



SMALL BUSINESS ADMINISTRATION

Funding Highlights:

- Provides \$985 million, a 45 percent decline from 2010 enacted funding, which included \$962 million in supplemental appropriations. Excluding supplemental funding, the 2012 request is \$161 million higher primarily due to increased estimated credit subsidy costs. Funding for administrative costs and Small Business Development Centers will go down as a result of fiscal restraints.
- Supports \$27 billion in loan guarantees for small businesses to enable them to invest, expand, and create jobs.
- Promotes impact investment in economically distressed regions.
- Helps innovative small businesses obtain early-stage financing.
- Encourages business development and economic growth through funding for technical assistance, including competitive grants to develop business leaders in underserved markets and to help businesses benefit from regional economic strategies.
- Continues implementation of Small Business Jobs Act initiatives, promoting technical assistance and small business exporting.
- Provides long-term disaster recovery loans for homeowners, renters, and businesses of all sizes.
- Strengthens lender and procurement program oversight to protect taxpayer dollars.
- Upgrades the Agency's financial management systems to improve the financial integrity and efficiency of SBA credit programs.

Small businesses play a vital role in job creation, economic recovery, global competitiveness, and the long-term strength of the Nation. The Small Business Administration's (SBA) mission is to help Americans start, build, and grow businesses. To deliver on this promise, the Administration proposes \$985 million, a substantial decline from 2010 enacted funding, which

included significant supplemental appropriations for fee reductions and credit programs. Small business loan guarantees are funded in 2012 at historical fee and guarantee levels, but reflect higher estimated loss rates. As part of the Government-wide effort to reduce spending, funding for administrative costs and Small Business Development Centers will decrease.

Invests in America's Businesses to Foster Economic Growth and Competitiveness

Spurs Job Creation by Enhancing Small Business Access to Credit. Small businesses are the engine of economic growth and job creation. That is why the Administration is taking a series of steps to improve the access to capital for small businesses. First, the Administration supports \$16.5 billion in 7(a) loan guarantees, which will help small businesses operate and expand. This includes an estimated \$14.5 billion in term loans and \$2 billion in revolving lines of credit; the latter are expected to support \$48 billion in total economic activity through draws and repayments over the life of the guarantee. The Administration also supports \$7.5 billion in guaranteed lending for commercial real estate development and heavy machinery purchases; \$3 billion in Small Business Investment Company (SBIC) debentures to support new businesses and new jobs through early-stage and mezzanine small business financing; and \$25 million in direct Microloans, for intermediaries to provide small loans to emerging entrepreneurs and other borrowers unable to receive credit elsewhere.

Promotes Impact Investment in Economically Distressed Regions, for Disadvantaged Groups, and in Sections of National Significance. Beginning in 2012, SBA will be leveraging the SBIC debenture program to support \$200 million annually over the next five years in impact investments that are “place-based” (located in or employing residents of economically distressed regions); “people-based” (owned or managed by women, veterans, or a member of a socially or economically disadvantaged group); or “sector-based” (sectors that have been identified as national priorities). Two other initiatives—the Small Loan Advantage and Community Advantage programs—will increase the number of SBA 7(a) loans going to small businesses and entrepreneurs in underserved communities.

Helps Innovative Small Businesses Obtain Early-Stage Financing. SBA will also create within the SBIC debenture program a new vehicle—the Innovation Fund—to address the capital

gap many start-ups face between “angel investor” financing and later-stage venture capital financing. Over each of the next five years, up to \$200 million in guarantees for matching funds will be available to investors aiming to support innovative companies seeking to ramp up their operations and create new jobs.

Helps Small Businesses Grow Smarter. Entrepreneurs can be found in every part of the Nation. However, some need assistance to develop their idea fully into a growing business and start hiring new employees. That is why the Administration includes \$15 million for competitive technical assistance grants to support SBA's Emerging Leaders initiative and to enhance small business participation in regional economic clusters. The Emerging Leaders initiative provides intensive technical assistance to companies that have high growth potential and are located in distressed economic areas, such as inner cities and Native American communities, and connects them to regional business networks to accelerate economic and job growth. SBA will also promote small business participation in regional economic clusters by awarding competitive grants to facilitate greater coordination of resources such as business counseling, training, and mentor-protégé partnerships.

