



**General and special funds—Continued**

## SALARIES AND EXPENSES—Continued

*Capital Access.*—The Associate Deputy Administrator (ADA) for this function exercises direction over the following SBA program offices: 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. In 1998, SBA plans to continue providing business development and financial assistance for small business exporters through U.S. Export Assistance Centers. In addition, through special programs such as LowDoc, FASTRAK, Microloan, and the Export Working Capital Programs (EWCP), SBA is targeting financial assistance to segments of the population that have historically been under represented in SBA's credit programs. The SBA's efforts to reduce unnecessary paperwork and make the agency more customer-friendly have attracted new banks interested in establishing partnerships with SBA.

*Entrepreneurial Development.*—The Associate Deputy Administrator (ADA) for this function exercises direction over the following SBA program offices: Women's Business Ownership; Small Business Development Centers; Veteran's Affairs; 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.

*Government Contracting and Minority Enterprise Development.*—The Associate Deputy Administrator for this function exercises direction over the following SBA program offices: Government Contracting; Minority Enterprise 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 Minority Enterprise Development programs provide 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.

*Disaster Assistance.*—The Associate Administrator for the Office of Disaster Assistance oversees 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 about four percent. The budget proposes to reduce the cost of disaster loan subsidies by increasing the interest rate on disaster loans to the Treasury's cost for securities of comparable maturities, capped at six percent.

*Advocacy.*—The Chief Counsel for Advocacy is charged by law to be an independent voice for small business within the government, and to: (1) examine the role of small business in the economy and its contribution to competition; (2) evaluate financial markets and the credit needs of small business; (3) measure the costs of regulation on small business; (4) monitor agency compliance with the Regulatory Flexibility Act (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA); and (5) appear as "amicus" in appeals arising from final agency regulatory actions, as appropriate.

**Program Performance**

*Small Business Development Centers (SBDCs).*—The SBDCs provide long term counseling to small businesses at about 1,100 locations in 50 states. In 1997, more than 600,000 customers were helped, of which roughly 40 percent were women and 17 percent were minorities. For 1999, the budget proposes \$75.8 million.

*Service Corps of Retired Executives (SCORE).*—Using one-on-one counseling and workshops, SCORE reaches about 293,000 business owners annually using approximately 12,500 counselors through approximately 400 chapters located across the country. Counseling costs to the Government are less than \$3 per hour. For 1999, the budget proposes a funding level of \$3.5 million for this program. For 1999, the budget proposes \$9.5 million for 7(j) assistance, to assist 8(a) firms, Native American communities, Alaskan villages, and other economically distressed areas.

*Minority Enterprise Development Program.*—This program provides business development assistance and Federal contracting opportunities to approximately 6,000 firms. In 1997, over 28,700 contracting actions were awarded to small disadvantaged businesses under the agency's 8(a) program, amounting to more than \$6.3 billion in loans.

*Microloan Technical Assistance.*—The Microloan Program technical assistance component helps small businesses gain access to non-SBA loans and assists SBA's microloan program by providing on-going management advice and counseling. The program also helps support 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 necessary education and training needed for them to succeed. The budget provides \$16.5 million in Microloan grants.

*Women's Business Centers.*—Through this program the SBA makes awards to private entities to deliver entrepreneurial training programs for women business owners or those interested in starting a business. In 1997, 63 Women's Business Centers were operating in 36 states, Washington, DC, and Puerto Rico. Each offers financial, management, marketing and technical assistance to current and potential women business owners. The 1999 budget request includes \$9 million for this program to establish 10 to 12 new sites and to continue two initiatives begun in 1996: the Women's Business Intranet (which links all of the Women's Business Centers), and a virtual demonstration site on the Internet, called the Online Women's Business Center, which will allow women nationwide to have access to these services.

*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 1999, the budget proposes \$500 thousand for this program.

*Native American Affairs.*—This program supports the economic development needs of reservation communities. In 1997, over 385 loans were made to Native Americans under the agency's 7(a) program, amounting to more than \$72 million in loans.

*Business Assistance Publications.*—The SBA provides publications on a self-funding basis and distributes an estimated 300,000 items to the public each year.

*One Stop Capital Shops (OSCS).*—One Stop Capital Shops are located in Urban Empowerment Zone, Enterprise Community, and Rural Economic Area Partnership communities. The objectives of these programs are to stimulate and sustain economic development in these economically distressed and underserved areas. The OSCS are a delivery mechanism for

existing SBA programs that emphasize the use of public/private relationships. The SBA serves as a catalyst by offering its business development and capital resources together in one location with other federal, state, local, and private sector resources in order to leverage and complement those resources and provide better customer service. For 1999, the Budget proposes \$3.1 million.

**Other Services.**—The SBA co-sponsors a variety of special activities with the for-profit, not-for-profit, and public sectors. Many co-sponsored events cost customers between \$35 and \$100, with comparable commercially-sponsored training costing \$300 to \$800. Among the most visible public/private co-sponsorships undertaken is SBA Online, SBA's electronic bulletin board for small businesses. The SBA Online system has been principally underwritten by Sprint, which has paid the cost of all toll-free connections to the system. Between October, 1992, and January, 1997, more than one and three-quarter million connections to SBA Online were logged, and more than 120,000 individuals used the system on a regular basis.

**Performance Goals**

**Program and Policy Goals under the GPRA.**—President Clinton has made small business formation and growth an essential part of his national economic plan. The Small Business Administration has focused on the following five program and policy goals as part 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 financial 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.

**SBA 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.

**Performance Indicators.**—In the long run, the Agency's performance goal is true economic development and the capacity to assess how SBA assistance contributes to helping small businesses succeed. A variety of credit and non-credit business output and outcome measures are included in the SBA strategic and annual performance plans to measure progress in the following areas: businesses created, maintained, and/or expanded; jobs created, and revenues generated; cost effective access to quality training, counseling and information; private capital leveraged more effectively; improved customer satisfaction; reduced paperwork, more understandable regulations, and increased compliance; increased use of resource partners and more flexible lending; small businesses receiving an increased share of Federal procurement and research; efficient delivery of disaster service and a greater satisfaction level; and, delivery of SBA programs that "work better and cost less."

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

Identification code 73-0100-0-1-376	1997 actual	1998 est.	1999 est.
<b>Personnel compensation:</b>			
11.1 Full-time permanent .....	146	154	160
11.3 Other than full-time permanent .....	7	7	7
11.5 Other personnel compensation .....	5	5	5
11.9 Total personnel compensation .....	158	166	172
12.1 Civilian personnel benefits .....	35	43	44
21.0 Travel and transportation of persons .....	6	5	5
22.0 Transportation of things .....	1	1	1
23.1 Rental payments to GSA .....	23	26	28
23.3 Communications, utilities, and miscellaneous charges .....	12	9	9
24.0 Printing and reproduction .....	1	1	1
25.2 Other services .....	31	35	50
26.0 Supplies and materials .....	1	1	1
31.0 Equipment .....	1	1	1

41.0 Grants, subsidies, and contributions .....	105	117	116
<b>Undistributed:</b>			
92.0 Undistributed .....		12	12
92.0 Undistributed (disaster loan making) .....	92	83	91
92.0 Undistributed (disaster loan servicing) .....	22	25	25
99.9 Total obligations .....	488	525	556

**Personnel Summary**

Identification code 73-0100-0-1-376	1997 actual	1998 est.	1999 est.
1001 Total compensable workyears: Full-time equivalent employment .....	4,422	4,578	4,822

Note.—The personnel summary includes regular (non-disaster) full-time equivalents (FTEs) of 2,964, 3,307, and 3,434 in 1997, 1998, and 1999 respectively.

