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Small Business Administration Reauthorization: Issues for Congress

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SUMMARY

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Small Business Administration Reauthorization: Issues for Congress

In recent years the idea of reauthorizing the Small Business Administration (SBA) has gained increased attention, both from some Members of Congress as well as outside groups. Congress has not passed legislation reauthorizing SBA since 2004 despite recent attempts to do so, including in the 116th and 117th Congresses. For example, late in the 117th Congress, then-chair of the Senate Committee on Small Business and Entrepreneurship, Senator Benjamin Cardin, introduced the Small Business Administration Reauthorization and Modernization Act of 2022 (S. 5220). Congress also regularly passes individual laws changing aspects of certain SBA programs.

Congress has permanently authorized SBA and the majority of the agency's programs. As a result, SBA and most of its programs do not require reauthorization to continue operating. However, reauthorization can provide Congress the opportunity to address certain policy issues related to SBA and small businesses, alter aspects of SBA program operations, and update authorizations of appropriations, many of which are expired for various non-permanent SBA programs.

If reauthorizing SBA, Congress may choose to address the following issues:

- **Administration and oversight of SBA's COVID-19 pandemic relief programs.** Congress appropriated over $1 trillion in FY2020 and FY2021 for these programs, including the Paycheck Protection Program (PPP) and COVID Economic Injury Disaster Loans (EIDLs). SBA's Office of Inspector General recently noted that "managing COVID-19 stimulus lending is the greatest overall challenge facing SBA, and it may likely continue to be for many years."
- **Effectiveness of SBA's technical assistance programs.** SBA has provided relatively few outcome-based metrics for its technical assistance programs, though it has expanded collection of this information. Congress has expressed interest in the potential duplication of services among SBA's various technical assistance programs, as well as in increased levels of grant assistance for services providers.
- **Data and reporting on federal contracts with small businesses.** SBA's annual Procurement Scorecard provides data on contract and subcontract dollars from certain federal agencies and departments awarded to small businesses. However, the data exclude some contracts and subcontracts and cannot be disaggregated and readily analyzed by such variables as location or contracting preference.
- **SBA assistance to disadvantaged entrepreneurs.** SBA has a long history of providing disadvantaged entrepreneurs with targeted assistance. Congress could consider whether SBA's current programs meet the needs of disadvantaged entrepreneurs.
- **Status of the Community Advantage (CA) Pilot Program.** In 2011, SBA created the CA pilot—a subprogram within the 7(a) loan guarantee program aimed at small businesses in underserved markets—using its authority to create temporary pilot programs. Congress has not permanently authorized the program, but legislation providing such permanent authorization was introduced in the 116th, 117th, and 118th Congresses.

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Introduction

Other than laws which temporarily extended the agency's authorizations under existing terms, Congress has not passed legislation to *reauthorize* the Small Business Administration (SBA) since 2004.[1] Unlike certain other federal agencies or programs, whose authorizations have sunset dates that require periodic reauthorization, Congress has permanently authorized SBA and the vast majority of its programs. While this means SBA and most of its programs do not require reauthorization to continue operating, taking up reauthorization legislation affords Congress the opportunity to consider certain policy issues related to SBA and small businesses, alter aspects of SBA program operations, and update authorizations of appropriations, many of which are expired for various SBA programs.[2]

Calls for Congress to pass a comprehensive reauthorization of SBA have increased in frequency with some organizations and interest groups over the past few years.[3] Some Members of Congress have also expressed interest in reauthorizing the agency.[4] Members of the 117th Congress introduced the Small Business Administration Reauthorization and Modernization Act of 2022 (S. 5220), which would have modified and reauthorized various SBA programs. In a statement, the bill's sponsor, then-Chair of the Senate Committee on Small Business and Entrepreneurship, Senator Benjamin Cardin, said, "The SBA is long due for a reauthorization."[5]

This report summarizes the authorization status of SBA and its programs and examines selected policy issues Congress may want to explore. **Appendix A** provides a brief overview of the SBA and its main areas of activity.

Authorization Status of SBA and SBA Programs

By authorizing an agency or program, Congress provides the legal authority for such agency to operate or administer a program or engage in a certain activity. Authorization—a term applied in congressional procedure to a statutory provision—establishes, continues, or modifies a federal agency or program. Authorization may establish policies and restrictions as well as address organizational or administrative matters. Authorizations do not have to be limited to a specific timeframe; they may be either permanent or include "sunset" provisions requiring periodic review and reauthorization. An authorization would be considered permanent if it does not include a specific expiration date.[6]

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[1] The Small Business Reauthorization and Manufacturing Assistance Act of 2004 (Division K of the Consolidated Appropriations Act, 2005, P.L. 108-447).

[2] Congress has, on occasion, passed legislation making changes to many of SBA's programs at once that were not described as a "reauthorization." For example, see the Small Business Jobs Act of 2010 (P.L. 111-240).

[3] For example, see Jason Wiens, *Why Should We Reauthorize the Small Business Administration?* Bipartisan Policy Center, November 15, 2022, https://bipartisanpolicy.org/blog/why-should-we-reauthorize-sba/; Goldman Sachs 10,000 Small Business Voices, "Goldman Sachs 10,000 Small Businesses Voices Launches New Small Business Administration Reauthorization Campaign," press release, November 16, 2022, https://www.goldmansachs.com/citizenship/10000-small-businesses/US/voices/news/sba-reauthorization-nov2022-press-release.html.

[4] For example, see U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *An Oversight Hearing to Examine the SBA's Implementation of Final Rules to Expand Access to Capital*, 118th Cong., 1st sess., April 26, 2023.

[5] U.S. Senate Committee on Small Business and Entrepreneurship, "Cardin Introduces Legislation to Reauthorize and Modernize the Small Business Administration," press release, December 8, 2022, https://www.sbc.senate.gov/public/index.cfm/2022/12/cardin-introduces-legislation-to-reauthorize-and-modernize-the-small-business-administration.

[6] For more information, see CRS Report R46497, *Authorizations and the Appropriations Process*, by James V. Saturno.

The Small Business Act (P.L. 83-163, as amended; 15 U.S.C. §§631 et seq.) established SBA. Both the Small Business Act and the Small Business Investment Act of 1958 (Small Business Investment Act; P.L. 85-699, as amended; 15 U.S.C. §§661 et seq.) contain language authorizing most SBA programs.

Nearly all SBA programs have permanent authorization. Congress, however, may still choose to pursue a reauthorization either of an entire law (such as the Small Business Act), an agency (such as SBA), or individual program or programs. Such a reauthorization—while not necessary to keep a program or agency running—gives Congress the opportunity to change aspects of how a program or agency operates.

Authorizing legislation sometimes includes language explicitly authorizing appropriations for one or more activities or programs for one or more fiscal years. Such language can be said to have expired after the last fiscal year that an authorization of appropriations appears in statute. Congress may also use reauthorization to extend a program or agency's authorization of appropriations even if the underlying authorization for an agency or program is permanent. Authorizations of appropriations do not provide funding for a program or agency, but instead provide a recommended level for appropriations to be enacted in subsequent annual appropriations bills, which is generally the approach Congress has taken to fund SBA. An authorization of appropriations establishes a procedural upper limit for appropriations, but does not require that appropriations be made. Additionally, Congress regularly appropriates money to programs without a corresponding authorization of appropriations.

Congress can and has reauthorized or amended programs that have been permanently authorized in standalone legislation, as opposed to providing a reauthorization for a host of programs in one bill, or has reauthorized an entire agency. For example, in the 117th Congress, the House passed the STEP Improvement Act of 2022 (H.R. 8844). The bill dealt with SBA's State Trade Expansion Program (STEP), which Congress permanently authorized in the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 115-125). However, STEP's authorization of appropriations ended in FY2020. Therefore, while Congress authorized STEP to operate on a permanent basis, H.R. 8844 would have extended STEP's authorization of appropriations (through FY2026) while also mandating additional data collection and other programmatic changes.

