 39, at https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report (hereinafter SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*).

[47] Payments for loans in a regular servicing status begin on the next payment due. Payments for loans in deferment begin on the next payment due following the deferment period.

payments. Loans approved from February 1, 2021, through September 30, 2021, will receive three monthly payments beginning with the first payment due.[48]

P.L. 116-260 also temporarily waives SBA fees for the 7(a) and 504/CDC loan guarantee programs and increases the 7(a) program's current guaranty rate from 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) to 90% through October 1, 2021.

Lenders are permitted to charge borrowers fees to recoup specified expenses and are allowed to charge borrowers "a reasonable fixed interest rate" or, with the SBA's approval, a variable interest rate.[49] The SBA uses a multistep formula to determine the maximum allowable fixed interest rate for all 7(a) loans (with the exception of the Export Working Capital Program and Community Advantage loans) and periodically publishes that rate and the maximum allowable variable interest rate in the *Federal Register*.[50]

Maximum interest rates allowed on variable-rate 7(a) loans are pegged to either the prime rate, the 30-day London Interbank Offered Rate (LIBOR) plus 3%, 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 allowed spread over the prime rate, LIBOR base rate, or SBA optional peg rate depends on the loan amount and the loan's maturity (under seven years or seven years or more).[51] The adjustment period can be no more than monthly and cannot change over the life of the loan.

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

[48] SBA, "Adjustment to Number of Months of Section 1112 Payments in the 7(a), 504 and Microloan Programs Due to Insufficiency of Funds," SBA Procedural Notice, 5000-20095, February 16, 2021, at https://www.sba.gov/document/procedural-notice-5000-20095-adjustment-number-months-section-1112-payments-7a-504-microloan-programs-due-insufficiency-funds.

Economically hard-hit industries are defined as those assigned a North American Industry Classification System (NAICS) code beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812 (food service and accommodation; arts, entertainment and recreation; education; and laundry and personal care services).

[49] 13 C.F.R. §120.213.

[50] SBA, "Maximum Allowable 7(a) Fixed Interest Rates," 83 *Federal Register* 55478, November 6, 2018. For the previously used fixed interest rates formula, see SBA, "Business Loan Program Maximum Allowable Fixed Rate," 74 *Federal Register* 50263-50264, September 30, 2009. The SBA has a separate formula for Community Advantage loan interest rates and does not prescribe interest rates for the Export Working Capital Loans, but it does monitor the rates charged for reasonableness.

[51] SBA, "SOP 50 10 5(K): Lender and Development Company Loan Programs," (effective April 1, 2019), p. 153, at https://www.sba.gov/document/sop-50-10-5-lender-development-company-loan-programs.

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 Fixed Interest Rates	For fixed rate loans of $25,000 or less, prime plus 800 basis points; for fixed rate loans over $25,000 but not exceeding $50,000, prime plus 700 basis points; for fixed rate loans greater than $50,000 but not exceeding $250,000, prime plus 600 basis points; and for fixed rate loans over $250,000, prime plus 500 basis points.
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% in FY2021). For loans with maturities of more than 12 months, the SBA is authorized to charge an up-front guaranty fee on the guaranteed portion of the loan of: up to 2% for loans of $150,000 or less (0% in FY2021); up to 3% for loans of $150,001 to $700,000 (0% in FY2021); up to 3.5% for loans of more than $700,000 (0% in FY2021); and up to 3.75% for the guaranty portion over $1 million (0% in FY2021). The SBA is also allowed to charge an ongoing, annual servicing fee of up to 0.55% (0% in FY2021).
Job Creation	No job creation requirements.

Sources: Table compiled by CRS from data from the SBA; and P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021).

Notes: In FY2019, the SBA waived the annual service fee for 7(a) loans of $150,000 or less made to small businesses located in a rural area or a HUBZone; and reduced the up-front one-time guaranty fee for these loans from 2.0% to 0.6667% of the guaranteed portion of the loan. The SBA also waived the up-front, one-time loan guaranty fee for all veteran loans under the 7(a) SBAExpress program because the FY2019 subsidy rate for the 7(a) program was zero.

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 up to $1 million (reverts to $500,000 on October 1, 2021), 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 normally provides a 50%

loan guarantee on loan amounts of $350,000 or less.[52] As mentioned, the CARES Act temporarily increased the SBAExpress maximum loan amount from $350,000 to $1 million until January 1, 2021. P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), continues that temporary increase until October 1, 2021. At that time, the program's maximum loan amount will increase permanently from $350,000 to $500,000.

SBAExpress 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 September 30, 2022.[53] As of September 12, 2018, there were 113 approved CA lenders, 99 of which were actively making and servicing CA loans.[54] The SBA placed a moratorium, effective October 1, 2018, on accepting new CA lender applications, primarily as a means to mitigate the risk of future loan defaults.[55]

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

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

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52 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).

53 SBA, "Community Advantage Pilot Program," 77 *Federal Register* 67433, November 9, 2012; SBA, "Community Advantage Pilot Program," 80 *Federal Register* 80873, December 28, 2015; and SBA, "Community Advantage Pilot Program," 83 *Federal Register* 46238, September 12, 2018.

54 SBA, "Community Advantage Pilot Program," 83 *Federal Register* 46238, September 12, 2018.

55 The SBA indicated that "Given the increased risk of CA loans as compared to other 7(a) loans, the need for more resource-intensive oversight of CA Lenders, and the fact that the CA Pilot Program already includes a sufficient number of geographically dispersed CA Lenders, SBA has decided to place a moratorium on acceptance of new CA Lender applications. Effective October 1, 2018, SBA will no longer accept CA Lender Applications (SBA Form 2301)." See SBA, "Community Advantage Pilot Program," 83 *Federal Register* 46239, September 12, 2018.

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[56]

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.[57] 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 date of application. Also, CDCs must intend to create or retain one job for every $75,000 of the debenture ($120,000 for small manufacturers) or meet an alternative job creation standard if they meet any one of 15 community or public policy goals.

In FY2020, the SBA approved 7,199 504/CDC loans totaling over $5.8 billion.[58] In FY2020, 208 CDCs provided at least one 504/CDC loan.[59]

As mentioned, the CARES Act appropriated $17 billion to pay the principal, interest, and any associated fees that are owed on an existing 7(a) loan, 504/CDC loan, or Microloan and for loans subsequently approved and fully disbursed prior to September 27, 2020, for a six-month period.[60]

P.L. 116-260 appropriated an additional $3.5 billion for up to eight monthly debt relief payments, capped at $9,000 per month per borrower. Because the SBA determined that the $3.5 billion provided is insufficient to make the maximum number of payments authorized in P.L. 116-260, the SBA announced that it will pay two additional monthly payments on 7(a) and 504/CDC loans that were in repayment before March 27, 2020, starting with the next payment due on or after February 1, 2021. After the first two monthly payments are provided, businesses with an SBA Community Advantage loan, Microloan, or operating in specified economically hard-hit industries will receive an additional three monthly payments. Loans approved from February 1,

[56] For further information and analysis, see CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger.

[57] A debenture is a bond that is not secured by a lien on specific collateral.

[58] SBA, "SBA Lending Statistics for Major Programs (as of 9/30/2020)," at https://www.sba.gov/sites/default/files/2020-10/WebsiteReport_asof_20200930-508.pdf.

[59] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 40.

[60] 7(a) loans, 504/CDC loans, and Microloans that are already on deferment received six months of payment by the SBA beginning with the first payment after the deferral period. Loans made up until six months after enactment also received a full six months of SBA loan payments.

2021, through September 30, 2021, will receive three monthly payments beginning with the first payment due.[61]

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 and specified energy-related projects; minimum is $25,000. There is no limit on the project size.
Maturity	10 years for equipment; 20 or 25 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 pegged to an increment above the current market rate for 5-year and 10-year U.S. Treasury issues.
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 of up to 0.5% of the debenture (0% in FY2021), an annual servicing fee of up to 0.9375% of the unpaid principal balance (0% for regular 504/CDC loans and 0% for 504/CDC debt refinance loans in FY2021), 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 $75,000 of the debenture ($120,000 for small manufacturers) or meet an alternative job creation standard if it meets any one of 15 community or public policy goals.

Sources: Table compiled by CRS from data from the SBA; U.S. Small Business Administration, "SBA Information Notice: 5000-20045, 504 Fees Effective During Fiscal Year 2021," September 15, 2020; and P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021).

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.

[61] SBA, "Adjustment to Number of Months of Section 1112 Payments in the 7(a), 504 and Microloan Programs Due to Insufficiency of Funds," SBA Procedural Notice, 5000-20095, February 16, 2021, at https://www.sba.gov/document/procedural-notice-5000-20095-adjustment-number-months-section-1112-payments-7a-504-microloan-programs-due-insufficiency-funds.

Economically hard-hit industries are defined as those assigned a North American Industry Classification System (NAICS) code beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812 (food service and accommodation; arts, entertainment and recreation; education; and laundry and personal care services).

International Trade and Export Promotion Programs[62]

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.
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.[63]

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.

In addition, the SBA administers grants through the State Trade Expansion Program (STEP), which 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. Congress approved $8 million in appropriations for STEP in FY2014, $17.4 million in FY2015, $18 million annually in FY2016-FY2019, $19 million in FY2020, and $19.5 million in FY2021.[64]

The Microloan Program[65]

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. Microloan lenders also provide marketing, management, and technical assistance to Microloan borrowers and potential borrowers.

