

## SMALL BUSINESS ADMINISTRATION

The budget provides \$994.5 million in new budget authority for the Small Business Administration (SBA). The amount requested consists of \$761.5 million in regular discretionary appropriations and \$233.0 million in contingent emergency appropriations. This funding level, when combined with anticipated carryover and decreased loan subsidy costs, will allow SBA to continue to provide assistance to small businesses at a reduced cost to the Federal taxpayer.

In 2000, SBA expects to continue to increase its reliance on its private sector partners. During 1998, over 75 percent of SBA's business loans were underwritten by its private sector lending partners with reduced SBA involvement. This trend is expected to continue in 1999 and 2000, with the expansion of SBA's PLP, LowDoc, and SBA Express programs. Additionally, in 1998, SBA began contracting out the servicing of 30 percent of its Disaster Home Loan portfolio and is developing an Asset Sales program to sell its approximately \$10 billion direct and defaulted guaranteed loan portfolios. Sales will begin in 1999 and provide SBA an effective outlet for its current and future loan portfolio servicing needs. These initiatives will allow SBA to focus its limited resources on expanding assistance to small businesses while relying on private sector partners and investors for "back end" activities. The budget estimates that these initiatives will lead to lower credit, administrative and subsidy costs.

The budget proposes targeted program growth and new initiatives to expand access to capital and provide education and training to a greater cross-section of America through SBA's "New Markets" outreach efforts. SBA's second major goal for 2000 will be to continue to modernize the SBA to be a leading edge 21st century institution, poised to assist the small business community in 2000 and beyond in a more efficient and effective manner.

### Federal Funds

#### General and special funds:

##### SALARIES AND EXPENSES

For necessary expenses, not otherwise provided for, of the Small Business Administration as authorized by Public Law [103-403] 105-135, including hire of passenger motor vehicles as authorized by 31 U.S.C. 1343 and 1344, and not to exceed \$3,500 for official reception and representation expenses, [\$288,300,000, of which: \$3,500,000 shall be available for a grant to the NTTC at Wheeling Jesuit University to continue the outreach program to assist small business development; \$4,000,000 shall be available for a grant for Western Carolina University to develop a facility to assist in small business and rural economic development; \$2,000,000 shall be available for a grant for the City of Hazard, Kentucky for a Center for Rural Law Enforcement Technology and Training; \$1,500,000 shall be available for a grant to the State University of New York to develop a facility and operate the Institute of Entrepreneurship for small business and workforce development; \$1,500,000 shall be available for a grant for Pikeville College for a telemedicine learning and resource center; \$1,000,000 shall be available for a grant for the Center for Excellence in Marine Science Education at Southampton College; \$1,000,000 shall be for a grant to King's College in Wilkes-Barre, Pennsylvania, for the commercialization of pulverization technologies; \$850,000 shall be available for a grant for the Carbondale Technology Transfer Center in Lackawanna County, Pennsylvania; \$1,000,000 shall be available for a grant for the Institute for Software Research in Fairmont, West Virginia, for Institute operations and to further develop their capability to perform basic and applied research aimed at software engineering, biometrics, image processing and networks; \$500,000 shall be available for a grant for the Altoona Science and Technology Research Academy in Altoona, Pennsylvania; \$200,000 shall be available for a grant

to the City of Prestonburg, Kentucky for a regional arts and tourism center; \$300,000 shall be available for a grant for the City of Parkersburg, West Virginia for infrastructure improvements, facility upgrades, and property acquisition associated with community non-profit service and enrichment projects; \$200,000 shall be available for a grant for the Vandalia Heritage Foundation to fulfill its charter purposes; \$1,000,000 shall be available for a grant for the Moundsville Economic Development Council to work in conjunction with the Office of Law Enforcement Technology Commercialization for the establishment of the National Corrections and Law Enforcement Training and Technology Center, and for infrastructure improvements associated with this initiative; and \$250,000 shall be available for a grant for the Johnstown Area Regional Industries Defense Procurement Center to establish a Year 2000 challenge grant program to assist small businesses that rely heavily on the Federal Government's acquisition system for their livelihood, and help provide a solution to the Year 2000 computer problem] \$263,000,000: *Provided*, That the Administrator is authorized to charge fees to cover the cost of publications developed by the Small Business Administration, and certain loan servicing activities: *Provided further*, That, notwithstanding 31 U.S.C. 3302, revenues received from all such activities shall be credited to this account, to be available for carrying out these purposes without further appropriations: *Provided further*, That [\$82,000,000] \$62,000,000 shall be available to fund grants for performance in fiscal year [1999] 2000 or fiscal year [2000] 2001 as authorized by section 21 of the Small Business Act, as amended. (*Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).*)

Program and Financing (in millions of dollars)			
Identification code 73-0100-0-1-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Government contracting and minority enterprise development .....	22	25	35
00.02 Disaster assistance .....	104	86	41
00.04 Management and administration .....	70	73	79
00.05 Executive direction .....	11	11	11
00.06 General counsel .....	7	7	8
00.07 Congressional and legislative affairs .....	1	1	1
00.08 Hearings and appeals .....	1	1	1
00.09 Communications and publications .....	3	3	3
00.11 Advocacy .....	5	5	5
00.12 Field operations .....	2	2	2
00.13 Equal employment opportunity and civil rights compliance .....	1	1	2
00.14 Regional and district offices .....	127	133	129
00.15 Chief financial officer .....	8	10	11
00.16 Capital Access .....	36	44	60
00.17 Entrepreneurial development .....	101	136	94
00.18 Small disadvantaged businesses .....	10	12	12
10.00 Total new obligations .....	509	550	494
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year .....	3	17	.....
22.00 New budget authority (gross) .....	523	533	494
22.22 Unobligated balance transferred from other accounts .....	3	.....	.....
23.90 Total budgetary resources available for obligation .....	529	550	494
23.95 Total new obligations .....	-509	-550	-494
23.98 Unobligated balance expiring .....	-3	.....	.....
24.40 Unobligated balance available, end of year .....	17	.....	.....
<b>New budget authority (gross), detail:</b>			
Current:			
40.00 Appropriation .....	254	288	263
42.00 Transferred from other accounts .....	.....	1	.....
43.00 Appropriation (total) .....	254	289	263
Permanent:			
68.00 Spending authority from offsetting collections: Offsetting collections (cash) .....	269	244	231

## General and special funds—Continued

## SALARIES AND EXPENSES—Continued

## Program and Financing (in millions of dollars)—Continued

Identification code 73-0100-0-1-376	1998 actual	1999 est.	2000 est.
70.00 Total new budget authority (gross) .....	523	533	494
<b>Change in unpaid obligations:</b>			
72.40 Unpaid obligations, start of year: Obligated balance, start of year .....	171	182	322
73.10 Total new obligations .....	509	550	494
73.20 Total outlays (gross) .....	-484	-403	-471
73.40 Adjustments in expired accounts .....	-14	-7	-12
74.40 Unpaid obligations, end of year: Obligated balance, end of year .....	182	322	333
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new current authority .....	197	159	145
86.93 Outlays from current balances .....	18		95
86.97 Outlays from new permanent authority .....	269	244	231
87.00 Total outlays (gross) .....	484	403	471
<b>Offsets:</b>			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
Federal sources:			
88.00 Payments from business loan program account .....	-97	-114	-131
88.00 Payments from disaster loan program account .....	-109	-82	-41
88.00 Reprogramming of disaster loan subsidy .....	-50	-35	-45
88.00 Federal sources .....	-11	-11	-12
88.40 Non-Federal sources .....	-2	-2	-2
88.90 Total, offsetting collections (cash) .....	-269	-244	-231
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	254	289	263
90.00 Outlays .....	215	159	240

## Summary of Budget Authority and Outlays

(in millions of dollars)

	1998 actual	1999 est.	2000 est.
Enacted/requested:			
Budget Authority .....	254	289	263
Outlays .....	215	159	240
Legislative proposal, not subject to PAYGO:			
Budget Authority .....			31
Outlays .....			17
Total:			
Budget Authority .....	254	289	294
Outlays .....	215	159	257

This appropriation funds salaries, other administrative expenses of the Small Business Administration (SBA), and business education and training programs. The SBA provides assistance to small businesses and to victims of natural disasters through these primary program areas:

**Executive Direction.**—Executive Direction includes the Office of the Administrator, Advocacy, Equal Employment Opportunity and Civil Rights Compliance (EEO&CRC), Congressional and Legislative Affairs (CLA), Hearings and Appeals (HA), General Counsel, Field Operations, Communications and Public Liaison (CPL), and the Office of the Chief Financial Officer (CFO). The Office of the Administrator provides general management to the SBA organization. The Office of Advocacy is the principal voice for small business within the government. The Office of EEO & CRC ensures SBA and its programs comply with all applicable equal opportunity laws and regulations. The Office of CLA provides agency wide support and coordination for all congressional activities. The Office of HA determines size appeals, Small Disadvantaged Business protests and other administrative adjudication matters. The Office of the General Counsel provides agency wide legal support and advice. The Office of Field Operations oversees and provides management and operational support to

SBA's regional and district offices. The Office of CPL coordinates SBA's marketing, public outreach, and public information programs. The Office of the CFO administers SBA's budget and financial management activities, including financial systems, subsidy rates, financial reporting, and internal control activities.

**Capital Access.**—The Associate Deputy Administrator (ADA) for this function directs the following SBA programs: Financial Assistance; Surety Bond Guarantees; Investment; and International Trade. These offices are responsible for the administration of all SBA credit and international trade and lending programs. Starting in 1999, SBA will emphasize its goal of increasing small business access to its capital and credit programs, targeting "new markets." These are areas where individuals and/or communities have not previously had ready access to SBA's programs and services. Through such efforts as the recent roll-out of SBA LowDoc and SBA Express, the upcoming roll-out of Export Express, and the regional SBIC outreach conferences, SBA will reach a greater cross-section of America with its programs. For 2000, in addition to continuing these emphasis areas, SBA proposes to expand most credit and capital programs and introduce new program initiatives, such as the New Markets Venture Capital Program, to further increase lending in distressed inner cities and rural areas, and encourage more loans in smaller amounts.

**Entrepreneurial Development.**—The Associate Deputy Administrator (ADA) for this function directs the following SBA programs: Women's Business Ownership; Small Business Development Centers; Veteran's Affairs; Office of Native American Affairs; and Business Initiatives, which includes the Service Corps of Retired Executives. These programs provide outreach and technical assistance to small business communities, especially women, Veterans, and minorities. Through special initiatives such as the One Stop Capital Shops, Distance Learning and Welfare to Work, SBA will increase its access to entrepreneurs, particularly in "new markets."

**Government Contracting and Minority Enterprise Development.**—The Associate Deputy Administrator for this function directs the following SBA programs: Government Contracting; Section 8(a) Business Development; Technology; and Size Standards. These offices are responsible for effectively advocating for small businesses in the area of government contracting and Federal research and development. Government contracting activities are aimed at ensuring that small businesses receive a fair share of Federal procurement awards. The Section 8(a) Business Development program provides assistance to socially and economically disadvantaged small business concerns, primarily in the areas of business development and Federal procurement. Through this office, SBA assists firms that are owned by disadvantaged persons to help them develop into viable competitive businesses in a reasonable period of time. These program areas also administer the government-wide Small Disadvantaged Business (SDB) programs, certifying firms as SDB to facilitate their active participation in Federal procurement. Also, starting in 1999, SBA implemented the HUBZones legislation, intended to increase small business procurement opportunities in designated "zones" of the country.