SBA Programs Lacking Permanent Authorization

Congress has provided permanent statutory authority for most but not all SBA programs. The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs—in addition to six associated pilot programs and the affiliated Federal and State Technology (FAST) program—are the only SBA non-pilot programs with authorizations that sunset.[7]

Congress may still provide appropriations for programs whose authorizations have expired. For example, Congress has routinely done so with the FAST program, whose program authorization

[7] Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) pilot programs—all authorized under Section 9 of the Small Business Act—include the Phase Flexibility Pilot (15 U.S.C. §638(cc)); the Civilian Agency Commercialization Readiness Pilot (15 U.S.C. §638(gg)); the Pilot to Accelerate DOD SBIR/STTR Awards (15 U.S.C. §638(hh)); the NIH Phase 0 Proof of Concept Partnership Pilot (15 U.S.C. §638(jj)); the Administrative Funding Pilot Program (15 U.S.C. §638(mm)); and the Commercialization Assistance Pilot Program (15 U.S.C. §638(uu)).

expired at the end of FY2005.[8] **Table 1** presents SBA programs with expired program authorizations.

Table 1. SBA Programs Without Permanent Authorization

Program	Program Description	Authorization	Expiration
FAST	The FAST program provides competitive grants to organizations to grow the number of potential SBIR/STTR applicants, including applicants from underrepresented groups.	Section 34 of the Small Business Act.	Authority for FAST expired on September 30, 2005. Congress continues the program through the appropriations process. (In FY2023, Congress funded FAST at $10 million.)
Cybersecurity for Small Businesses Pilot	This program awards competitive grants to state governments to provide cybersecurity training to small businesses during their initial years of operations.	The program is only mentioned in the explanatory statements for FY2021, FY2022, and FY2023 appropriations.	Congress continues the program through the appropriations process. (In FY2023, Congress funded the program at $3 million.)
SBIR and STTR	SBIR and STTR require federal agencies with extramural research and development (R&D) budgets above certain thresholds to set aside a portion of the funds to increase the participation of small innovative businesses in federal funded R&D and to facilitate the commercialization of university and federal R&D by small businesses.	Section 9 of the Small Business Act. The SBIR and STTR Extension Act of 2022 (P.L. 117-183) reauthorized the programs most recently.	September 30, 2025.
Community Navigator Pilot	This program's goal is to help small businesses access coronavirus disease 2019 (COVID-19) pandemic programs and resources by awarding grants to intermediary organizations for no-cost management and technical assistance to small businesses.	Section 5004 of the American Rescue Plan Act of 2021 (P.L. 117-2).	December 31, 2025.

Sources: CRS, based on a survey of the Small Business Act and Small Business Investment Act; SBA, Federal Program Inventory, FY2013, https://www.sba.gov/document/report—program-inventory; and SBA programs listed on http://www.sam.gov.

[8] For example, Congress recommended appropriating $8 million to FAST in the Consolidated Appropriations Act, 2023 (P.L. 117-328). See U.S. Congress, House Committee on Appropriations, Subcommittee on Financial Services and General Government, *Financial Services and General Government Appropriations Bill, 2023*, Report to accompany H.R. 8254, 117th Cong., 2nd sess., June 28, 2022, H.Rept. 117-393, p. 108.

Recent Reauthorization Attempts

Members of both the 116th and 117th Congresses introduced legislative proposals for comprehensive SBA reauthorization. Neither attempt resulted in an enacted bill.

116th Congress

In the 116th Congress, the Senate Committee on Small Business and Entrepreneurship (Senate Committee) conducted a significant amount of activity on reauthorizing SBA. The Senate Committee held eight hearings, organized by SBA's areas of major responsibilities, between April and June 2019.

Then-Senate Committee Chair Senator Marco Rubio released a Chairman's Mark (a draft legislative proposal) titled the SBA Reauthorization and Improvement Act of 2019, on July 18, 2019.[9] The Chairman's Mark would have changed several SBA programs and extended the authorizations of appropriations for those programs, including

- the Small Business Investment Company (SBIC) program;
- the 504 loan guaranty program;
- the State Trade Expansion Program (STEP);
- the 7(a) loan guaranty program;
- the Microloan program;
- the Small Business Development Centers (SBDC) program; and
- the Women's Business Centers (WBC) program.

In addition, the Chairman's Mark also would have made various changes to SBA's small business contracting preference programs, including increasing the maximum dollar amount of a federal contract for which manufacturing contracts may be awarded without competition (as a sole-source award);[10] requiring SBA to commission an independent study to determine which industries are underrepresented by women;[11] and expanding the definition of Historically Underutilized Business Zones (HUBZones) to include federal Opportunity Zones.[12] The Chairman's Mark also would have given the SBIR/STTR programs and the Community Advantage Pilot Program permanent statutory authorization.

The Senate Committee scheduled a business meeting to mark up the Chairman's Mark for July 24, 2019. Disagreements regarding the content of the bill led to the markup being postponed on the day of the hearing. According to press statements released by Chair Rubio and then-Ranking Member Senator Ben Cardin, the disagreements related to regulatory reform and the role of SBA's Office of Advocacy.[13] No markup ultimately took place.

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[9] The Chairman's Mark is available at https://www.rubio.senate.gov/public/_cache/files/80533629-2905-433f-a588-7c4e032f7347/C096ED9C1EBA68E041CFDA143E01C66C.mir19891.pdf.

[10] For more information, see CRS Report R45576, *An Overview of Small Business Contracting*, by Robert Jay Dilger and R. Corinne Blackford.

[11] For more information, see CRS In Focus IF12476, *SBA's Women-Owned Small Business Contracting Program*, by R. Corinne Blackford.

[12] For more information, see CRS In Focus IF12428, *The SBA's Historically Underutilized Business Zone (HUBZone) Program*, by R. Corinne Blackford, and CRS Report R45152, *Tax Incentives for Opportunity Zones*, by Donald J. Marples.

[13] See U.S. Senate Committee on Small Business and Entrepreneurship, "Rubio Postpones Markup of Small Business (continued...)

117th Congress

Near the end of the 117th Congress, then-Senate Committee Chair Cardin introduced the Small Business Administration Reauthorization and Modernization Act of 2022 (S. 5220). The bill rolled up 11 other bills introduced in the 117th Congress into one SBA reauthorization bill.

S. 5220 would have changed how several SBA programs operated and extended the authorizations of appropriations for those programs, including

- STEP;
- the SBDC program; and
- the WBC program.

In addition, S. 5220 would have made various changes to SBA's small business contracting programs, including increasing the maximum dollar amount of various types of federal contracts for which a contract may be awarded without competition; increasing the amount of time a small business may stay in the 7(j) technical assistance program; and requiring that small businesses certified under the 8(a) contracting program submit to SBA a number of business-related documents.

S. 5220 also would have given the Community Advantage Pilot Program permanent statutory authorization and authorized a number of new programs, including a pilot program to award grants to organizations to create or support existing entrepreneurial development programs for formerly incarcerated individuals.

S. 5220 was referred to the Senate Committee but did not advance.

Selected Reauthorization Issues

This section discusses selected issues that may be addressed by reauthorization, either because they have previously drawn interest from Congress or other interest groups. Those issues are

- administration and oversight of SBA's COVID-19 pandemic relief programs;
- effectiveness of SBA's technical assistance programs;
- data and reporting on federal contracts with small businesses;
- responsibilities of SBA's Office of Advocacy;
- SBA's assistance to disadvantaged entrepreneurs; and
- status of the Community Advantage Pilot Program.

Administration and Oversight of SBA's COVID-19 Pandemic Relief Programs

SBA's pandemic relief programs resulted in a significant increase in the agency's appropriations and responsibilities. Congress appropriated over $1 trillion in FY2020 and FY2021 for SBA to implement its pandemic relief programs. SBA's appropriation in FY2019 was $715 million; in FY2020, SBA's appropriation was $762 *billion*. In one day—April 10, 2020—SBA received over

Act Reauthorization," July 24, 2019, https://www.sbc.senate.gov/public/index.cfm/2019/7/rubio-postpones-markup-of-small-business-act-reauthorization, and U.S. Senate Committee on Small Business and Entrepreneurship, "Cardin Statement on Postponement of SBA Reauthorization Markup," July 24, 2019, https://www.sbc.senate.gov/public/index.cfm/2019/7/cardin-statement-on-postponement-of-sba-reauthorization-markup.

