CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 16, 2018

S. 1995
Spurring Business in Communities Act of 2018

As reported by the Senate Committee on Small Business and Entrepreneurship on March 19, 2018

The Small Business Administration (SBA) operates a program that provides loan guarantees to Small Business Investment Companies (SBICs) that make investments in qualifying small businesses. The SBA must approve applications for an SBIC to operate. S. 1995 would direct the SBA to give first priority to applicants that wish to operate SBICs in states where the number of SBICs per person is below the median number of SBICs per person for all states. The bill also would make an SBIC operating in an under-licensed state eligible to receive loan guarantees from SBA if it was otherwise ineligible. Lastly, the bill would expand existing SBA reporting requirements for the SBIC program.

Using information from the SBA, CBO estimates that establishing a prioritization process would increase the number of SBIC applications that the SBA would review. CBO estimates that implementing the bill would increase gross costs by about $2 million a year over the 2019-2023 period for the agency to hire about 15 additional staff to review a larger number of applications on an expedited basis; such spending would be subject to the availability of appropriated funds. A portion of those costs could be offset by SBIC licensing fees that the agency typically charges under current law; therefore, CBO estimates that S. 1995 would increase net costs to the SBA by about $8 million over the 2019-2023 period, assuming agency action consistent with that authority.

CBO also estimates that expanding the availability of loan guarantees to SBIC's that otherwise would not be eligible would increase the amount and the gross cost of loan guarantees that the SBA could make; however, CBO estimates that the estimated net subsidy cost to the government would not be affected because the SBA would raise fees to cover any such costs.[1]

Enacting S. 1995 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

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1. The subsidy cost is the estimated long-term cost to the government, calculated on a net-present-value basis. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. That value depends on the rate of interest (called the discount rate) used to translate future cash flows into current dollars.

CBO estimates that enacting S. 1995 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 1995 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

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