



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 14, 2018

S. 3561

National Guard and Reserve Entrepreneurship Support Act

*As reported by the Senate Committee on Small Business and Entrepreneurship
on October 11, 2018*

Under its disaster loan program, the Small Business Administration (SBA) provides direct loans to people and small businesses; including those that suffered substantial economic injury because essential employees were ordered to active duty during a military conflict. S. 3561 would permit loan assistance when such a deployment is not part of a military conflict. The bill also would expand eligibility for a program that allows loan recipients to defer the repayment of principal and interest on disaster loans to include certain small businesses and borrowers who are ordered to active service for more than 30 consecutive days.

Using information from the SBA about the disaster loan program, CBO estimates that the total amount of loans administered by the SBA would increase slightly under the bill. CBO estimates that increase would have an insignificant effect on the estimated subsidy cost of disaster loans; such spending would be subject to the availability of appropriated funds.¹ (The subsidy cost of the program was \$187 million in 2017.)

S. 3561 also would expand the target of certain SBA outreach programs that provide training and assistance to include the spouses of veterans and members of the reserve component of the armed forces. Using information from the SBA about the administrative costs of those programs, CBO estimates that implementing those provisions would increase the agency's costs by an insignificant amount because the SBA is already expanding its outreach efforts toward those groups.

S. 3561 would expand the pool of people who are eligible to defer the payment of principal and interest for disaster loans in certain circumstances. Because that provision could affect the timing of expected payments of loans currently outstanding, those changes would be treated as direct spending; therefore, pay-as-you-go procedures apply. Using information from the SBA, CBO estimates that the net effect on those expected

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.

payments would be insignificant over the 2019-2028 period. Implementing S. 3561 would not affect revenues.

CBO estimates that enacting S. 3561 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 3561 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.