4.5 million applications for its COVID Economic Injury Disaster Loan (EIDL) program. Before the pandemic, SBA received an average of 65,000 disaster loan applications (which included SBA's non-COVID EIDL program as well as a few other types of disaster loans) each year.[14]

Oversight and administration of SBA's pandemic relief programs remain an issue of congressional interest. In its report on SBA's largest management challenges for FY2023, SBA's Office of Inspector General (OIG) wrote: "managing COVID-19 stimulus lending is the greatest overall challenge facing SBA, and it may likely continue to be for many years."[15] Over just a few months in 2020, SBA received approximately twice as many COVID EIDL applications as it had made approvals for all disaster loans (including non-COVID EIDLs and a few other types of disaster loans) over the previous seven decades.[16] SBA has serviced or will service almost 3.6 million COVID EIDLs in FY2023 and FY2024.[17] As of May 2022, SBA was servicing approximately four million pandemic relief loans (from the Paycheck Protection Program (PPP) and COVID EIDLs) worth approximately $390 billion—more than 43 times SBA's pre-pandemic loan portfolio. Despite the increased workload, SBA OIG has warned that SBA does not have "the staff or infrastructure" to adequately manage the volume of loans.[18]

Policies and Processes to Address Fraud and Fraud Prevention Concerns

Congress may choose to exercise its oversight function specifically with regard to SBA's pandemic relief programs to ensure that SBA itself provides sufficient investigation and oversight during the remaining period of the programs' administration. SBA's two largest pandemic relief programs, PPP and COVID EIDL, were both targeted by individuals and organizations attempting to defraud the programs. Although exact numbers vary, many fraudulent actors were successful. A June 2023 SBA OIG report found that SBA disbursed over $200 billion in potentially fraudulent COVID EIDLs, Targeted and Supplemental Targeted EIDL Advances (payments to COVID EIDL applicants that did not need to be repaid), and PPP loans.[19] A separate report from SBA, issued the same day as the SBA OIG report, estimated the agency issued $36 billion of fraudulent pandemic relief loans and grants.[20] In the 117th Congress, a number of bills addressing fraud in SBA's pandemic relief programs became law. For example, the COVID-19 EIDL Fraud Statute of Limitations Act of 2022 (P.L. 117-165) and the PPP and Bank Fraud Enforcement Harmonization Act of 2022 (P.L. 117-166) increased to 10 years the statute of limitations for criminal charges and civil enforcement of fraud related to COVID EIDL and PPP, respectively.

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14 SBA Office of Inspector General (OIG), *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic*, October 28, 2020, p. 3, https://www.sba.gov/document/report-21-02-inspection-small-business-administrations-initial-disaster-assistance-response-coronavirus-pandemic.

15 SBA OIG, *Top Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2023*, October 14, 2022, p. iv, https://www.sba.gov/sites/sbagov/files/2022-10/SBA%20OIG%20Report%2023-01_0.pdf.

16 SBA OIG, *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic*, October 28, 2020, p. 3, https://www.sba.gov/document/report-21-02-inspection-small-business-administrations-initial-disaster-assistance-response-coronavirus-pandemic.

17 SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2023, p. 109, https://www.sba.gov/sites/sbagov/files/2023-05/FY_2024_CBJ-508.pdf.

18 SBA OIG, *Top Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2023*, October 14, 2022, p. 31, https://www.sba.gov/sites/sbagov/files/2022-10/SBA%20OIG%20Report%2023-01_0.pdf.

19 SBA OIG, *COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape*, June 27, 2023, p. 8, https://www.sba.gov/document/report-23-09-covid-19-pandemic-eidl-ppp-loan-fraud-landscape.

20 SBA, *Protecting the Integrity of the Pandemic Relief Programs: SBA's Actions to Prevent, Detect and Tackle Fraud*, June 27, 2023, p. 6, https://www.sba.gov/document/report-protecting-integrity-pandemic-relief-programs.

In considering SBA reauthorization, Congress may consider additional measures such as assessing SBA OIG's role in the oversight and investigations related to the pandemic relief programs and related funding questions. In addition, the Biden Administration's FY2024 budget request proposed a base appropriation of $47.7 million for the SBA OIG and an additional $1.6 million transfer from SBA's Disaster Loans Program account; in FY2023, SBA OIG's base appropriation was $32.0 million (with a further $1.6 million in transfers).[21] SBA OIG's budget request for FY2024 was $63.3 million, which the office argued was necessary to oversee SBA's expanded loan portfolio and manage the extended statutes of limitation for PPP and COVID EIDL fraud.[22] The Biden Administration's March 2023 anti-fraud proposal also recommended at least $100 million in supplemental funding for SBA OIG "for the express purpose of long-term hiring of investigators to pursue special cases of organized pandemic fraud."[23] Congress could also consider whether additional costs related to additional investigation and oversight may outweigh the benefits of recouping funds from fraudulent actors.

Congress may also consider whether to create a statutory framework for fraud prevention within SBA. A May 2023 Government Accountability Office (GAO) report found that, for all its pandemic relief programs, SBA did not adequately use available information to help prevent fraud. For example, SBA did not cross-check PPP and COVID EIDL applicants' information to determine if a potentially fraudulent applicant for one program was also applying for the other program. GAO found that this partially resulted from SBA lacking a centralized, designated entity to design and oversee fraud prevention.[24] SBA OIG has issued similar findings, for example noting that "the need to establish and utilize effective fraud, eligibility, and compliance controls while reviewing for loan eligibility, forgiveness, and guaranty purchase remains an ongoing challenge."[25]

In April 2022, SBA announced the creation of a Fraud Risk Management Board (FRMB). According to SBA, the FRMB "was established to serve as the designated anti-fraud entity responsible for oversight and coordination of SBA's fraud risk prevention, detection, and response activities."[26] In an SBA authorization, Congress may choose to codify the FRMB, thus making the office permanent. By codifying the FRMB, Congress can spell out the FRMB's responsibilities and, therefore, provide standards for use to assess its effectiveness.[27] Additionally, the FRMB appears to be outside the SBA OIG. Among SBA OIG's responsibilities is "detecting

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[21] Office of Management and Budget, *President's Budget, Budget Appendix, Small Business Administration*, March 9, 2023, pp. 1160-1161, https://www.whitehouse.gov/wp-content/uploads/2023/03/sba_fy2024.pdf; U.S. Congress, House Committee on Appropriations, *Committee Print of the Committee on Appropriations, U.S. House of Representatives, on H.R. 2617/P.L. 117-328*, committee print, 117th Cong., 2nd sess. (Washington: GPO, 2023), pp. 1119-1120.

[22] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2023, p. 204, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf. Hereinafter "FY2024 CBJ."

[23] The White House, "FACT SHEET: President Biden's Sweeping Pandemic Anti-Fraud Proposal: Going After Systemic Fraud, Taking on Identity Theft, Helping Victims," March 2, 2023, https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/02/fact-sheet-president-bidens-sweeping-pandemic-anti-fraud-proposal-going-after-systemic-fraud-taking-on-identity-theft-helping-victims/.

[24] U.S. Government Accountability Office, *COVID Relief: Fraud Schemes and Indicators in SBA Pandemic Programs*, GAO-23-105331, May 18, 2023, pp. 113-114, https://www.gao.gov/products/gao-23-105331.

[25] SBA OIG, *Top Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2023*, October 14, 2022, p. 6, https://www.sba.gov/sites/sbagov/files/2022-10/SBA%20OIG%20Report%2023-01_0.pdf.

[26] SBA, "Administrator Guzman Announces Expanded Efforts to Aggressively Crack Down on Bad Actors and Prevent Fraud in Programs," press release, April 1, 2022, https://www.sba.gov/article/2022/apr/01/administrator-guzman-announces-expanded-efforts-aggressively-crack-down-bad-actors-prevent-fraud.

