CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 8, 2016

S. 2831
A bill to amend the Small Business Investment Act of 1958 to provide priority for applicants for a license to operate as a small business investment company that are located in a disaster area

As reported by the Senate Committee on Small Business and Entrepreneurship on May 24, 2016

S. 2831 would require the Small Business Administration (SBA) to prioritize applications to operate a small business investment company (SBIC) from applicants located in a disaster area. The bill also would change the maximum amount of debt that the SBA can guarantee for certain SBICs.

On the basis of information from the SBA, CBO estimates that implementing S. 2831 would cost less than $500,000 over the 2017-2021 period for additional administrative and rulemaking costs to create a priority application process; such spending would be subject to the availability of appropriated funds.

Enacting S. 2831 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting S. 2831 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

SBICs, which are privately owned and managed, provide financing to small businesses; a portion of that financing stems from debt that is guaranteed by the SBA (the remainder is raised privately). The amount of debt the SBA is authorized to guarantee is capped at specified amounts. Those capped amounts exclude debt for investments made by SBICs in certain geographic regions or other qualified investments. Businesses participating in the SBIC program are required to pay various fees that are sufficient to offset the program's estimated subsidy cost, that is, the estimated long-term cost to the government of a loan guarantee, calculated on a net-present-value basis.

S. 2831 would direct the SBA to exclude investments made by an SBIC in small businesses located in federally declared disaster areas from the calculation of the maximum amount of debt that could be guaranteed each year. On the basis of information from the SBA, CBO estimates that exempting those investments would increase the volume and 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 fees would be charged for the additional loan guarantees to such cover costs.

S. 2831 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.