**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. 1-11, as amended by Public Law 100-504), **[\$10,000,000] \$11,300,000.** (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1998.)

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

Identification code 73-0200-0-1-376	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Management and counsel .....	2	2	2
00.02 Audit .....	3	3	3
00.03 Investigations .....	4	5	5
00.04 Disaster .....	1	1	1
10.00 Total obligations .....	10	11	11
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year: Uninvested .....	1	1	
22.00 New budget authority (gross) .....	10	10	11
23.90 Total budgetary resources available for obligation .....	11	11	11
23.95 New obligations .....	-10	-11	-11
24.40 Unobligated balance available, end of year: Uninvested .....	1		
<b>New budget authority (gross), detail:</b>			
<b>Current:</b>			
40.00 Appropriation .....	9	10	11
<b>Permanent:</b>			
68.00 Spending authority from offsetting collections: Offsetting collections (cash) .....	1	1	
70.00 Total new budget authority (gross) .....	10	11	11
<b>Change in unpaid obligations:</b>			
72.40 Unpaid obligations, start of year: Obligated balance: Uninvested .....	1		2
73.10 New obligations .....	10	11	11
73.20 Total outlays (gross) .....	-11	-9	-11
74.40 Unpaid obligations, end of year: Obligated balance: Uninvested .....		2	2
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new current authority .....	8	9	10
86.93 Outlays from current balances .....	2		1
86.97 Outlays from new permanent authority .....	1		
87.00 Total outlays (gross) .....	11	9	11
<b>Offsets:</b>			
<b>Against gross budget authority and outlays:</b>			
88.00 Offsetting collections (cash) from: Federal sources .....	-1	-1	
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	9	9	11
90.00 Outlays .....	10	8	11

This appropriation provides funds for agency-wide audit, investigative, and inspection/evaluative functions to identify and recommend corrections of management or program defi-

**General and special funds—Continued**

**OFFICE OF INSPECTOR GENERAL—Continued**

ciencies which may create conditions for fraud, waste, or abuse. The audit function provides internal audit, external audit, and inspection/evaluation oversight activities. Internal audits assess the general management and efficiency of SBA program operations. External audits review all program participants and their compliance with SBA regulations and procedural requirements. Inspection/evaluations address specific requirements of program management and effectiveness. The investigative function detects and investigates allegations of illegal and improper activities involving agency personnel, programs, and operations.

The 1999 budget requests \$11.3 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	1997 actual	1998 est.	1999 est.
11.1 Personnel compensation: Full-time permanent .....	8	9	9
12.1 Civilian personnel benefits .....	1	2	2
92.0 Undistributed .....	1		
99.9 Total obligations .....	10	11	11

**Personnel Summary**

Identification code 73-0200-0-1-376	1997 actual	1998 est.	1999 est.
1001 Total compensable workyears: Full-time equivalent employment .....	110	112	116

**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, **[\$3,500,000] \$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, 1998.*)

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

Identification code 73-4156-0-3-376	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Direct program activity .....	2	2	
09.01 Reimbursable obligations .....	9	11	10
10.00 Total obligations .....	11	13	10

**Budgetary resources available for obligation:**

21.40 Unobligated balance available, start of year: Uninvested .....	1	2	4
22.00 New budget authority (gross) .....	12	15	15
23.90 Total budgetary resources available for obligation	13	17	19
23.95 New obligations .....	-11	-13	-10
24.40 Unobligated balance available, end of year: Uninvested .....	2	4	9

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

<b>Current:</b>			
40.00 Appropriation .....	4	4	3
<b>Permanent:</b>			
68.00 Spending authority from offsetting collections: Offsetting collections (cash) .....	8	11	12
70.00 Total new budget authority (gross) .....	12	15	15

**Change in unpaid obligations:**

72.40 Unpaid obligations, start of year: Obligated balance: Uninvested .....	41	40	40
73.10 New obligations .....	11	13	10
73.20 Total outlays (gross) .....	-12	-13	-10
74.40 Unpaid obligations, end of year: Obligated balance: Uninvested .....	40	40	40

**Outlays (gross), detail:**

86.90 Outlays from new current authority .....	4	4	3
86.97 Outlays from new permanent authority .....	8	9	7
87.00 Total outlays (gross) .....	12	13	10

**Offsets:**

<b>Against gross budget authority and outlays:</b>			
88.40 Offsetting collections (cash) from: Non-Federal sources .....	-8	-11	-12

**Net budget authority and outlays:**

89.00 Budget authority .....	4	4	3
90.00 Outlays .....	4	2	-2

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 1999, the budget proposes a program level anticipated to accommodate expected demand from the preferred surety bond program authorized in P.L. 100-590. The SBA will continue to rely on both preferred and prior approval sureties to deliver this program, with SBA oversight.

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

Identification code 73-4156-0-3-376	1996 actual	1997 actual	1998 est.	1999 est.
0101 Revenue .....	16	12	21	21
0102 Expense .....	-16	-12	-16	-16
0109 Net loss .....			5	5

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

Identification code 73-4156-0-3-376	1996 actual	1997 actual	1998 est.	1999 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....	43	42	43	43
1206 Non-Federal assets: Receivables, net .....			2	2
1999 Total assets .....	43	42	45	45
<b>LIABILITIES:</b>				
2201 Non-Federal liabilities: Accounts payable .....	41	40	36	36
2999 Total liabilities .....	41	40	36	36
<b>NET POSITION:</b>				
3100 Appropriated capital .....	321	325	326	326
3300 Cumulative results of operations .....	-320	-323	-317	-317
3999 Total net position .....	1	2	9	9
4999 Total liabilities and net position .....	42	42	45	45

**Credit accounts:**

**BUSINESS LOANS PROGRAM ACCOUNT**

For the cost of direct loans, \$5,724,000; to be available until expended, and for **[For]** the cost of guaranteed loans, **[\$181,232,000] \$163,000,000**, as authorized by 15 U.S.C. 631 note, of which \$45,000,000 shall remain available until September 30, **[1999] 2000**. *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: *Provided further*, That during fiscal year **[1998] 1999**, 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(n)(2)(B) of the Small Business Act, as amended] \$3,000,000,000**: *Provided further*, That during fiscal year 1998, commitments for general business loans authorized under section 7(a) of the Small Business Act, as amended, shall not exceed \$10,000,000,000 without prior notification of the Commit-

tees on Appropriations of the House of Representatives and Senate in accordance with section 605 of this Act].