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[62] For further information and analysis, see CRS Report R43155, *Small Business Administration Trade and Export Promotion Programs*, by Sean Lowry.

[63] The International Trade loan program limits its guaranty for working capital to $4 million ($4.444 million gross loan amount).

[64] P.L. 114-125, the Trade Facilitation and Trade Enforcement Act of 2015, provided the STEP program explicit statutory authorization and authorized to be appropriated $30 million for STEP grants from FY2016 through FY2020. The act also included provisions intended to improve coordination between the federal government and the states, among other provisions.

[65] For further information and analysis, see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger.

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.

In FY2020, microloan intermediaries provided 5,890 loans to small businesses totaling $85 million. The average Microloan amount was $14,434.[66]

As mentioned, the CARES Act appropriated $17 billion to pay the principal, interest, and any associated fees that are owed on an existing 7(a) loan, 504/CDC loan, or Microloan and for loans subsequently approved and fully disbursed prior to September 27, 2020, for a six-month period.[67]

P.L. 116-260 appropriated an additional $3.5 billion for up to eight monthly debt relief payments, capped at $9,000 per month per borrower. Because the SBA determined that the $3.5 billion provided is insufficient to make the maximum number of payments authorized in P.L. 116-260, the SBA announced that it will pay two additional monthly payments on 7(a) and 504/CDC loans that were in repayment before March 27, 2020, starting with the next payment due on or after February 1, 2021. After the first two monthly payments are provided, businesses with an SBA Community Advantage loan, Microloan, or operating in specified economically hard-hit industries will receive an additional three monthly payments. Loans approved from February 1, 2021, through September 30, 2021, will receive three monthly payments beginning with the first payment due.[68]

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.
Maximum Loan Amount	$50,000.
Maturity	Up to eight years in FY2021 (reverts to seven years in FY2022).

[66] SBA, "Nationwide Loan Report, October 1, 2019 through September 30, 2020," November 18, 2020.

[67] 7(a) loans, 504/CDC loans, and Microloans that are already on deferment received six months of payment by the SBA beginning with the first payment after the deferral period. Loans made up until six months after enactment also received a full six months of SBA loan payments.

[68] SBA, "Adjustment to Number of Months of Section 1112 Payments in the 7(a), 504 and Microloan Programs Due to Insufficiency of Funds," SBA Procedural Notice, 5000-20095, February 16, 2021, at https://www.sba.gov/document/procedural-notice-5000-20095-adjustment-number-months-section-1112-payments-7a-504-microloan-programs-due-insufficiency-funds.

Economically hard-hit industries are defined as those assigned a North American Industry Classification System (NAICS) code beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812 (food service and accommodation; arts, entertainment and recreation; education; and laundry and personal care services).

Key Feature	Program Summary
Maximum Interest Rates	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. 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%.
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. For information related to the Microloan loan maturity being increased from six years to seven years, see SBA, "Express Loan Programs; Affiliation Standards," 85 *Federal Register* 7632, February 10, 2020; SBA, "Regulatory Reform Initiative: Streamlining and Modernizing the 7(a), Microloan, and 504 Loan Programs to Reduce Unnecessary Regulatory Burden," 85 *Federal Register* 80676-80686, December 14, 2020; and P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), §329.

Paycheck Protection Program[69]

The CARES Act, among other provisions, created the $349 billion (later increased to $813.7 billion) Paycheck Protection Program (PPP) to provide loans with a 100% SBA loan guarantee, a maximum term of 10 years, and an interest rate not to exceed 4% to assist small businesses, small 501(c)(3) nonprofit organizations, and small 501(c)(19) veterans organizations that have been adversely affected by COVID-19.[70] The act also provides for loan deferment and forgiveness under specified conditions. The SBA announced that PPP loans will have a two-year term at 1% interest.[71]

PPP loans are not subject to the 7(a) loan program's up-front loan guarantee fee or annual servicing fee, the no credit elsewhere requirement, or 7(a) collateral and personal guarantee requirements. Also, PPP eligibility includes 7(a) eligible businesses and any business, 501(c)(3) nonprofit organization, 501(c)(19) veterans organization, or tribal business not currently eligible that has not more than 500 employees or, if applicable, the SBA's size standard for the industry in which they operate. Sole proprietors, independent contractors, and eligible self-employed individuals are also eligible.[72]

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[69] For further information and analysis of the PPP, see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

[70] For additional information and analysis of the SBA provisions in P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

[71] P.L. 116-142, the Paycheck Protection Program Flexibility Act of 2020, among other provisions, established a minimum PPP loan maturity of five years for loans made on or after the date of enactment (June 5, 2020).

[72] For purposes of determining not more than 500 employees, the term employee includes individuals employed on a

The maximum PPP loan amount is the lesser of (1) 2.5 times the average total monthly payments by the applicant for payroll costs incurred during the one-year period before the date on which the loan is made plus the outstanding balance of any 7(a) loan (made on or after January 31, 2020) that is refinanced into the PPP loan; or (2) $10 million.

The SBA started accepting PPP loan applications on April 3, 2020. Because the program neared its $349 billion authorization limit, the SBA stopped accepting new PPP loan applications on April 15, 2020.[73] The SBA started accepting applications once again on April 27, 2020, following enactment of the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139) on April 24, 2020. The act increased the PPP loan authorization limit from $349 billion to $659 billion, and appropriated an additional $321.335 billion to support that level of lending.

As required by the CARES Act, the SBA stopped accepting new PPP loan applications at midnight on June 30, 2020. The SBA resumed accepting PPP loan applications on July 6, 2020, following enactment of P.L. 116-147, to extend the authority for commitments for the paycheck protection program. The act extended the PPP covered loan period from June 30, 2020, to August 8, 2020, and authorized $659 billion for PPP loan commitments and $30 billion for 7(a) loan commitments. As required by this act, the SBA stopped accepting new PPP loan applications on August 8, 2020.

As of August 8, 2020, the SBA had approved, after cancellations, 5,212,128 PPP loans totaling more than $525 billion.[74] For comparative purposes, that loan approval amount is more than the amount the SBA had approved in all of its loan programs, including disaster loans, during the previous 29 years (from October 1, 1991, through December 31, 2019; $509.9 billion).[75]

House and Senate leaders continued negotiations on legislation to reopen and amend the PPP throughout the summer and fall. P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), enacted on December 27, 2020, among other provisions,

- extended the PPP loan covered period from August 8, 2020, to March 31, 2021;
- expanded the list of allowable uses of proceeds and loan forgiveness to include personal protective equipment, supplier costs, payments for software, cloud computing, and other human resources and accounting needs, and costs related to property damage from public disturbances that occurred in 2020 that are not covered by insurance;

full-time, part-time, or other basis. Also, special eligibility considerations are provided for certain businesses and organizations. For example, businesses operating in NAICS Sector 72 (Accommodation and Food Services industry) that employ not more than 500 employees per physical location are also eligible for a covered loan. Affiliation rules are also waived for: (1) NAICS Sector 72 businesses, (2) franchises, and (3) SBIC-owned businesses. In other words, these businesses would not be denied a covered loan solely because they employ more than 500 employees across multiple businesses under common ownership.

[73] SBA, "Statement by Secretary Mnuchin and Administrator Carranza on the Paycheck Protection Program and Economic Injury Disaster Loan Program," April 15, 2020, at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/statement-secretary-mnuchin-and-administrator-carranza-paycheck-protection-program-and-economic (hereinafter SBA, "Statement by Secretary Mnuchin and Administrator Carranza on the Paycheck Protection Program and Economic Injury Disaster Loan Program.")

[74] SBA, "Additional Program Information: approvals as of August 8, 2020," at https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program.

[75] SBA, "WDS Lending Data File," October 18, 2019; and SBA, "Small Business Administration loan program performance: Table 2 - Gross Approval Amount by Program, March 31, 2020," at https://www.sba.gov/document/report-small-business-administration-loan-program-performance.

- allowed borrowers to select a PPP loan forgiveness covered period of either 8 weeks after the loan's origination date or 24 weeks after the loan's origination date regardless of when the loan was disbursed;
- created a simplified loan forgiveness application process for loans of $150,000 or less, which includes an application form that is not more than one page in length and only requires borrowers to provide a description of the number of employees the borrower was able to retain because of the loan, the estimated amount of the loan amount spent on payroll costs, and the total loan amount;
- allowed PPP borrowers that have fewer than 300 employees, have or will use the full amount of their PPP loan, and can document quarterly revenue losses of at least 25% in the first, second, or third quarter of 2020 relative to the same quarter of 2019 to receive a second-draw PPP loan of up to $2 million; and
- increased the PPP loan authorization level from $659 billion to $806.45 billion.

The SBA reopened the PPP online application portal on January 11, 2021.[76] In an effort to promote PPP loan access for minority, underserved, veteran, and women-owned small businesses, the SBA initially restricted access to the PPP application portal to community financial institutions seeking first-draw PPP loans (on January 11 and 12) and second-draw PPP loans (on January 13).[77] Community financial institutions are generally recognized as more likely to serve these populations than are other lending institutions.