[27] For more details about SBA's pandemic relief programs, see CRS Report R47694, *SBA as a Vehicle for Crisis Relief: Lessons from the COVID-19 Pandemic*, coordinated by Adam G. Levin.

and deterring fraud."[28] Congress may be interested in whether and how the FRMB aligns or overlaps with SBA OIG's mission, and whether codifying the FRMB could address these questions.

Effectiveness of Technical Assistance Programs

Congress has expressed interest in the potential duplication among SBA's various technical assistance programs and services. In addition to funding a network of nearly 1,000 Small Business Development Centers (SBDCs), SBA provides financial support to more than 140 Women's Business Centers (WBCs), 22 Veteran Business Outreach Centers (VBOCs), and more than 250 chapters of the mentoring program SCORE, which also provide technical assistance services to small business owners. In 2021, SBA's Community Navigator Pilot Program funded 51 grantees, which work with 450 organizations providing outreach and technical assistance to underserved small business owners. Technical assistance is also associated with other SBA initiatives, such as the Program for Investment in Microentrepreneurs (PRIME) and 7(j) Management and Technical Assistance.

SBA typically tracks client outreach and levels of service, such as numbers of clients served and training events held, as well as the number of new businesses started and jobs supported as a result of SBDC activities.[29] SBA has recently also begun to track the satisfaction of SBDC clients served. The "Average Satisfaction Rate of Entrepreneurs Assisted by SBDCs" was 93% in FY2022.[30] SBA has also incorporated participant surveys into its THRIVE Emerging Leaders Reimagined Program. Nearly 93% recommend the program to other business owners in FY2022, and previous years' surveys found rates in the 94-95% range.[31]

By contrast, SBA historically provides fewer *outcome-based* metrics than participation- or activity-based metrics for its technical assistance programs. In 2019, an SBA OIG report "found that [the SCORE] program officials had established limited outcome-based performance measures to assess whether the SCORE program has its intended effect."[32] Recent VBOC and Native American outreach program performance reports do not include indications of customer experience or customer business outcomes.[33] SBA, however, is beginning to develop and monitor outcome-based program performance measures for certain technical assistance programs. These programs include the SBDC, WBC, SCORE, and THRIVE Emerging Leaders programs, whose most recent program performance reports provide one or more outcome-based metrics related to "business starts," "capital infusion," "revenue growth," and business owners "creating or retaining jobs."[34] In the 118th Congress, proposed legislation from both chambers include provisions related to technical assistance data collection and reporting.[35]

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[28] SBA, *About the Office of Inspector General*, https://www.sba.gov/about-sba/oversight-advocacy/office-inspector-general/about-office-inspector-general#id-detecting-and-deterring-fraud.

[29] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2024, pp. 86-94, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf.

[30] Ibid., p. 89.

[31] Ibid., p. 94.

[32] SBA OIG, *Audit of SBA's Oversight of the SCORE Association*, Report Number 19-12, April 25, 2019, p. 12, https://www.sba.gov/document/report-19-12-audit-sbas-oversight-score-association.

[33] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2024, pp. 97-98 and pp. 99-101, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf.

[34] Ibid., pp. 82, 84, and 89.

[35] In the 118th Congress, S. 2185 would establish a "data collection working group" focused on the SBDC program, and (continued...)

Some stakeholders have argued that merging SBA's technical assistance programs could improve the efficiency of services; others have expressed preference for tailored programs.[36] Some advocates favor improved coordination among funding recipients and suggest greater program oversight.[37] Furthermore, pandemic-era legislation for small business economic relief raised concerns that additional technical assistance funding for that period may have led to duplicative services. A House report accompanying the American Rescue Plan Act explicitly expressed "concerns with the duplication" of SBA technical assistance that might be created by new funding for SBA partner organizations.[38]

Congressional interest also exists for increasing resources for organizations that partner with SBA to provide technical assistance to firms. For example, S. 2185 in the 118th Congress would authorize $175 million for SBDC grants for each fiscal year from FY2024 through FY2027 (the Consolidated Appropriations Act of 2023, P.L. 117-328, appropriated $140 million for grants for the SBDC program). Also in the 118th Congress, S. 2184 would raise the maximum grant award amount for each WBC from $150,000 to $300,000 annually. In the 117th Congress, both bills were also included in the Small Business Administration Reauthorization and Modernization Act of 2022 (S. 5220).

Data and Reporting on Federal Contracts with Small Businesses

Limited data analysis functions may hinder understanding of contractor compliance and accountability issues, as well as the effectiveness of SBA's contracting programs. Although the Federal Procurement Data System of contract awards provides tools to extract dynamic data on contractors and contract awards, use of these tools requires extensive knowledge of the data and its structure and they are not tailored for analysis of small business contract awards.

SBA, the SAM.gov data bank, and the General Services Administration (GSA) each issue annual reports related to federal government small business contracting with data inconsistencies. SBA issues a procurement scorecard for the 24 CFO Act agencies every fiscal year, which provides data on the percentage of contract dollars and subcontract dollars awarded to small businesses.[39] SAM.gov's Small Business Goaling Reports provide data on contracting goal achievement by

H.R. 5367 would establish one for the SBDC, WBC, and SCORE programs. Both bills would also require a report from the working group on data collection findings and recommendations.

36 U.S. Congress, House Committee on Small Business, "Views and Estimates of the Committee on Small Business on Matters to Be Set Forth in the Concurrent Resolution on the Budget for FY2014," communication to the Chairman, House Committee on the Budget, 113th Cong., 1st sess., February 27, 2013, p. 6.

37 U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, Report to accompany H.R. 2352, 111th Cong., 1st sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 17-18.

38 U.S. Congress, House Committee on the Budget, *American Rescue Plan Act of 2021*, Report to accompany H.R. 1319, 117th Cong., 1st sess., February 24, 2021, H.Rept. 117-7 (Washington: GPO, 2021), p. 478.

39 The Chief Financial Officers Act of 1990 (P.L. 101-576) gave the Office of Management and Budget new authorities and responsibilities to improve financial management across 24 federal agencies. The list of agencies is available at https://www.cio.gov/handbook/it-laws/cfo-act/. The FY2022 Procurement Scorecard is available at https://www.sba.gov/agency-scorecards/scorecard.html?agency=GW&year=2022. SBA gives agencies small business contracting credit in every category applicable to a contract recipient. For example, a contract with a small business that is women-owned and service-disabled veteran-owned would count toward an agency's small business goal, women-owned small business goal, and service-disabled veteran-owned small business goal. SBA also "double-counts" certain prime contracts awarded in disaster areas (15 U.S.C. §644(f)) and in Puerto Rico and other covered territories (15 U.S.C. §644(x)(1)). Section 318 of P.L. 113-76 requires SBA to also count Department of Energy first-tier subcontract awards toward small business goals.

agency and by contracting program (such as 8(a), HUBZone, etc.).[40] GSA issues another annual report on all prime contract procurements made each fiscal year, using a slightly different measurement approach; additionally, GSA provides a subcontracting report by industry.[41]

These reports, however, provide "static" data, released for individual fiscal years, and are primarily organized according to socioeconomic small business goal category (i.e., small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business (WOSB)). SBA's procurement scorecards and SAM.gov small business goaling reports exclude some contracts, leading the data to differ from that provided by the GSA annual reports.[42] In general, the currently available data cannot be disaggregated and analyzed by such variables as location of performance, contract type, or contract preference such as a small business set-aside. Dynamic data at various levels of detail may be extracted from SAM.gov but that requires deep knowledge of the underlying data, its format, and the SAM.gov interface and data extraction tools.

Recent legislative proposals have included new small business contract award data reporting requirements. In the 118th Congress, the Small Business Contracting Transparency Act of 2023 (H.R. 4670) passed the House and would require annual reports with additional WOSB, HUBZone and Service-Disabled Veteran-Owned Small Business contract award data. In the 117th Congress, Section 412 of the Small Business Administration Reauthorization and Modernization Act of 2022 (S. 5220) would have required annual reports with "disaggregated data on the size and number of contracts in total by the federal government and by each federal agency to small business concerns by demographics, including, at a minimum, the gender, race, and ethnicity categories published by the Administration" for FY2020, FY2021, and FY2022.[43] Also in the 117th Congress, the WOSB Program Transparency Act (H.R. 7670) passed the House and would have required an annual report with additional WOSB contract award data.