In addition, for administrative expenses to carry out the direct and guaranteed loan programs, \$94,000,000, 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, 1998.*)

**Unavailable Collections** (in millions of dollars)

Identification code 73-1154-0-1-376	1997 actual	1998 est.	1999 est.
Balance, start of year:			
01.99 Balance, start of year .....		16	495
Receipts:			
02.01 Business loan program downward reestimate of subsidy .....	16	479	44
04.00 Total: Balances and collections .....	16	495	539
07.99 Total balance, end of year .....	16	495	539

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

Identification code 73-1154-0-1-376	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Direct loan subsidy .....	3	2	6
00.02 Guaranteed loan subsidy .....	186	221	176
00.07 Reestimate of loan guarantee subsidy .....		280	
00.08 Interest on reestimates of loan guarantee subsidy .....		23	
00.09 Administrative expenses .....	94	94	94
00.10 Microloan grants (in S&E) .....		2	
10.00 Total obligations .....	283	622	276
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year:			
Uninvested .....	62	57	13
22.00 New budget authority (gross) .....	279	578	263
22.30 Unobligated balance expiring .....	-1		
23.90 Total budgetary resources available for obligation .....	340	635	276
23.95 New obligations .....	-283	-622	-276
24.40 Unobligated balance available, end of year:			
Uninvested .....	57	13	
<b>New budget authority (gross), detail:</b>			
Current:			
40.00 Appropriation .....	279	275	263
Permanent:			
60.05 Appropriation (indefinite) .....		303	
70.00 Total new budget authority (gross) .....	279	578	263
<b>Change in unpaid obligations:</b>			
72.40 Unpaid obligations, start of year: Obligated balance:			
Uninvested .....	93	118	162
73.10 New obligations .....	283	622	276
73.20 Total outlays (gross) .....	-258	-578	-269
74.40 Unpaid obligations, end of year: Obligated balance:			
Uninvested .....	118	162	169
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new current authority .....	175	173	166
86.93 Outlays from current balances .....	83	104	102
86.97 Outlays from new permanent authority .....		303	
87.00 Total outlays (gross) .....	258	578	269
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	279	578	263
90.00 Outlays .....	258	578	269

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

Identification code 73-1154-0-1-376	1997 actual	1998 est.	1999 est.
Direct loan levels supportable by subsidy budget authority:			
1150 Micro loans .....	7	29	60
1159 Total direct loan levels .....	7	29	60
Direct loan subsidy (in percent):			
1320 Micro loans .....	8.86	10.31	9.54

1329 Weighted average subsidy rate .....	8.86	10.31	9.54
Direct loan subsidy budget authority:			
1330 Micro loans .....	1	3	6
1339 Total subsidy budget authority .....	1	3	6
Direct loan subsidy outlays:			
1340 Micro loans .....	1	1	3
1349 Total subsidy outlays .....	1	1	3
Guaranteed loan levels supportable by subsidy budget authority:			
2150 General business—7(a) .....	8,956	9,190	11,007
2150 General business—7(a) DELTA .....	31	60	102
2150 Section 504 .....	1,417	3,000	3,000
2150 Section 504 DELTA .....	3	27	18
2150 SBIC debentures .....	139	446	546
2150 SBIC participating securities .....	234	526	550
2150 Micro loan guarantees .....	3	10	12
2159 Total loan guarantee levels .....	10,783	13,259	15,235
Guaranteed loan subsidy (in percent):			
2320 General business—7(a) .....	1.93	2.14	1.39
2320 General business—7(a) DELTA .....	3.47	3.36	2.08
2320 Section 504 .....	0.00	0.00	0.00
2320 Section 504 DELTA .....	1.01	0.72	1.29
2320 SBIC debentures .....	3.19	1.94	1.38
2320 SBIC participating securities .....	3.29	2.20	2.19
2320 Micro loan guarantees .....	8.21	8.15	7.97
2329 Weighted average subsidy rate .....	2.12	1.51	1.51
Guaranteed loan subsidy budget authority:			
2330 General business—7(a) .....	173	197	153
2330 General business—7(a) DELTA .....	1	2	2
2330 Section 504 DELTA .....			
2330 SBIC debentures .....	4	9	8
2330 SBIC participating securities .....	8	12	12
2330 Micro loan guarantees .....		1	1
2339 Total subsidy budget authority .....	186	221	176
Guaranteed loan subsidy outlays:			
2340 General business—7(a) .....	173	186	173
2340 General business—7(a) DELTA .....	1	5	2
2340 Section 504 .....			
2340 Section 504 DELTA .....			
2340 SBIC debentures .....	4	7	6
2340 SBIC participating securities .....	7	9	8
2340 Micro loan guarantees .....		1	1
2349 Total subsidy outlays .....	185	208	190

As required by the Federal Credit Reform Act of 1990, 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.

Budget authority is not requested for the section 504 loan program in 1999.

**General Business Assistance.**—The Small Business Administration guarantees loans under its section 7(a) General Business Loan program to small businesses that are unable to obtain private financing. These loans must be of such value or so secured as to reasonably assure repayment. No loan may be made unless the financial assistance is not otherwise available on reasonable terms. Under the guarantee plan, the SBA agrees to purchase the guaranteed portion of the loan only upon default.

**Investment Company Assistance.**—A primary function of small business investment companies is to provide a source of equity capital or long-term loans to new or expanding small businesses. 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, since 1994, the SBA has guaranteed the performance of participating securities issued by these companies.

**Credit accounts—Continued**

**BUSINESS LOANS PROGRAM ACCOUNT—Continued**

*Development Company Assistance.*—Under the Small Business Investment Act, the SBA makes loans through State and local development companies to small businesses. Through these programs, the SBA promotes economic development and job creation and maintenance by stimulating the flow of long-term financing to small business concerns for projects involving fixed assets. These projects are designed to create or retain a meaningful number of jobs in the communities affected, with a special emphasis on distressed areas.

**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 “traditionally under-served” 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.*—During the past three years SBA has focused on quantitative, measureable lending goals for 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.

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.

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 1997, the SBA approved approximately 45,000 loans totaling about \$9.5 billion. The section 504 program has also shown impressive growth. In 1992, the SBA provided about 2,000 financings totaling nearly \$560 million. By 1997, those figures had increased to about 6,900 financings for \$1.4 billion. Performance measures to be used in 1999 to assess progress in achieving the above goals follow.

Outputs	Outcomes
<ul style="list-style-type: none"> <li>• Number and dollar value of guaranteed loans.</li> <li>• Percentages of loans going to underserved markets.</li> <li>• Client access to SBA services (customer satisfaction).</li> <li>• Percentage of loans taken that are current.</li> <li>• More flexible credit delivery instruments developed.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial viability: higher percentages of business still in business after five years, and higher percentage of borrowers who fully repay loans.</li> <li>• Numbers of businesses created, expanded and/or maintained.</li> <li>• Jobs created and revenue generated.</li> </ul>

*Section 7(a):* Reflecting ongoing improvement of 7(a) loan portfolio performance, SBA’s Liquidation Improvement Project, and technical refinements that improved SBA’s credit subsidy model, the baseline (current services) 7(a) subsidy rate declines from 2.19 percent to 1.39 percent. This decrease is also attributable to improved agency credit risk analysis. The budget includes no policy changes to the 7(a) program in 1999.

*Section 504:* The 1999 subsidy rate reflects further improved 504 loan performance. The current pass-through fee charged to borrowers will be reduced from .775 to .729 to maintain the baseline subsidy rate at zero percent.