The SBA reopened the PPP loan portal to PPP-eligible lenders with $1 billion or less in assets on January 15, 2021, and to all PPP-eligible lenders on January 19, 2021.[78]

In addition, in an effort to enhance PPP access for smaller entities, the SBA restricted PPP loan applications to businesses and nonprofit organizations with fewer than 20 employees for 14 days, from February 24, 2021, through March 9, 2021.[79] The SBA also announced several regulatory changes, effective the first week in March 2021, to "advance equity goals," including revising the formula that determines the loan amount for sole proprietors, independent contractors, and self-employed individuals to enable them to receive more financial support;[80] establishing a $1 billion set aside for sole proprietors, independent contractors, and self-employed individuals that do not have employees and are located in low- and moderate-income areas; and making it clear that legal U.S. residents who are not citizens are eligible and if they use an Individual Taxpayer

[76] SBA, "SBA and Treasury Announce PPP Re-Opening; Issue New Guidance," January 8, 2021.

[77] SBA, "Guidance on Accessing Capital for Minority, Underserved, Veteran and Women-Owned Business Concerns," January 6, 2021, at https://www.sba.gov/sites/default/files/2021-01/Guidance%20on%20Accessing%20Capital%20for%20Minority%20Underserved%20Veteran%20and%20Women%20Owned%20Business%20Concerns%20.pdf?utm_medium=email&utm_source=govdelivery; and SBA, "SBA and Treasury Announce PPP Re-Opening; Issue New Guidance," January 8, 2021.

[78] SBA, "SBA Re-Opening Paycheck Protection Program to Small Lenders on Friday, January 15 and All Lenders on Tuesday, January 19," at https://www.sba.gov/article/2021/jan/13/sba-re-opening-paycheck-protection-program-small-lenders-friday-january-15-all-lenders-tuesday.

[79] SBA, "Biden Administration takes steps to promote equitable access to SBA Relief," February 22, 2021, at https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources.

[80] Previously, "PPP rules defined payroll costs for individuals who file an IRS Form 1040, Schedule C as payroll costs (if employees exist) plus net profits, which is net earnings from self-employment." Effective March 4, 2021, these individuals (the self-employed, sole proprietors, and independent contractors) "may elect to calculate the owner compensation share of its payroll costs—that is, the share of its payroll costs that represents compensation of the owner—based on either (i) net profit or (ii) gross income." See SBA, "Business Loan Program Temporary Changes; Paycheck Protection Program – Revisions to Loan Amount Calculation and Eligibility," 86 *Federal Register* 13149-13156, March 8, 2021.

Identification Number (ITIN) to pay their taxes they may use their ITIN as an identifier when applying for a PPP loan.[81]

P.L. 117-2, the American Rescue Plan Act of 2021, enacted on March 11, 2021, among other provisions, appropriated an additional $7.25 billion for the PPP to increase its authorization amount to $813.7 billion. P.L. 117-6, the PPP Extension Act of 2021, extended the acceptance of PPP applications through May 31, 2021, and authorized the SBA to process any pending applications submitted on or before that date through June 30, 2021.

As of May 31, 2021, the SBA had approved more than 11.8 million PPP loans totaling nearly $800 billion, including more than 6.6 million PPP loans totaling nearly $278 billion during 2021.[82]

Entrepreneurial Development Programs[83]

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 seven ED programs and two ED initiatives:

- Small Business Development Centers (SBDCs);
- the Microloan Technical Assistance Program;
- Women Business Centers (WBCs);
- SCORE;
- 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 Native American Outreach Program (NAO);
- the Entrepreneurial Development (Regional Innovation Clusters) initiative; and
- the Entrepreneurship Education (Emerging Leaders) initiative.

[81] The SBA also eliminated "an exclusionary restriction on PPP access for small business owners with prior non-fraud felony convictions, consistent with a bipartisan congressional proposal" and "federal student loan debt delinquency and default as disqualifiers to participating in the PPP." See SBA, "SBA Prioritizes Smallest of Small Businesses in the Paycheck Protection Program," February 22, 2021, at https://www.sba.gov/article/2021/feb/22/sba-prioritizes-smallest-small-businesses-paycheck-protection-program; and The (Biden) White House, "Fact Sheet: Biden-Harris Administration Increases Lending to Small Businesses in Need, Announces Changes to PPP to Further Promote Equitable Access to Relief," February 22, 2021, at https://www.whitehouse.gov/briefing-room/statements-releases/2021/02/22/fact-sheet-biden-harris-administration-increases-lending-to-small-businesses-in-need-announces-changes-to-ppp-to-further-promote-equitable-access-to-relief/.

[82] SBA, "Paycheck Protection Program (PPP) Data: Approvals through May 31, 2021," at https://www.sba.gov/document/report-paycheck-protection-program-weekly-reports-2021.

[83] For further information and analysis, see CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*, by Robert Jay Dilger.

FY2021 appropriations for these programs are

- $136 million for SBDCs,
- $85 million for the Microloan Technical Assistance Program,
- $23 million for WBCs,
- $12.2 million for SCORE,
- $5.5 million for PRIME,
- $14 million for Veterans Programs,
- $2 million for NAO,
- $6 million for the Entrepreneurial Development (Regional Innovation Clusters) initiative, and
- $2.5 million for the Entrepreneurship Education (Emerging Leaders) initiative.[84]

The following ED programs are provided recommended funding in appropriations acts, but are discussed in other sections of this report because of the nature of their assistance:

- the SBA's Growth Accelerators initiative ($2 million in FY2021) is a capital investment program and is discussed in the capital access programs section;
- the SBA's 7(j) Technical Assistance Program ($2.8 million in FY2021) provides contacting assistance and is discussed in the contracting programs section; and
- the National Women's Business Council ($1.5 million in FY2021) is a bipartisan federal advisory council and is discussed in the executive direction programs section.

Several other noncredit programs also receive funding under the ED program account, including

- the Step Trade and Export Promotion (STEP) Pilot Grant program, which awards grants to states to assist eligible small businesses with exporting ($19.5 million in FY2021);[85]
- the Cybersecurity for Small Business Pilot program, which will award up to three grants to states to assist small businesses with access to cybersecurity tools ($3 million in FY2021);[86] and
- the Federal and State Technology (FAST) Partnership program, which provides grants to states and state-endorsed nonprofit organizations to provide outreach, financial support, and technical assistance to technology-based small businesses

[84] P.L. 117-2, the American Rescue Plan Act of 2021, among other provisions, appropriated $100 million for a community navigator pilot grant program to improve small business access to COVID-19-related assistance programs and $75 million for outreach and educational programs. The SBA's resource partners, including Small Business Development Centers, Women Business Centers, and SCORE, are eligible to apply for these competitive grants.

[85] P.L. 111-240, the Small Business Jobs Act of 2010, authorized the Step Trade and Export Promotion (STEP) Pilot Grant program for three years and appropriated $30 million for the program both in FY2011 and FY2012. The SBA awarded STEP grants to states with the goal of assisting eligible small businesses with exporting in FY2011 and FY2012. The STEP program's authorization expired at the end of FY2013. STEP was subsequently appropriated $8 million FY2014, $17.4 million in FY2015, $18 million in FY2016-FY2019, $19 million in FY2020, and $19.5 million in FY2021. For additional information and analysis, see CRS Report R43155, *Small Business Administration Trade and Export Promotion Programs*, by Sean Lowry.

[86] P.L. 116-260, the Consolidated Appropriations Act of 2021, authorized the Cybersecurity for Small Business Pilot program. The explanatory statement accompanying the act recommended that the program receive $3 million in FY2021.

participating in or interested in participating in the SBIR and STTR programs ($4 million in FY2021).[87]

In addition, P.L. 116-260, the Consolidated Appropriations Act, 2021, among other provisions, appropriated an additional $50 million for Microloan Technical Assistance Program grants in FY2021, and P.L. 117-2, the American Rescue Plan Act of 2021, appropriated $100 million in FY2021 for the Community Navigator Pilot Program to provide outreach, education, and technical assistance to small businesses. The SBA's management and technical assistance resource partners, state and local governments, Indian tribes, and private nonprofit organizations are eligible to compete for Community Navigator grants.

The SBA reports that nearly a million aspiring entrepreneurs and small business owners receive mentoring and training from an SBA-supported resource partner each year. Some of this training is free, and some is offered at low cost.[88]

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 62 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.

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.[89] There are currently 155 active Microloan intermediaries serving 49 states, the District of Columbia, and Puerto Rico.[90]

WBCs are similar to SBDCs, except they concentrate on assisting women entrepreneurs. There are currently 136 WBCs, with at least one WBC in most states and territories.[91]

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[87] The Federal and State Technology (FAST) Partnership program was initially authorized by P.L. 106-554, the Consolidated Appropriations Act, 2001. The program expired on September 30, 2005, and was reauthorized by P.L. 111-117, the Consolidated Appropriations Act, 2010. The explanatory statement accompanying P.L. 116-260 recommended that FAST receive $4 million in FY2021. Previously, FAST's funding was provided through the SBA's salaries and expenses account.

[88] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 22.

[89] For further analysis of the SBA's Microloan program, see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger.

[90] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 34. As of August 9, 2021, there were no Microloan intermediaries serving Alaska. See SBA, "List of Lenders," at https://www.sba.gov/partners/lenders/microloan-program/list-lenders.