**Management and Administration.**—The Associate Director for Management and Administration directs the Office of the Chief Information Officer (OCIO), Office of Administration (OA), and Office of Human Resources (OHR). The OCIO has lead responsibility for SBA's systems modernization initiatives and its Y2K resolution. The modernization plan includes a multi-year project to upgrade and modernize all of SBA's systems and programs providing more reliable and timely management information. The Office of Administration administers SBA's space management, printing, and procurement and grants management programs. The Office of Human Re-

sources administers SBA's workforce planning and management efforts, including workforce training programs. In 2000, SBA proposes to implement a workforce transition plan, designed to prepare SBA staff to operate the agency as a 21st Century Financial Institution. This proposed plan includes additional employee training and buyout authority to enable SBA to allocate staff in an effective and efficient manner. In addition, the ADA has principal responsibility for SBA's GPR performance and strategic planning process.

**Disaster Assistance.**—The Associate Administrator for the Office of Disaster Assistance directs the Disaster Loan Program which provides physical disaster loans to individuals and businesses of any size and economic injury loans to small businesses unable to obtain credit elsewhere. In addition to Presidentially-declared disasters, the program provides loans when a declaration is made by the SBA Administrator. Program eligibility is based on financial criteria, and interest rates are set according to statutory formulas. In recent years, the average interest rate on disaster loans has been four percent.

### **Program Performance**

**Small Business Development Centers (SBDCs).**—The SBDCs provide long term counseling to small businesses at about 1,000 locations in 50 states and Puerto Rico, Guam, and the District of Columbia. In 1998, more than 547,000 customers were helped, of which 38 percent were women and 19 percent were minorities. For 2000, the budget proposes federal funding of \$62 million and the removal of the statutory prohibition on SBDCs charging of fees for counseling. With the removal of this language, SBDCs would be encouraged to charge reasonable fees for their services to provide sufficient resources to support their 2000 funding needs.

**Women's Business Centers.**—Through this program, the SBA awards grants to nonprofit organizations to deliver entrepreneurial training programs to women business owners or those interested in starting businesses. In 1998, 35 funded and 35 graduated women's business centers were operating in 38 states, the District of Columbia and Puerto Rico. Each offers financial, management, marketing and technical assistance to current and potential women business owners. With the increased funding in 1999, this program will expand to include coverage of all 50 states. The 2000 budget request includes \$9 million for this program to support all 1999 funded centers and to continue two initiatives begun in 1996: OWBOZone, an intranet that links all of the Women's Business Centers; and the Online Women's Business Center on the Internet, which allows women nationwide to have access to the same services offered by the centers.

**One Stop Capital Shops (OSCS).**—OSCSs are located in Empowerment Zones and Enterprise Communities. This program's objective is to stimulate and sustain economic revitalization in distressed areas. An OSCS is a partnership between SBA and a local community designed to offer small business assistance under one roof from an easy to access, retail location. Each is unique, is located in a distressed area, and targets new urban and rural markets. For 2000, the budget proposes funding of \$10 million to support 6 new OSCS locations to be established in 1999 and 14 additional OSCSs in 2000, as well as the existing network of OSCS locations.

**Microloan Technical Assistance.**—The Microloan Program technical assistance component helps small businesses gain access to private sector financing and assists SBA's Microloan program through grants to microloan intermediaries for ongoing management advice and counseling. The program also supports the Administration's initiative to help individuals receiving welfare assistance move to work by providing opportunities to start up small businesses using SBA-guaranteed microloans. Microloan Technical Assistance grants ensure that microloan borrowers are provided the education and

training needed for them to succeed. The budget provides \$32.0 million in Microloan grants. This amount will support the increased program level and the portfolio with a 20 percent level of funding and allow for the growth of technical assistance providers to include both financial and non-financial intermediaries.

**Native American Outreach Through Tribal Business Information Centers (TBICs).**—SBA provides reservation- and non-reservation-based entrepreneurs access to state-of-the-art computer and software technology, one-on-one business counseling services, and business development workshops. The facilitators of these centers have received extensive technical training in SBA's lending, business development and entrepreneurial development programs. In 1998, these centers served approximately 3,000 clients, and provided 4,892 hours of business counseling, held approximately 200 workshops, assisted in the completion of approximately 200 business plans and 120 loan packages, and were instrumental in the startup of approximately 170 businesses. For 2000, the budget proposes \$1 million to support the continuation of this important initiative.

**Veteran's Outreach.**—This program advocates enhanced entrepreneurial development opportunities for veterans. In 1998, the Administrator established a Veterans Task Force to examine Agency programs which could be used as vehicles to provide enhanced services to eligible veterans. Additionally, in 1998, the Congress passed legislation requiring SBA to undertake a study of assistance to veterans and to establish an outreach program to better serve the unique needs of the veteran community. The 2000 budget proposes \$615 thousand to support this statutory program initiative.

**Service Corps of Retired Executives (SCORE).**—Using one-on-one counseling and workshops, SCORE reaches about 354,000 business owners annually using approximately 12,500 counselors through 389 chapters located across the country. Counseling costs to the Government are less than \$3 per hour. For 2000, the budget proposes a funding level of \$3.5 million for this program, the same level as provided in 1999.

**Business Information Centers (BIC).**—These centers offer self-help hardware, software and reference materials, and on-site counseling provided by SCORE volunteers. Individuals who are in business or are interested in starting a business will find many resources specifically targeted at helping businesses grow or find new market niches. For 2000, the budget includes \$700 thousand to support these locations, the same level of funding as provided in 1999.

**Section 8(a) Business Development.**—SBA administers a number of programs and initiatives to support the business development and contracting goals of socially and economically disadvantaged businesses. These include the Section 8(a) program and the Section 7(j) technical assistance programs. The Section 8(a) program certifies firms for participation in sole-source federal contracts and access to targeted business development, executive development, and technical assistance through the Section 7(j) program. For 2000, the budget proposes \$5 million in Section 7(j) technical assistance funding to support the expanding executive development and business assistance needs of these entrepreneurs.

**Small Disadvantaged Business (SDB) Certification.**—Starting in 1998, SBA was designated as the lead agency to certify firms nationally as SDBs. This certification process enables firms to receive federal contracts set aside for these small businesses. Funding for this program is provided through reimbursements from the approximately 20 largest Federal procuring agencies. The program's funding level for 2000 is proposed to be \$12 million.

**HUBZones.**—Legislation passed in 1998 created a national program to support enhanced business growth and development in designated HUBZones. SBA began implementation of this program in 1998 and will have a viable HUBZones

**General and special funds—Continued****SALARIES AND EXPENSES—Continued**

program operating in 1999. Funding for this program is requested at \$4 million for 2000.

**SBA Modernization and Workforce Transition.**—In order to continue to modernize the SBA—preparing itself for the 21st Century—all major systems need to be replaced and updated. SBA began its multi-year systems modernization effort in 1998. This project is being undertaken in phases, with the first phase concentrating on SBA's need to monitor and oversee its lenders and its increasing loan portfolio. Starting in 1999 and 2000, SBA will complete this phase and begin modernization of its financial management systems and other program systems. Funding for 2000 is requested at \$8 million, the same level as provided in 1999. Additionally, in order to transition SBA's workforce in an orderly manner to the new roles and responsibilities facing the Agency today and into the 21st Century, we request \$5 million to support increased training and the transition of staff to a more customer-focused and community-based structure. Of this amount, approximately \$1 million will be used to offer retirement incentives through buyout authority, which requires legislation.

**Investment Division.**—In order to provide an adequate level of administrative support necessary to this expanding program, including the new Low and Moderate Income Investments (LMI), the enhanced debenture and participating securities levels, and the proposed New Markets Venture Capital Program, \$2 million in additional administrative funding is requested for 2000.

**U.S. Export Assistance Centers.**—The SBA is a partner with the Department of Commerce and the Export-Import Bank in the U.S. Export Assistance Center (USEAC) Program. Through a network of 19 USEACs located across the nation, SBA delivers financial and technical assistance and business development counseling to small businesses that sell their products globally. The USEACs provide "one-stop shop" exporting assistance. The 2000 budget includes a request for \$3.1 million for this purpose.

**Other Programs and Initiatives.**—In addition to the above, SBA proposes to fund the Women's Council for 2000 at \$600 thousand; the Survey of Women Owned Businesses as part of the Census for \$790 thousand; and to Fund the Office of Advocacy's database and research. For 2000, SBA will provide outreach, training and support to small businesses to increase their use of electronic commerce leading to increased contracting. This initiative is proposed at \$2 million. In order to ensure maximum utilization of electronic commerce, we intend to use Pro-Net, SBA's national database of small business contractors. Leveraging Pro-Net in this way is consistent with recent procurement streamlining initiatives. The 2000 budget requests \$500 thousand for this initiative. Also, SBA will assist in the support of BusinessLINC, an initiative to link large businesses in a mentor/protégé relationship with small businesses; promote best practices; and help grow small businesses in distressed urban areas and isolated communities. This initiative is proposed at a level of \$3 million for 2000.

SBA has implemented a "Welfare to Work" initiative throughout its field offices to link work-ready employees with small business employers. Starting in 1999 and continuing through 2000, SBA will assist in the identification of employment opportunities for Americans with disabilities.

**Administrative Operating Expenses.**—SBA's cost of operations are financed through direct appropriations to the Salaries and Expenses, Disaster Loans Program, and Business Loans Program accounts. Disaster loan servicing and loan making are funded directly through an appropriation to the Disaster Loan Program account. SBA's general operating ex-

penses are funded directly by the appropriations to Salaries and Expenses and indirectly through appropriations to the Disaster Loan Program and Business Loan Program accounts. For 2000, the funding requested for general and administrative operating expenses will require SBA to consolidate operations, increase efficiencies, and significantly reduce overhead expenses in order to support expanding programs. Transition planning to a more modern, efficient SBA organizations is emphasized in 1999, so that 2000 funding can be used to train, relocate and motivate employees to support the SBA of the 21st century.

**Performance Goals**

**Program and Policy Goals under the GPRA.**—President Clinton has made small business formation and growth a component of his national economic plan. The Small Business Administration has focused on the following five program and policy goals in support of the plan: (1) increase opportunities for small businesses to succeed, including increasing access to capital and business development; (2) transform the SBA into a 21st Century leading edge institution; (3) help communities and families recover from disasters; (4) lead small business participation in welfare-to-work; and (5) serve as a voice for America's small businesses. These five goals are summarized under SBA's two focus areas for 1999–2000: "New Markets" and "Modernization." SBA works to ensure access to its myriad of programs and services to a wide cross-section of America and aims to do this in an efficient and effective manner using technology and customer-focused approaches.

**SBA's Strategic Plan.**—It is the mission of the SBA to serve America's small businesses in the most cost-effective manner possible to help preserve free competition, to contribute to strengthening the Nation's economy, and to assist disaster-ravaged communities recover from their losses. SBA's five-year strategic plan developed in 1998 includes the specific goals and strategies to be employed in 1998–2003 to accomplish this mission. SBA continues to enhance these performance measures—moving from outputs to outcomes.