Responsibilities of the Office of Advocacy

The Office of Advocacy (Advocacy) is an independent entity within SBA. Advocacy's role is to be an "independent voice for small business within the federal government," and the office "advances the views and concerns of small businesses before Congress, the White House, federal agencies, federal courts, and state policymakers."[44]

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[40] They are reported by fiscal year starting in FY2005 and accessible through SAM.gov's Data Bank at https://sam.gov/reports/awards/static.

[41] Per Section 15(h)(3)(A)(ii) of the act, the report must include "all procurements made for the period covered by the report and may not exclude any contract awarded." The FY2022 reports are available at https://www.gsa.gov/policy-regulations/policy/acquisition-policy/small-business-reports.

[42] Contract awards may be excluded from data because the work cannot realistically be performed by small businesses. According to the SBA's Goaling Guidelines, most excluded contracts are acquisitions on behalf of foreign governments, awarded to mandatory and directed sources, or funded with non-appropriated, agency-generated funds. Purchases valued at less than $10,000 are also excluded because they are not tracked in the Federal Procurement Data System. The value of contracts with these exclusions is referred to as the "small business eligible" value.

[43] The SBA released prime contract award data disaggregated by certain demographic categories for FY2020, FY2021, and FY2022. See SBA, *SBA Releases FY 2020 Disaggregated Contracting Data*, December 1, 2021, https://www.sba.gov/blog/sba-releases-fy-2020-disaggregated-contracting-data; SBA, *Disaggregated Federal Contracting Data FY 2021*, https://www.sba.gov/disaggregated-data/2021/; and SBA, *Disaggregated Federal Contracting Data FY 2022*, https://www.sba.gov/disaggregated-data/2022/.

[44] SBA Office of Advocacy, "About," https://advocacy.sba.gov/about/.

Advocacy's responsibilities have increased since it was established in 1976 in P.L. 94-305. Those responsibilities include representing the interests of small business in the regulatory process, producing and promoting small business economic research, facilitating small business outreach within the federal government, and providing compliance training to federal regulatory officials as required under the Regulatory Flexibility Act (RFA, P.L. 96-354, as amended, 5 U.S.C. §§601-612). Specifically, the RFA requires federal agencies to analyze the potential effects of their regulatory actions on small entities, which include small nonprofits, small governments, and small businesses. The RFA also requires federal agencies to consider other options that would effectively implement their regulatory goals without unduly burdening small entities. Advocacy is responsible for overseeing and facilitating compliance with the RFA.

Congress has considered the roles and responsibilities of Advocacy in recent years. Members have introduced several pieces of legislation related to Advocacy:

- In the 118th Congress, the Small Business Advocacy Improvements Act of 2023 (H.R. 399) would expand Advocacy's duties to include examining the role of small businesses in the international economy and representing small businesses before foreign governments and international entities to contribute to regulatory and trade initiatives affecting small businesses. The bill passed the House. Similar legislation was introduced in the 117th Congress (H.R. 6454), the 116th Congress (H.R. 128), and the 115th Congress (H.R. 6316). Each of those bills also passed the House.
- In the 118th Congress, the Small Business Regulatory Flexibility Improvements Act (H.R. 358) would expand Advocacy's responsibilities by, among other things, expanding the use of small business advocacy review panels; enhancing requirements for federal agency notification of the Chief Counsel for Advocacy (Chief Counsel) prior to the publication of any proposed rule; and authorizing the Chief Counsel to file comments on any notice of proposed rulemaking, not just when the RFA is concerned. Similar provisions were included in the Regulatory Accountability Act of 2017 in the 115th Congress (H.R. 5), which passed the House.
- In the 117th Congress, the Advocacy Empowerment Act of 2022 (S. 3729) would have authorized the Chief Counsel to issue rules governing federal agency compliance with the RFA. Similar legislation was introduced in the 116th Congress (S. 83).

Congress may wish to consider the scope of Advocacy's role in any potential SBA reauthorization, including whether to make changes to the RFA. The 2019 Chairman's Mark (a draft legislative proposal) released by then-Senate Committee on Small Business and Entrepreneurship Chair Senator Marco Rubio included provisions that would have amended the RFA and, therefore, Advocacy's responsibilities. For example, the Chairman's Mark would have allowed the Chief Counsel to send a letter questioning an agency's certification that a proposed rule would not have a significant impact on a substantial number of small entities and asking the agency to reconsider the rule.[45] According to statements from the Senate Committee on Small Business and Entrepreneurship's then-Chair Marco Rubio and then-Ranking Member Benjamin Cardin, disagreement about changes to the RFA and Advocacy's responsibilities caused the

[45] Section 901 of the Chairman's Mark. The Chairman's Mark is available at https://www.rubio.senate.gov/wp-content/uploads/_cache/files/80533629-2905-433f-a588-7c4e032f7347/C096ED9C1EBA68E041CFDA143E01C66C.mir19891.pdf.

markup of the Chairman's Mark to be indefinitely postponed.[46] Thus, Congress could decide whether to make any changes to the RFA and Advocacy's responsibilities in an SBA reauthorization or whether to separate any such discussions from debate on reauthorization.

SBA Assistance to Disadvantaged Entrepreneurs and Underserved Markets

SBA has a long history of considering the impact of its programs to disadvantaged entrepreneurs and underserved markets.[47] During its first decade of existence, SBA did not systematically collect race and ethnicity data from borrowers. Estimates by researchers suggested that few SBA loans were made to minority entrepreneurs.[48] To remedy this funding gap, SBA created the 6 x 6 pilot program in January 1964.[49] During the first year of that program, SBA approved 794 loans, with approximately half (393 or 49%) going to minority businesses in five cities.[50]

Congress and SBA can provide incentives to increase access to loan and equity business finance for disadvantaged entrepreneurs and underserved markets. For example, the 7(a) and 504 programs have used fee waivers—thereby lowering the lender's cost of making those loans relative to other loans—for certain disadvantaged entrepreneurs. Statutory authorization for a fee waiver exists in the 7(a) program for certain loans to veterans.[51] During SBA's annual fee-setting process, it also has the authority to provide lower or no fees for certain loans. For example, in FY2019, SBA waived the annual service fee and set a lower upfront fee for loans of $150,000 or less made to a business in a rural area or HUBZone.[52]

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[46] For example, see U.S. Senate Committee on Small Business and Entrepreneurship, "Rubio Postpones Markup of Small Business Act Reauthorization," press release, July 24, 2019, https://www.sbc.senate.gov/public/index.cfm/2019/7/rubio-postpones-markup-of-small-business-act-reauthorization; and U.S. Senate Committee on Small Business and Entrepreneurship, "Cardin Statement on Postponement of SBA Reauthorization Markup," press release, July 24, 2019, https://www.sbc.senate.gov/public/index.cfm/2019/7/cardin-statement-on-postponement-of-sba-reauthorization-markup.

[47] SBA programs use several definitions of disadvantaged or underserved entrepreneurs. The term underserved markets is also sometimes used, where "markets" could refer to demographic or socioeconomic groups as well as geographic areas. For example, in the (now ended) Community Advantage Pilot Program, Community Advantage lenders needed to make at least 60% of their loans to borrowers in underserved markets. Community Advantage defined "underserved markets" to mean: businesses in low-to-moderate income communities, Empowerment Zones and Enterprise Communities, Historically Underutilized Business Zones (HUBZones), Promise Zones, Opportunity Zones, or rural areas; businesses within their first two years of operation; businesses that are majority controlled by veterans; and businesses where a majority of the workforce is low-income or resides in low-to-moderate income communities. SBA, "Community Advantage Participant Guide," version 7.0 as of May 31, 2022, https://www.sba.gov/document/support-community-advantage-participant-guide.

[48] Timothy Bates, "A Review of the Small Business Administration's Major Loan Programs," The Interagency Task Force on Small Business Finance: Studies in Small Business Finance, December 1981, p. 8.