An intermediary may not operate in more than one state unless the SBA determines that it would be in the best interests of the small business community for it to operate across state lines. For example, a Microloan intermediary located in Taunton, Massachusetts is allowed to serve small businesses located in Rhode Island because of its proximity to the state and there are currently no Microloan intermediaries located in Rhode Island.

[91] SBA, "SBA Launches Largest Expansion of Women's Business Centers in 30 Years," January 4, 2021, at https://www.sba.gov/article/2021/jan/04/sba-launches-largest-expansion-womens-business-centers-30-years; and SBA, "Women's Business Centers Directory," at https://www.sba.gov/local-assistance/find/?type=Women%27s%20Business%20Center&pageNumber=1.

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 more than 250 chapters are located throughout the United States and partner with more than 10,000 volunteer counselors, who are working or retired business owners, executives, and corporate leaders, to provide management and training assistance to small businesses.[92]

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."[93]

The SBA's Office of Veterans Business Development (OVBD) administers several management and training programs to assist veteran-owned businesses, including 22 Veterans Business Outreach Centers which provide "entrepreneurial development services such as business training, counseling and resource partner referrals to transitioning service members, veterans, National Guard & Reserve members and military spouses interested in starting or growing a small business."[94]

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 innovation clusters are on-the-ground collaborations between business, research, education, financing and government institutions that work to develop and grow the supply chain of a particular industry or related set of industries in a geographic region."[95] The SBA has supported the Entrepreneurial Development (Regional Innovation Clusters) initiative since FY2009, and the initiative has received recommended appropriations from Congress since FY2010.

The SBA's Entrepreneurship Education (Emerging Leaders) initiative provides assistance to high-growth small businesses in underserved communities. The initiative is a seven-month executive leader education series consisting of "more than 100 hours of training, technical support, access to a professional network, and other resources to strengthen their businesses."[96] During 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."[97]

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[92] SCORE, "Find a Location," at https://www.score.org/content/find-location; SCORE, "About SCORE," at https://www.score.org/about-score; and SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 85.

[93] P.L. 106-102, the Gramm-Leach-Bliley Act, Section 173. Establishment of Program and Section 175. Qualified Organizations.

[94] SBA, "Office of Veterans Business Development: Resources," at https://www.sba.gov/offices/headquarters/ovbd/resources/1548576.

[95] SBA, *FY2017 Congressional Budget Justification and FY2015 Annual Performance Report*, p. 64, at https://www.sba.gov/sites/default/files/FY17-CBJ_FY15-APR.pdf.

[96] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 88.

[97] SBA, *FY2014 Congressional Budget Justification and FY2012 Annual Performance Report*, p. 71, at https://www.sba.gov/sites/default/files/files/1-508-Compliant-FY-2014-CBJ%20FY%202012%20APR.pdf; and SBA,

Contracting Programs[98]

Several SBA 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., contracting technical training assistance, the federal goaling program, federal Offices of Small and Disadvantaged Business Utilization, and the Surety Bond Guarantee program).

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.[99] The 8(a) Business 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.[100] Members of certain racial and ethnic groups are presumed to be socially disadvantaged, although individuals who do not belong to these groups may prove they are also socially disadvantaged.[101] To be economically disadvantaged, an individual must have a net worth of less than $750,000 (excluding ownership interest in the applicant's business, equity in their primary personal residence, and funds invested in a qualified retirement account), no more than $350,000 in average adjusted gross income over the preceding three years, and no more than $6 million in assets (excluding funds invested in a qualified retirement account).[102]

FY2022 Congressional Justification and FY2020 Annual Performance Report, p. 88.

[98] 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. For additional information and analysis, see CRS Report R45576, *An Overview of Small Business Contracting*, by Robert Jay Dilger.

[99] For additional information and analysis, see CRS Report R44844, *SBA's "8(a) Program": Overview, History, and Current Issues*, by Robert Jay Dilger.

[100] 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. The Clinton Administration changed the program's name from the Minority Small Business and Capital Ownership Development Program to the 8(a) Business Development program in 1988 "to emphasize that individuals need not be members of minority groups and to stress the importance of assisting participating firms in their overall business development." See SBA, "Small Business Size Regulations: 8(a) Business Development/Small Disadvantaged Business Status Determinations; Rules of Procedure Governing Cases Before the Office of Hearings and Appeals," 63 *Federal Register* 35727, June 30, 1998.

[101] The following individuals are presumed to be socially disadvantaged: Black Americans; Hispanic Americans; Native Americans (Alaska Natives, Native Hawaiians, or enrolled members of a federally or state recognized Indian Tribe); Asian Pacific Americans (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru); Subcontinent Asian Americans (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands, or Nepal). See 13 C.F.R. §124.103.

[102] 13 C.F.R. §124.104. For information related to recent changes to the thresholds used for determining economic disadvantage, see SBA, "Women-Owned Small Business and Economically Disadvantaged Women-Owned Small Business Certification," 85 *Federal Register* 27650-27665, May 11, 2020.

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 generally may participate in the 8(a) Program for no more than nine years.[103]

In FY2020, the federal government awarded $34.0 billion to 8(a) firms:

- nearly $20.5 billion was awarded with an 8(a) preference ($9.3 billion through an 8(a) set-aside and $11.1 billion through an 8(a) sole-source award);
- $2.2 billion was awarded to an 8(a) firm in open competition with other firms; and
- $11.3 billion was awarded with another small business preference (e.g., set-asides and sole-source awards for small businesses generally and for HUBZone firms, women-owned small businesses, and service-disabled veteran-owned small businesses).[104]

Historically Underutilized Business Zone Program.[105] This program assists small businesses located in Historically Underutilized Business Zones (HUBZones) through set-asides, sole-source awards, and price evaluation preferences in full and open competitions. 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.

In FY2020, the federal government awarded nearly $13.6 billion to HUBZone-certified businesses:

- $2.1 billion was awarded with a HUBZone preference ($2.0 billion through a HUBZone set-aside, $67.5 million through a HUBZone sole-source award and $48.5 million through a HUBZone price-evaluation preference);
- $4.0 billion was awarded to HUBZone-certified small businesses in open competition with other firms; and
- $7.5 billion was awarded with another small business preference (e.g., set-asides and sole-source awards for small businesses generally and for 8(a), women-owned, and service-disabled veteran-owned small businesses).[106]

Service-Disabled Veteran-Owned Small Business Program. This program assists service-disabled veteran-owned small businesses (SDVOSBs) 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.[107]

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[103] P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), provides businesses participating in the 8(a) program on or before September 9, 2020, the option to extend their participation in the program for one year.

[104] Data generated using U.S. General Services Administration (GSA), "Sam.Gov data bank," August 2, 2021, at https://sam.gov/reports/awards/adhoc.

[105] For additional information and analysis, see CRS Report R41268, *Small Business Administration HUBZone Program*, by Robert Jay Dilger.

[106] Data generated using U.S. General Services Administration (GSA), "Sam.Gov data bank," August 2, 2021, at https://sam.gov/reports/awards/adhoc.

[107] 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

In FY2020, the federal government awarded $26.1 billion to SDVOSBs:

- $9.7 billion was awarded with a SDVOSB preference ($9.4 billion through a SDVOSB set-aside and $281.9 million through a SDVOSB sole-source award);
- $8.4 billion was awarded to a SDVOSB in open competition with other firms; and
- $8.0 billion was awarded with another small business preference (e.g., set-asides and sole-source awards for small businesses generally and for HUBZone firms, 8(a) firms, and WOSBs).[108]

Women-Owned Small Business Program. Under this program, contracts may be set aside for economically disadvantaged women-owned small businesses (WOSB) 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 $4.5 million ($7 million for manufacturing contracts).[109]

To qualify as an economically disadvantaged WOSB, the owner must demonstrate that her ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared with others in the same or similar line of business. The SBA uses the same three-part test used in the 8(a) Program to determine economic disadvantage relating to the degree of the applicant's diminished credit and capital opportunities.

In FY2020, the federal government awarded $27.2 billion to WOSBs:

- $1.2 billion was awarded with a WOSB preference ($1.1 billion through a WOSB set-aside award and $116.1 million through a WOSB sole-source award);
- $9.3 billion was awarded to a WOSB in open competition with other firms; and
- $16.6 billion was awarded with another small business preference (e.g., set-asides and sole-source awards for small businesses generally and for HUBZone firms, 8(a) firms, and SDVOSBs).[110]

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. As mentioned, members of certain racial and ethnic groups are presumed to be socially disadvantaged, although individuals who do not belong to these groups may prove they are also socially disadvantaged. To be economically disadvantaged, an individual must have a net worth of less than $750,000 (excluding ownership interest in the applicant's business, equity in their primary personal residence, and funds invested in a qualified retirement account), no more than

2008.

[108] Data generated using GSA, "Sam.Gov data bank," July 31, 2021, at https://sam.gov/reports/awards/adhoc.

[109] P.L. 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015.

[110] Data generated using GSA, "Sam.Gov data bank," July 31, 2021, at https://sam.gov/reports/awards/adhoc.

$350,000 in average adjusted gross income over the preceding three years, and no more than $6 million in assets (excluding funds invested in a qualified retirement account).