**Object Classification (in millions of dollars)**

Identification code 73–0100–0–1–376	1998 actual	1999 est.	2000 est.
Personnel compensation:			
11.1 Full-time permanent .....	153	167	176
11.3 Other than full-time permanent .....	9	9	10
11.5 Other personnel compensation .....	2	3	3
11.9 Total personnel compensation .....	164	179	189
12.1 Civilian personnel benefits .....	41	46	50
21.0 Travel and transportation of persons .....	6	6	7
22.0 Transportation of things .....	1	1	1
23.1 Rental payments to GSA .....	24	25	25
23.3 Communications, utilities, and miscellaneous charges .....	10	12	12
24.0 Printing and reproduction .....	.....	1	1
25.2 Other services .....	48	44	47
26.0 Supplies and materials .....	1	2	2
31.0 Equipment .....	2	2	2
41.0 Grants, subsidies, and contributions .....	108	146	117
Undistributed:			
92.0 Undistributed (disaster loan making) .....	79	55	11
92.0 Undistributed (disaster loan servicing) .....	25	31	30
99.9 Total new obligations .....	509	550	494

**Personnel Summary**

Identification code 73–0100–0–1–376	1998 actual	1999 est.	2000 est.
1001 Total compensable workyears: Full-time equivalent employment .....	4,279	4,496	4,538

Note.—The personnel summary includes regular (non-disaster) full-time equivalents (FTEs) of 2,979, 3,242, and 3,279 in 1998, 1999, and 2000 respectively.

**SALARIES AND EXPENSES**  
(Legislative proposal, not subject to PAYGO)

**Program and Financing** (in millions of dollars)

Identification code 73-0100-2-1-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.04 Management and Administration			1
00.16 Capital Access			30
10.00 Total new obligations			31
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross)			31
23.95 Total new obligations			-31
<b>New budget authority (gross), detail:</b>			
40.00 Appropriation			31
<b>Change in unpaid obligations:</b>			
73.10 Total new obligations			31
73.20 Total outlays (gross)			-17
74.40 Unpaid obligations, end of year: Obligated balance, end of year			14
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new current authority			17
<b>Net budget authority and outlays:</b>			
89.00 Budget authority			31
90.00 Outlays			17

SBA will propose legislative authority for two new initiatives in 2000.

*New Markets, Venture Capital (NMVC) Technical Assistance.*—SBA proposes to establish a new venture capital program in 2000 to encourage equity lending in “new markets.” A key component to the success of this program is the provision of technical assistance grants to the firms in these inner cities and rural areas to assure development of managerial and technical competencies needed to be successful investments for the NMVC entities. For 2000, SBA requests \$30 million for this technical assistance program to support \$100 million NMVC program level.

*Workforce Transition.*—As part of SBA’s request for \$5 million to permit an orderly transition of its workforce to new roles and responsibilities, \$1 million is requested to offer retirement incentives. SBA will propose legislative authority to offer these incentives.

**Object Classification** (in millions of dollars)

Identification code 73-0100-2-1-376	1998 actual	1999 est.	2000 est.
11.5 Personnel compensation: Other personnel compensation			1
41.0 Grants, subsidies, and contributions			30
99.9 Total new obligations			31

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended (5 U.S.C. App.), **[\$10,800,000] \$11,000,000.** (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).)

**Program and Financing** (in millions of dollars)

Identification code 73-0200-0-1-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Management and counsel	2	2	2
00.02 Audit	3	3	3
00.03 Investigations	5	5	5

00.04 Disaster	1	1	1
10.00 Total new obligations	11	11	11

**Budgetary resources available for obligation:**

21.40 Unobligated balance available, start of year	1		
22.00 New budget authority (gross)	11	11	11
23.90 Total budgetary resources available for obligation	12	11	11
23.95 Total new obligations	-11	-11	-11

**New budget authority (gross), detail:**

<b>Current:</b>			
40.00 Appropriation	10	11	11
<b>Permanent:</b>			
68.00 Spending authority from offsetting collections: Offsetting collections (cash)	1		
70.00 Total new budget authority (gross)	11	11	11

**Change in unpaid obligations:**

72.40 Unpaid obligations, start of year: Obligated balance, start of year		1	1
73.10 Total new obligations	11	11	11
73.20 Total outlays (gross)	-10	-11	-11
74.40 Unpaid obligations, end of year: Obligated balance, end of year	1	1	1

**Outlays (gross), detail:**

86.90 Outlays from new current authority	9	10	10
86.93 Outlays from current balances	1	1	1
87.00 Total outlays (gross)	10	11	11

**Offsets:**

<b>Against gross budget authority and outlays:</b>			
88.00 Offsetting collections (cash) from: Federal sources	-1		

**Net budget authority and outlays:**

89.00 Budget authority	10	11	11
90.00 Outlays	10	11	11

This appropriation provides funds for agency-wide audit, investigative, and inspection/evaluation functions to promote economy and efficiency in agency operations and to prevent and detect fraud, waste, and abuse. The audit function provides internal and external audits and other oversight activities. Internal audits assess the general management and efficiency of SBA program operations. External audits review program participants and their compliance with SBA regulations and procedural requirements. Inspections/evaluations address specific issues related to program management and effectiveness. The investigative function detects and investigates allegations of illegal and improper activities involving agency personnel and program participants.

The 2000 budget requests \$11 million to support critical oversight of SBA’s business loan portfolio and other programs. The OIG oversight efforts and investigative activities: (1) enhance the SBA’s efficiency and effectiveness, (2) serve to deter fraud and abuse in agency programs, and (3) consistently demonstrate a high rate of return on invested funds.

**Object Classification** (in millions of dollars)

Identification code 73-0200-0-1-376	1998 actual	1999 est.	2000 est.
11.1 Personnel compensation: Full-time permanent	9	9	9
12.1 Civilian personnel benefits	2	2	2
99.9 Total new obligations	11	11	11

**Personnel Summary**

Identification code 73-0200-0-1-376	1998 actual	1999 est.	2000 est.
1001 Total compensable workyears: Full-time equivalent employment	100	109	104

**Public enterprise funds:**

**[SURETY BOND GUARANTEES REVOLVING FUND]**

[For additional capital for the “Surety Bond Guarantees Revolving Fund”, authorized by the Small Business Investment Act, as amended, \$3,300,000, to remain available without fiscal year limitation as authorized by 15 U.S.C. 631 note.] (*Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).*)

**Program and Financing** (in millions of dollars)

Identification code 73-4156-0-3-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
09.01 Reimbursable obligations .....	10	7	6
10.00 Total new obligations (object class 42.0) .....	10	7	6
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year .....	2	4	6
22.00 New budget authority (gross) .....	12	9	7
23.90 Total budgetary resources available for obligation .....	14	13	13
23.95 Total new obligations .....	-10	-7	-6
24.40 Unobligated balance available, end of year .....	4	6	7
<b>New budget authority (gross), detail:</b>			
Current:			
40.00 Appropriation .....	4	3	
Permanent:			
68.00 Spending authority from offsetting collections: Offsetting collections (cash) .....	8	6	7
70.00 Total new budget authority (gross) .....	12	9	7
<b>Change in unpaid obligations:</b>			
72.40 Unpaid obligations, start of year: Obligated balance, start of year .....	40	38	38
73.10 Total new obligations .....	10	7	6
73.20 Total outlays (gross) .....	-12	-7	-6
74.40 Unpaid obligations, end of year: Obligated balance, end of year .....	38	38	38
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new current authority .....	4	3	
86.97 Outlays from new permanent authority .....	8	4	6
87.00 Total outlays (gross) .....	12	7	6
<b>Offsets:</b>			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources .....	-8	-6	-7
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	4	3	
90.00 Outlays .....	3	1	-1

Under this program, the Small Business Administration guarantees a portion of the losses sustained by a surety company as a result of the issuance of a bid, payment, and/or performance bond to a small business concern.

In 2000, the budget proposes a \$1.7 billion program level that is anticipated to be sufficient to accommodate demand from prior-approval and preferred sureties in 2000.

Fees were lowered in 1998, and as a result, SBA expects demand for this program to increase in 1999 and 2000. However, due to sufficient fund balances and fee revenues anticipated in 2000, an appropriation to this account is not needed for 2000 to support the annual program level of bond guarantees.

**Statement of Operations** (in millions of dollars)

Identification code 73-4156-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue .....	12	12	9	7
0102 Expense .....	-12	-10	-7	-6
0109 Net loss .....		2	2	1

**Balance Sheet** (in millions of dollars)

Identification code 73-4156-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....	42	42	43	47
1206 Non-Federal assets: Receivables, net .....				
1999 Total assets .....	42	42	43	47
<b>LIABILITIES:</b>				
2201 Non-Federal liabilities: Accounts payable .....	40	38	38	37
2999 Total liabilities .....	40	38	38	37
<b>NET POSITION:</b>				
3100 Appropriated capital .....	325	329	332	335
3300 Cumulative results of operations .....	-323	-325	-326	-326
3999 Total net position .....	2	4	6	9
4999 Total liabilities and net position .....	42	42	44	46

**Credit accounts:**

**BUSINESS LOANS PROGRAM ACCOUNT**

For the cost of direct loans, [\$2,200,000] \$4,000,000, to be available until expended; and for the cost of guaranteed loans, [\$128,030,000] \$144,368,000, as authorized by 15 U.S.C. 631 note, of which \$45,000,000 shall remain available until September 30, [2000] 2001: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: [*Provided further*, That of the funds previously made available under Public Law 105-135, section 507(g), for the Delta Loan program, up to \$20,000,000 may be transferred to and merged with the appropriations for salaries and expenses:] *Provided further*, That during fiscal year [1999] 2000, commitments to guarantee loans under section 503 of the Small Business Investment Act of 1958, as amended, shall not exceed [the amount of financings authorized under section 20(d)(1)(B)(ii) of the Small Business Act, as amended] \$3,500,000,000. *Provided further*, That during fiscal year [1999] 2000, commitments for general business loans authorized under section 7(a) of the Small Business Act, as amended, shall not exceed [\$10,000,000,000] \$10,500,000,000 [without prior notification of the Committees on Appropriations of the House of Representatives and Senate in accordance with section 605 of this Act.] *In addition, commitments to guarantee loans under section 303(b) of the Small Business Investment Act of 1958, as amended, shall not exceed \$800,000,000.*

In addition, for administrative expenses to carry out the direct and guaranteed loan programs, [\$94,000,000] \$131,000,000, which may be transferred to and merged with the appropriations for Salaries and Expenses. (*Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).*)

**General Fund Credit Receipt Accounts** (in millions of dollars)

Identification code 73-1154-0-1-376	1998 actual	1999 est.	2000 est.
0101 Business loan program, downward reestimates of subsidies .....	843	605	1

**Program and Financing** (in millions of dollars)

Identification code 73-1154-0-1-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Direct loan subsidy .....	1	3	5
00.02 Guaranteed loan subsidy .....	208	164	151
00.05 Reestimate of loan guarantee subsidy .....	284	28	
00.06 Interest on reestimates of loan guarantee subsidy .....	25	7	
00.09 Administrative expenses .....	99	114	131
10.00 Total new obligations .....	617	316	287
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year .....	71	72	17
22.00 New budget authority (gross) .....	586	259	279
22.10 Resources available from recoveries of prior year obligations .....	28	2	
22.21 Unobligated balance transferred to other accounts .....	-3		
22.22 Transferred from other accounts .....	7		