*Loan asset sales:* As part of SBA’s transition from loan servicing to lender oversight, SBA will sell all direct and defaulted business loans, and disaster loans, over the next 3 years. These sales will allow SBA to focus its limited resources on expanding access to capital rather than servicing and liquidating a growing portfolio. The budget estimates that SBA’s business loan assets will be sold at a net gain to the Government.

*Microloan Program:* The Microloan programs were reauthorized and made permanent by P.L. 105–135 in 1997. The Administration is requesting \$6.7 million in subsidy budget authority for these programs in 1999.

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

Identification code 73–1154–0–1–376	1997 actual	1998 est.	1999 est.
25.2 Other services .....	94	96	94
41.0 Grants, subsidies, and contributions .....	189	526	182
99.9 Total obligations .....	283	622	276

**BUSINESS DIRECT LOAN FINANCING ACCOUNT**

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

Identification code 73–4148–0–3–376	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Direct loans .....	6	30	60
00.02 Interest on Treasury borrowing .....	26	28	30
10.00 Total obligations .....	32	58	90
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year:			
Uninvested .....	183	260	231
22.00 New financing authority (gross) .....	124	67	114
22.60 Redemption of debt .....	–15	–38	–38
23.90 Total budgetary resources available for obligation	292	289	307
23.95 New obligations .....	–32	–58	–90
24.40 Unobligated balance available, end of year:			
Uninvested .....	260	231	217
<b>New financing authority (gross), detail:</b>			
67.15 Authority to borrow (indefinite) .....	68	10	40
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash) .....	47	54	71
68.10 Change in receivables from program account .....	9	3	3
68.90 Spending authority from offsetting collections (total) .....	56	57	74
70.00 Total new financing authority (gross) .....	124	67	114
<b>Change in unpaid obligations:</b>			
Unpaid obligations, start of year:			
72.40 Obligated balance: Uninvested .....	59	34	39
72.95 Receivables from program account .....	18	27	30
72.99 Total unpaid obligations, start of year .....	77	61	69
73.10 New obligations .....	32	58	90
73.20 Total financing disbursements (gross) .....	–48	–50	–61
Unpaid obligations, end of year:			
74.40 Obligated balance: Uninvested .....	34	39	65
74.95 Receivables from program account .....	27	30	33

74.99	Total unpaid obligations, end of year .....	61	69	98
87.00	Total financing disbursements (gross) .....	48	50	61

**Offsets:**

Against gross financing authority and financing disbursements:				
Offsetting collections (cash) from:				
88.00	Federal sources: Payments from program account .....	-8	-12	-16
88.25	Interest on uninvested funds .....	-19	-20	-21
Non-Federal sources:				
88.40	Repayments of principal, net .....	-14	-15	-16
88.40	Interest received on loans .....	-6	-7	-8
88.40	Proceeds from loan asset sale .....			-10
88.90	Total, offsetting collections (cash) .....	-47	-54	-71
88.95	Change in receivables from program accounts .....	-9	-3	-3

**Net financing authority and financing disbursements:**

89.00	Financing authority .....	68	10	40
90.00	Financing disbursements .....	-1	-4	-10

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

Identification code 73-4148-0-3-376	1997 actual	1998 est.	1999 est.	
Position with respect to appropriations act limitation on obligations:				
1111	Limitation on direct loans .....			
1131	Direct loan obligations exempt from limitation .....	24	19	20
1150	Total direct loan obligations .....	24	19	20
Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year .....	161	151	137
1231	Disbursements: Direct loan disbursements .....	8	13	30
1251	Repayments: Repayments and prepayments .....	-14	-15	-16
1262	Adjustments: Discount on loan asset sales to the public or discounted .....		-4	-60
1264	Write-offs for default: Other adjustments, net .....	-4	-8	-8
1290	Outstanding, end of year .....	151	137	83

As required by the Federal Credit Reform Act of 1990, 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	1996 actual	1997 actual	1998 est.	1999 est.	
<b>ASSETS:</b>					
Investments in US securities:					
1106	Federal assets: Receivables, net .....	302	310	319	319
Net value of assets related to post-1991 direct loans receivable:					
1401	Direct loans receivable, gross .....	120	123	137	83
1405	Allowance for subsidy cost (-) .....	-53	-54	-56	-56
1499	Net present value of assets related to direct loans .....	67	69	81	27
1999	Total assets .....	369	379	400	346
<b>LIABILITIES:</b>					
2104	Federal liabilities: Resources payable to Treasury .....	369	379	400	346
2999	Total liabilities .....	369	379	400	346
<b>NET POSITION:</b>					
3100	Appropriated capital .....				
3999	Total net position .....				
4999	Total liabilities and net position .....	369	379	400	346

**BUSINESS GUARANTEED LOAN FINANCING ACCOUNT**

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

Identification code 73-4149-0-3-376	1997 actual	1998 est.	1999 est.	
<b>Obligations by program activity:</b>				
00.01	Default claims .....	396	401	401
00.02	Payment of downward reestimate to receipt account .....		665	
00.03	Payment to liquidation account .....		83	550
00.04	Negative subsidy from loan asset sales .....		2	44
00.05	Other Expenses .....	42	40	40
10.00	Total obligations .....	438	1,191	1,035
<b>Budgetary resources available for obligation:</b>				
21.40	Unobligated balance available, start of year:			
	Uninvested .....	1,307	1,651	1,487
22.00	New financing authority (gross) .....	782	1,027	1,037
23.90	Total budgetary resources available for obligation .....	2,089	2,678	2,524
23.95	New obligations .....	-438	-1,191	-1,035
24.40	Unobligated balance available, end of year:			
	Uninvested .....	1,651	1,487	1,489

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

Identification code 73-4149-0-3-376	1997 actual	1998 est.	1999 est.	
Spending authority from offsetting collections:				
68.00	Offsetting collections (cash) .....	552	1,027	1,037
68.10	Change in receivables from program account .....	230		
68.90	Spending authority from offsetting collections (total) .....	782	1,027	1,037
70.00	Total new financing authority (gross) .....	782	1,027	1,037

**Change in unpaid obligations:**

Identification code 73-4149-0-3-376	1997 actual	1998 est.	1999 est.	
Unpaid obligations, start of year:				
72.40	Obligated balance: Uninvested .....	-51	-150	-150
72.95	Receivables from program account .....	126	356	356
72.99	Total unpaid obligations, start of year .....	75	206	206
73.10	New obligations .....	438	1,191	1,035
73.20	Total financing disbursements (gross) .....	-307	-1,191	-1,035
Unpaid obligations, end of year:				
74.40	Obligated balance: Uninvested .....	-150	-150	-150
74.95	Receivables from program account .....	356	356	356
74.99	Total unpaid obligations, end of year .....	206	206	206
87.00	Total financing disbursements (gross) .....	307	1,191	1,035

**Offsets:**

Identification code 73-4149-0-3-376	1997 actual	1998 est.	1999 est.	
Against gross financing authority and financing disbursements:				
Offsetting collections (cash) from:				
Federal sources:				
88.00	Payments from program account .....	-187	-179	-179
88.00	Payment from program account—Reestimates .....		-293	
88.25	Interest on uninvested funds .....	-65	-65	-65
Non-Federal sources:				
88.40	Fees .....	-243	-183	-183
88.40	Proceeds from loan asset sales .....		-83	-386
88.40	Recoveries .....	-57	-224	-224
88.90	Total, offsetting collections (cash) .....	-552	-1,027	-1,037
88.95	Change in receivables from program accounts .....	-230		

