



Helping Small Business Succeed SBA's FY 2001 Budget Request

Highlights

President Clinton's New Opportunity Agenda for FY 2001 seeks to fund a record level of small business loans, venture capital and technical assistance.

The President's balanced approach to the FY 2001 budget offers the American people a sound, responsible proposal for modest tax cuts, for key investments in health care, education and economic growth and the elimination of the national debt by 2013 – a prospect considered impossible just a few years ago. The proposed budget maintains the fiscal discipline that has brought Americans unprecedented prosperity, and gives small businesses the tools to extend that prosperity into the future.

For small businesses and for the SBA, this is a great budget. In keeping with the President's New Opportunity Agenda, the proposed SBA budget provides increased opportunities for individuals and communities in New Markets, so that all Americans can use our services and support.

Beyond that, the budget provides funding for SBA's program of assistance to disaster victims, for federal contract procurement assistance and for continuing to transform the SBA into a 21st century leading edge institution.

This budget represents an unprecedented investment in the talent, drive and entrepreneurial spirit of Americans. It will help SBA accomplish its basic mission: building communities, one small business at a time.

FY 2001 BUDGET SPECIFICS:

Access to Capital:

- \$11.5 billion in loans to small businesses under SBA's flagship Section 7(a) General Business Loan Guaranty program, compared to \$9.8 billion in loans available in FY 2000. With a proposed subsidy rate of 1.24 percent, SBA can accomplish this level of lending with an appropriation of just \$142.6 million.
- To increase the number of small loans, SBA will increase the guaranty on loans \$150,000 and under to 90 percent, and simplify the guaranty fee structure for all loans.
- \$3.75 billion in loans to small businesses under the Section 504 Certified Development Company debenture program. SBA would reduce fees on this self-funded loan program for the fourth consecutive year, from .60 percent in FY 2000 to .472 percent for FY 2001.

- \$2.5 billion in small business venture capital funding for SBA-backed Small Business Investment Companies (SBICs), compared to \$2.2 billion in authorized funding for FY 2000. SBICs combine the funds with their own private capital to finance equity investments in small businesses.
- \$150 million in targeted venture capital funding for the New Markets Venture Capital (NMVC) Program, compared to \$40 million in funding appropriated in FY 2000. These funds would be accompanied by \$30 million in technical assistance for small businesses financed by NMVCs, compared to \$9 million appropriated for FY 2000.
- \$60 million in loans to small businesses under the Microloan program, compared to \$30 million in FY 2000. SBA also intends to dramatically increase the number of intermediary lenders in the program. This new lending authority would be accompanied by \$45 million in technical assistance to Microloan borrowers.

Business Development Assistance:

- \$88 million in counseling, training and business development assistance to small businesses under the Small Business Development Center (SBDC) program. This compares to \$84.5 million appropriated in FY 2000. \$3 million of the total will fund SBDCs in Native American communities.
- \$10 million in business development assistance to small businesses located in Empowerment Zones with the One-Stop Capital Shop network, compared to \$3.1 million appropriated in FY 2000. This level of funding will support the existing centers, plus add 17 new locations.
- \$5 million in counseling, training and business development assistance to small businesses under the Service Corps of Retired Executives (SCORE) program, compared to \$3.5 million appropriated in FY 2000.
- \$700,000 in business development assistance to small businesses under the Business Information Centers program, compared to \$500,000 appropriated in FY 2000. The funding level would support the existing centers, plus add up to 8 new centers in FY 2001, for a total funded network at the end of FY 2001 of 84 locations.
- \$3.5 million in business development assistance to small businesses wishing to export through the U.S. Export Assistance Center (USEAC) program. This compares to \$3.1 million appropriated in FY 2000.
- \$15 million in technical assistance to entrepreneurs in distressed areas, rural and inner city communities, and microloan capacity building under the Program for Investment in Micro-Entrepreneurs (PRIME).
- \$15 million in funding to support the commercialization of successful Small Business Innovation and Research (SBIR) award projects, under a three-year pilot program.

- \$5 million to educate and train small business on electronic commerce and increase their use of the internet and other electronic means of commerce.
- \$6.6 million to support a mentor-protégé program to link the business expertise of successful large businesses with emerging small businesses under the BusinessLINC program, compared to \$1.5 million appropriated in FY 2000.

Advocacy for Small Business:

- \$1.5 million for Office of Advocacy research and database, compared to \$1.1 million in FY 2000.
- \$500,000 for the Office of the National Ombudsman, which directs the Regulatory Fairness program under the Small Business Regulatory Enforcement Fairness Act of 1996.

Procurement Assistance:

- \$5 million to expand procurement opportunities for small businesses in Historically Underutilized Business Zones (HUBZones). This compares to \$2 million appropriated in FY 2000.
- \$1.7 billion in surety bonds to small business. No appropriation is needed to support this program level due to sufficient carryover funding from FY 2000 and current year income.
- \$5 million in technical assistance and executive training to 8(a) firms and small businesses in areas of high unemployment or low income, including HUBZones, under the Section 7(j) program. This compares to \$3.6 million appropriated in FY 2000.
- \$750,000 to operate and expand the PRO-Net small business database system.