23.90	Total budgetary resources available for obligation	689	333	296
23.95	Total new obligations	-617	-316	-287
24.40	Unobligated balance available, end of year	72	17	9
<b>New budget authority (gross), detail:</b>				
Current:				
40.00	Appropriation	275	224	279
Permanent:				
60.05	Appropriation (indefinite)	309	35	
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	2		
70.00	Total new budget authority (gross)	586	259	279
<b>Change in unpaid obligations:</b>				
72.40	Unpaid obligations, start of year: Obligated balance, start of year	113	126	139
73.10	Total new obligations	617	316	287
73.20	Total outlays (gross)	-576	-301	-293
73.45	Adjustments in unexpired accounts	-28	-2	
74.40	Unpaid obligations, end of year: Obligated balance, end of year	126	139	133
<b>Outlays (gross), detail:</b>				
86.90	Outlays from new current authority	153	141	176
86.93	Outlays from current balances	112	125	117
86.97	Outlays from new permanent authority	311	35	
87.00	Total outlays (gross)	576	301	293
<b>Offsets:</b>				
Against gross budget authority and outlays:				
88.00	Offsetting collections (cash) from: Federal sources	-2		
<b>Net budget authority and outlays:</b>				
89.00	Budget authority	584	259	279
90.00	Outlays	576	301	293

**Summary of Budget Authority and Outlays**

(in millions of dollars)

Enacted/requested:	1998 actual	1999 est.	2000 est.
Budget Authority	584	259	279
Outlays	574	301	293
Legislative proposal, not subject to PAYGO:			
Budget Authority			52
Outlays			33
<b>Total:</b>			
Budget Authority	584	259	331
Outlays	574	301	326

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)**

Identification code 73-1154-0-1-376	1998 actual	1999 est.	2000 est.
Direct loan levels supportable by subsidy budget authority:			
1150 Micro loans		23	47
1159 Total direct loan levels		23	47
Direct loan subsidy (in percent):			
1320 Micro loans	10.31	9.54	8.54
1329 Weighted average subsidy rate	10.31	9.54	8.54
Direct loan subsidy budget authority:			
1330 Micro loans		2	4
1339 Total subsidy budget authority		2	4
Direct loan subsidy outlays:			
1340 Micro loans	1	1	2
1349 Total subsidy outlays	1	1	2
Guaranteed loan levels supportable by subsidy budget authority:			
2150 General business—7(a)	7,523	7,754	10,259
2150 General business—7(a) DELTA			
2150 Section 504	3,000	3,500	3,500
2150 Section 504 DELTA			
2150 SBIC debentures	446	640	800
2150 SBIC participating securities	526	800	1,500
2150 Microloan guarantees			
2159 Total loan guarantee levels	11,495	12,694	16,059

Guaranteed loan subsidy (in percent):			
2320 General business—7(a)	2.14	1.39	1.16
2320 General business—7(a) DELTA	3.36	2.08	1.83
2320 Section 504	0.00	0.00	0.00
2320 Section 504 DELTA	0.72	1.29	1.13
2320 SBIC debentures	1.94	1.38	0.00
2320 SBIC participating securities	2.20	2.19	1.80
2320 Micro loan guarantees	8.15	7.97	8.32
2329 Weighted average subsidy rate	1.80	1.11	1.11
Guaranteed loan subsidy budget authority:			
2330 General business—7(a)	279	108	118
2330 General business—7(a) DELTA			
2330 Section 504	166	27	
2330 Section 504 DELTA			
2330 SBIC debentures	9	5	
2330 SBIC participating securities	12	17	26
2330 Micro loan guarantees			
2339 Total subsidy budget authority	466	157	144
Guaranteed loan subsidy outlays:			
2340 General business—7(a)	275	136	130
2340 General business—7(a) DELTA	2	1	2
2340 Section 504	175	26	
2340 Section 504 DELTA	2		
2340 SBIC debentures	9	5	
2340 SBIC participating securities	12	17	27
2340 Micro loan guarantees	1	1	1
2349 Total subsidy outlays	476	186	160
Administrative expense data:			
3510 Budget authority	99	94	131
3580 Outlays from balances	3		
3590 Outlays from new authority	96	114	131

As required by the Federal Credit Reform Act of 1990, as amended, this account records, for this program, the subsidy costs associated with the direct loans obligated and loan guarantees committed in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis. For 2000, the allocation of funding for administrative expenses has been adjusted based on a completed cost allocation study undertaken to allow SBA to more accurately reflect the portion of SBA's Salaries and Expenses operating budget that supports these programs.

**Section 7(a) Program.**—The Section 7(a) program is SBA's largest credit assistance program to serve the financial needs of small businesses. Under this program, SBA developed the SBA LowDoc and SBA Express programs aimed at increasing small business access to credit, especially in "new markets". In addition, SBA will identify, under a New Market lending company initiative, additional 7(a) lenders and target an estimated \$300 million in loans of the requested \$10.5 billion program level to new markets. This program also includes loans made for exporting (Export Working Capital Program) and the DELTA and USCAIP programs.

**Small Business Investment Companies (SBIC).**—This program provides the debt and equity capital needed by small businesses to start and grow. The Small Business Investment Act, as amended, authorizes the SBA to guarantee the timely payment of all principal and interest, as scheduled, on debentures issued by such companies. In addition, the SBA may guarantee the performance of participating securities issued by these companies. A program level of \$1.5 billion in participating securities and \$800 million in debentures is requested.

**America's Private Investment Companies (APIC).**—This new program has been included in the budget request for the Department of Housing and Urban Development (HUD) and requires enabling legislation. The program is intended to provide capital for the creation or relocation of significant operating businesses in low and moderate income areas. SBA will work with HUD to implement this initiative.

**Credit accounts—Continued****BUSINESS LOANS PROGRAM ACCOUNT—Continued**

*Low and Moderate Income (LMI) Initiative.*—Using SBA's SBIC debenture program, SBA will encourage SBIC investments in businesses located in inner cities and rural areas, or who draw at least 35 percent of their employees from those areas. SBA will propose to provide the incentive to make these investments by relaxing program regulations for participating SBICs. For 2000, the estimated level for LMI is \$300 million and is included in the SBIC level of \$800 million.

*Microloans.*—Small business capital needs of less than \$25,000 are met through SBA's microloan direct and guarantee programs. Using established financial intermediaries, SBA provides or guarantees very small loans to these businesses to start and grow. A key component of this program is SBA's provision of technical assistance grants to microlending intermediaries, enabling firms to obtain the necessary managerial and business development assistance in order to be successful.

**Program Performance**

*Program performance and policy goals.*—SBA has the following program performance and policy objectives to support its first GPRA goal of increasing small business opportunities to succeed: (1) focusing lending on "new markets" small businesses; (2) offering specialized financing, such as venture capital, export financing, and bonding opportunities; (3) improving methods of providing credit assistance through electronic lending, less documentation, centralized functions, and one-stop capital access points; (4) reducing costs by maintaining a high quality portfolio through an improved liquidation process; and, (5) effectively implementing a loan asset sales program.

*Performance Indicators.*—Appropriate finance program effectiveness assessment involves the consideration of a number of indicators. First, effectiveness can be assessed by loan-making activity levels—the number and dollar amount of loans guaranteed by SBA. Second, effectiveness can be measured by the health of the loan portfolio—its currency and default figures, and the agency's ultimate record on loan recovery. Beyond these very tangible indicators of success are the more difficult-to-measure indicators. These include such things as the economic benefits that accrue to the small business, its employees, and the community in which it is located.

During the past three years SBA has focused on quantitative, measureable lending goals with particular emphasis on underserved segments of the small business market in each of SBA's districts, e.g., minorities, women, and small exporters. The SBA began this process in 1994 when it established internal performance agreements that contained two-year lending goals. Using goal monitoring, the agency is able to track, on a regular basis, the status of each district office's progress in meeting these goals.

The number and dollar volume of loans made under the Section 7(a) loan program has increased dramatically in recent years. In 1992, SBA made or guaranteed approximately 24,000 loans totaling about \$5.9 billion. In 1998, the SBA approved over 42,000 loans totaling over \$8.5 billion. The section 504 program has also shown impressive growth. In 1992, the SBA provided about 2,000 financings totaling nearly \$560 million. By 1998, those figures had increased to 4,930 financings for \$1.8 billion. Performance measures to be used in 2000 to assess progress in achieving the above goals follow.

*Section 7(a).*—Due to improved performance of the loan portfolio coupled with program management improvements, the loan subsidy rate will decrease in 2000 to a baseline rate of 1.16 percent. A legislative proposal to encourage more small loans would increase this rate by 35 basis points to

1.51 percent. To meet anticipated demand, the program level is proposed to be \$10.5 billion.

*Section 504.*—The 2000 subsidy rate reflects further improved 504 loan performance. The current pass through fee charged to borrowers will be reduced from .729 to .600 to maintain the baseline subsidy rate at zero percent.

*Loan asset sales.*—SBA plans to conduct its first asset sale in the Spring of 1999 and establish an on-going sales program to assist with the servicing and liquidation of its direct and guaranteed portfolios of approximately \$10 billion. These sales will continue into 2000 and beyond and allow for the redeployment of SBA resources to other priority program areas.

*Microloan Program.*—Due to program improvements and continued stable program performance, the subsidy rate for 2000 is lowered to 8.54 percent. The program level is increased to \$60 million to support expanding the number of intermediaries to 200 and the associated increased demand.

*Small Business Investment Companies (SBICs).*—Due to management improvements introduced in the mid 1990s coupled with lower defaults and higher recoveries than originally anticipated, SBA will see a lowering of the subsidy rates for 2000. For the participating securities program, the subsidy rate will be lowered to 1.80 percent. For the debentures program, the subsidy rate will be lowered to 0 percent, requiring no new appropriations.

As the engine for continued economic growth, small business success remains a primary policy concern of the Clinton Administration. Small firms represent a significant portion of the Nation's productive capacity, produce constant innovations, offer opportunities for the under-served, and create jobs. Although it is difficult to attribute a causal relationship between SBA assistance and economic growth, factors that may contribute to continued economic growth may be identified: increased numbers and growth of small businesses, which in turn produce increased jobs, revenues and taxes paid, and results in economic and social dynamism.

SBA measures job creation and increased sales from Census/SBA longitudinal databases, client or trade association reporting, contracted surveys/evaluations, and derivative statistics. Using an updated Census/SBA database on firms, SBA will be able to measure more effectively job creation and growth by firm size. For instance, between 1990 and 1995, this database indicated that 76.5 percent of new jobs came from small firms with less than 500 employees, and about 49 percent came from firms with less than 20 employees. Startups provided about a third of the new jobs.

A Price Waterhouse analysis showed that firms with SBA guaranteed loans had an 11 percent larger growth in revenues and payroll than firms in the general business population between 1989 and 1994. For firms receiving 504 loans, revenues increased 39 percent. However, given the absence of a proper control group, the loan guarantee cannot be isolated as the sole causative factor. The same methodological problems affect the study of Small Business Development Centers (SBDCs) long term counseling on sales and jobs; nevertheless, biennial impact assessments show that counseled firms have had double the growth rate in sales and jobs, compared to the general business population.