**Net financing authority and financing disbursements:**

89.00	Financing authority .....			
90.00	Financing disbursements .....	-245	164	-2

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

Identification code 73-4149-0-3-376	1997 actual	1998 est.	1999 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 .....	10,641	11,887	11,660
2150	Total guaranteed loan commitments .....	10,641	11,887	11,660
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year .....	24,630	28,452	32,378
2231	Disbursements of new guaranteed loans .....	6,955	7,143	7,336
2251	Repayments and prepayments .....	-2,723	-2,796	-2,872

**Credit accounts—Continued**

**BUSINESS GUARANTEED LOAN FINANCING ACCOUNT—Continued**

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

Identification code 73-4149-0-3-376	1997 actual	1998 est.	1999 est.
2261 Adjustments: Terminations for default that result in loans receivable .....	-410	-421	-432
2290 Outstanding, end of year .....	28,452	32,378	36,410
<b>Memorandum:</b>			
2299 Guaranteed amount of guaranteed loans outstanding, end of year .....	23,282	26,455	29,713
<b>Addendum:</b>			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310 Outstanding, start of year .....	628	870	1,119
2331 Disbursements for guaranteed loan claims .....	410	421	432
2351 Repayments of loans receivable .....	-63	-65	-67
2361 Write-offs of loans receivable .....	-105	-107	-360
2364 Other adjustments, net .....			-440
2390 Outstanding, end of year .....	870	1,119	684

As required by the Federal Credit Reform Act of 1990, 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	1996 actual	1997 actual	1998 est.	1999 est.
<b>ASSETS:</b>				
Federal assets:				
1101 Fund balances with Treasury .....	1,257	1,291	1,326	1,326
Investments in US securities:				
1106 Receivables, net .....	164	168	173	173
Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:				
1501 Defaulted guaranteed loans receivable, gross .....	628	870	1,119	684
1502 Interest receivable .....	45	46	47	47
1505 Allowance for subsidy cost (-) .....	-331	-340	-349	-349
1599 Net present value of assets related to defaulted guaranteed loans .....	342	576	817	382
1999 Total assets .....	1,763	2,035	2,316	1,881
<b>LIABILITIES:</b>				
2204 Non-Federal liabilities: Liabilities for loan guarantees .....	1,763	2,035	2,316	1,881
2999 Total liabilities .....	1,763	2,035	2,316	1,881
<b>NET POSITION:</b>				
3100 Appropriated capital .....				
3999 Total net position .....				
4999 Total liabilities and net position .....	1,763	2,035	2,316	1,881

**BUSINESS LOAN FUND LIQUIDATING ACCOUNT**

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

Identification code 73-4154-0-3-376	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Interest Expense to Treasury .....	70	30	30
00.02 Defaults on guarantee loans .....	327	318	318
00.03 Other Expenses .....	184	50	50
10.00 Total obligations .....	581	398	398

**Budgetary resources available for obligation:**

Unobligated balance available, start of year:			
Uninvested:			
21.40	Uninvested .....	1	1
21.40	Uninvested .....	337	367
21.99	Total unobligated balance, start of year .....	338	368
22.00	New budget authority (gross) .....	653	505
22.40	Capital transfer to general fund .....		-434
22.60	Redemption of debt .....	-42	-41
23.90	Total budgetary resources available for obligation .....	949	398
23.95	New obligations .....	-581	-398
Unobligated balance available, end of year:			
Uninvested:			
24.40	Uninvested .....	1	
24.40	Uninvested .....	367	
24.99	Total unobligated balance, end of year .....	368	

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

68.00	Spending authority from offsetting collections (gross):		
	Offsetting collections (cash) .....	653	505
			972

**Change in unpaid obligations:**

72.40	Unpaid obligations, start of year: Obligated balance:		
	Uninvested .....	389	621
73.10	New obligations .....	581	398
73.20	Total outlays (gross) .....	-349	-348
74.40	Unpaid obligations, end of year: Obligated balance:		
	Uninvested .....	621	671
			721

**Outlays (gross), detail:**

86.97	Outlays from new permanent authority .....	349	348
			348

**Offsets:**

Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00	Federal sources .....	-83	-550
Non-Federal sources:			
Loan repayments:			
88.40	Financing programs .....	-282	-153
88.40	Investment programs .....	-37	-28
88.40	SBIC obligations .....	-5	
88.40	Section 503 development obligations .....	-27	-26
Interest income:			
88.40	Financing programs .....	-120	-117
88.40	Investment programs .....	-48	-23
88.40	Other income .....	-124	-65
88.40	Section 503 Prepayments .....	-10	-10
88.90	Total, offsetting collections (cash) .....	-653	-505
			-972

**Net budget authority and outlays:**

89.00	Budget authority .....		
90.00	Outlays .....	-305	-157
			-624

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

Identification code 73-4154-0-3-376	1997 actual	1998 est.	1999 est.
<b>Business Loan Fund, Direct Loans</b>			
Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year .....	1,352	1,050
1232	Disbursements: Purchase of loans assets from the public .....	117	90
1251	Repayments: Repayments and prepayments .....	-208	-101
1262	Adjustments: Discount on loan asset sales to the public or discounted .....		-439
1263	Write-offs for default: Direct loans .....	-211	-82
1290	Outstanding, end of year .....	1,050	518
<b>Small Business Investment Company, Direct Loans</b>			
Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year .....		
1251	Repayments: Repayments and prepayments .....		
1290	Outstanding, end of year .....		
<b>Section 503 Development Company, Direct Loans</b>			
Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year .....	318	275
Repayments:			
1251	Repayments and prepayments .....	-28	-20
			-18

1252	Proceeds from loan asset sales to the public or discounted .....	-15	-13	-112
1290	Outstanding, end of year .....	275	242	112

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

Identification code 73-4154-0-3-376	1997 actual	1998 est.	1999 est.	
<b>Business Loan Fund, Loan Guarantees</b>				
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year .....	6,383	5,341	4,491
2231	Disbursements of new guaranteed loans .....	1	1	1
2251	Repayments and prepayments .....	-896	-750	-630
Adjustments:				
2261	Terminations for default that result in loans receivable .....	-135	-91	-61
2264	Other adjustments, net .....	-12	-10	-8
2290	Outstanding, end of year .....	5,341	4,491	3,793
<b>Memorandum:</b>				
2299	Guaranteed amount of guaranteed loans outstanding, end of year .....	4,598	3,866	3,263
<b>Addendum:</b>				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year .....	1,255	1,390	1,331
2331	Disbursements for guaranteed loan claims .....	135	91	61
2361	Write-offs of loans receivable .....	-	-67	-450
2364	Other adjustments, net .....	-	-83	-550
2390	Outstanding, end of year .....	1,390	1,331	392

As required by the Federal Credit Reform Act of 1990, 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	1996 actual	1997 actual	1998 est.	1999 est.	
0101	Revenue .....	189	191	234	220
0102	Expense .....	149	-134	-184	-160
0109	Net loss .....	338	57	50	60

