



SMALL BUSINESS ADMINISTRATION

Funding Highlights:

- Supports \$28 billion in loan guarantees to help small businesses access the credit they need to grow and create jobs.
- Provides competitive technical assistance grants to better support business development and regional economic growth.
- Provides long-term disaster recovery loans for homeowners, renters, and businesses of all sizes.
- Strengthens lender and procurement program oversight to protect taxpayer dollars.
- Upgrades the Agency's information technology systems and human capital resources to increase SBA's impact on businesses and communities.

The 2011 Budget provides \$994 million for the Small Business Administration (SBA), a \$170 million, or 21 percent, increase over the 2010 enacted level. This reflects the Administration's strong support of small businesses, which play a vital role in the Nation's economy.

Provides Small Business Access to Credit.

The Budget provides \$165 million in subsidy costs to support \$17.5 billion in 7(a) loan guarantees that will help small businesses operate and expand. This includes an estimated \$16 billion in term loans and \$1.5 billion in revolving lines of credit; the latter are expected to support \$39 billion in total economic activity through draws and repayments over the life of the guarantee. The Budget also supports \$7.5 billion in guaranteed lending for commercial real estate development and heavy machinery purchases; \$3 billion in Small Business Investment Company debentures to support new businesses and new jobs

through early-stage and mezzanine small business financing; and \$25 million in direct Microloans, for intermediaries to provide small loans to emerging entrepreneurs and other promising but "un-bankable" borrowers.

The Budget also includes the following legislative proposals, to improve small business access to credit. It proposes to increase the maximum 7(a) loan size from \$2 million to \$5 million; to increase the maximum Certified Development Company (or "504") loan size from \$2 million to \$5 million for regular projects and from \$4 million to \$5.5 million for manufacturing projects; and to increase the maximum Microloan size to \$50,000. The Budget also proposes to increase the maximum outstanding loan amount to Microloan intermediaries in their first year of participation from \$750,000 to \$1 million, and from \$3.5 million to \$5 million in the subsequent years.

Supports Business Growth and Cluster Development. The Budget includes \$14 million for competitive technical assistance grants to expand SBA's Emerging Leaders (formerly Emerging 200) initiative and to enhance small business participation in regional economic clusters. The Emerging Leaders initiative (\$3 million) provides intensive technical assistance to companies that have high growth potential and are located in distressed economic areas, such as inner cities and Native American communities, and connects them to regional business networks to accelerate growth. SBA will also support enhanced small business participation in regional economic clusters (\$11 million) by awarding competitive grants to facilitate greater coordination of resources (business counseling, training, mentor-protégé partnerships).

Funds Long-Term Disaster Recovery. The Budget supports \$1.1 billion in direct loans, the normalized 10-year average, for homeowners and businesses whose property is damaged by natural disasters. The Budget requests \$203 million in new budget authority for disaster-loan administrative expenses, an increase of \$126 million from the 2010 enacted level.

Strengthens Oversight to Protect Taxpayer Dollars. Due to the economic downturn and higher defaults on prior loans, SBA's guaranteed loan programs are recording a \$4.5 billion increase in losses and subsidy costs on its outstanding loan portfolio, particularly on those made between 2005 and 2007. This reestimate increases the deficit in 2010. In addition, project-

ed defaults and economic conditions have doubled the estimated cost of new 7(a) loan guarantees for 2011 compared to 2010. The Budget provides funding for these increased costs in 2011, as noted above. However, to strengthen the program's long-term economic foundation, the Administration will submit a legislative package to provide SBA the flexibility to adjust fees in the program to enable it to be self-sustaining over time. These changes in the program's fee structure would become effective for loans originated in 2012.

The Budget also provides additional resources to improve program management through enhanced lender oversight and credit risk mitigation activities, to promote prudent use of taxpayer dollars in SBA's programs. In addition, an increase of \$4 million is requested to improve SBA's oversight of Government contracting programs (\$2 million), including the HUBzone program, and to strengthen performance assessment and management of the Small Business Innovation Research program (\$2 million), which provides small business opportunities through set-asides of over \$2 billion annually in Federal research and development funding.

Strengthens Core Agency Capabilities. The Budget provides the resources needed to modernize SBA information technology systems, including migrating additional loan programs to a modern loan management and accounting system. The Budget also contains funds to continue SBA personnel training initiatives, to allow the agency to continue to make progress on improving its human capital and customer relationships.

Small Business Administration
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
Spending			
Discretionary Budget Authority:			
Salaries and Expenses	390	433	446
Business Loans:			
Loan Subsidy	2	83	169
Loan Administration	138	153	157
Subtotal, Business Loans	140	236	326
Disaster Loans:			
Loan Subsidy	—	2	—
Loan Administration	—	77	203
Subtotal, Disaster Loans	—	79	203
Office of the Inspector General	17	16	18
Surety Bond Revolving Fund	2	1	1
Unrequested Projects	66	59	—
Subtotal, Gross Discretionary budget authority	615	824	994
Negative subsidy receipts	—	-2	-1
Total, Net Discretionary budget authority	615	822	993
<i>Memorandum:</i>			
Budget authority from American Recovery and Reinvestment Act	730	—	—
Budget authority from supplementals	—	125	—
Total, Discretionary outlays	924	916	1,233
<i>Memorandum: Outlays from American Recovery and Reinvestment Act</i>	<i>119</i>	<i>380</i>	<i>160</i>
Mandatory Outlays:			
Business Loan Subsidy Reestimates	1,051	4,475	N/A
Disaster Loan Subsidy Reestimates	159	211	N/A
Liquidating Credit Accounts	-7	-4	-5
Total, Mandatory outlays	1,203	4,682	-5
Total, Outlays	2,127	5,598	1,228
Credit activity			
Direct Loan Disbursements:			
Direct Disaster Loans	727	738	738
Direct Business Loans	24	400	450
Total, Direct loan disbursements	751	1,138	1,188

Small Business Administration—Continued
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
Guaranteed Loan Commitments:			
Guaranteed Business Loans	12,116	22,803	23,900
Guaranteed Disaster Loans	—	75	—
Total, Guaranteed loan commitments	12,116	22,878	23,900