



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 19, 2018

S. 2527
Small Business Investment Opportunity Act of 2018

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

Under current law, 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 amount of debt the SBA is authorized to guarantee for any SBIC is capped at \$150 million. SBICs 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. 2527 would raise the amount of debt that the SBA can guarantee for a SBIC to \$175 million.

Using information from the SBA, CBO estimates that implementing the bill would cost \$3 million over the 2019-2023 period for the agency to update the program's regulations and subsidy-cost model in 2019 and for additional analysis and oversight of SBIC portfolios over that period. Most of those costs would result from administrative activities and any spending would be subject to the availability of appropriated funds. Using information from the SBA, CBO estimates that increasing the cap on the amount of debt that the SBA can guarantee for SBICs 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 the SBA would raise fees to cover any such costs.

Enacting S. 2527 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting S. 2527 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2527 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

On July 21, 2017, CBO transmitted a cost estimate for H.R. 2333, the Small Business Investment Opportunity Act of 2017, as reported by the House Committee on Small Business on July 12, 2017. The two pieces of legislation are similar and CBO's estimates of their budgetary effects are the same.

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