



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 12, 2018

### **S. 526** **Microloan Modernization Act of 2018**

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

S. 526 would make several changes to the Small Business Administration's (SBA) microloan program. CBO estimates that implementing S. 526 would have no significant effect on the federal budget.

Under current law, the SBA operates a program that makes loans and grants to eligible nonprofit entities (known as intermediaries). Intermediaries use those funds to make microloans (small loans that are less than \$50,000) to newly-established or growing small businesses. Participating intermediaries use grant funds from the SBA to provide technical assistance to small businesses that receive a microloan or that are prospective borrowers. S. 526 would raise the amount the SBA may commit to an intermediary and raise the cap on the amount of grant funds that intermediaries can spend on pre-loan training and technical assistance for prospective borrowers. The bill also would direct the SBA to conduct a study of intermediaries to determine why some that are eligible to participate in the program fail to do so, and to recommend ways to increase participation and decrease costs.

Using information from the SBA, CBO estimates that the costs to conduct the study and to update the SBA's microloan program rules would not be significant.

S. 526 also would direct the Government Accountability Office (GAO) to evaluate the SBA's oversight of intermediaries and the microloan program. Based on the costs of similar reports conducted by GAO, CBO estimates that the costs to report on these activities would not be significant.

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

CBO estimates that enacting S. 526 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

S. 526 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

On June 27, 2017, CBO transmitted a cost estimate for H.R. 2056, the Microloan Modernization Act of 2017, as ordered reported by the House Committee on Small Business on June 15, 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.