Non-8(a) business owners must generally satisfy the same eligibility requirements for SDB status as 8(a) firms, although they generally do not apply to the SBA to be designated as a SDB. Instead, most non-8(a) firms self-certify their status as a SDB when seeking a federal contract and are subject to fines, imprisonment, and other penalties if they misrepresent their eligibility.[111]

Federal agencies must negotiate "subcontracting plans" with the apparently successful bidder or offer or 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 subcontract with SDBs.

As of August 9, 2021, the SBA's Dynamic Small Business Search database included 6,807 SBA-certified 8(a) firms and 157,704 self-certified SDBs.[112]

The 7(j) Management and Technical Assistance Program

The SBA's 7(j) Management and 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."[113] 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."[114]

In FY2020, the 7(j) Management and Technical Assistance program assisted 9,941 small businesses.[115]

Surety Bond Guarantee Program[116]

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.[117] The program guarantees individual contracts of up to $6.5 million and up to $10 million for federal contracts if a federal contracting officer certifies

[111] See 15 U.S.C. §645(d).

[112] SBA, "Dynamic Small Business Search," at http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm.

[113] 13 C.F.R. §124.702.

[114] SBA, *FY2018 Congressional Budget Justification and FY2016 Annual Performance Report*, p. 44, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL_SBA_FY_2018_CBJ_May_22_2017c.pdf.

[115] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 73.

[116] For additional information and analysis, see CRS Report R42037, *SBA Surety Bond Guarantee Program*, by Robert Jay Dilger.

[117] 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.

that such a guarantee is necessary. The SBA's guarantee ranges from not to exceed 80% to not to exceed 90% of the surety's loss if a default occurs.[118] In FY2020, the SBA guaranteed 10,577 bid and final surety bonds with a total contract value of nearly $7.2 billion.[119]

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 responsibilities and ensures that the project is completed. The surety bond reduces the risk associated with contracting.[120]

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.[121]

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.[122]

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.[123]

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."[124] The SBA was also required to report to the President annually on the attainment of the goals and to include the information in an annual report to Congress.[125] The SBA negotiates the goals with each federal agency and establishes a *small business eligible* baseline for evaluating the agency's performance.[126] The agency head is

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[118] P.L. 114-92, the National Defense Authorization Act for Fiscal Year 2016, includes a provision that increased 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 Robert Jay Dilger.

[119] SBA, *FY2020 Program Performance: SBA Surety Bond Guarantee Program*, at https://content.govdelivery.com/accounts/USSBA/bulletins/2a5a0e6.

[120] SBA, "Surety Bonds," at https://www.sba.gov/category/navigation-structure/loans-grants/bonds/surety-bonds.

[121] SBA, "Surety Bonds."

[122] P.L. 95-507, a bill to amend the Small Business Act and the Small Business Investment Act of 1958.

[123] P.L. 100-656, the Business Opportunity Development Reform Act of 1988.

[124] P.L. 100-656.

[125] P.L. 100-656.

[126] According to a 2001 GAO report, the SBA began to specify what types of contracts the Federal Procurement Data System would exclude when determining agency compliance with federal contracting goals in FY1998. Prior to

required to "make consistent efforts to annually expand participation by small business concerns from each industry category."[127] If the SBA and the agency cannot agree on the goals, the agency may submit the case to the Office of Management and Budget (OMB) Office of Federal Procurement Policy (OFPP) for resolution.[128]

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 those awarded to mandatory and directed sources), contracts funded predominately from agency-generated sources (i.e., nonappropriated funds), contracts not covered by Federal Acquisition Regulations, acquisitions on behalf of foreign governments, and contracts not reported in the General Services Administration's (GSA's) Federal Procurement Data System—Next Generation, or FPDS-NG (such as contracts valued below $10,000 and government procurement card purchases).[129] 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 and presents the results in the SBA's annual Small Business Procurement Scorecards. The SBA uses FPDS-NG data, which are published in GSA's annual Small Business Goaling Report. Each agency that fails to achieve any proposed prime or subcontract goal is required to submit a justification to the SBA on why it failed to achieve a proposed or negotiated goal with a proposed plan of corrective action.[130]

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 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,

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FY1998, "agencies reported their small business achievements directly to SBA and excluded from their calculations certain types of contracts, such as those for which small businesses had a limited or no chance to compete. SBA then published an annual report summarizing each agency's achievements. SBA officials said that in some cases they were not aware of all exclusions the agencies made when reporting their numbers." GAO, *Small Business: More Transparency Needed in Prime Contract Goal Program*, GAO-01-551, August 1, 2001, pp. 9-10, at http://www.gao.gov/assets/240/231854.pdf.

[127] 15 U.S.C. §644(g)(2).

[128] SBA, Office of Policy, Planning and Liaison, Office of Government Contracting and Business Development, "FY 2019 Goaling Guidelines," August 2018, p. 5, at https://www.sba.gov/document/report—sba-goaling-guidelines (hereinafter cited as SBA, "FY2019 Goaling Guidelines").

[129] SBA, "FY2019 Goaling Guidelines," p. 4.

[130] SBA, Office of Policy, Planning and Liaison, Office of Government Contracting and Business Development, "FY 2019 Goaling Guidelines," August 2018, p. 6, at https://www.sba.gov/document/report—sba-goaling-guidelines.

- 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.[131]

There are no punitive consequences for not meeting these goals. However, the SBA's Small Business Procurement Scorecards and GSA's Small Business Goaling Report are distributed widely, receive media attention, and heighten public awareness of the issue of small business contracting. For example, agency performance as reported in the SBA's Small Business Procurement Scorecards is often cited by Members during their questioning of federal agency witnesses during congressional hearings.

As shown in **Table 6**, the *FY2020 Small Business Procurement Scorecard* indicates that federal agencies met the federal procurement goal for small businesses generally, small disadvantaged businesses, and service-disabled veteran-owned small businesses in FY2020 (see the second and third columns).

Table 6 also provides, for comparative purposes, the percentage of small business eligible contracts awarded to small businesses in FY2020 without the required double counting of awards in a disaster area and to Puerto Rico and other covered territories (see the fourth column), and the percentage of all federal contracts (without exclusions and without double counting) awarded to small businesses (see the fifth column).

Table 6. Federal Contracting Goals and Percentage of FY2020 Federal Contract Dollars Awarded to Small Businesses, by Type

Business Type	Federal Goal	Percentage of Federal Contracts (small business eligible, including double counting)	Percentage of Federal Contracts (small business eligible, excluding double counting)	Percentage of Federal Contracts (all reported contracts, excluding double counting)
Small Businesses	23.0%	26.02%	25.42%	21.89%
Small Disadvantaged Businesses	5.0%	10.54%	10.39%	9.08%
Women-Owned Small Businesses	5.0%	4.85%	4.71%	4.10%
HUBZone Small Businesses	3.0%	2.44%	2.39%	2.04%
Service-Disabled Veteran-Owned Small Businesses	3.0%	4.28%	4.23%	3.92%

Sources: U.S. Small Business Administration, "Statutory Guidelines," at https://www.sba.gov/content/statutory-guidelines-0 (federal goals); U.S. Small Business Administration, "Government-Wide Performance, FY2020 Small

[131] 15 U.S.C. §644(g)(1)-(2).

Business Procurement Scorecard," at https://www.sba.gov/document/support-small-business-procurement-scorecard-overview; and data generated using General Service Administration, "Sam.Gov data bank," July 31, 2021, at https://sam.gov/reports/awards/adhoc (all reported contract dollars).

Notes: In accordance with federal law, the Small Business Administration provided double credit, for scorecard purposes only, for prime contracts awarded in disaster areas that are awarded as a local set aside and a small business or other socioeconomic set aside when the vendor state is the same as the place of performance (see 15 U.S.C. §644(f)) and for prime contracts awarded to businesses in Puerto Rico and covered territories (see 15 U.S.C. §644(x)(1)). The Small Business Administration also included Department of Energy first-tier subcontract awards as required by P.L. 113-76, the Consolidated Appropriations Act, 2014 (§318).

The FY2020 Small Business Procurement Scorecard was made available on July 30, 2021, and reflects contracting data as of February 22, 2021. Small business eligible contracts totaled $559.981 billion in FY2020 and $145.8 billion was awarded to small businesses ($142.4 without double counting), $59.0 billion to small disadvantaged businesses ($58.2 billion without double counting), $27.1 billion to women-owned small businesses ($26.4 billion without double counting), $13.6 billion to SBA-certified HUBZone small businesses ($13.4 billion without double counting), and $23.9 billion to service-disabled veteran-owned small businesses ($23.7 billion without double counting). The Department of Energy first-tier subcontract awards in FY2020 were: $3.36 billion to small businesses, $0.81 billion to small disadvantaged businesses, $0.76 billion to small women-owned businesses, $0.24 billion to SBA-certified HUBZone small businesses, and $0.23 billion to service-disabled veteran-owned small businesses.

The percentages provided in the column for all reported contracts in FY2020 were calculated using contracting data as reported on July 31, 2021 (without double counting): $665.7 billion in total contracts; $145.8 billion to small businesses, $60.5 billion to small disadvantaged businesses, $27.3 billion to women-owned small businesses, $13.6 billion to SBA-certified HUBZone small businesses, and $26.1 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).

