



## U.S. SMALL BUSINESS ADMINISTRATION

Under the President’s leadership, we have turned our economy around and created 14 million jobs. Our unemployment rate is below five percent for the first time in almost eight years. Nearly 18 million people have gained health coverage as the Affordable Care Act has taken effect. And we have dramatically cut our deficits by almost three-quarters and set our Nation on a more sustainable fiscal path.

Yet while it is important to take stock of our progress, this Budget is not about looking back at the road we have traveled. It is about looking forward and making sure our economy works for everybody, not just those at the top. It is about choosing investments that not only make us stronger today, but also reflect the kind of country we aspire to be – the kind of country we want to pass on to our children and grandchildren.

The Budget makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our economic future and our national security. It also drives down deficits and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms.

The Budget shows that the President and the Administration remain focused on meeting our greatest challenges – including accelerating the pace of innovation to tackle climate change and find new treatments for devastating diseases; giving everyone a fair shot at opportunity and economic security; and advancing our national security and global leadership – not only for the year ahead, but for decades to come.

Two out of three net new jobs in America are created by small businesses. Millions of middle class families work for small businesses that depend on the U.S. Small Business Administration’s (SBA) ability to facilitate access to capital, high quality counseling, federal contracting opportunities and disaster assistance.

The SBA has taken strategic efforts to modernize the Agency, enhance customer service, broaden access to affordable financing, and ensure a strong return on the U.S. taxpayers’ investment. These steps allow the SBA to deliver smart solutions through modern technology, streamlined processes, and bold actions from a dedicated workforce, while creating a more inclusive SBA with more accessible services that deliver expert assistance to entrepreneurs at every stage of the small business life cycle.

To support this mission, the Budget provides \$719 million in new resources for the Small Business Administration. This funding includes \$153 million to administer \$46 billion worth of zero subsidy loan guarantee programs, \$231 million to provide counseling and technical assistance to entrepreneurs, and an additional \$159 million for disaster loan administration for Stafford Act disasters as a part of the disaster relief cap adjustment. The Budget also proposes a



\$55 million cancellation of prior year unobligated balances related to business loan subsidy for a program that is now zero subsidy.

### **Funding Highlights:**

The President's FY 2017 Budget provides \$719 million in discretionary funding and \$159 million related to major disasters as a discretionary cap adjustment for the Small Business Administration to provide capital, counseling, disaster assistance and contracting opportunities to America's entrepreneurs. This includes:

- Supporting more than \$46 billion in loan guarantees to help more than 65,000 small businesses secure the financing necessary to start or expand their businesses;
- Increasing microloans and small-dollar lending to creditworthy borrowers seeking to start new enterprises;
- Promoting inclusive entrepreneurship through targeted initiatives to ensure equal access to SBA services for entrepreneurs of every race, gender, and region;
- Helping small businesses tap global markets through awards to states and territories to fund international small business market development activities;
- Offering unique training opportunities for transitioning service members and current veterans to pursue business ownership;
- Expanding entrepreneurial education programs that ensure business owners can effectively deploy capital to grow their businesses and create good job;
- Providing over \$1 billion in disaster relief lending to business owners, home owners and renters in the wake of declared disasters;
- Facilitating access to over \$90 billion in federal contracting, and;
- Proposing a new loan guarantee program to assist in financing the scale-up of innovative new manufacturing technologies to commercial-scale production through a combination of Federal loan guarantees and matching private funds totaling \$10 billion over five years.

The Budget offsets some of these programs with a cancellation of \$55 million in prior year unobligated balances of business loans subsidy that are no longer actively used, since the 504 loan guarantee program became zero subsidy in 2016. This will not impact the new SBA appropriation or any programmatic activities in 2017.

### **Expands Access to Capital through SBA's Extensive Lending**



Access to capital is critical to the long-term success of America’s small businesses. The top priority of the SBA is to get lending flows to small businesses. As the economy continues to improve, the SBA is working to ensure that remaining credit gaps in commercial markets are filled and that small businesses across the country are well positioned to take advantage of opportunities. Difficulty in securing unassisted credit as well as improved economic conditions have fueled unprecedented demand for SBA’s flagship 7(a) loan guarantee program, which last year supported more than \$23 billion in gross lending to over 55,000 small businesses, setting a new high water mark for lending in the program for the second year in a row. With demand for these loans projected to continue to grow in FY 2017, the Budget now supports \$27 billion in loan guarantees for the 7(a) program. The 2017 Budget continues upfront fee waivers on 7(a) loans up to \$150 thousand and SBA Express loans to veterans, as well as provides a 50 percent fee waiver on 7(a) loans up to \$500 thousand to veteran-owned businesses.

In addition to the 7(a) program, the budget also provides \$7.5 billion in loan guarantees for capital expenses through the 504 Community Development Corporation program and provides \$7.5 billion for the 504 Loan Refinancing program, which was permanently reauthorized in 2016, to help small businesses refinance their existing long- and medium-term debt obligations. All three of these programs will operate in 2016 at zero subsidy cost to the taxpayer. The SBA also continues to streamline and simplify its loan programs to make its products more attractive to lenders and borrowers.