For the 503/504 program, the calculation for jobs created/retained every year is based on the dollar amount of debentures sold and reported job data. A ratio of one job per \$12,855 debenture sold has been calculated. For the SBIC program, surveys conducted by the National Venture Capital Association and the Investment Advisory Council estimate that each \$32,500 invested results in one job. For the microloan program, a database maintained on jobs created/maintained by microloan recipients reflects that the overall performance since the inception of the program is 1.6 jobs created or retained per average \$10,000 loan.



**Object Classification** (in millions of dollars)

Identification code 73-1154-0-1-376	1998 actual	1999 est.	2000 est.
25.2 Other services .....	99	114	131
41.0 Grants, subsidies, and contributions .....	518	202	156
99.9 Total new obligations .....	617	316	287

**BUSINESS LOANS PROGRAM ACCOUNT**  
(Legislative proposal, not subject to PAYGO)

**Program and Financing** (in millions of dollars)

Identification code 73-1154-2-1-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.02 Guaranteed loan subsidy .....			52
10.00 Total new obligations (object class 41.0) .....			52
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....			52
23.95 Total new obligations .....			-52
<b>New budget authority (gross), detail:</b>			
40.00 Appropriation .....			52
<b>Change in unpaid obligations:</b>			
73.10 Total new obligations .....			52
73.20 Total outlays (gross) .....			-33
74.40 Unpaid obligations, end of year: Obligated balance, end of year .....			19
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new current authority .....			33
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....			52
90.00 Outlays .....			33

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program** (in millions of dollars)

Identification code 73-1154-2-1-376	1998 actual	1999 est.	2000 est.
<b>Guaranteed loan levels supportable by subsidy budget authority:</b>			
2150 General business—7(a) .....			
2150 New market venture capital .....			100
2159 Total loan guarantee levels .....			100
<b>Guaranteed loan subsidy (in percent):</b>			
2320 General business—7(a) .....			0.35
2320 New market venture capital .....			15.00
2329 Weighted average subsidy rate .....			1.35
<b>Guaranteed loan subsidy budget authority:</b>			
2330 General business—7(a) .....			37
2330 New market venture capital .....			15
2339 Total subsidy budget authority .....			52
<b>Guaranteed loan subsidy outlays:</b>			
2340 General business—7(a) .....			23
2340 New market venture capital .....			10
2349 Total subsidy outlays .....			33

SBA is proposing two new credit program initiatives in 2000.

**Section 7(a) Program.**—In 2000, SBA proposes to provide borrowers with affordable small loans and lenders with the incentive to make more of those loans. This initiative, which requires legislation, would simplify the terms for loans under \$150,000 by standardizing the guarantee percentage at 80 percent, the upfront fee at 2 percent, and the annual fee at 30 basis points. The impact of this proposal is a 35 basis point increase in the subsidy rate, requiring an additional \$37 million in subsidy budget authority for the proposed \$10.5 billion program volume.

**New Markets Venture Capital Program.**—SBA proposes to establish a venture capital program in 2000 to encourage investment in small businesses located in inner cities and rural areas. This program will be structured to provide the financial and other incentives needed to encourage investment in these “new market” areas. A level of \$100 million in new debentures is proposed.

**BUSINESS DIRECT LOAN FINANCING ACCOUNT**

**Program and Financing** (in millions of dollars)

Identification code 73-4148-0-3-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Direct loans .....	10	30	60
00.02 Interest on Treasury borrowing .....	24	15	14
00.91 Direct Program by Activities—Subtotal (1 level) .....	34	45	74
08.01 Negative subsidy from loan asset sales .....		10	1
08.04 Payment to liquidating account to purchase loan assets .....		550	41
08.91 Direct Program by Activities—Subtotal (1 level) .....		560	42
10.00 Total new obligations .....	34	605	116
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year .....	260	271	
22.00 New financing authority (gross) .....	64	635	152
22.40 Capital transfer to general fund .....		-271	
22.60 Redemption of debt .....	-19	-30	-36
23.90 Total budgetary resources available for obligation .....	305	605	116
23.95 Total new obligations .....	-34	-605	-116
24.40 Unobligated balance available, end of year .....	271		
<b>New financing authority (gross), detail:</b>			
67.15 Authority to borrow (indefinite) .....	26	15	9
<b>Spending authority from offsetting collections:</b>			
68.00 Offsetting collections (cash) .....	31	617	129
68.10 Change in receivables from program account .....	7	3	14
68.90 Spending authority from offsetting collections (total) .....	38	620	143
70.00 Total new financing authority (gross) .....	64	635	152
<b>Change in unpaid obligations:</b>			
<b>Unpaid obligations, start of year:</b>			
72.40 Obligated balance, start of year .....	34	38	19
72.95 Receivables from program account .....	9	16	19
72.99 Total unpaid obligations, start of year .....	43	54	38
73.10 Total new obligations .....	34	605	116
73.20 Total financing disbursements (gross) .....	-23	-621	-102
<b>Unpaid obligations, end of year:</b>			
74.40 Obligated balance, end of year .....	38	19	18
74.95 Receivables from program account .....	16	19	33
74.99 Total unpaid obligations, end of year .....	54	38	51
87.00 Total financing disbursements (gross) .....	23	621	102
<b>Offsets:</b>			
<b>Against gross financing authority and financing disbursements:</b>			
<b>Offsetting collections (cash) from:</b>			
88.00 Federal sources: Payments from program account .....		-1	-2
<b>Non-Federal sources:</b>			
88.40 Repayments of principal, net .....	-13	-31	-40
88.40 Interest received on loans .....	-18	-35	-46
88.40 Proceeds from loan asset sales .....		-550	-41
88.90 Total, offsetting collections (cash) .....	-31	-617	-129
88.95 Change in receivables from program accounts .....	-7	-3	-14
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority .....	26	15	9
90.00 Financing disbursements .....	-8	4	-27

**Credit accounts—Continued**

**BUSINESS DIRECT LOAN FINANCING ACCOUNT—Continued**

**Status of Direct Loans (in millions of dollars)**

Identification code 73-4148-0-3-376	1998 actual	1999 est.	2000 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans			
1131 Direct loan obligations exempt from limitation	10	40	60
1150 Total direct loan obligations	10	40	60
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	109	99	108
1231 Disbursements: Direct loan disbursements	7	30	30
1251 Repayments: Repayments and prepayments	-14	-16	-8
1264 Write-offs for default: Other adjustments, net	-3	-5	-6
1290 Outstanding, end of year	99	108	124

As required by the Federal Credit Reform Act of 1990, as amended, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

**Balance Sheet (in millions of dollars)**

Identification code 73-4148-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
Investments in US securities:				
1106 Federal assets: Receivables, net	310	328	319	319
Net value of assets related to post-1991 direct loans receivable:				
1401 Direct loans receivable, gross	123	99	78	83
1405 Allowance for subsidy cost (-)	-54	-6	-36	-56
1499 Net present value of assets related to direct loans	69	93	42	27
1999 Total assets	379	421	361	346
<b>LIABILITIES:</b>				
2104 Federal liabilities: Resources payable to Treasury	379	421	361	346
2999 Total liabilities	379	421	361	346
<b>NET POSITION:</b>				
3100 Appropriated capital				
3999 Total net position				
4999 Total liabilities and net position	379	421	361	346

**BUSINESS GUARANTEED LOAN FINANCING ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 73-4149-0-3-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Default claims	416	425	465
00.05 Other Expenses	3	15	40
00.06 CPC	64	25	100
00.91 Direct Program by Activities—Subtotal (1 level)	483	465	605
08.02 Payment of downward reestimate to receipt account	588	580	
08.04 Payment of negative subsidy to receipt account		15	
08.91 Direct Program by Activities—Subtotal (1 level)	588	595	
10.00 Total new obligations	1,071	1,060	605
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year	1,463	1,367	1,464
22.00 New financing authority (gross)	975	1,157	566
23.90 Total budgetary resources available for obligation	2,438	2,524	2,030
23.95 Total new obligations	-1,071	-1,060	-605
24.40 Unobligated balance available, end of year	1,367	1,464	1,425

**New financing authority (gross), detail:**

Spending authority from offsetting collections:			
68.00 Offsetting collections (cash)	1,155	1,151	556
68.10 Change in receivables from program account	-180	6	10
68.90 Spending authority from offsetting collections (total)	975	1,157	566

**Change in unpaid obligations:**

Unpaid obligations, start of year:			
72.40 Obligated balance, start of year	-150	-157	122
72.95 Receivables from program account	356	176	182
72.99 Total unpaid obligations, start of year	206	19	304
73.10 Total new obligations	1,071	1,060	605
73.20 Total financing disbursements (gross)	-1,258	-775	-512
Unpaid obligations, end of year:			
74.40 Obligated balance, end of year	-157	122	205
74.95 Receivables from program account	176	182	192
74.99 Total unpaid obligations, end of year	19	304	397
87.00 Total financing disbursements (gross)	1,258	775	512

**Offsets:**

Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
Federal sources:			
88.00 Payments from program account	-167	-151	-160
88.00 Upward reestimate	-284	-28	
88.00 Interest on reestimate	-25	-7	
88.25 Interest on uninvested funds	-244	-60	-65
Non-Federal sources:			
88.40 Fees	-356	-183	-203
88.40 Proceeds from loan asset sales		-700	-100
88.40 Recoveries	-79	-22	-28
88.90 Total, offsetting collections (cash)	-1,155	-1,151	-556
88.95 Change in receivables from program accounts	180	-6	-10

**Net financing authority and financing disbursements:**

89.00 Financing authority			
90.00 Financing disbursements	104	-376	-44

**Status of Guaranteed Loans (in millions of dollars)**

Identification code 73-4149-0-3-376	1998 actual	1999 est.	2000 est.
Position with respect to appropriations act limitation on commitments:			
2111 Limitation on guaranteed loans made by private lenders	13,000	13,500	14,800
2112 Uncommitted loan guarantee limitation	-3,232	-237	
2131 Guaranteed loan commitments exempt from limitation	1,202	1,507	1,571
2150 Total guaranteed loan commitments	10,970	14,770	16,371
Cumulative balance of guaranteed loans outstanding:			
2210 Outstanding, start of year	30,207	33,695	37,734
2231 Disbursements of new guaranteed loans	9,671	7,336	7,534
2251 Repayments and prepayments	-5,767	-2,872	-2,949
2261 Adjustments: Terminations for default that result in loans receivable	-416	-425	-465
2290 Outstanding, end of year	33,695	37,734	41,854

**Memorandum:**

2299 Guaranteed amount of guaranteed loans outstanding, end of year	27,234	29,713	33,058
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**Addendum:**

Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310 Outstanding, start of year	870	834	134
2331 Disbursements for guaranteed loan claims	416	425	465
2351 Repayments of loans receivable	-209	-212	-282
2361 Write-offs of loans receivable	-195	-213	-217
2364 Other adjustments, net	-48	-700	-100
2390 Outstanding, end of year	834	134	

**LIMITATIONS ON GUARANTEED LOANS**

	FY 1998	FY 1999	FY 2000
Limitation on guaranteed loans made by private lenders:			
7(a)	10,000	10,000	10,500

504	3,000	3,500	3,500
SBIC—participating securities	0	0	0
SBIC—debentures	0	0	800
7(a) DELTA	0	0	0
504 CDC DELTA	0	0	0
Microloan guarantees	0	0	0
<b>Total, limitations on guaranteed loans</b>	<b>13,000</b>	<b>13,500</b>	<b>14,800</b>
<b>Uncommitted loan guarantee limitation:</b>			
7(a)	(1,469)	(237)	0
504	(1,763)	0	0
SBIC—participating securities	0	0	0
SBIC—debentures	0	0	0
7(a) DELTA	0	0	0
504 CDC DELTA	0	0	0
Microloan guarantees	0	0	0
<b>Total, uncommitted loan guarantee limitation</b>	<b>(3,232)</b>	<b>(237)</b>	<b>0</b>
<b>Guaranteed loan commitments exempt from limitation:</b>			
7(a)	0	0	0
SBIC—participating securities	700	800	1,500
SBIC—debentures	462	640	0
7(a) DELTA	31	50	50
504 CDC DELTA	5	5	5
Microloan guarantees	4	12	16
<b>Total, guaranteed loan commitments exempt from limitation</b>	<b>1,202</b>	<b>1,507</b>	<b>1,571</b>
<b>Total, guaranteed loan commitments</b>	<b>10,970</b>	<b>14,770</b>	<b>16,371</b>

As required by the Federal Credit Reform Act of 1990, as amended, this non-budgetary account records all cash flows to and from the Government resulting from loan guarantees committed in 1992 and beyond (including modifications of loan guarantees that resulted from commitments in any year). The amounts in this account are a means of financing and are not included in the budget totals.