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 (now inactive), two special high technology contracting programs (the Small Business Innovative Research and Small Business Technology Transfer programs), and the growth accelerators initiative.

The Small Business Investment Company Program[132]

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."[133]

[132] For further information and analysis, see CRS Report R41456, *SBA Small Business Investment Company Program*, by Robert Jay Dilger.

[133] 15 U.S.C. §661.

The SBA works with 299 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);[134]
- 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;[135]
- purchasing debt securities from small businesses, which may be convertible into, or have rights to purchase, equity in the small business;[136] and
- subject to limitations, providing small businesses a guarantee of their monetary obligations to creditors not associated with the SBIC.[137]

The SBIC program currently has invested or committed about $33.9 billion in small businesses, with the SBA's share of capital at risk about $14.7 billion.[138] In FY2020, the SBA provided SBICs $1.8 billion in leverage and SBICs invested nearly $3.1 billion from private capital for a total of nearly $4.9 billion in financing for 1,063 small businesses.[139]

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 $175 million per SBIC and $350 million for two or more licenses under common control.

[134] 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.

[135] 13 C.F.R. §107.810 and 13 C.F.R. §107.840.

[136] 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.

[137] 13 C.F.R. §107.820.

[138] SBA, "Small Business Investment Company (SBIC) Program Overview Report for the Quarter Ending June 30, 2021," at https://www.sba.gov/document/report-small-business-investment-company-sbic-program-overview-quarter-ending-june-30-2021(hereinafter cited as SBA, "SBIC Program Overview June 30, 2021").

[139] SBA, "SBIC Program Overview June 30, 2021."

Key Feature	Program Summary
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[140]

The now inactive 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.

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.

The NMVC program was appropriated $21.952 million in FY2001 to support up to $150 million in SBA-guaranteed debentures and $30 million to fund operational assistance grants for FY2001 through FY2006. The funds were provided in a lump sum in FY2001 and were to remain available until expended. In 2003, the unobligated balances of $10.5 million for the NMVC debenture subsidies and $13.75 million for operational assistance grants were rescinded. The program continued to operate, with the number and amount of financing declining as the program's initial investments expired and NMVC companies increasingly engaged only in additional follow-on financings with the small businesses in their portfolios. The NMVC program's active unpaid principal balance (which is composed of the SBA guaranteed portion and

[140] For further information and analysis of the New Markets Venture Capital program, see CRS Report R42565, *SBA New Markets Venture Capital Program*, by Robert Jay Dilger.

the unguaranteed portion of the NMVC companies' active unpaid principal balance) peaked at $68.1 million in FY2008, and then fell each year thereafter until reaching $0 in FY2018.

Small Business Innovation Research Program[141]

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.[142] Current law requires that every federal department with an R&D budget of $100 million or more establish and operate a SBIR program. Currently, 11 federal agencies participate in the 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 3.2%—is to be used to support mission-related work in small businesses.[143]

Agency SBIR efforts involve a three-phase process. Phase I awards, normally 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. Phase I awards are capped at $259,613, but higher amounts may be awarded with SBA approval. Projects that demonstrate potential after the initial endeavor may compete for Phase II awards lasting one to two years.[144] Phase II awards, normally up to $1 million, are for the performance of the principal R&D by the small business. Phase II awards are capped at $1.73 million, but higher amounts may be awarded with SBA approval. 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).[145] 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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[141] For further information and analysis of the SBIR program, see CRS Report R43695, *Small Business Research Programs: SBIR and STTR*, by Marcy E. Gallo

[142] See P.L. 97-219, the Small Business Innovation Development Act of 1982 and 15 U.S.C. §638.

[143] 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.

[144] SBA, "About SBIR: Award Funding Amounts," at https://www.sbir.gov/about. Agencies may exceed these award amounts with SBA approval prior to the release of the solicitation, award, or modification to the award.

[145] See SBA, "About SBIR: SBIR Participating Agencies," at https://www.sbir.gov/about/about-sbir.

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.[146] Phase I financing, normally up to $150,000, is available for approximately one year to fund the exploration of the scientific, technical, and commercial feasibility of an idea or technology. Phase 1 financing is capped at $259,613, but higher amounts may be awarded with SBA approval. Phase II awards, normally 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. Phase II awards are capped at $1.73 million, but higher amounts may be awarded with SBA approval.[147] 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.[148] 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.

Growth Accelerators Initiative

The SBA describes growth accelerators as "organizations that help entrepreneurs start and scale their businesses."[149] 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, job, and sourcing outside funding."[150]

The SBA's growth accelerator initiative began in FY2014 when Congress recommended in its appropriations report that the initiative be provided $2.5 million. Congress subsequently recommended that it receive $4 million in FY2015; $1 million in FY2016, FY2017, and FY2018; and $2 million in FY2019, FY2020, and FY2021.

The growth accelerators initiative provides $50,000 matching grants each year to universities and private-sector accelerators to support the development of accelerators and their support of startups in parts of the country where there are fewer conventional sources of access to capital (i.e., venture capital and other investors).

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[146] See P.L. 102-564, the Small Business Research and Development Enhancement Act of 1992 and 15 U.S.C. §638.

[147] SBA, "About SBIR: Award Funding Amounts," at https://www.sbir.gov/about.

[148] 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.

[149] SBA, *FY2018 Congressional Budget Justification and FY2016 Annual Performance Report*, p. 75, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL_SBA_FY_2018_CBJ_May_22_2017c.pdf.

[150] SBA, *FY2018 Congressional Budget Justification and FY2016 Annual Performance Report*, p. 75.

The SBA has awarded 303 $50,000 growth accelerator awards to 222 unique small businesses to date: 50 in 2014, 88 in 2015, 85 in 2016, 20 in 2017, and 60 in 2019, for a total of $15.15 million.[151]

In May 2021, the SBA announced its 6th growth accelerator fund competition with applications due by July 2, 2021.[152] The SBA anticipates making 84 $50,000 awards to applicants "who focus their proposed efforts on assisting the following groups: women entrepreneurs, minority entrepreneurs, entrepreneurs building technologies to address key policy issues such as clean energy and supply chain resilience, or an underserved target group identified by the applicant (i.e., rural, veterans, individuals with disabilities, etc.)."[153]

The SBA did not issue a competitive announcement for growth accelerator awards in FY2018 and FY2020.

Regional and District Offices

As mentioned, the SBA provides 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 that include "lender training, government contracting, marketing events in emerging areas, and events targeted to high-growth entrepreneurial markets, such as exporting."[154] SBA district offices focus "on core SBA programs concerning contracting, capital, technical assistance, and exporting."[155] They also perform annual program eligibility and compliance reviews on 100% of the 8(a) business development firms in the SBA's portfolio and each year conduct on-site examinations of about 10% of all HUBZone certified firms (557 in

[151] SBA, "SBA Boosts Economic Impact of Accelerators with $4.4 Million in Prizes," August 4, 2015, at https://www.sba.gov/content/sba-boosts-economic-impact-accelerators-44-million-prizes-0; SBA, "SBA Announces $3.4 Million for Small Business Startups," August 31, 2016, at https://www.sba.gov/content/sba-announces-34-million-small-business-startups; SBA, "SBA Announces 20 Growth Accelerator Fund Competition Recipients," October 30, 2017, at https://www.sba.gov/node/1594788; SBA, "SBA Announces $3 Million for 60 Growth Accelerator Fund Competition Recipients Supporting Startups and STEM Focused Entrepreneurs," September 26, 2019, at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-announces-3-million-60-growth-accelerator-fund-competition-recipients-supporting-startups-and; SBA, "SBA Announces $3 Million for 60 Growth Accelerator Fund Competition Recipients Supporting Startups and STEM Focused Entrepreneurs," February 6, 2020, at https://www.sba.gov/article/2020/feb/06/sba-announces-3-million-60-growth-accelerator-fund-competition-recipients-supporting-startups-stem; and SBA, Office of Congressional and Legislative Affairs, "Correspondence with the author," June 25, 2021.

[152] SBA, "SBIR STTR, SBA Funding Programs for SBIR Support Organizations: Growth Accelerator Fund Competition (GAFC), May 20, 2021," at https://www.sbir.gov/support-organizations; and SBA, Dallas/Fort Worth District Office, "Growth Accelerator Fund Competition and SBIR Catalyst," May 26, 2021, at https://content.govdelivery.com/accounts/USSBA/bulletins/2df6d32.

[153] SBA, "SBA Launches 6th Annual Growth Accelerator Fund Competition, Debuts SBIR Catalyst to Award over $5 Million in Prizes," June 2, 2021, at https://www.sba.gov/article/2021/jun/02/sba-launches-6th-annual-growth-accelerator-fund-competition-debuts-sbir-catalyst-award-over-5.

[154] SBA, *FY2018 Congressional Budget Justification and FY2016 Annual Performance Report*, p. 104, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL_SBA_FY_2018_CBJ_May_22_2017c.pdf.

[155] SBA, *FY2018 Congressional Budget Justification and FY2016 Annual Performance Report*, p. 104.