Fully Funds and Reforms Long-Term Disaster Recovery. The Administration supports \$1.1 billion in direct loans, the normalized 10-year average, for homeowners and businesses whose property is damaged by natural disasters. The Administration also proposes \$167 million for disaster-loan administrative expenses. SBA will streamline staffing and operations to use administrative funds in the most effective and cost-efficient manner, which is expected to provide savings relative to operating levels in recent years.

Improves Cost-Effectiveness

Prioritizes Resources by Reducing Overlapping Funding and Extending Tax Breaks. In 2012, small businesses will continue to benefit

from technical assistance funded by the Small Business Jobs Act, which for the 2011 and 2012 period provided \$50 million to Small Business Development Centers (SBDCs) and \$60 million for grants to States and localities to help small businesses export. Given the availability of these funds and fiscal constraints, the Budget proposes modest reductions in the level of additional SBDC funding requested for 2012. The Act also provided a variety of other credit program expansions and tax changes that are significantly benefiting small businesses, and the Administration proposes to permanently extend the Act's provision eliminating all capital gains taxes on investments in small business stock in order to enhance the flow of capital to small businesses.

Helps Make the Guaranteed Loan Program Self-Sufficient. Due to the economic downturn and higher defaults on prior loans, SBA's guaranteed loan programs are recording in

2011 a \$3.7 billion increase in losses and subsidy costs on their outstanding loan portfolios, excluding interest, particularly on guarantees made between 2004 and 2008. To strengthen these programs' long-term economic foundation, the Administration will submit a legislative package to provide SBA the flexibility to adjust fees in these programs to enable them to be self-sustaining over time. These changes in the program's fee structure would become effective for loans originated in 2013.

Strengthens Core Agency Capabilities. The Administration provides the resources needed to upgrade the agency's financial management systems in order to improve the financial integrity and efficiency of its loan operations. SBA is also modifying its procurement strategy for the Loan Management and Accounting System to better ensure the system delivers results.

Small Business Administration
(In millions of dollars)

| | Actual 2010 | Estimate | |
|---------------------------------------------|----------------|----------|------|
| | | 2011 | 2012 |
| Spending | | | |
| Discretionary Budget Authority: | | | |
| Salaries and Expenses | 434 | | 427 |
| Business Loans: | | | |
| Loan Subsidy | 83 | | 215 |
| Loan Administration | 153 | | 148 |
| Subtotal, Business Loans | 236 | | 363 |
| Disaster Loans: | | | |
| Loan Subsidy | 2 | | — |
| Loan Administration | 76 | | 167 |
| Subtotal, Disaster Loans | 78 | | 167 |
| Office of the Inspector General | 16 | | 18 |
| Office of Advocacy | — | | 9 |
| Surety Bond Revolving Fund | 1 | | — |
| Unrequested Projects | 59 | | — |
| Total, Discretionary budget authority | 824 | 993 | 985 |

Small Business Administration—Continued
(In millions of dollars)

| | Actual 2010 | Estimate | |
|-------------------------------------------|----------------|----------|--------|
| | | 2011 | 2012 |
| <i>Memorandum:</i> | | | |
| Budget authority from supplementals | 962 | — | — |
| Total, Discretionary outlays | 1,453 | 1,504 | 1,212 |
| Mandatory Outlays: | | | |
| Business Loan Subsidy Reestimates..... | 4,472 | 4,530 | — |
| Disaster Loan Subsidy Reestimates | 211 | 192 | — |
| Liquidating Credit Accounts | -8 | -8 | -7 |
| Total, Mandatory outlays | 4,675 | 4,714 | -7 |
| Total, Outlays | 6,128 | 6,218 | 1,205 |
| Credit activity | | | |
| Direct Loan Disbursements: | | | |
| Direct Disaster Loans..... | 388 | 1,100 | 1,100 |
| Direct Business Loans | 32 | 37 | 33 |
| Total, Direct loan disbursements..... | 420 | 1,137 | 1,133 |
| Guaranteed Loan Commitments: | | | |
| Guaranteed Business Loans..... | 14,156 | 23,900 | 23,900 |
| Guaranteed Disaster Loans | — | 19 | 63 |
| Total, Guaranteed loan commitments | 14,156 | 23,919 | 23,963 |