**Balance Sheet (in millions of dollars)**

Identification code 73-4149-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
Federal assets:				
1101 Fund balances with Treasury	1,291	1,209	1,326	1,326
Investments in US securities:				
1106 Receivables, net	168	221	173	176
1107 Advances and prepayments		54	48	36
Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:				
1501 Defaulted guaranteed loans receivable, gross	870	834	134	
1502 Interest receivable	46	38	35	31
1505 Allowance for subsidy cost (-)	-340	-215	-112	-78
1599 Net present value of assets related to defaulted guaranteed loans	576	657	57	-47
1901 Other Federal assets: Other assets		245	242	238
1999 Total assets	2,035	2,386	1,846	1,729
<b>LIABILITIES:</b>				
2204 Non-Federal liabilities: Liabilities for loan guarantees	2,035	2,386	1,846	1,729
2999 Total liabilities	2,035	2,386	1,846	1,729
<b>NET POSITION:</b>				
3100 Appropriated capital				
3999 Total net position				
4999 Total liabilities and net position	2,035	2,386	1,846	1,729

**BUSINESS GUARANTEED LOAN FINANCING ACCOUNT**

(Legislative proposal, not subject to PAYGO)

**Program and Financing (in millions of dollars)**

Identification code 73-4149-2-3-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Default claims			11
10.00 Total new obligations			11
<b>Budgetary resources available for obligation:</b>			
22.00 New financing authority (gross)			25
23.95 Total new obligations			-11
24.40 Unobligated balance available, end of year			14
<b>New financing authority (gross), detail:</b>			
68.00 Spending authority from offsetting collections (gross):			
Offsetting collections (cash)			25
<b>Change in unpaid obligations:</b>			
73.10 Total new obligations			11
73.20 Total financing disbursements (gross)			-10
74.40 Unpaid obligations, end of year: Obligated balance, end of year			1
87.00 Total financing disbursements (gross)			10
<b>Offsets:</b>			
Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
88.00 Payments from program account			-33
88.40 Fees			8
88.90 Total, offsetting collections (cash)			-25
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority			
90.00 Financing disbursements			-15

**Status of Guaranteed Loans (in millions of dollars)**

Identification code 73-4149-2-3-376	1998 actual	1999 est.	2000 est.
Position with respect to appropriations act limitation on commitments:			
2111 Limitation on guaranteed loans made by private lenders			
2131 Guaranteed loan commitments exempt from limitation			100
2150 Total guaranteed loan commitments			100
Cumulative balance of guaranteed loans outstanding:			
2210 Outstanding, start of year			
2231 Disbursements of new guaranteed loans			63
2251 Repayments and prepayments			-6
2261 Adjustments: Terminations for default that result in loans receivable			-10
2290 Outstanding, end of year			47
Memorandum:			
2299 Guaranteed amount of guaranteed loans outstanding, end of year			
Addendum:			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310 Outstanding, start of year			
2331 Disbursements for guaranteed loan claims			10
2351 Repayments of loans receivable			-3
2361 Write-offs of loans receivable			-1
2364 Other adjustments, net			
2390 Outstanding, end of year			6

**Balance Sheet (in millions of dollars)**

Identification code 73-4149-2-3-376	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
Federal assets:				
1101 Fund balances with Treasury				

**Credit accounts—Continued**

*BUSINESS GUARANTEED LOAN FINANCING ACCOUNT—Continued*

**Balance Sheet (in millions of dollars)—Continued**

Identification code 73-4149-2-3-376	1997 actual	1998 actual	1999 est.	2000 est.
Investments in US securities:				
1106 Receivables, net				
1107 Advances and prepayments				
Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:				
1501 Defaulted guaranteed loans receivable, gross				6
1502 Interest receivable				
1505 Allowance for subsidy cost (-)				
1599 Net present value of assets related to defaulted guaranteed loans				6
1901 Other Federal assets: Other assets				
1999 Total assets				6
LIABILITIES:				
2204 Non-Federal liabilities: Liabilities for loan guarantees				6
2999 Total liabilities				6
NET POSITION:				
3100 Appropriated capital				
3999 Total net position				
4999 Total liabilities and net position				6

**BUSINESS LOAN FUND LIQUIDATING ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 73-4154-0-3-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Interest Expense to Treasury	61	60	59
00.02 Care and Preservation of collateral & recoverable expenses	16		
00.03 Msc. program expenses related to Business program assistance	40	79	77
00.04 Msc program expenses related to Investment company assistance	25		
00.05 Guaranteed loan default claims	76	61	41
10.00 Total new obligations	218	200	177
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year	368	273	
22.00 New budget authority (gross)	539	200	177
22.21 Unobligated balance transferred to other accounts	-7		
22.40 Capital transfer to general fund	-367	-273	
22.60 Redemption of debt	-42		
23.90 Total budgetary resources available for obligation	491	200	177
23.95 Total new obligations	-218	-200	-177
24.40 Unobligated balance available, end of year	273		
<b>New budget authority (gross), detail:</b>			
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash)	539	956	428
68.27 Capital transfer to general fund		-716	-212
68.47 Portion applied to debt reduction		-40	-39
68.90 Spending authority from offsetting collections (total)	539	200	177
<b>Change in unpaid obligations:</b>			
72.40 Unpaid obligations, start of year: Obligated balance, start of year	621	506	331
73.10 Total new obligations	218	200	177
73.20 Total outlays (gross)	-333	-375	-348
74.40 Unpaid obligations, end of year: Obligated balance, end of year	506	331	160
<b>Outlays (gross), detail:</b>			
86.97 Outlays from new permanent authority	333	139	136
86.98 Outlays from permanent balances		236	212

87.00 Total outlays (gross)	333	375	348
<b>Offsets:</b>			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Transfer from financing account 73-4148		-550	-41
Loan repayments:			
Non-Federal sources:			
88.40 Financing programs-principal	-142	-138	-135
88.40 Investment programs-principal	-23	-17	-16
88.40 Interest Income-Business	-55	-46	-40
88.40 Interest income-Investment	-9	-7	-5
Interest income:			
88.40 Net changes in Receivables from the Public Business	-42	-35	-33
88.40 Net changes in Receivables from the public-Investment	-82	-4	-3
88.40 Sale of acquired collateral-business	-26	-21	-19
88.40 Principal collections on judgements, notes, and other receivables-Business	-42	-41	-39
88.40 Principal collections on judgements and other receivables-Investment	-37	-35	-33
88.40 Examination & License fee income	-1	-1	-1
88.40 collection on FFB loans	-42	-40	-39
88.40 Other Income-both Business and Investment	-38	-21	-24
88.90 Total, offsetting collections (cash)	-539	-956	-428
<b>Net budget authority and outlays:</b>			
89.00 Budget authority		-756	-251
90.00 Outlays	-206	-581	-80

**Status of Direct Loans (in millions of dollars)**

Identification code 73-4154-0-3-376	1998 actual	1999 est.	2000 est.
Business Loan Fund, Direct Loans			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	973	757	60
1232 Disbursements: Purchase of loans assets from the public	55	62	41
1251 Repayments: Repayments and prepayments	-171	-155	-22
1262 Adjustments: Discount on loan asset sales to the public or discounted		-550	-59
1263 Write-offs for default: Direct loans	-100	-54	-20
1290 Outstanding, end of year	757	60	
Small Business Investment Company, Direct Loans			
Section 503 Development Company, Direct Loans			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	275	233	193
Repayments:			
1251 Repayments and prepayments	-23	-18	-15
1252 Proceeds from loan asset sales to the public or discounted	-19	-22	-24
1290 Outstanding, end of year	233	193	154

**Status of Guaranteed Loans (in millions of dollars)**

Identification code 73-4154-0-3-376	1998 actual	1999 est.	2000 est.
Business Loan Fund, Loan Guarantees			
Cumulative balance of guaranteed loans outstanding:			
2210 Outstanding, start of year	5,005	3,804	3,106
2231 Disbursements of new guaranteed loans	1	1	1
2251 Repayments and prepayments	-1,116	-630	-532
Adjustments:			
2261 Terminations for default that result in loans receivable	-76	-61	-41
2264 Other adjustments, net	-10	-8	-7
2290 Outstanding, end of year	3,804	3,106	2,527
Memorandum:			
2299 Guaranteed amount of guaranteed loans outstanding, end of year	3,302	2,702	2,198
Addendum:			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310 Outstanding, start of year	1,390	1,466	1,527
2331 Disbursements for guaranteed loan claims	76	61	41

2390	Outstanding, end of year .....	1,466	1,527	1,568
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As required by the Federal Credit Reform Act of 1990, as amended, this account records, for this program, all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. This account is shown on a cash basis. All new activity in this program in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year) is recorded in corresponding program and financing accounts.

**Statement of Operations** (in millions of dollars)

Identification code 73-4154-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue .....	191	102	220	110
0102 Expense .....	-134	-99	-160	-120
0109 Net loss .....	57	3	60	-10

**Balance Sheet** (in millions of dollars)

Identification code 73-4154-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
Federal assets:				
1101 Fund balances with Treasury .....	794	787	866	466
Investments in US securities:				
1104 Agency securities, par .....	214	283	286	186
1107 Advances and prepayments .....	7	6	5	5
Non-Federal assets:				
1206 Receivables, net .....	780	480	441	745
1207 Advances and prepayments .....	7	8	7	7
Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross .....	1,325	990	253	154
1603 Allowance for estimated uncollectible loans and interest (-) .....	-787	-626	-56	-36
1699 Value of assets related to direct loans .....	538	364	197	118
1901 Other Federal assets: Other assets .....	37	29	23	23
1999 Total assets .....	2,377	1,957	1,825	1,550
<b>LIABILITIES:</b>				
Federal liabilities:				
2101 Accounts payable .....	1,694	1,325	1,166	1,030
2102 Interest payable .....	96	69	96	96
2103 Debt to the FFB .....	325	233	227	227
Non-Federal liabilities:				
2201 Accounts payable .....	15	14	15	15
2204 Liabilities for loan guarantees .....	72	31	73	73
2207 Other Liabilities .....	168	285	248	109
2999 Total liabilities .....	2,377	1,957	1,825	1,550
4999 Total liabilities and net position .....	2,370	1,957	1,825	1,550

**Object Classification** (in millions of dollars)

Identification code 73-4154-0-3-376	1998 actual	1999 est.	2000 est.
42.0 Insurance claims and indemnities .....	157	140	118
43.0 Interest and dividends .....	61	60	59
99.9 Total new obligations .....	218	200	177

**DISASTER LOANS PROGRAM ACCOUNT**

For the cost of direct loans authorized by section 7(b) of the Small Business Act, as amended, [\$76,329,000] \$39,400,000, to remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended.