FY2020) to validate compliance with the HUBZone program's geographic requirement for principal offices.[156]

Office of Inspector General[157]

The Office of Inspector General's (OIG's) mission is "to provide independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people."[158] The office was created within the SBA by the Inspector General Act of 1978 [P.L. 95-452], as amended. 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 nongovernmental 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 law to the Attorney General."[159]

Restaurant Revitalization Fund[160]

The $28.6 billion Restaurant Revitalization Fund Program (RRF) was authorized by P.L. 117-2, the American Rescue Plan Act of 2021. The RRF provides grants of up to $5 million per permanent physical business location (not to exceed $10 million per applicant and any affiliated businesses) to restaurants and other similar places of business "in which the public or patrons assemble for the primary purpose of being served food or drink" and which have experienced COVID-19-related revenue loss. Unlike most other SBA programs, there is no limit on the number of employees for businesses to qualify for a RRF grant.

[156] SBA, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 73.

[157] For additional information and analysis, see CRS Report R44589, *SBA's Office of Inspector General: Overview, Impact, and Relationship with Congress*, by Robert Jay Dilger.

[158] SBA, Office of the Inspector General, "Strategic Plan Fiscal Years 2017-2021," pp. 3, 4, at https://www.sba.gov/document/report--office-inspector-general-strategic-plan.

[159] SBA, "Office of the Inspector General Strategic Plan Fiscal Years 2017-2021," p. 4.

[160] For further information and analysis of the Restaurant Revitalization Fund, see CRS In Focus IF11819, *SBA Restaurant Revitalization Fund Grants*, by Robert Jay Dilger and Sean Lowry.

To qualify for the RRF, for-profit businesses (together with their affiliated businesses) may not have owned or operated more than 20 locations as of March 13, 2020, regardless of whether those locations do business under the same or multiple names.

RRF grants are designed to assist applicants in remaining open or reopening. Permanently closed businesses are not eligible and temporarily closed businesses must reopen soon, with eligible expenses incurred by March 11, 2021, at the latest.

RRF grants are equal to the amount of COVID-19-related revenue loss (up to the program's limits) the applicant experienced, as determined by formulas. These formulas vary, in part, based on the date an eligible entity began operations (e.g., the date the entity started sales). For example, entities that began operations on or before January 1, 2019, may receive the difference between their gross receipts as reported on their 2019 and 2020 federal income tax returns, excluding any amounts received from a list of specified sources (this includes the SBA's PPP, Economic Injury Disaster Loan (EIDL) Program, EIDL Advance Payment Program, Targeted EIDL Program, and SBA debt relief payments). If the applicant received a PPP loan or EIDL, those amounts will be subtracted from the RRF grant amount.

The SBA is required to set aside $5 billion for applicants with 2019 gross receipts of not more than $500,000 and to distribute the remaining $23.6 billion in an equitable manner to applicants of different sizes based on annual gross receipts. To meet this latter directive, the SBA set aside an additional $4 billion for applicants with 2019 gross receipts from $500,001 to $1.5 million and an additional $500 million for applicants with 2019 gross receipts of not more than $50,000 "to ensure that the smallest businesses and those in underserved communities receive funding."[161]

The SBA began accepting RRF applications on May 3, 2021, and announced on May 12, 2021, that it had received requests for more than $65 billion in funds. Because the demand from applicants exceeded the RRF's budgetary authority, the SBA closed the application portal on May 12, 2021, to most applicants. Applications continued to be accepted until May 24 from applicants with revenue up to $50,000 because the budget authority set aside for those applicants had not yet been exhausted.[162]

The RRF program received more than 278,000 eligible applications requesting over $72.2 billion in funding.[163] Underserved populations received about $18 billion of the $28.6 billion available ($7.5 billion to women-owned businesses, $6.7 billion to socially and economically disadvantaged businesses, $2.8 billion to businesses owned by representatives of multiple underserved populations, and $1 billion to veteran-owned businesses).[164]

[161] SBA, "Restaurant Revitalization Funding Program: Program Guide as of April 28, 2021," p. 15, at https://www.sba.gov/document/support-restaurant-revitalization-funding-program-guide.

[162] SBA, "Recovery for the Smallest Restaurants and Bars: Administrator Guzman Announces Latest Application Data Results for the Restaurant Revitalization Fund," May 12, 2021, at https://www.sba.gov/article/2021/may/12/recovery-smallest-restaurants-bars-administrator-guzman-announces-latest-application-data-results.

[163] SBA, "SBA Administrator Announces Closure of Restaurant Revitalization Fund Program," July 2, 2021, at https://www.sba.gov/article/2021/jul/02/sba-administrator-announces-closure-restaurant-revitalization-fund-program.

[164] SBA, "SBA Administrator Announces Closure of Restaurant Revitalization Fund Program," July 2, 2021.

Office of Advocacy[165]

The SBA's Office of Advocacy is "an independent voice for small business within the federal government."[166] 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.[167]

Executive Direction Programs

The SBA's executive direction programs consist of the National Women's Business Council, the Office of Ombudsman, and Faith-Based Initiatives.

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."[168]

Office of Ombudsman[169]

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."[170] The Office of Ombudsman works with federal agencies that have regulatory

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[165] For further information and analysis of the Office of Advocacy, see CRS Report R43625, *SBA Office of Advocacy: Overview, History, and Current Issues*, by Robert Jay Dilger.

[166] SBA, "Office of Advocacy: About Us," at https://www.sba.gov/category/advocacy-navigation-structure/about-us-0.

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

[168] The National Women's Business Council, "About the Council," Washington, DC, at https://www.nwbc.gov/about/.

[169] For further information and analysis, see CRS Report R45071, *SBA Office of the National Ombudsman: Overview, History, and Current Issues*, by Robert Jay Dilger.

[170] SBA, "Office of the National Ombudsman," at https://www.sba.gov/ombudsman.

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.[171]

Faith-Based Initiatives

The SBA sponsors several faith-based initiatives For example, the SBA, in cooperation with the National Association of Government Guaranteed Lenders (NAGGL), created the Business Smart Toolkit, "a ready-to-use workshop toolkit that equips faith-based and community organizations to help new and aspiring entrepreneurs launch and build businesses that are credit ready."[172]

Legislative Activity

During the 111th Congress

- 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.[173]

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

172 SBA, "SBA and NAGGL Launch Business Smart Toolkit," September 4, 2015, at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-and-naggl-launch-business-smart-toolkit.

173 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, see CRS Report R40985, *Small Business: Access to Capital and Job Creation*, by Robert Jay Dilger.

- 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 112th Congress, the SBA's statutory authorization expired (on July 31, 2011).[174] 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, 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 113th Congress, 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.

During the 114th Congress

- P.L. 114-38, the Veterans Entrepreneurship Act of 2015, authorized and made permanent the SBA's administrative decision to waive 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 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

[174] P.L. 112-17, the Small Business Additional Temporary Extension Act of 2011.

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.[175] 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.
- P.L. 114-125, the Trade Facilitation and Trade Enforcement Act of 2015, renamed the "State Trade and Export Promotion" grant initiative to the "State Trade Expansion Program." P.L. 114-125 also reformed some of the program's procedures and provided $30 million in annual authorization for STEP grants from FY2016 through FY2020.[176] In terms of program administration, P.L. 114-125 allows the SBA's Associate Administrator (AA) for International Trade to give priority to STEP proposals from states that have a relatively small share of small businesses that export or would assist rural, women-owned, and socially and economically disadvantaged small businesses and small business concerns.
- P.L. 114-328, the National Defense Authorization Act for Fiscal Year 2017, authorizes the SBA to establish different size standards for various types of agricultural enterprises (previously statutorily set at not more than $750,000 in annual receipts), standardizes definitions used by the SBA and the Department of Veterans Affairs concerning service-disabled veteran owned small businesses, requires the SBA to track companies that outgrow or no longer qualify for SBA assistance due to the receipt of a federal contract or being purchased by another entity after an initial federal contract is awarded, and, among other provisions, clarifies the duties of the Offices of Small and Disadvantaged Utilization within federal agencies.

During the 115th Congress

- P.L. 115-31, the Consolidated Appropriations Act, 2017, increased the 7(a) program's authorization limit to $27.5 billion in FY2017 from $26.5 billion in FY2016.

[175] 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.

[176] P.L. 114-125 also included provisions intended to improve coordination between the federal government and the states, among other provisions.

- P.L. 115-56, the Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017, provided the SBA an additional $450 million for disaster assistance.
- P.L. 115-123, the Bipartisan Budget Act of 2018, provided the SBA an additional $1.652 billion for disaster assistance and $7.0 million to the SBA's OIG for disaster assistance oversight.
- P.L. 115-141, the Consolidated Appropriations Act, 2018, increased the 7(a) program's authorization limit to $29.0 billion in FY2018. The act also relaxed requirements on Microloan intermediaries that prohibited them from spending more than 25% of their technical assistance grant funds on prospective borrowers and more than 25% of those grant funds on contracts with third parties to provide that technical assistance by increasing those percentages to 50%.
- P.L. 115-189, the Small Business 7(a) Lending Oversight Reform Act of 2018, among other provisions, codified the SBA's Office of Credit Risk Management; required that office to annually undertake and report the findings of a risk analysis of the 7(a) program's loan portfolio; created a lender oversight committee within the SBA; authorized the Director of the Office of Credit Risk Management to undertake informal and formal enforcement actions against 7(a) lenders under specified conditions; redefined the credit elsewhere requirement; and authorized the SBA Administrator to increase the amount of 7(a) loans not more than once during any fiscal year to not more than 115% of the 7(a) program's authorization limit. The SBA is required to provide at least 30 days' notice of its intent to exceed the 7(a) loan program's authorization limit to the House and Senate Committees on Small Business and the House and Senate Committees on Appropriations' Subcommittees on Financial Services and General Government and may exercise this option only once per fiscal year.
- P.L. 115-232, the John S. McCain National Defense Authorization Act for Fiscal Year 2019, included provisions to make 7(a) loans more accessible to employee-owned small businesses (ESOPs) and cooperatives. The act clarifies that 7(a) loans to ESOPs may be made under the Preferred Lenders Program; allows sellers to remain involved as an officer, director, or key employee when the ESOP or cooperative has acquired 100% ownership of the small business; and, among other provisions, authorizes the SBA to finance transition costs to employee ownership and waive any mandatory equity injection by the ESOP or cooperative to help finance the change of ownership.

