



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 26, 2018

### **H.R. 5236** **Main Street Employee Ownership Act of 2018**

*As passed by the House of Representatives on May 8, 2018*

H.R. 5236 would expand the Small Business Administration's (SBA) 7(a) loan program to allow the agency to make loan guarantees to small businesses for an additional purpose. Under the bill, small businesses could use the proceeds of guaranteed loans to make loans to certain qualified employee trusts, allowing the trust to hold a majority stake in the small business. Under H.R. 5236, the SBA also would be directed to provide training, outreach, and educational materials to participants in several SBA programs regarding transitioning a small business to an employee-owned business. Lastly, the legislation would require the SBA to coordinate and chair an interagency working group that would develop recommendations and issue reports on employee-owned businesses.

Using information from the SBA on the costs of similar activities, CBO estimates that implementing H.R. 5236 would cost around \$6 million over the 2019-2023 period; such spending would be subject to the availability of appropriated funds. Those estimated costs include about \$4 million for the SBA to provide funding for small business development centers (SBDCs) to provide employee ownership training and services to small businesses and \$2 million for the SBA and federal agencies to update SBA program rules and issue a report, develop outreach materials, and to convene an interagency working group and issue reports.<sup>1</sup>

On the basis of information from the SBA, CBO also expects that expanding the scope of the 7(a) loan program 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 (which is negligible) would not be affected because the SBA would raise fees to cover any such costs.

Enacting H.R. 5236 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

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1. Under current law, SBDCs provide technical assistance to small businesses; they are funded through grants from the SBA and matching funds from nonfederal sources.

CBO estimates that enacting H.R. 5236 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5178 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 Theresa Gullo, Assistant Director for Budget Analysis.