

State Small Business Credit Initiative

Mission Statement

To increase the availability of credit for small business, to generate jobs and other economic development benefits for states, Treasury has implemented the State Small Business Credit Initiative.

Program Summary by Budget Activity

Dollars in Thousands

Outlays	FY 2010	FY 2011	FY 2012		
	Estimated	Estimated	Estimated	\$ Change	% Change
SSBCI Program	\$0	\$487,000	\$732,000	\$245,000	50.31%
Administration	0	6,410	7,488	\$1,078	16.82%
Total Outlays	\$0	\$493,410	\$739,488	\$246,078	49.87%
Total FTE	0	9	12	3	33.33%

FY 2011 and 2012 Priorities

- To provide direct funding support to states for use in programs designed to increase access to credit for small businesses.
- To support state capital access programs (CAPs) and other credit support programs (OCSP) that support lending to small businesses and small manufacturers.

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Section 1 – Purpose

1A – Description of Vision and Priorities

The State Small Business Credit Initiative was created to fund new and existing state programs that support lending to small business in order to stimulate economic growth and new jobs.

Vision: Under the State Small Business Credit Initiative, participating states will use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. The State Small Business Credit Initiative will allow states to build on successful models for state small business programs, including CAPs, collateral support programs, and loan guarantee programs.

Priorities:

- To provide direct funding support to states for use in programs designed to increase access to credit for small businesses.
- To support state CAPs and other credit support programs (OCSP) that support lending to small businesses and small manufacturers.

1B – Program History and Future Outlook

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). Section 3003 of the Act authorizes and directs the Secretary of Treasury to establish a seven-year State Small Business Credit Initiative, which was funded with \$1.5 billion to support state programs that support lending to small businesses and small manufacturers. The State Small Business Credit Initiative is expected to support new small business lending through local programs that help entrepreneurs expand their businesses and create new jobs.

Under the State Small Business Credit Initiative, states are offered the opportunity to apply for federal funds for programs that partner with private lenders to extend greater credit to small businesses. States are required to demonstrate a reasonable expectation that a minimum of \$10 in new private lending will result from every \$1 in federal funding. Accordingly, the \$1.5 billion funding commitment that the federal government will make for this program is expected to result in \$15 billion in additional private lending.

The State Small Business Credit Initiative allows states to build upon existing, successful state-level small business lending programs, including examples such as CAPs, collateral support programs, and loan guarantee programs.

- **Capital Access Programs:** CAPs, which are already up and running in over 20 states, are loan portfolio insurance programs in which states provide a matching contribution to bank loan loss reserves when lenders extend credit to qualified small businesses. These reserve enhancements allow lenders to expand credit to new borrowers at a time when many of these lenders might otherwise pull back.

- **Collateral Support Programs for Small Manufacturers:** Collateral support programs help viable businesses that are struggling to get credit because the value of the collateral they hold has fallen, often due to the decline in commercial real estate values. These programs – which set aside funds to augment collateral the borrower already holds – provide banks greater confidence in extending credit to these borrowers, particularly in some of the communities hardest hit by the economic downturn.
- **Loan Guarantee Programs:** Under loan guarantee programs, states provide partial guarantees on small business loans to give lenders greater confidence to extend credit.

If a state does not have an existing small business lending program, officials can establish one in order to access this funding.

The funding a state is eligible to apply for is determined based on formulas in the Small Business Jobs Act that take into account each state's unemployment rate and decline in employment relative to other states. Pursuant to the Act, funds are allocated to all fifty States along with the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands. If a State did not file a timely Notice of Intent or fails to meet the application deadline, municipalities within that State may apply for their pro rata share of the State's allocation, provided that such municipalities can meet all the program criteria. Up to three municipalities within a State may be eligible to receive SSBCI funds.

Treasury estimates that it will make at least one-third of the total \$1.5 billion in payments in FY 2011 and most of the remaining funds in FYs 2012 and 2013. In addition, less than 3% of the appropriation has been allocated to administrative expenses. The administrative costs will be expended over the seven-year life of the program.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

State Small Business Credit Initiative	FY 2010 Obligated	FY 2011 Estimated	FY 2012 Estimated
FTE	-	9	12
Object Classification:			
11.1 Full-Time Permanent Positions.....	\$0	\$1,077	\$1,498
12.0 Personnel Benefits.....	0	378	526
21.0 Travel.....	0	155	155
25.1 Advisory & Assistance Services.....	0	3,100	3,566
25.3 Purchase of Goods/Serv. from Govt. Accts.	0	1,700	1,743
41.0 Grants, Subsidies.....	0	487,000	732,000
Total.....	\$0	\$493,410	\$739,488
Activities:			
SSBCI Program	0	487,000	732,000
Administration	0	6,410	7,488
Total.....	\$0	\$493,410	\$739,488

2A – Enacting Legislation

The Small Business Jobs Act of 2010 (P.L. 111-240).

2B – Legislative Proposals

There are no current proposals for amending the enacting legislation.

Section 3 – Budget and Performance Plan

This table lists FYs 2011-2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Documents/strategic-plan2007-2012.pdf>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2011 Estimated	FY 2012 Estimated	Percent Change
Prevented or mitigated financial and economic crises	\$493,410	\$739,488	49.9%
Total	\$493,410	\$739,488	49.9%

3A – State Small Business Credit Initiative Program (\$732,000,000 in FY 2012): On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). Section 3003 of the Act authorizes and directs the Secretary of Treasury to establish a seven-year State Small Business Credit Initiative, which was funded with \$1.5 billion to support state programs that support lending to small businesses and small manufacturers. The State Small Business Credit Initiative is expected to support new small business lending through innovative local programs that help entrepreneurs expand their businesses and create new jobs.

Under the State Small Business Credit Initiative, participating states will use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. The State Small Business Credit Initiative will allow states to build on successful models for state small business programs, including CAPS, collateral support programs, and loan guarantee programs. Existing and new state programs are eligible for support under the State Small Business Credit Initiative.

The funding a state is eligible to apply for is determined based on formulas in the Small Business Jobs Act that take into account each state's unemployment rate and decline in employment relative to other states. Pursuant to the Act, funds are allocated to all fifty States along with the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands. If a State did not file a timely Notice of Intent or fails to meet the application deadline, municipalities within that State may apply for their pro rata share of the State's allocation, provided that such municipalities can meet all the program criteria. Up to three municipalities within a State may be eligible to receive SSBCI funds.

3.2.1 – State Small Business Credit Initiative Program Budget and Performance Plan

(Dollars in Thousands)

SSBCI Program	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Estimated	FY 2012 Estimated
SSBCI Program Outlay Levels	\$0	\$0	\$0	\$487,000	\$732,000
Total Program Outlay Levels	\$0	\$0	\$0	\$487,000	\$732,000

Performance metrics are currently in development for the State Small Business Credit Initiative and will be finalized in 2011.

3B – Administration (\$7,488,000 in FY 2012): The authority to pay administrative expenses is provided by Section 3009 (b) of the Act which appropriates \$1.5B to carry out the state small business credit program "including to pay reasonable costs of administering the program." Administrative expenses include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of Inspector General for program audits.

3.2.2 – State Small Business Credit Initiative Administration Budget and Performance Plan

(Dollars in Thousands)

Administration	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Estimated	FY 2012 Estimated
Administration Outlay Levels	\$0	\$0	\$0	\$6,410	\$7,488
Total Administration Outlay Levels	\$0	\$0	\$0	\$6,410	\$7,488

Performance metrics are currently in development for the State Small Business Credit Initiative and will be finalized in 2011.