Congressional Budget Office
Cost Estimate

August 29, 2023

S. 943, Small Business Disaster Damage Fairness Act of 2023

As reported by the Senate Committee on Small Business and Entrepreneurship on July 25, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	0	3	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	No
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

S. 943 would require the Small Business Administration (SBA) to increase to $25,000 the amount that households, renters, and businesses may borrow without collateral to repair property damaged as a result of a disaster. Under current law, the agency does not require collateral for loans of $14,000 or less. The bill also would require the Government Accountability Office to report to the Congress, within three years of enactment, on repayment and default rates for disaster loans and how that performance would be affected by changes under the bill.

Using information from the SBA, CBO expects that some households and businesses who currently borrow amounts close to the $14,000 threshold would qualify for larger loans without providing collateral under the bill. Accordingly, CBO expects that some of those entities would borrow higher amounts.

Over the 2018-2022 period, the SBA approved an average of about 38,000 disaster loans annually to repair physical property for homeowners and renters at an average amount of $32,000 per loan. As a result of the changes in the bill, CBO expects that about 2,000 of those borrowers (5 percent) would take out an additional $3,500 in loans (an increase of 25 percent). Over the 2018-2022 period, the SBA approved an average of about 3,000 loans annually for businesses at an average amount of $84,000 per loan. Because businesses

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

typically borrow above the $25,000 threshold, CBO estimates that implementing S. 943 would not have a significant effect on those borrowers.

As a result, CBO estimates that the cost of implementing the bill would be $3 million, on a net-present-value basis, over the 2024-2028 period.[1] Any spending would be subject to the availability of appropriated funds.

Finally, using information from the Government Accountability Office about the cost of similar activities, CBO estimates that implementing the reporting requirements would cost less than $500,000. Any spending would be subject to the availability of appropriated funds.

The CBO staff contact for this estimate is Jon Sperl. The estimate was reviewed by Ann E. Futrell, Senior Adviser for Budget Analysis.

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1. Under the Federal Credit Reform Act of 1990, the costs of federal loan and loan guarantee programs are 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. The value depends on the rate of interest, known as the discount rate, used to translate future cash flows into current dollars.