In addition, for administrative expenses to carry out the direct loan program, [\$116,000,000] \$86,000,000, which may be transferred to and merged with appropriations for Salaries and Expenses[, including \$500,000 for the Office of Inspector General of the Small Business Administration for audits and reviews of disaster loans and

the disaster loan program, and said sums shall be transferred to and merged with appropriations for the Office of Inspector General[, (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).)

For an additional amount for the cost of direct loans, [\$71,000,000] \$158,000,000, to remain available until expended to subsidize additional gross obligations for the principal amount of direct loans: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974; and for administrative expenses to carry out the disaster loan program, an additional [\$30,000,000] \$75,000,000, to remain available until expended, which may be transferred to and merged with appropriations for ["Salaries and Expenses"]; *Provided further*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended: *Provided further*, That the entire amount shall be available only to the extent that an official budget request, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress. (*Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, as included in Public Law 105-277, Division B, Title IV, chapter 2.*)

**General Fund Credit Receipt Accounts** (in millions of dollars)

Identification code 73-1152-0-1-453	1998 actual	1999 est.	2000 est.
0101 Disaster loan program, downward reestimates of subsidies .....		236	

**Program and Financing** (in millions of dollars)

Identification code 73-1152-0-1-453	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Direct loan subsidy .....	150	182	49
00.05 Upward reestimate of direct loan subsidy .....	51	6	
00.06 Interest on direct loan subsidy .....	10	3	
00.09 Administrative expense .....	156	116	86
10.00 Total new obligations .....	367	307	135
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year .....	189	81	
22.00 New budget authority (gross) .....	234	206	125
22.10 Resources available from recoveries of prior year obligations .....	26	20	10
23.90 Total budgetary resources available for obligation .....	449	307	135
23.95 Total new obligations .....	-367	-307	-135
24.40 Unobligated balance available, end of year .....	81		

**New budget authority (gross), detail:**

<b>Current:</b>			
40.00 Appropriation .....	173	192	125
40.15 Appropriation (contingency) .....		101	233
40.60 Contingent emergency appropriation not available for obligations .....		-101	-233
42.00 Transferred from USDA .....		5	
43.00 Appropriation (total) .....	173	197	125
<b>Permanent:</b>			
60.05 Appropriation (indefinite) .....	61	9	
70.00 Total new budget authority (gross) .....	234	206	125

**Change in unpaid obligations:**

72.40 Unpaid obligations, start of year: Obligated balance, start of year .....	71	59	83
73.10 Total new obligations .....	367	307	135
73.20 Total outlays (gross) .....	-354	-263	-158
73.45 Adjustments in unexpired accounts .....	-26	-20	-10
74.40 Unpaid obligations, end of year: Obligated balance, end of year .....	59	83	50

**Outlays (gross), detail:**

86.90 Outlays from new current authority .....	170	152	96
86.93 Outlays from current balances .....	184	111	62
87.00 Total outlays (gross) .....	354	263	158

**Credit accounts—Continued**

**DISASTER LOANS PROGRAM ACCOUNT—Continued**

**Program and Financing (in millions of dollars)—Continued**

Identification code 73-1152-0-1-453	1998 actual	1999 est.	2000 est.
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	234	206	125
90.00 Outlays .....	354	263	158
<b>Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)</b>			
Identification code 73-1152-0-1-453	1998 actual	1999 est.	2000 est.
Direct loan levels supportable by subsidy budget authority:			
1150 Direct Disaster Loans .....	639	358	176
1159 Total direct loan levels .....	639	358	176
Direct loan subsidy (in percent):			
1320 Subsidy rate .....	23.46	22.36	22.20
1329 Weighted average subsidy rate .....	23.46	22.36	22.20
Direct loan subsidy budget authority:			
1330 Disaster subsidy budget authority .....	211	80	39
1339 Total subsidy budget authority .....	211	80	39
Direct loan subsidy outlays:			
1340 Disaster subsidy outlays .....	198	147	72
1349 Total subsidy outlays .....	198	147	72
Administrative expense data:			
3510 Budget authority .....	156	116	86
3590 Outlays from new authority .....	156	116	86

As required by the Federal Credit Reform Act of 1990, as amended, this account records, for loans made pursuant to section 7(b) of the Small Business Act, as amended, the subsidy costs associated with the direct loans obligated in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

Disaster loans made pursuant to Section 7(b) of the Small Business Act are the primary form of Federal assistance for non-farm, private sector disaster losses. For this reason, the program is the only form of SBA assistance not limited to small businesses. Through this program, SBA helps homeowners, renters, businesses of all sizes, and non-profit organizations pay for the cost of rebuilding. Pursuant to the Small Business Act, the government subsidizes borrowers who have incurred uninsured losses or economic injury as the result of a natural disaster. These loans are also a critical source of economic stimulation in disaster-ravaged communities, helping to spur employment and stabilize the local tax base. Eligibility is based on financial criteria. There are three loan programs: physical disaster loans to individuals; physical disaster loans to businesses of any size; and economic injury loans to small businesses without credit available elsewhere.

**1999 Budget Authority.**—The 1999 Omnibus Appropriations Act provided \$76.0 million for disaster loan subsidy and \$116.0 million for administrative support. The Act also provided \$71.0 million for disaster loan subsidy and \$30.0 million for administrative support as contingent emergency appropriations. These contingent amounts are available for release by the President at the request of SBA. The Budget anticipates the need for these contingent emergency appropriations by including an allowance estimating their use.

**2000 Budget Authority.**—For 2000, SBA requests funding to support the 10-year average loan volume, \$934.0 million, excluding the effects of the Northridge earthquake. Due to the unpredictable nature of natural disasters, the program

has been principally financed through emergency funding in prior years. As such, SBA proposes that a portion of the appropriation requirement for loan subsidy and administrative expenses be funded as regular appropriations against the discretionary funding cap. SBA requests the remaining funding (approximately 65 percent) as contingent emergency funding, consistent with past funding practices. For loan subsidy expenses, \$39.4 million is requested as regular discretionary appropriations and \$158.0 million is requested as contingent emergency appropriations. For administrative expenses, \$86.0 million is requested as regular discretionary appropriations and \$75.0 million is requested as contingent emergency appropriations.

To increase preparedness and reduce the costs of future natural disasters, SBA will propose legislation to create a Pre-Disaster Mitigation Pilot Loan Program. The program will use up to \$15 million of the requested disaster loan program authority to assist non-farm small businesses located in communities participating in FEMA's "Project Impact" program. They will be provided low-interest, long-term disaster loans up to \$50,000 to finance protective devices or mitigation measures such as retaining walls. This pilot program would not require the appropriation of additional funds.

**Program Performance**

Over the 45-year history of the program, SBA has helped more than 1.4 million disaster victims by providing more than \$26.7 billion in disaster assistance. Over 90 percent has been to borrowers that otherwise would not have been able to rebuild. During 1998 alone, SBA approved 30,000 disaster loans, exceeding \$728 million to homeowners, renters, and businesses.

**Program Performance and Policy Goals.**—The SBA program performance and policy goals are to: 1) provide disaster assistance to victims in the most effective and cost efficient manner; 2) deliver an effective program that achieves its public policy objectives; 3) provide customer-focused assistance that satisfactorily accommodates the needs of all disaster victims; 4) simplify and streamline the loan-making process by re-engineering forms, procedures and processes; and, 5) effectively implement the proposed asset sales program.

SBA will coordinate with FEMA and other Federal, state and local officials as appropriate to ensure that SBA's field presence is established in the disaster area within 3 days of a disaster, for 98 percent of declared events. SBA will recruit, employ and train sufficient staff to increase the number of disaster loan applications processed within 21 days of receipt from 77 percent in 1998 to 80 percent in 2000. In cooperation with SBA's regional/district offices, the Agency will meet with local bankers to emphasize bridge lending to businesses.

As part of our efforts to enhance the efficiency of disaster assistance, SBA will develop a standardized loan officer training curriculum, conduct quality reviews in each Disaster Area Office, begin the process of automating the disaster loan making process, and review the current processes for required policy, organizational, and procedural changes. SBA and FEMA will continue efforts to develop a joint loss inspection report to be used in a pilot test, evaluate the results, and make recommendations on their findings.

Based on efforts to improve commercial and home loan servicing, a number of goals have been set, subject to the availability of staff. To ameliorate commercial loan servicing, SBA intends to improve the currency rate to 96 percent on all SBA serviced loans, increase loan receipts to 16 percent on all SBA serviced loans, review 100 percent of all delinquent accounts each week, and reduce turn around times on all servicing actions to 2 days. For disaster home servicing, SBA intends to improve the currency rate to 95 percent, reduce the delinquency rate to 2 percent, increase loan receipts to

16.2 percent, and review 100 percent of all delinquent accounts each week. To improve loan liquidation, SBA will increase the number of cases closed each month to 360 and increase average collections on loans in liquidation by 20 percent.

**Object Classification** (in millions of dollars)

Identification code 73-1152-0-1-453	1998 actual	1999 est.	2000 est.
25.2 Other services .....	156	116	86
41.0 Grants, subsidies, and contributions .....	211	191	49
99.9 Total new obligations .....	367	307	135

**DISASTER DIRECT LOAN FINANCING ACCOUNT**

**Program and Financing** (in millions of dollars)

Identification code 73-4150-0-3-453	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Direct loans .....	639	814	221
00.02 Interest on Treasury borrowing .....	575	363	388
00.10 Asset sale payment to liquidating account .....	30	260	260
00.91 Direct Program by Activities—Subtotal (1 level) .....	1,214	1,207	869
08.02 Payment of downward reestimate to receipt account .....	190	195	.....
08.03 Payment of interest on downward reestimates to receipt account .....	64	41	.....
08.91 Direct Program by Activities—Subtotal (1 level) .....	254	236	.....
10.00 Total new obligations .....	1,468	1,443	869
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year .....	4,003	3,956	2,961
22.00 New financing authority (gross) .....	3,192	1,565	1,234
22.60 Redemption of debt .....	-1,771	-1,117	-1,164
23.90 Total budgetary resources available for obligation .....	5,424	4,404	3,031
23.95 Total new obligations .....	-1,468	-1,443	-869
24.40 Unobligated balance available, end of year .....	3,956	2,961	2,162
<b>New financing authority (gross), detail:</b>			
67.15 Authority to borrow (indefinite) .....	1,917	632	172
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash) .....	1,333	922	1,108
68.10 Change in receivables from program account .....	-58	11	-46
68.90 Spending authority from offsetting collections (total) .....	1,275	933	1,062
70.00 Total new financing authority (gross) .....	3,192	1,565	1,234
<b>Change in unpaid obligations:</b>			
Unpaid obligations, start of year:			
72.40 Obligated balance, start of year .....	992	990	907
72.95 Receivables from program account .....	97	39	50
72.99 Total unpaid obligations, start of year .....	1,089	1,029	957
73.10 Total new obligations .....	1,468	1,443	869
73.20 Total financing disbursements (gross) .....	-1,528	-1,515	-1,208
Unpaid obligations, end of year:			
74.40 Obligated balance, end of year .....	990	907	614
74.95 Receivables from program account .....	39	50	4
74.99 Total unpaid obligations, end of year .....	1,029	957	618
87.00 Total financing disbursements (gross) .....	1,528	1,515	1,208