Disaster Assistance:

- \$871 million in low-interest loans to victims of disasters. This represents the five-year average level of lending to disaster victims.

Women-Owned Businesses:

- \$12 million in business development assistance to women business owners under the Women's Business Center program. This compares to \$9 million appropriated in FY 2000. This level of funding would support the existing centers, plus add 13 new centers in FY 2001, for a total funded network at the end of FY 2001 of 81 centers.
- \$1 million for the activities of the Women's Business Council. This compares to \$600,000 appropriated in FY 2000.
- \$1 million to transfer to the Department of Commerce to support the Survey of Women Business as part of the Census. This compares to \$790,000 appropriated in FY 2000.

Veteran-Owned Businesses:

- \$4 million for grants, business development and other forms of assistance to veterans through the implementation of the Veteran’s Entrepreneurship and Small Business Development Act. This compares to \$615,000 appropriated for grants in FY 2000.

Native American-Owned Businesses:

- \$3 million in counseling, training and business development assistance to Native American communities through a Native American Small Business Development Center network.
- \$1.5 million for technology tools, research capabilities, and on-site help and assistance to individuals in Native American communities through the 17 Tribal Business Information Centers.
- \$1.25 million of the \$6.6 million requested under the BusinessLINC program to support a mentor-protégé program to link the business expertise of successful large businesses with emerging Native American small businesses.

SBA’s Modernization:

- \$24 million to continue the SBA’s transformation into a 21st century leading-edge institution, including modernizing the agency’s systems and processes, developing state-of-the-art risk management and internal control systems and ensuring first-class customer service, including:
 - \$13 million for systems modernization.
 - \$7 million to upgrade SBA’s information technology infrastructure.
 - \$4 million for staff retraining and relocation.

SBA’s Operating Budget:

- \$452.5 million for SBA’s operating budget. This includes \$301 million for regular operations, \$27.5 million for administrative initiatives, and \$124 million for direct disaster loan-making and servicing. The budget fully funds SBA’s operating budget, including normal inflation and employee pay raises.

The total new budget authority proposed for the SBA is \$1.06 billion, compared to \$877 million appropriated by the Congress for FY 2000, reduced to \$873.7 million by rescission.

**HELPING SMALL BUSINESS SUCCEED
SBA’S FY 2001 Budget Request**

(\$ in thousands)	FY 1999 Actual	FY 2000 Appropriated	FY 2001 Request	Change FY 00-01
Access to Capital				
Section 7(a) Business Loans	9,471,094	9,752,759	11,500,000	1,747,241
Section 504 Development Co. Debentures	1,979,136	3,000,000*	3,750,000	750,000
SBIC Debentures	352,030	450,000*	500,000	50,000
SBIC Participating Securities	1,015,190	1,367,778	2,000,000	632,222
New Market Venture Capital Debentures	0	40,000	150,000	110,000
New Market Venture Capital Technical Asst.	0	9,000	30,000	21,000
Microloans	14,351	29,532	60,000	30,468
Microloan Technical Assistance	19,148	23,200	45,000	21,800
Other (DELTA, Micro Gty, Y2K)	45,356	59,952	49,944	(10,008)
Business Development Assistance				
Small Business Development Centers	89,817	84,500	88,000	3,500
One Stop Capital Shops	3,100	3,100	10,000	6,900
SCORE	3,660	3,500	5,000	1,500
Business Information Centers	700	500	700	200
United States Export Asst. Centers	3,100	3,100	3,500	400
PRIME Technical Assistance	0	0	15,000	15,000
Phase III SBIR Funding	0	0	15,000	15,000
Electronic Commerce	0	0	5,000	5,000
BusinessLINC	0	1,500	6,600	5,100
Advocacy for Small Business				
Advocacy Research and Database	800	1,100	1,500	400
National Ombudsman	524	500	500	0
Procurement Assistance				
HUBZones	2,000	2,000	5,000	3,000
Surety Bonds	420,988	1,672,000	1,672,000	0
7(j) Technical Assistance	2,600	3,600	5,000	1,400
PRO-Net Small Business Database	363	500	750	250
Disaster Assistance				
Disaster Loans	762,196	1,050,937	871,134	(179,803)
Women-Owned Businesses				
Women's Business Centers	8,000	9,000	12,000	3,000
National Women's Business Council	600	600	1,000	400
Census Survey of Women Business	750	790	1,000	210
Veteran-Owned Businesses				
Veteran's Assistance	733	615	4,000	3,385
Native American-Owned Businesses				
Native American SBDC Network (also included above)	0	0	3,000	3,000
Tribal Business Information Centers	0	0	1,500	1,500
BusinessLINC (also included above)	0	0	1,250	1,250
SBA Systems Modernization	7,989	8,000	13,000	5,000

*SBA's estimate of volume for FY 2000