During the 116th Congress

- P.L. 116-6, the Consolidated Appropriations Act, 2019, among other provisions, provided the SBA $715.37 million in FY2019 and increased the 7(a) program's authorization limit to $30.0 billion.
- P.L. 116-93, the Consolidated Appropriations Act, 2020, among other provisions, provided the SBA $998.46 million in FY2020, including $99 million for 7(a) program loan credit subsidies.
- P.L. 116-123, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, provided EIDL eligibility to small businesses adversely affected by the coronavirus and appropriated $20 million to the SBA for disaster loan assistance administrative costs.

- P.L. 116-136, the CARES Act, appropriated $377.527 billion for SBA program enhancements, including $349 billion for the Paycheck Protection Program (PPP), $17 billion for six months of 7(a), 504/CDC, and Microloan loan payments, $10 billion for Emergency Economic Injury Disaster Loan (EIDL) grants, $675 million for salaries and expenses, $562 million for disaster assistance, $265 million for entrepreneurial development programs, and $25 million for the SBA Office of Inspector General.
- P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act, among other provisions, increased the PPP authorization limit to $659 billion and appropriated an additional $383.435 billion for SBA program enhancements, including $321.335 billion for the PPP, $50 billion for EIDL, $10 billion for Emergency EIDL grants, and $2.1 billion for SBA salaries and expenses.
- P.L. 116-142, the Paycheck Protection Program Flexibility Act, among other provisions, extended the PPP loan forgiveness covered period from 8 weeks after the loan's origination date to the earlier of 24 weeks or December 31, 2020. Current PPP borrowers may elect to remain under the 8-week covered period. The act also provided a minimum five-year maturity for all PPP loans made on or after enactment (June 5, 2020).
- P.L. 116-147, to extend the authority for commitments for the paycheck protection program, extended the PPP covered loan period from June 30, 2020, to August 8, 2020, and authorized $659 billion for PPP loan commitments and $30 billion for 7(a) loan commitments.
- P.L. 116-260, the Consolidated Appropriations Act, 2021, among other provisions, extends the PPP through March 31, 2021, increases the program's authorization amount from $659 billion to $806.45 billion, and allows second-draw PPP loans of up to $2 million. The act also appropriated $324.975 billion for SBA program enhancements, including $284.45 billion for the PPP, $20 billion for the Targeted Economic Injury Disaster Loan Advance payment program, $15 billion for the Shuttered Venue Operators Grant Program, $3.5 billion for SBA debt relief payments, $1.918 billion for the business loans program account, $57 million for the Microloan program ($50 million for technical assistance grants and $7 million for loan credit subsidies), and $50 million for salaries the expenses.

During the 117th Congress

- P.L. 117-2, the American Rescue Plan Act of 2021, appropriated $53.6 billion for SBA program enhancements, including $28.6 billion for a Restaurant Revitalization grant program to provide grants of up to $10 million per entity (up to $5 million per physical location, limited to 20 locations) to restaurants and other food and beverage-related establishments that have experienced COVID-19-related revenue loss; $10 billion for the Targeted Economic Injury Disaster Loan Advance payment program; $5 billion for the Targeted Economic Injury Disaster Loan Advance supplemental payment program; $7.25 billion for the PPP; $1.25 billion for the Shuttered Venue Operators Grant Program; $840 million for administrative costs to prevent, prepare and respond to the COVID-19 pandemic, including expenses related to PPP, Shuttered Venue Operators Grants (SVOG), and grants to restaurants; $460 million for the disaster loan program ($70 million for credit subsidies and $390 million for administrative costs); $100 million for a community navigator pilot grant program to improve small business access to COVID-19-related assistance programs; $75 million for outreach, education, and improving the SBA website; and $25 million for SBA's Office of Inspector General for oversight.[177]

- P.L. 117-6, the PPP Extension Act of 2021, extended the acceptance of PPP applications through May 31, 2021, and authorized the SBA to process any pending applications submitted on or before that date through June 30, 2021.

Appropriations[178]

The SBA's FY2021 appropriation of $379.497 billion includes an initial appropriation of $921.733 million and $378.575 billion in supplemental appropriations to assist small businesses adversely affected by the COVID-19 pandemic.

As shown in **Table 8**, the SBA's initial FY2021 appropriation includes

- $270.157 million for salaries and expenses,
- $272.0 million for entrepreneurial development and noncredit programs,
- $160.3 million for business loan administration,
- $20.0 million for business loan credit subsidies ($15.0 million for the 7(a) loan guaranty program and $5.0 million for the Microloan program),
- $22.011 million for Office of Inspector General,
- $9.19 million for the Office of Advocacy, and
- $168.075 million for disaster assistance.[179]

The SBA's FY2021 supplemental appropriation of $378.575 billion includes

- $890 million for salaries and expenses (for auditing and fraud mitigation);
- $45.075 billion for entrepreneurial development and noncredit programs ($28.6 billion for a Restaurant Revitalization grant program, $16.25 billion for grants to qualified shuttered live venue operators or promoters, theatrical producers, live performing arts and museum operators, motion picture theatre operators, or talent representatives, $100 million for the community navigator pilot grant program, $75 million for outreach and education grants, and $50 million for Microloan Technical Assistance Program grants);
- $297.125 billion for business loan credit subsidies ($291.7 billion for the PPP, $3.5 billion for 7(a) loan guarantee, 504/CDC loan guarantee, and Microloan program debt relief payments, $1.918 billion for 7(a) and 504/CDC loan guarantee program enhancements, and $7 million for the Microloan program);
- $35.460 billion for disaster assistance ($35 billion for the Targeted EIDL Advance payment (grant) program, of which $20 million will be transferred to

[177] U.S. House of Representatives, Committee on Small Business, "Committee Approves $50 Billion in Small Business Aid for COVID Relief Package," February 10, 2021, at https://smallbusiness.house.gov/news/documentsingle.aspx?DocumentID=3559.

[178] For further information concerning SBA appropriations, see CRS Report R43846, *Small Business Administration (SBA) Funding: Overview and Recent Trends*, by Robert Jay Dilger.

[179] P.L. 116-260, the Consolidated Appropriations Act, 2021.

the Office of Inspector General for oversight and audit of these funds, $390 million for administrative expenses, and $70 million for disaster loan credit subsidies); and

- $25 million for the SBA Office of Inspector General for auditing and fraud mitigation.[180]

As shown in **Table 8**, the Biden Administration has requested $995.450 million for the SBA in FY2022, an increase of $73.717 million over the SBA's initial appropriation of $921.733 million in FY2021.

Table 8. SBA Appropriations, FY2020-FY2022

($ in millions)

Program Account	FY2020 Initial	FY2020 with Supplementals	FY2021 Initial	FY2021 with Supplementals	FY2022 Biden Administration Request
Salaries and Expenses	$270.157	$3,045.157	$270.157	$1,160.157	$293.625
Entrepreneurial Development	$261.000	$526.000	$272.000	$45,347.000	$318.000
Business Loan Administration	$155.150	$155.150	$160.300	$160.300	$165.300
Business Loan Credit Subsidy	$104.000	$687,439.000	$20.000	$297,145.000	$6.000
Office of Inspector General	$21.900	$46.900	$22.011	$47.011	$24.905
Office of Advocacy	$9.120	$9.120	$9.190	$9.190	$9.620
Disaster Assistance	$177.136	177.136	$168.075	$168.075	$178.000
Disaster Assistance Supplemental	$0.000	$70,582.000	$0.000	$35,460.000	$0.000
Total	**$998.463**	**$761,980.463**	**$921.733**	**$379,496.733**	**$995.450**

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, the Consolidated Appropriations Act, 2016; P.L. 115-31, the Consolidated Appropriations Act, 2017; P.L. 115-56, the Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017; P.L. 115-123, the Bipartisan Budget Act of 2018; P.L. 115-141, the Consolidated Appropriations Act, 2018; P.L. 116-6, the Consolidated Appropriations Act, 2019; P.L. 116-93, the Consolidated Appropriations Act, 2020; P.L. 116-123, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020; P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act; P.L. 116-260, the Consolidated Appropriations Act, 2021; P.L. 117-2, the American Rescue Plan Act of 2021; and U.S. Small Business Administration, *FY2022 Congressional Justification and FY2020 Annual Performance Report*, p. 8, at https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report.

Note: 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.

180 P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021); and P.L. 117-2, the American Rescue Plan Act of 2021.

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