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

Identification code 73-4154-0-3-376	1996 actual	1997 actual	1998 est.	1999 est.	
<b>ASSETS:</b>					
Federal assets:					
1101	Fund balances with Treasury .....	727	794	866	866
Investments in US securities:					
1104	Agency securities, par .....	160	214	286	286
1107	Advances and prepayments .....	9	7	5	5
Non-Federal assets:					
1206	Receivables, net .....	816	780	745	745
1207	Advances and prepayments .....	7	7	7	7
Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable:					
1601	Direct loans, gross .....	1,671	1,325	760	112
1603	Allowance for estimated uncollectible loans and interest (-) .....	-1,114	-787	-401	-401
1699	Value of assets related to direct loans .....	557	538	359	-289
1901	Other Federal assets: Other assets .....	61	37	23	23
1999	Total assets .....	2,337	2,377	2,291	1,643
<b>LIABILITIES:</b>					
Federal liabilities:					
2101	Accounts payable .....	1,667	1,694	1,604	1,056
2102	Interest payable .....	94	96	96	96
Debt:					
2103	Debt to the FFB .....	318	325	327	227

2103	SBIC and development company participation certificates .....	7	7	7	7
<b>Non-Federal liabilities:</b>					
2201	Accounts payable .....	15	15	15	15
2204	Liabilities for loan guarantees .....	71	72	73	73
2207	Other Liabilities .....	165	168	169	169
2999	Total liabilities .....	2,337	2,377	2,291	1,643
4999	Total liabilities and net position .....	2,337	2,377	2,291	1,643

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

Identification code 73-4154-0-3-376	1997 actual	1998 est.	1999 est.	
42.0	Insurance claims and indemnities .....	511	368	368
43.0	Interest and dividends .....	70	30	30
99.9	Total obligations .....	581	398	398

**DISASTER LOANS PROGRAM ACCOUNT**

[For the cost of direct loans authorized by section 7(b) of the Small Business Act, as amended, \$23,200,000, 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.]

[In addition, for] *For administrative expenses to carry out the direct loan program, [\$150,000,000, including not to exceed \$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] \$166,000,000, which may be transferred to and merged with appropriations for Salaries and Expenses. (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1998.)*

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

Identification code 73-1152-0-1-453	1997 actual	1998 est.	1999 est.	
<b>Obligations by program activity:</b>				
00.01	Direct loan subsidy .....	192	184	53
00.05	Upward reestimate of direct loan subsidy .....	-	33	-
00.06	Interest on direct loan subsidy .....	-	3	-
00.09	Administrative expense .....	164	158	166
10.00	Total obligations .....	356	378	219
<b>Budgetary resources available for obligation:</b>				
21.40	Unobligated balance available, start of year:			
	Uninvested .....	164	190	56
22.00	New budget authority (gross) .....	327	209	166
22.10	Resources available from recoveries of prior year obligations .....	55	35	20
23.90	Total budgetary resources available for obligation .....	546	434	242
23.95	New obligations .....	-356	-378	-219
24.40	Unobligated balance available, end of year:			
	Uninvested .....	190	56	23
<b>New budget authority (gross), detail:</b>				
Current:				
40.00	Appropriation .....	327	173	166
Permanent:				
60.05	Appropriation (indefinite) .....	-	36	-
70.00	Total new budget authority (gross) .....	327	209	166
<b>Change in unpaid obligations:</b>				
72.40	Unpaid obligations, start of year: Obligated balance:			
	Uninvested .....	123	70	98
73.10	New obligations .....	356	376	219
73.20	Total outlays (gross) .....	-354	-315	-246
73.45	Adjustments in unexpired accounts .....	-55	-35	-20
74.40	Unpaid obligations, end of year: Obligated balance:			
	Uninvested .....	70	98	51
<b>Outlays (gross), detail:</b>				
86.90	Outlays from new current authority .....	217	133	128
86.93	Outlays from current balances .....	137	182	118
87.00	Total outlays (gross) .....	354	315	246

**Credit accounts—Continued**

**DISASTER LOANS PROGRAM ACCOUNT—Continued**

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

Identification code 73-1152-0-1-453	1997 actual	1998 est.	1999 est.
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	327	209	166
90.00 Outlays .....	354	315	246
<b>Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)</b>			
Identification code 73-1152-0-1-453	1997 actual	1998 est.	1999 est.
Direct loan levels supportable by subsidy budget authority:			
1150 Direct Disaster Loans .....	961	785	237
1159 Total direct loan levels .....	961	785	237
Direct loan subsidy (in percent):			
1320 Subsidy rate .....	20.02	23.46	22.36
1329 Weighted average subsidy rate .....	20.02	23.46	22.36
Direct loan subsidy budget authority:			
1330 Disaster subsidy budget authority .....	192	184	53
1339 Total subsidy budget authority .....	192	184	53
Direct loan subsidy outlays:			
1340 Disaster subsidy outlays .....	190	159	70
1349 Total subsidy outlays .....	190	159	70
Administrative expense data:			
3510 Budget authority .....	164	156	166
3590 Outlays from new authority .....	164	156	166

As required by the Federal Credit Reform Act of 1990, 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.

**Program Performance**

Over the 42 year history of the program, SBA has helped almost 1.3 million disaster victims by providing more than \$25 billion in disaster assistance. Over 90 percent has been to borrowers that otherwise would not have been able to rebuild. During 1997 alone, SBA approved nearly 30,000 disaster loans, exceeding \$1 billion 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.

*Performance Indicators.*—A true assessment of program effectiveness is a long-term process, and there is much to learn about the true extent that the disaster loan program contributes to effective recovery. In the short term, SBA is committed to providing cost-effective delivery and high satisfaction levels to the customers who use its services. In the long run, the agency's goal is to facilitate true economic recovery and assess how the program's business recovery assistance contributes to the rebuilding of a local or regional economy. Performance measures to be used in 1998 to assess progress in achieving the above goals follow.

Outputs	Intermediate Outcomes
Loan decision within 7 to 20 days—number, percent.	Increased funds available at time of need.
Initial disbursement ordered 4 days after receipt of loan closing documents—number, percent.	Improved customer satisfaction due to simplified and less burdensome processes.
Loans approved—number, dollar amount.	Reduced costs to Government.

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

Identification code 73-1152-0-1-453	1997 actual	1998 est.	1999 est.
25.2 Other services .....	164	158	166
41.0 Grants, subsidies, and contributions .....	192	220	53
99.9 Total obligations .....	356	378	219

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

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

Identification code 73-1152-2-1-453	1997 actual	1998 est.	1999 est.
Direct loan levels supportable by subsidy budget authority:			
1150 Direct Disaster Loans .....			664
1159 Total direct loan levels .....			664
Direct loan subsidy (in percent):			
1320 Subsidy rate .....			-16.43
1329 Weighted average subsidy rate .....			-16.43
Direct loan subsidy budget authority:			
1330 Disaster subsidy budget authority .....			
1339 Total subsidy budget authority .....			
Direct loan subsidy outlays:			
1340 Disaster subsidy outlays .....			
1349 Total subsidy outlays .....			