**Offsets:**

Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
Federal sources:			
88.00 Payments from program account .....	-138	-138	-72
88.00 Payments from program account—reestimates .....	-60	-9	.....
Non-Federal sources:			
88.40 Repayments of principal, net .....	-521	-335	-362
88.40 Collection of misc. receivables .....	-409	.....	.....
88.40 Interest received on loans .....	-205	-410	-414
88.40 Proceeds from loan sales .....	.....	-30	-260

88.90 Total, offsetting collections (cash) .....	-1,333	-922	-1,108
88.95 Change in receivables from program accounts .....	58	-11	46
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority .....	1,917	632	172
90.00 Financing disbursements .....	195	593	100

**Status of Direct Loans** (in millions of dollars)

Identification code 73-4150-0-3-453	1998 actual	1999 est.	2000 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans .....	.....	.....	.....
1131 Direct loan obligations exempt from limitation .....	639	814	221
1150 Total direct loan obligations .....	639	814	221
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year .....	5,630	5,605	6,148
Disbursements:			
1231 Direct loan disbursements .....	595	979	510
1233 Purchase of loans assets from a liquidating account .....	.....	30	260
Repayments:			
1251 Repayments and prepayments .....	-521	-335	-362
1252 Proceeds from loan asset sales to the public or discounted .....	.....	-30	-260
1264 Write-offs for default: Other adjustments, net .....	-99	-101	-110
1290 Outstanding, end of year .....	5,605	6,148	6,186

As required by the Federal Credit Reform Act of 1990, as amended, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

**Balance Sheet** (in millions of dollars)

Identification code 73-4150-0-3-453	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
Federal assets:				
Investments in US securities:				
Receivables, net:				
1106 Program account .....	146	39	50	4
1106 Interest/Accounts Receivables .....	1,984	5,247	5,357	5,469
Net value of assets related to post-1991 direct loans receivable:				
1401 Direct loans receivable, gross .....	7,891	5,605	6,142	6,171
1405 Allowance for subsidy cost (-) .....	-192	-973	-1,248	-1,254
1499 Net present value of assets related to direct loans .....	7,699	4,632	4,894	4,917
1999 Total assets .....	9,829	9,918	10,301	10,390
<b>LIABILITIES:</b>				
2104 Federal liabilities: Resources payable to Treasury .....	9,683	9,918	10,301	10,390
2999 Total liabilities .....	9,683	9,918	10,301	10,390
<b>NET POSITION:</b>				
3100 Appropriated capital .....	146	.....	.....	.....
3999 Total net position .....	146	.....	.....	.....
4999 Total liabilities and net position .....	9,829	9,918	10,301	10,390

**DISASTER LOAN FUND LIQUIDATING ACCOUNT**

**Program and Financing** (in millions of dollars)

Identification code 73-4153-0-3-453	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
01.01 Interest expense to Treasury .....	59	47	21
01.03 Other expenses .....	8	6	6
10.00 Total new obligations .....	67	53	27

**Credit accounts—Continued**

**DISASTER LOAN FUND LIQUIDATING ACCOUNT—Continued**

**Program and Financing (in millions of dollars)—Continued**

Identification code 73-4153-0-3-453	1998 actual	1999 est.	2000 est.
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year	221	196	
22.00 New budget authority from offsetting collections (gross)	260	241	416
22.40 Capital transfer to general fund	-218	-384	-389
23.90 Total budgetary resources available for obligation	263	53	27
23.95 Total new obligations	-67	-53	-27
24.40 Unobligated balance available, end of year	196		
<b>New budget authority (gross), detail:</b>			
68.00 Spending authority from offsetting collections (gross):			
Offsetting collections (cash)	260	241	416
<b>Change in unpaid obligations:</b>			
72.40 Unpaid obligations, start of year: Obligated balance, start of year	70	60	54
73.10 Total new obligations	67	53	27
73.20 Total outlays (gross)	-75	-59	-33
74.40 Unpaid obligations, end of year: Obligated balance, end of year	60	54	48
<b>Outlays (gross), detail:</b>			
86.97 Outlays from new permanent authority	67	53	27
86.98 Outlays from permanent balances	8	6	6
87.00 Total outlays (gross)	75	59	33
<b>Offsets:</b>			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
Non-Federal sources:			
88.40 Loan repayments	-187	-160	-132
88.40 Interest income	-64	-46	-21
88.40 Other income	-9	-5	-3
88.40 Proceeds from loan asset sales	-30	-30	-260
88.90 Total, offsetting collections (cash)	-260	-241	-416
<b>Net budget authority and outlays:</b>			
89.00 Budget authority			
90.00 Outlays	-185	-182	-383

**Status of Direct Loans (in millions of dollars)**

Identification code 73-4153-0-3-453	1998 actual	1999 est.	2000 est.
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	1,457	1,254	1,041
Repayments:			
1251 Repayments and prepayments	-187	-160	-132
1252 Proceeds from loan asset sales to the public or discounted	-30	-23	-18
1263 Write-offs for default: Direct loans	-16	-23	-18
1290 Outstanding, end of year	1,254	1,041	631

As required by the Federal Credit Reform Act of 1990, as amended, this account records, for this program, all cash flows to and from the Government resulting from direct loans obligated prior to 1992. This account is shown on a cash basis. All new activity in this program in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year) is recorded in corresponding program and financing accounts.

**Statement of Operations (in millions of dollars)**

Identification code 73-4153-0-3-453	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue	72	64	52	103
0102 Expense	-78	-93	-53	-90
0109 Net income or loss (-)	-6	-29	-1	13

**Balance Sheet (in millions of dollars)**

Identification code 73-4153-0-3-453	1997 actual	1998 actual	1999 est.	2000 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury	290	256	235	235
1206 Non-Federal assets: Receivables, net	75	64	39	39
Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross	1,457	1,254	1,041	633
1603 Allowance for estimated uncollectible loans and interest (-)	-107	-114	-92	-73
1699 Value of assets related to direct loans	1,350	1,140	949	560
Other Federal assets:				
1801 Cash and other monetary assets	4		1	1
1803 Property, plant and equipment, net		1		
1999 Total assets	1,719	1,461	1,224	835
<b>LIABILITIES:</b>				
2102 Federal liabilities: Interest payable	68	59	46	21
2201 Non-Federal liabilities: Accounts payable	1,651	1,402	1,102	1,102
2999 Total liabilities	1,719	1,461	1,148	1,123
4999 Total liabilities and net position	1,719	1,461	1,148	1,123

**Object Classification (in millions of dollars)**

Identification code 73-4153-0-3-453	1998 actual	1999 est.	2000 est.
25.2 Other services	8	6	6
43.0 Interest and dividends	59	47	21
99.9 Total new obligations	67	53	27

**POLLUTION CONTROL EQUIPMENT FUND LIQUIDATING ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 73-4147-0-3-376	1998 actual	1999 est.	2000 est.
<b>Obligations by program activity:</b>			
00.01 Direct program	1	3	1
10.00 Total obligations (object class 42.0)	1	3	1
<b>Budgetary resources available for obligation:</b>			
Unobligated balance available, start of year:			
21.40 Unobligated balance available, start of year	13	12	
21.40 Unobligated balance available, start of year		2	
21.99 Total unobligated balance, start of year	13	14	
22.40 Capital transfer to general fund		-11	
23.90 Total budgetary resources available for obligation	13	3	
23.95 Total new obligations	-1	-3	-1
Unobligated balance available, end of year:			
24.40 Unobligated balance available, end of year	12		
24.40 Unobligated balance available, end of year	2		
24.99 Total unobligated balance, end of year	14		
<b>Change in unpaid obligations:</b>			
73.10 Total new obligations	1	3	1
73.20 Total outlays (gross)	-1	-3	
<b>Outlays (gross), detail:</b>			
86.98 Outlays from permanent balances	1	3	
<b>Net budget authority and outlays:</b>			
89.00 Budget authority			
90.00 Outlays	-1	3	

**Status of Guaranteed Loans (in millions of dollars)**

Identification code 73-4147-0-3-376	1998 actual	1999 est.	2000 est.
Cumulative balance of guaranteed loans outstanding:			
2210 Outstanding, start of year	76	57	46



Adjustments:			
2261	Terminations for default that result in loans receivable		
2264	Other adjustments, net	-19	-11
2290	Outstanding, end of year	57	46
Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	57	46
Addendum:			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	46	45
2331	Disbursements for guaranteed loan claims		
2351	Repayments of loans receivable	-1	-1
2390	Outstanding, end of year	45	45

1701	Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable: Defaulted guaranteed loans, gross	6	6	7	6
1999	Total assets	28	29	27	26
LIABILITIES:					
2104	Federal liabilities: Resources payable to Treasury	18	22	21	21
2201	Non-Federal liabilities: Accounts payable				
2999	Total liabilities	18	22	21	21
NET POSITION:					
3100	Appropriated capital				
3300	Cumulative results of operations				
3600	Other	10	7	6	6
3999	Total net position	10	7	6	6
4999	Total liabilities and net position	28	29	27	27

Public Law 94-305 established this fund to alleviate the adverse impact of pollution regulations on small businesses. As a result of the elimination of tax exempt financing associated with the Pollution Control Guaranteed program, no new activity is anticipated for this program.

During 1992, the Small Business Administration started the process of redeeming a large number of outstanding bonds on which it has taken over loan payments. Most of these targeted bonds are ten years old and voluntary redemption is now viable under the bond documents. Redemption of these obligations would preclude the SBA from paying excessive interest over the next ten years.

Statement of Operations (in millions of dollars)

Identification code 73-4147-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue	2			
0102 Expense	1	3		
0109 Net income or loss (-)	3	3		

Balance Sheet (in millions of dollars)

Identification code 73-4147-0-3-376	1997 actual	1998 actual	1999 est.	2000 est.
ASSETS:				
1101 Federal assets: Fund balances with Treasury	13	14	11	11
1206 Non-Federal assets: Receivables, net	9	9	9	9

ADMINISTRATIVE PROVISION—SMALL BUSINESS ADMINISTRATION

Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Small Business Administration in this Act may be transferred between such appropriations, but no such appropriation shall be increased by more than 10 percent by any such transfers: *Provided*, That any transfer pursuant to this paragraph shall be treated as a reprogramming of funds under section 605 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in that section. (*Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).*)

GENERAL FUND RECEIPT ACCOUNTS

(in millions of dollars)

	1998 actual	1999 est.	2000 est.
Offsetting receipts from the public:			
73-272130 Disaster loan program, downward reestimates of subsidies		236	
73-272230 Business loan program, Downward resstimates of subsidies	843	605	1
General Fund Offsetting receipts from the public	843	841	1