CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 17, 2017

S. 154
Small Business Relief From Disease Induced Economic Hardship Act of 2017

As reported by the Senate Committee on Small Business and Entrepreneurship on August 2, 2017

Under current law, the Small Business Administration (SBA) operates a loan program to assist businesses, homeowners, and nonprofit organizations with physical and economic damages after a Presidentially declared disaster or under certain other limited circumstances. S. 154 would expand the definition of a disaster to include the presence of communicable diseases for which the federal government issues a travel alert or travel warning.

Based on an analysis of information from the SBA, CBO expects that implementing the bill would result in a very small increase in the number of loans made under the program. While the number of loans made in a given year can vary significantly (from about 125,000 in 2006 to roughly 4,000 in 2014), the SBA disburses an average of about 25,000 loans each year. The average loan amount under the program is about $90,000. CBO estimates that implementing the bill to provide more disaster loans would increase the estimated subsidy cost (the estimated long-term cost to the government of a loan, calculated on a net-present-value basis) of disaster loans by $1 million over the 2018-2027 period; such spending would be subject to the availability of appropriated funds. Based on information from the SBA, CBO estimates that implementing the bill would have no significant effect on the administrative costs of operating the disaster loan program because of the small number of loans expected to be made under the expansion.

The SBA currently uses previously appropriated funds to cover the subsidy cost of disaster loans, thus, by increasing the costs, enacting S. 154 would affect direct spending. Therefore, pay-as-you-go procedures apply. However, CBO estimates that enacting S. 154 would result in no net effect on direct spending over the 2018-2027 period because the agency expects all previously appropriated funds for this program would be spent anyway under current law. Thus, any increase in spending for disaster loans would be offset by lower spending for other purposes. Enacting the bill would not affect revenues.

CBO estimates that enacting S. 154 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

S. 154 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.