[49] The 6 x 6 pilot program provided loans of up to $6,000 for a term of up to six years. Adjusted for inflation, $6,000 in January 1964 has the same buying power as about $60,000 in January 2024. Therefore, the terms of the 6 x 6 pilot program are broadly similar to the current Microloan program. The inflation adjustment is based on U.S. Bureau of Labor Statistics, "CPI Inflation Calculator," accessed February 14, 2024, https://www.bls.gov/data/inflation_calculator.htm.

[50] Timothy Bates, "A Review of the Small Business Administration's Major Loan Programs," The Interagency Task Force on Small Business Finance: Studies in Small Business Finance, December 1981, p. 8.

[51] The 7(a) veterans fee waiver was started by SBA administratively, made permanent by Congress in the Veterans Entrepreneurship Act of 2015 (P.L. 114-38) in fiscal years in which there is no federal credit subsidy for the 7(a) program, and made permanent by Congress in the CARES Act (P.L. 116-136) in all fiscal years.

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

More recently, SBA has operated several programs intended to increase access to capital for disadvantaged entrepreneurs and underserved markets. SBA does this through specialized programs and through modifications to existing programs. Two existing specialized programs are the Community Advantage Pilot Program (CA, previously a pilot program within 7(a)) and the Microloan program. One of CA's goals is to "increase access to capital for small businesses located in underserved markets."[53] The Microloan program is statutorily intended to "assist women, low-income, veteran … and minority entrepreneurs and business owners" access capital.[54]

Since 1988, the federal government has maintained annual goals for small and *small "disadvantaged" business* participation in federal contracting. At that time, Congress required that *small disadvantaged businesses* receive "not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year."[55] Today, statute maintains an annual Small Disadvantaged Business (SDB) contracting goal of 5% of prime and subcontract award dollars. Executive action under the Biden Administration, however, increased the statutory SDB goal, seeking to increase this share of award dollars to 15% by 2025. In FY2022, agencies were required to collectively award at least 11% of contract spending to SDBs, per Office of Management and Budget Memorandum (OMB) M-22-03.[56] In FY2023, agencies were required to collectively award at least 12% to SDBs, per OMB Memorandum M-23-01.[57] In FY2024, agencies must collectively award at least 13% to SDBs, per OMB Memorandum M-24-01.[58] Procurement Scorecards show that SDBs have received in the range of 10-11% of small business-eligible prime contract awards from FY2018-FY2022.[59] Apart from the increase of the Service-Disabled Veteran-Owned Small Business goal from 3% to 5% by the National Defense Authorization Act for Fiscal Year 2024 (P.L. 118-31), legislation has not altered the contracting goals in statute for certain other types of disadvantaged small businesses since passage of the Small Business Reauthorization Act of 1997.[60]

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[53] SBA, *Community Advantage Participant Guide*, May 31, 2022, p. 6, https://www.sba.gov/document/support-community-advantage-participant-guide.

[54] 15 U.S.C. §636(m)(1)(A).

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

[56] Jason S. Miller, Deputy Director for Management, *Memorandum for the Heads of Executive Departments and Agencies*, Office of Management and Budget (OMB), December 2, 2021, https://www.whitehouse.gov/wp-content/uploads/2021/12/M-22-03.pdf.

[57] Shalanda D. Young, Director, Memorandum for the Heads of Executive Departments and Agencies: Increasing the Share of Contract Dollars Awarded to Small Disadvantaged Businesses, OMB, October 4, 2022, https://www.whitehouse.gov/wp-content/uploads/2022/10/M-23-01.pdf.

[58] Shalanda D. Young, Director, *Memorandum for the Heads of Executive Departments and Agencies*, OMB, October 25, 2023, https://www.whitehouse.gov/wp-content/uploads/2023/10/M-24-01-Increasing-the-Share-of-Contract-Dollars-Awarded-to-Small-Disadvantaged-Businesses_Final.pdf.

[59] SBA, *Small Business Procurement Scorecard Overview*, https://www.sba.gov/document/support-small-business-procurement-scorecard-overview#scorecard-versions.

[60] P.L. 105-135, the Small Business Reauthorization Act of 1997, increased the government-wide small business procurement goal from 20% to 23%.

Status of the Community Advantage Pilot Program

The Community Advantage Pilot Program (CA pilot), a subprogram within the 7(a) loan guarantee program, was intended "to meet the credit, management, and technical assistance needs of small businesses in underserved markets."[61] The CA pilot's goals were to

- increase access to credit for small businesses located in underserved markets;
- expand points of access to the SBA 7(a) loan program by allowing nontraditional, mission-oriented lenders to participate;
- provide management and technical assistance to small businesses as needed; and
- manage portfolio risk.[62]

SBA created the CA pilot in 2011 using its authority to create temporary pilot programs.[63] The CA pilot was originally set to expire on March 15, 2014, but the agency subsequently extended and modified the program. The CA pilot was last extended through September 30, 2024,[64] but SBA decided to sunset the program on October 31, 2023.[65] To date, Congress has not provided permanent statutory authorization for the CA pilot.

Following the sunset of the CA pilot, SBA transitioned active CA pilot lenders to be Community Advantage Small Business Lending Companies (CA SBLCs).[66] The SBA stated its intention to make a version of the CA pilot permanent, thus providing greater stability and predictability for CA lenders.[67] SBA regulations require that CA SBLCs are subject to similar SBA oversight requirements as other SBLCs.[68] Compared with previous CA pilot program guidance, the regulations contain few provisions specific to CA SBLCs. However, SBA stated that CA SBLCs will still be subject to the administrative requirements[69] that were in effect during the CA pilot, including the $350,000 loan maximum.[70]

Congress has shown interest in the CA pilot program since its inception. More recently, SBA reauthorization attempts from the 116th and 117th Congresses (see "Recent Reauthorization Attempts") included provisions to make a version of the CA pilot permanent. Senate legislation in the 118th Congress, the Community Advantage Loan Program Act of 2023 (S. 2482), partially in

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[61] SBA, *Community Advantage Participant Guide*, May 31, 2022, p. 6, https://www.sba.gov/document/support-community-advantage-participant-guide.

[62] Ibid.

[63] SBA, "Community Advantage Pilot Program," 76 *Federal Register* 9626, February 18, 2011. In identifying this authority, SBA referenced 15 U.S.C. §636(a)(25) and 13 C.F.R. §120.3.

[64] SBA, "Community Advantage Pilot Program," 87 *Federal Register* 19165, April 1, 2022.

[65] SBA's decision to sunset the Community Advantage Pilot Program early were for reasons unrelated to its statutory authority or reauthorization. SBA, "Community Advantage Pilot Program," 88 *Federal Register* 69003, October 5, 2023.

[66] SBA, "Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization," 88 *Federal Register* 21890, April 12, 2023.

[67] Ibid.

[68] SBA licenses a limited number of SBLCs (currently 17) to participate in the 7(a) program as lenders (not through Community Advantage). These SBLCs are nondepository loan funds, meaning they do not accept deposits.

[69] Administrative requirements are SBA-imposed program requirements that lenders agree to follow as a condition of participating in the program, such as standard operating procedures (SOPs). SBA can change administrative requirements without having to go through the rulemaking process.

[70] SBA, *Community Advantage Small Business Lending Company Conversion*, Information Notice 5000-846918, May 1, 2023, https://www.sba.gov/document/information-notice-5000-846918-community-advantage-small-business-lending-company.

reaction to SBA's business loan program rule changes, would also make a version of the CA pilot permanent. Congress, therefore, may choose to consider the status of the Community Advantage program during a new reauthorization attempt.

Concluding Observations

Members of Congress and outside interest groups have both expressed interest in reauthorizing SBA. While SBA as a whole and the majority of the agency's programs are permanently authorized, a comprehensive SBA reauthorization could give Congress the opportunity to consider various aspects of SBA's operations. Given Congress's longstanding engagement with small business policy and SBA's expanded responsibilities over recent years, the topic of SBA reauthorization may be an area of congressional interest for the foreseeable future.