Under current law, the interest rates on Small Business Administration (SBA) disaster loans are set by statutory formulas. A lower rate, not to exceed four percent, is available to applicants without credit available from private lenders. A higher rate, not to exceed eight percent, is charged to borrowers who have credit available from private sources. To create a stronger incentive for households and businesses to plan for and to mitigate against the costs of disasters and to reduce the costs of these loans to the Government, the budget proposes to increase the interest rate on SBA disaster loans to the U.S. Treasury's cost for securities of comparable maturity, subject to a cap of six percent. For borrowers with access to credit elsewhere, the interest rate would be pegged above the comparable Treasury rate. These changes would reduce the subsidy for these loans from 22.36 percent to 5.93 percent, which will allow more loans to be provided with a given amount of budget authority.

In 1999, this proposal would allow the estimated volume of \$901 million in disaster loans to be financed entirely with unobligated balances carried forward from 1998. As a result, no appropriation of new budget authority is requested for the Disaster Loan Program Account for 1999. Without the proposed increase in interest rates, the carryover from 1998 would finance only \$237 million of new disaster loans in 1999.

**DISASTER DIRECT LOAN FINANCING ACCOUNT**

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

Identification code 73-4150-0-3-453	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Direct loans .....	961	785	287
00.02 Interest on Treasury borrowing .....	589	477	547
00.03 Payment of downward reestimate to receipt account .....		294	
00.04 Payment of interest on downward reestimates to receipt account .....		96	
00.10 Asset sale payment to liquidating account .....			421
10.00 Total obligations .....	1,550	1,652	1,255
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance available, start of year:			
Uninvested .....	4,195	4,003	4,003
22.00 New financing authority (gross) .....	1,550	1,652	1,468
22.60 Redemption of debt .....	-192		
23.90 Total budgetary resources available for obligation .....	5,553	5,655	5,471
23.95 New obligations .....	-1,550	-1,652	-1,255
24.40 Unobligated balance available, end of year:			
Uninvested .....	4,003	4,003	4,216
<b>New financing authority (gross), detail:</b>			
67.15 Authority to borrow (indefinite) .....	1,550	1,560	834
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash) .....	841	1,298	1,516
68.10 Change in receivables from program account .....	-25	-4	-58
68.47 Portion applied to debt reduction (-) .....	-816	-1,202	-824
68.90 Spending authority from offsetting collections (total) .....		92	634
70.00 Total new financing authority (gross) .....	1,550	1,652	1,468
<b>Change in unpaid obligations:</b>			
Unpaid obligations, start of year:			
72.40 Obligated balance: Uninvested .....	605	992	1,037
72.95 Receivables from program account .....	122	97	93
72.99 Total unpaid obligations, start of year .....	727	1,089	1,130
73.10 New obligations .....	1,550	1,652	1,255
73.20 Total financing disbursements (gross) .....	-1,188	-1,611	-682
Unpaid obligations, end of year:			
74.40 Obligated balance: Uninvested .....	992	1,037	1,668
74.95 Receivables from program account .....	97	93	35
74.99 Total unpaid obligations, end of year .....	1,089	1,130	1,703
87.00 Total financing disbursements (gross) .....	1,188	1,611	682
<b>Offsets:</b>			
Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
Federal sources:			
88.00 Payments from program account .....	-192	-184	-53
88.00 Payments from program account—Reestimates .....		-390	
Non-Federal sources:			
88.40 Repayments of principal, net .....	-123	-161	-208
88.40 Interest received on loans .....	-526	-563	-621
88.40 Proceeds from loan sales .....			-634
88.90 Total, offsetting collections (cash) .....	-841	-1,298	-1,516
88.95 Change in receivables from program accounts .....	25	4	58
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority .....	734	358	10
90.00 Financing disbursements .....	347	313	-834

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

Identification code 73-4150-0-3-453	1997 actual	1998 est.	1999 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans .....			
1131 Direct loan obligations exempt from limitation .....	961	785	901
1150 Total direct loan obligations .....	961	785	901
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year .....	7,227	7,891	8,027
1231 Disbursements: Direct loan disbursements .....	1,168	744	135
Repayments:			
1251 Repayments and prepayments .....	-427	-502	-665
1252 Proceeds from loan asset sales to the public or discounted .....			-213
1264 Write-offs for default: Other adjustments, net .....	-77	-106	-116
1290 Outstanding, end of year .....	7,891	8,027	7,168

As required by the Federal Credit Reform Act of 1990, 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	1996 actual	1997 actual	1998 est.	1999 est.
<b>ASSETS:</b>				
Federal assets:				
Investments in US securities:				
Receivables, net:				
1106 Program account .....	227	146	32	6
1106 Interest Receivables .....		1,984	1,772	1,928
Net value of assets related to post-1991 direct loans receivable:				
1401 Direct loans receivable, gross .....	7,227	7,891	8,027	7,168
1405 Allowance for subsidy cost (-) .....	-248	-192	-184	-53
1499 Net present value of assets related to direct loans .....	6,979	7,699	7,843	7,115
1999 Total assets .....	7,206	9,829	9,647	9,049
<b>LIABILITIES:</b>				
2104 Federal liabilities: Resources payable to Treasury .....	6,979	9,683	9,615	9,043
2999 Total liabilities .....	6,979	9,683	9,615	9,043
<b>NET POSITION:</b>				
3100 Appropriated capital .....	227	146	32	6
3999 Total net position .....	227	146	32	6
4999 Total liabilities and net position .....	7,206	9,829	9,647	9,049

**DISASTER DIRECT LOAN FINANCING ACCOUNT**

(Legislative proposal, not subject to PAYGO)

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

Identification code 73-4150-2-3-453	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Direct loans .....			664
00.02 Interest on Treasury borrowing .....			7
10.00 Total obligations .....			671
<b>Budgetary resources available for obligation:</b>			
22.00 New financing authority (gross) .....			671
23.95 New obligations .....			-671
<b>New financing authority (gross), detail:</b>			
67.15 Authority to borrow (indefinite) .....			679
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash) .....			48
68.47 Portion applied to debt reduction (-) .....			-56

**Credit accounts—Continued**

**DISASTER DIRECT LOAN FINANCING ACCOUNT—Continued**

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

Identification code 73-4150-2-3-453	1997 actual	1998 est.	1999 est.
68.90 Spending authority from offsetting collections (total) .....			-8
70.00 Total new financing authority (gross) .....			671
<b>Change in unpaid obligations:</b>			
73.10 New obligations .....			671
73.20 Total financing disbursements (gross) .....			-470
74.40 Unpaid obligations, end of year: Obligated balance: Uninvested .....			201
87.00 Total financing disbursements (gross) .....			470
<b>Offsets:</b>			
Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
Non-Federal sources:			
88.40 Repayments of principal, net .....			-2
88.40 Interest received on loans .....			-46
88.90 Total, offsetting collections (cash) .....			-48
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority .....			623
90.00 Financing disbursements .....			422

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

Identification code 73-4150-2-3-453	1997 actual	1998 est.	1999 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans .....			
1131 Direct loan obligations exempt from limitation .....			615
1150 Total direct loan obligations .....			615
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year .....			
1231 Disbursements: Direct loan disbursements .....			398
1251 Repayments: Repayments and prepayments .....			-41
1264 Write-offs for default: Other adjustments, net .....			-9
1290 Outstanding, end of year .....			348