Recognizing the important role that advanced manufacturing plays in growing the economy, SBA’s budget also includes a proposal, funded through mandatory spending, for the Scale-Up Manufacturing Investment Company (SUMIC) program. This new loan guarantee program will assist in financing the scale-up of innovative new manufacturing technologies from prototype to first commercial-scale production through a combination of Federal loan guarantees and matching private funds totaling \$10 billion over five years.

### **Grows Mentorship for Small Businesses**

Entrepreneurs and small business owners who receive SBA training, mentoring, and/or advising services increase sales, create more jobs, and have greater economic impact on their communities. SBA’s resource partner network – including 63 small business development centers (SBDC) with over 900 outreach locations, over 100 women’s business centers (WBC), and 11,000 SCORE volunteers nationwide – assists more than one million business owners and entrepreneurs each year, providing valuable advising and mentoring for every stage of business growth and development. The Budget provides \$142 million to continue to fund SBA’s resource network, designed to provide technical assistance and help small businesses grow.

### **Increases Exporting Opportunities for Small Businesses**

SBA’s Office of International Trade continues to collaborate with partners across the country to improve access and delivery of programs to small business exporters. The Budget provides \$15



million to continue the State Trade and Export Promotion (STEP) program that awards federal dollars to states and territories to fund eligible small business market development activities, including participation in trade missions and foreign market sales trips, trade shows, international marketing efforts, and training. Expanding the base of small business exporters and simplifying the exporting process is a key component of the National Export Initiative or NEXT. To accomplish this initiative, the SBA partners with the Department of Commerce, Export-Import Bank, and others on the Trade Promotion Coordination Committee to promote exporting opportunities and trade shows, expand access to trade financing through initiatives such as U.S. Global Business Solutions, and train business counselors and banks on exporting services.

### **Invests in High-Growth Businesses**

Through its Small Business Investment Company (SBIC) program, the SBA is currently authorized to make commitments to SBICs of up to \$4 billion annually at zero subsidy cost, making the Agency one of the larger players in funding high-growth start-up businesses. To better enable these businesses that are assisted by SBICs to be successful, the SBA has expanded its reach through two initiatives: an Impact Investment initiative that is focused on helping finance new start-up small businesses in economically distressed regions, and an Early Stage Fund intended to get capital to small, innovative businesses that are just getting started. Both strategies use the existing SBIC platform and are designed to fill gaps in the current credit market and to spur new business starts.

### **Fully Funds Disaster Assistance Loans**

Following a disaster, the SBA works closely with its resource partners to provide technical assistance and counseling to small businesses and help them take advantage of opportunities to secure federal and local contracts that address the disaster damage. The Budget supports \$1.1 billion in new disaster lending to small businesses, homeowners, and individuals to help them make necessary repairs to homes and buildings and for other expenses following a disaster. To administer this lending program, the Budget requests \$159 million for major (Stafford Act) disasters through the disaster cap adjustment approved in the bipartisan Budget Control Act of 2011, and \$27 million for non-Stafford Act disasters.

### **Increases Opportunities for Underserved Communities**

Underserved communities – such as may exist in low-income urban or rural areas, as well as underserved segments of society - including women, minorities, veterans and others – often have extreme difficulty accessing capital, consultation services, and federal contracting opportunities as market gaps remain. SBA's unique products, services, and programs provide a path to business ownership for entities in underserved communities that continue to be affected by the recession and suffer from disproportionately high levels of unemployment. The Budget furthers SBA's outreach efforts to these underserved segments of society by providing more than \$16 million for Women's Business, \$12.3 million for Veterans Outreach, \$2.8



million for the 7(j) Technical Assistance program, \$3 million for the HUBZone program, and \$2 million for Native American Outreach.

### **Expands Support for the Smallest of Small Businesses and Startups**

The SBA Microloan Program provides loans to intermediaries, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance, who in turn help the smallest of small businesses and startups access capital and provide technical assistance in marketing and management to help new businesses get off the ground. The Budget supports \$44 million in loans to microlending intermediaries, a 26 percent increase in loan volume, together with \$31 million in technical assistance for microborrowers and entrepreneurs. The combination of capital and training helps shore up the capacity of the microborrowers to turn a profit, improve operations, grow the business, and create/retain jobs.

### **Delivers Better Customer Service**

The Budget supports continued operation of SBAOne, an online platform deployed in FY 2015 to streamline the lending process, saving time and money for SBA's financial partners and small businesses. In addition, the Budget supports continued improvements to SBA.gov to expand its outreach and effectiveness by connecting small businesses with other agency resources that provide a wide variety of online training courses and information.

### **Integrates Innovative Best Practices into Core Agency Operations**

To further the President's goals of improving customer service and enhancing the efficiency of government, the Budget supports an SBA Digital Services team to adopt private sector best practices and recruit talent to improve and modernize SBA's information technology systems. This team will be responsible for driving the efficiency and effectiveness of the Agency's highest impact digital services such as SBAOne Contracting, which will provide an easy-to-use, streamlined tool for small businesses to search for and secure federal business contracts.