Appendix A. SBA Major Areas of Activity

SBA administers a range of programs for different types of small businesses and involving several types of activities. SBA's activities focus on access to capital, entrepreneurial development and technical assistance, federal contracting assistance, and disaster relief and assistance. This appendix briefly summarizes SBA's main areas of activity and provides links for further details. For a more comprehensive examination of SBA's programs and activities, see CRS Report RL33243, *Small Business Administration: A Primer on Programs and Funding*.

Access to Capital

Small businesses often require funds (in the form of loans or equity) to start, operate, and expand. SBA operates several programs to assist small businesses access funds: the 7(a) and 504 loan guarantee programs, the Microloan program, and the Small Business Investment Company (SBIC) venture capital program. These programs require that businesses meet SBA's industry-based or alternative size standards. The programs are structured as market-type transactions that require repayment or business equity (meaning they are not grants), and all are implemented by private program partners. Additionally, the programs are limited to small businesses who cannot access credit on reasonable terms on the private market.

Current major SBA access to capital programs include

- SBA's 7(a) loan guarantee program, which is SBA's largest access to capital program by both dollar amount and number of small businesses assisted. Through the 7(a) program, SBA guaranteed 57,362 loans for a total of $27.5 billion in FY2023.[71] A 7(a) loan often starts with an entrepreneur visiting a local 7(a) lender (often a local bank or credit union) and applying for a loan. If the lender believes the business's project is promising but the application is too risky for the lender's underwriting (for example, the owner does not have enough collateral or management experience), then the lender can apply for the SBA to guarantee a portion of the loan principal. SBA will guarantee between 50%-90% of the principal, but typically guarantees 75%-85%. SBA 7(a) loans are available up to a maximum of $5 million, generally for up to 10 years. The borrower must repay a 7(a) loan in full (with interest).[72]
- SBA's 504 loan guarantee program, which offers larger loans for longer durations than 7(a) for specialized projects. In FY2023, SBA guaranteed 5,924 loans for $6.4 billion in the 504 program.[73] A 504 project requires three funding sources: (1) up to 40% of project cost from a loan from an SBA-certified Certified Development Company (CDC), the principal of which is 100% SBA guaranteed; (2) at least 50% from a private lender, with no SBA guarantee; and (3) at least 10% from the borrower's own funds. Loans in the 504 program are often for specialized investments in land, building a structure, or specialized machinery. The maximum amount of a 504 loan is either $5 million or $5.5 million

[71] SBA Office of Capital Access, "7(a) & 504 Summary Report: FY2023," data as of February 8, 2024, https://careports.sba.gov/views/7a504Summary/Report?%3Aembed=yes&%3Atoolbar=no.

[72] For more about the 7(a) loan guarantee program, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*.

[73] SBA Office of Capital Access, "7(a) & 504 Summary Report: FY2023," data as of February 8, 2024, https://careports.sba.gov/views/7a504Summary/Report?%3Aembed=yes&%3Atoolbar=no.

(depending on the project type), with a maturity up to 30 years. The borrower must repay the CDC and private lender loans in full (with interest).[74]

- The Microloan program, which offers smaller loans of up to $50,000 for up to 10 years. In FY2023, Microloan Intermediaries made 5,590 Microloans for a total of $87.5 million.[75] Microloan is statutorily intended to "assist women, low-income, veteran … and minority entrepreneurs and business owners" access capital.[76] Microloan operates as a two-step program. SBA provides low-interest rate direct loans and grants for management training to SBA-certified Microloan Intermediaries (often locally focused community development nonprofit organizations), who also must secure outside matching funds (generally at least 15% of the amount request from SBA). Microloan Intermediaries then use SBA and outside funds to make Microloans and provide management training to small businesses. Microloans can be used for many purposes, such as purchasing supplies or equipment, except for use to purchase real estate. Borrowers must repay Microloans in full (with interest).[77]
- The Small Business Investment Company (SBIC) program, which provides SBA-supported venture capital financing to small businesses. In FY2023, SBICs invested a total of $8.1 billion in 1,208 small businesses.[78] SBA guarantees the principal and interest on debentures issued by SBICs, thereby allowing SBICs to borrow from private investors at more favorable terms than they otherwise would be able to. SBICs are private venture capital funds set up to invest in small businesses and participate in the program. SBICs can subsequently make debt, equity, or mixed investments in small businesses. For debt investments, the borrower must repay the SBIC on the agreed terms. For equity investments, the borrower sells a portion of their business to the SBIC.[79]

Technical Assistance

SBA has provided for management and technical assistance to small businesses since it began operating in 1953, initially providing this directly to small business owners.[80] SBA has since increasingly relied on third parties, known as resource partners, to work with business owners. These resource partners are typically organizations that receive renewable grants from SBA to help them operate and provide SBA-sanctioned counseling and training. At the same time, SBA continues to provide some direct services to small business owners, such as through SBA District

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[74] For more about the 504 loan guarantee program, see CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

[75] SBA Office of Capital Access, "Microloan Summary Report: FY2023," data as of February 8, 2024, https://careports.sba.gov/views/MicroloanSummaryReport/Report?%3Aembed=yes&%3Atoolbar=no.

[76] 15 U.S.C. §636(m)(1)(A).

[77] For more about the Microloan program, see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

[78] SBA, *Small Business Investment Company (SBIC) Program Overview Report—Version FY Ending 9/30/23*, https://www.sba.gov/document/report-small-business-investment-company-sbic-program-overview-report.

[79] For more about the Small Business Investment Company (SBIC) program, see CRS Report R41456, *SBA Small Business Investment Company Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

[80] U.S. Congress, Senate Committee on Banking and Currency, *Extension of the Small Business Act of 1953*, report to accompany S. 2127, 84th Cong., 1st sess., July 22, 1955, S.Rept. 84-1350 (Washington: GPO, 1955), p. 17.

Offices that are dispersed around the country. SBA services help counsel and train nearly 1 million small business owners and entrepreneurs each year.[81]

SBA currently supports technical assistance through the following programs and initiatives:

- Small Business Development Centers (SBDCs) receive formula-based grants to provide free counseling, training, and resources to small business owners and entrepreneurs. SBDCs operate in partnership with state governments and higher education institutions. Lead SBDCs are tasked with establishing "a network of partner service centers to cover its service area." There are 62 lead SBDCs that receive grant funds from SBA, and at least one lead center in each state, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. Lead SBDCs are tasked with establishing "a network of partner service centers to cover its service area." There are currently more than 900 service centers.[82]
- Women's Business Centers (WBCs) receive renewable multi-year grants to provide free and low-cost counseling and training to women business owners, as well as facilitate their access to credit and capital. There are 146 WBCs located throughout the United States and its territories.[83]
- Veterans Business Outreach Centers (VBOCs) receive grants to perform outreach to veteran-owned small businesses and provide programming such as the Boots to Business and Boots to Business Reboot programs for veterans interested in entrepreneurship. SBA supports 28 grant-funded VBOCs as well as other partners such as the Veteran Institute for Procurement. SBA's Office of Veterans Business Development administers these activities.[84]
- SBA's Office of Native American Affairs (ONAA) oversees assistance for Native American-owned small businesses, engages in tribal consultations, and produces promotional materials. Organizations that receive SBA support and serve Native American-owned small businesses include the following SBA partners: National Center for American Indian Enterprise Development, Our Native American Business Network (ONABEN), Rural Enterprises of Oklahoma, Inc., Two Rivers Community Development Corporation, and the Council on Native Hawaiian Advancement. SBA has also contracted with RedWind and Sister Sky, Inc., to offer entrepreneurial development workshops in Native American communities.
- SCORE (an association formerly known as the Service Corps of Retired Executives) is a network of a volunteer small business management mentors that receives grant funding from SBA. SBA has a cooperative agreement with SCORE, a nonprofit organization, and provides renewable grants to SCORE chapter organizations located throughout the country. In addition to small business mentoring, SCORE services include training, workshops, and online

[81] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2024, p. 28, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf.

[82] Ibid., p. 87.

[83] Ibid., p. 90.