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

Identification code 73-4150-2-3-453	1996 actual	1997 actual	1998 est.	1999 est.
<b>ASSETS:</b>				
Net value of assets related to post-1991 direct loans receivable:				
1401 Direct loans receivable, gross .....				298
1499 Net present value of assets related to direct loans .....				298
1999 Total assets .....				298
<b>LIABILITIES:</b>				
2104 Federal liabilities: Resources payable to Treasury .....				298
2999 Total liabilities .....				298
4999 Total liabilities and net position .....				298

**DISASTER LOAN FUND LIQUIDATING ACCOUNT**

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

Identification code 73-4153-0-3-453	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
01.01 Interest expense to Treasury .....	68	58	38
01.03 Other expenses .....	27	8	6

10.00	Total obligations .....	95	66	44
<b>Budgetary resources available for obligation:</b>				
21.40	Unobligated balance available, start of year: Uninvested .....	177	221	
22.00	New budget authority (gross) .....	313	258	615
22.40	Capital transfer to general fund .....	-174	-413	-571
23.90	Total budgetary resources available for obligation .....	316	66	44
23.95	New obligations .....	-95	-66	-44
Unobligated balance available, end of year:				
Uninvested:				
24.40	Uninvested .....	1		
24.40	Uninvested .....	220		
24.99	Total unobligated balance, end of year .....	221		

<b>New budget authority (gross), detail:</b>				
68.00	Spending authority from offsetting collections (gross):			
	Offsetting collections (cash) .....	313	258	615

<b>Change in unpaid obligations:</b>				
72.40	Unpaid obligations, start of year: Obligated balance: Uninvested .....	79	70	67
73.10	New obligations .....	95	66	44
73.20	Total outlays (gross) .....	-104	-69	-64
74.40	Unpaid obligations, end of year: Obligated balance: Uninvested .....	70	67	47

<b>Outlays (gross), detail:</b>				
86.97	Outlays from new permanent authority .....	95	64	60
86.98	Outlays from permanent balances .....	9	5	4
87.00	Total outlays (gross) .....	104	69	64

<b>Offsets:</b>				
Against gross budget authority and outlays:				
Offsetting collections (cash) from:				
Non-Federal sources:				
88.40	Loan repayments .....	-198	-192	-149
88.40	Interest income .....	-72	-58	-38
88.40	Other income .....	-43	-8	-7
88.40	Recovery on Loan Cancellations .....			
88.40	Proceeds from loan asset sales .....			-421
88.90	Total, offsetting collections (cash) .....	-313	-258	-615

<b>Net budget authority and outlays:</b>				
89.00	Budget authority .....			
90.00	Outlays .....	-209	-189	-551

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

Identification code 73-4153-0-3-453	1997 actual	1998 est.	1999 est.	
Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year .....	1,677	1,457	1,230
Repayments:				
1251	Repayments and prepayments .....	-199	-192	-149
1252	Proceeds from loan asset sales to the public or discounted .....			-421
1263	Write-offs for default: Direct loans .....	-21	-35	-27
1290	Outstanding, end of year .....	1,457	1,230	633

As required by the Federal Credit Reform Act of 1990, 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	1996 actual	1997 actual	1998 est.	1999 est.	
0101	Revenue .....	93	72	65	103
0102	Expense .....	-102	-78	-77	-90
0109	Net income or loss (-) .....	-9	-6	-12	13

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

Identification code 73-4153-0-3-453	1996 actual	1997 actual	1998 est.	1999 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....	256	290	255	235
1206 Non-Federal assets: Receivables, net .....	111	75	59	39
Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross .....	1,677	1,457	1,230	633
1603 Allowance for estimated uncollectible loans and interest (-) .....	-129	-107	-93	-87
1699 Value of assets related to direct loans .....	1,548	1,350	1,137	546
Other Federal assets:				
1801 Cash and other monetary assets .....		4	1	1
1803 Property, plant and equipment, net .....	5			
1999 Total assets .....	1,920	1,719	1,452	821
<b>LIABILITIES:</b>				
2102 Federal liabilities: Interest payable .....	78	68	52	40
2201 Non-Federal liabilities: Accounts payable .....	1,842	1,651	1,400	1,102
2999 Total liabilities .....	1,920	1,719	1,452	1,142
4999 Total liabilities and net position .....	1,920	1,719	1,452	1,142

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

Identification code 73-4153-0-3-453	1997 actual	1998 est.	1999 est.
25.2 Other services .....	27	8	6
43.0 Interest and dividends .....	68	58	38
99.9 Total obligations .....	95	66	44

**POLLUTION CONTROL EQUIPMENT FUND LIQUIDATING ACCOUNT**

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

Identification code 73-4147-0-3-376	1997 actual	1998 est.	1999 est.
<b>Obligations by program activity:</b>			
00.01 Direct program .....	1		
10.00 Total obligations (object class 42.0) .....	1		
<b>Budgetary resources available for obligation:</b>			
Unobligated balance available, start of year:			
Uninvested:			
21.40 Uninvested .....	14	12	
21.40 Uninvested .....	-1		
21.99 Total unobligated balance, start of year .....	13	12	
22.40 Capital transfer to general fund .....		-12	
23.90 Total budgetary resources available for obligation .....	13		
23.95 New obligations .....	-1		
Unobligated balance available, end of year:			
Uninvested:			
24.40 Uninvested .....	12		
24.40 Uninvested .....			
24.99 Total unobligated balance, end of year .....	12		
<b>Change in unpaid obligations:</b>			
73.10 New obligations .....	1		
73.20 Total outlays (gross) .....	-1		
<b>Outlays (gross), detail:</b>			
86.98 Outlays from permanent balances .....	1		
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....			
90.00 Outlays .....			

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

Identification code 73-4147-0-3-376	1997 actual	1998 est.	1999 est.
<b>Cumulative balance of guaranteed loans outstanding:</b>			
2210 Outstanding, start of year .....	86	76	65
<b>Adjustments:</b>			
2261 Terminations for default that result in loans receivable .....		-1	
2264 Other adjustments, net .....	-10	-10	-11
2290 Outstanding, end of year .....	76	65	54
<b>Memorandum:</b>			
2299 Guaranteed amount of guaranteed loans outstanding, end of year .....	76	65	54
<b>Addendum:</b>			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310 Outstanding, start of year .....	47	48	43
2331 Disbursements for guaranteed loan claims .....	1	1	
2351 Repayments of loans receivable .....		-6	
2390 Outstanding, end of year .....	48	43	43

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.

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

Identification code 73-4147-0-3-376	1996 actual	1997 actual	1998 est.	1999 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....	13	13	12	10
1206 Non-Federal assets: Receivables, net .....	9	9	9	9
1701 Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable: Defaulted guaranteed loans, gross .....	6	6	8	8
1999 Total assets .....	28	28	29	27
<b>LIABILITIES:</b>				
2104 Federal liabilities: Resources payable to Treasury .....	28	18	22	21
2201 Non-Federal liabilities: Accounts payable .....				
2999 Total liabilities .....	28	18	22	21
<b>NET POSITION:</b>				
3100 Appropriated capital .....				
3300 Cumulative results of operations .....				
3600 Other .....	1	10	7	6
3999 Total net position .....	1	10	7	6
4999 Total liabilities and net position .....	29	28	29	27

**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, 1998.*)