[84] SBA, *Veterans Business Outreach Center (VBOC) program*, https://www.sba.gov/local-assistance/resource-partners/veterans-business-outreach-center-vboc-program.

resources. There are more than 250 SCORE chapters, which provided mentorship to over 300,000 small business owners in FY2022.[85]

- The THRIVE Emerging Leaders Reimagined Program is an "executive-level" training program that includes an in-person course, professional coaching, and online learning. It is available in 68 U.S. cities.[86]
- The Community Navigators Pilot Program administers grants to resource partners that offer management and technical assistance to underserved businesses, such as minority-, women-, and veteran-owned businesses.[87] The program directs grants to organizations with "established roots in underserved communities," which counseled over 16,000 clients in FY2022.[88]

Contracting Assistance

Section 15(g)(2) of the Small Business Act established the government-wide goals for federal contracting with small businesses. One of SBA's roles is to consult with federal agencies to establish annual goals for small business participation in contracting. Collectively, the federal agencies' contributions add up to the statutory, government-wide goal.[89] The contracting goal is aspirational; there are no punitive consequences for agencies that fail to meet these goals. However, SBA creates annual Small Business Procurement Scorecards and GSA produces annual reports, which may attract scrutiny of contracting practices. In order to facilitate agency contracting with small businesses, small disadvantaged businesses, HUBZone businesses, women-owned small businesses, and service-disabled veteran-owned small businesses, SBA oversees contracting preference programs that offer these businesses set-asides (contracts made with limited competition) and sole-source contract awards (contracts made without competition).[90] In addition, SBA and other agencies provide assistance to small business contractors. For example, the APEX Accelerator program provides training and technical assistance to help small businesses identify and prepare for federal contracts.[91]

Small business eligibility for federal contracting preferences is determined by various criteria and certification requirements, related to a business owner's socio-economic characteristics or a business's location (in the case of the HUBZone program).[92] SBA is "integrating SBA certification programs like 8(a) Business Development, HUBZone, Women-Owned Small Business, and Veteran-Owned Small Business Certifications into the single structure," so that

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[85] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2024, p. 92, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf.

[86] Ibid., p. 94.

[87] SBA, *Community Navigator Pilot Program*, https://www.sba.gov/partners/counselors/community-navigator-pilot-program.

[88] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2024, p. 96, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf.

[89] For information on small business contracting goals and the goal-making process, see CRS Insight IN12018, *Federal Small Business Contracting Goals*, by R. Corinne Blackford.

[90] SBA, *Contracting Assistance Programs*, https://www.sba.gov/federal-contracting/contracting-assistance-programs.

[91] Department of Defense, Office of Small Business Programs, *Apex Accelerators*, https://www.apexaccelerators.us/#/.

[92] Information on these criteria and requirements can be found in CRS In Focus IF12476, *SBA's Women-Owned Small Business Contracting Program*, by R. Corinne Blackford; CRS In Focus IF12458, *The SBA's 8(a) Business Development Program*, by R. Corinne Blackford; CRS In Focus IF12428, *The SBA's Historically Underutilized Business Zone (HUBZone) Program*, by R. Corinne Blackford; CRS Report R47226, *Federal Contracting by Veteran-Owned Small Businesses: An Overview and Analysis of Contemporary Issues*, by R. Corinne Blackford; and CRS Report R45576, *An Overview of Small Business Contracting*, by Robert Jay Dilger and R. Corinne Blackford.

"small businesses will have one point of entry to apply for certifications and access their information."[93]

Disaster Assistance

SBA's Disaster Loan Program provides low-interest direct loans to help businesses, nonprofit organizations, homeowners, and renters repair or replace property damaged or destroyed in a federally declared disaster. The program is also designed to help small agricultural cooperatives recover from economic injury resulting from a disaster. Approximately 80% of SBA's direct disaster loans are made to individuals and households rather than to small businesses.

SBA offers two categories of disaster loans: (1) home physical and personal property disaster loans and (2) business disaster loans. There are two types of loans within each category.

Home physical and personal property disaster loans are either

- Personal Property Loans, which provide a creditworthy homeowner or renter located in a declared disaster area with up to $40,000 to repair or replace personal property owned by the survivor; or
- Real Property Loans, which provide creditworthy homeowners located in a declared disaster area with up to $200,000 to repair or restore the homeowner's primary residence to its pre-disaster condition.[94]

Business disaster loans are either

- Business Physical Disaster Loans, which provide up to $2 million to repair or replace damaged physical property including machinery, equipment, fixtures, inventory, and leasehold improvements that are not covered by insurance;[95] or
- Economic Injury Disaster Loans (EIDLs), which provide up to $2 million to help meet financial obligations and operating expenses that could have been met had the disaster not occurred.

For more information on SBA's Disaster Loan Program, see CRS Report R44412, *SBA Disaster Loan Program: Frequently Asked Questions*.

COVID-19 Pandemic Financial Relief

Congress authorized new financial relief programs to help small businesses recover from the financial damage many experienced as a result of the COVID-19 pandemic.[96] SBA administered these programs, which made guaranteed loans and grants directly to small businesses. SBA's pandemic relief programs included

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[93] SBA, *FY 2024 Congressional Budget Justification FY 2022 Annual Performance Report*, March 13, 2024, p. 69, https://www.sba.gov/sites/default/files/2023-08/FY_2024_CBJ_2023.08-508.pdf.

[94] 13 C.F.R. §123.105(a)(2).

[95] 13 C.F.R. §123.202.

[96] Congress authorized SBA's pandemic relief programs in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136); the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act, 2021, P.L. 116-260); and the American Rescue Plan Act of 2021 (P.L. 117-2).

- the Paycheck Protection Program (PPP), which offered forgivable loans (fully guaranteed by SBA) up to $10 million for small businesses and nonprofits to continue paying their employees;
- COVID Economic Injury Disaster Loans (EIDLs), which offered an expanded version of one of SBA's existing disaster loan programs;
- Emergency EIDL Advances, which offered COVID EIDL applicants $1,000 per employee, up to $10,000, for use while SBA processed EIDL applications, and which did not require repayment;
- Targeted EIDL Advances and Supplemental Targeted EIDL Advance, which offered $10,000 and $5,000 payments, respectively, to COVID EIDL applicants in low-income areas, and which did not require repayment;
- Section 1112 payments, which offered debt relief to small businesses that held pre-pandemic SBA loans;
- the Shuttered Venue Operators Grant (SVOG) program, which offered up to $10 million for operators of live performance venues affected by the pandemic; and
- the Restaurant Revitalization Fund (RRF), which offered restaurant and bar owners up to $5 million per permanent physical location to address the pandemic's impacts.

Congress appropriated over $1 trillion in FY2020 and FY2021 for SBA to implement its pandemic relief programs. As noted previously, SBA's FY2019 appropriation was $715 million; SBA's FY2020 appropriation was $762 *billion*, an over one-thousand-fold increase. SBA's pandemic relief programs are closed to new applications. However, the agency continues to service a large number of loans made during the pandemic and investigate instances of waste, fraud, and abuse in the programs, and Congress continues to have an oversight interest in the programs.

For more information on SBA's pandemic relief programs, see CRS Report R47694, *SBA as a Vehicle for Crisis Relief: Lessons from the COVID-19 Pandemic*, coordinated by Adam G. Levin.

Appendix B. Key CRS Products and Resources

This appendix provides additional CRS resources and products, organized by issue area.

Access to Capital

- CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*.
- CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*.
- CRS Report R41057, *Small Business Administration Microloan Program*.
- CRS Report R41456, *SBA Small Business Investment Company Program*.

Technical Assistance

- CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*.
- CRS In Focus IF12402, *The SBA's Small Business Development Centers Program*.

Contracting Assistance

- CRS In Focus IF12458, *The SBA's 8(a) Business Development Program*.
- CRS Insight IN12018, *Federal Small Business Contracting Goals*.

Disaster Assistance

- CRS Report R44412, *SBA Disaster Loan Program: Frequently Asked Questions*.

SBA Pandemic Relief Programs

- CRS Report R47694, *SBA as a Vehicle for Crisis Relief: Lessons from the COVID-19 Pandemic*.
- CRS Report R47509, *SBA COVID-19 EIDL Financial Relief: Policy Options and Considerations*.

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