



SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) was created in 1953 to promote the needs of small businesses through a variety of federal programs. Today, its mission is primarily to: 1) encourage “capital access” for small businesses through loan guarantees and bonding programs; 2) oversee small business contracting preference programs; 3) provide small businesses with training and technical assistance; and 4) administer a disaster loan program.¹

The SBA was the successor agency of the Depression-era Reconstruction Finance Corporation (RFC), which provided loans to large manufacturers in World War II. The move to replace the RFC—called “scandal-pocked” by *Time* magazine in 1952—with the SBA followed a series of revelations that the agency was corrupted with favoritism and bribes for a select few firms.² In shifting away from large businesses to small business, Congress sought to bolster a sector that it believed was not well served in the private market. As such, the agency has long provided a variety of programs to help struggling small businesses attain what they otherwise could not from private sources, most especially government contracts and low-interest rate loans.

Whether it is accomplishing this mission is not always clear. Under current standards, the SBA typically defines a “small business” as those with less than \$7 million in revenues and fewer than 500 employees. The definition is so broad, however, that it encompass 99.7 percent of all U.S. businesses.³ As a result, regular claims are made, by no less than GAO⁴ and the agency’s own inspector general,⁵ that large businesses are abusing the programs to the exclusion of small ones.

In addition, many of the SBA’s programs have come under criticism over the years for poor administration, ineffectiveness and, too frequently, their susceptibility to fraud and abuse. This has been a particular problem in the area of improper payments, which in some programs has reached nearly half of all payments. For instance, the inspector general reports that improper payments for the 7(a) business loan program were 27 percent in 2008 (or \$234 million), while they were 46 percent for disaster loans the previous year or \$1.5 billion.⁶ Combined, this represented more than \$1.734 billion in government loans.⁷

¹ Gonzales, Oscar R., Congressional Research Service, “Small Business Administration: A Primer on Program,” June 22, 2011, RL33243, <http://www.crs.gov/Products/RL/PDF/RL33243.pdf>.

² Clark Nardinelli, *The Reconstruction Finance Corporation’s Murky History*, December 21, 1983, <http://www.policyarchive.org/handle/10207/bitstreams/9111.pdf>.

³ Gonzales, Oscar R., Congressional Research Service, “Small Business Administration: A Primer on Program,” June 22, 2011, RL33243, <http://www.crs.gov/Products/RL/PDF/RL33243.pdf>.

⁴ Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received \$325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 2010, <http://www.gao.gov/new.items/d10425.pdf>.

⁵ Testimony of Peg Gustafson, Inspector General, Small Business Administration, before the Senate Small Business Committee, March 3, 2011, <http://www.sba.gov/content/peggy-e-gustafson-inspector-general-us-small-business-administration-before-small-business-and-entrepreneurship-committee>.

⁶ U.S. Small Business Administration, Office of Inspector General, “Fiscal Year 2010 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration,” October 16, 2009, Report No. 10-02, http://www.sba.gov/sites/default/files/oig_reports_tmc_fy10.pdf.

⁷ U.S. Small Business Administration, Office of Inspector General, “Fiscal Year 2010 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration,” October 16, 2009, Report No. 10-02, http://www.sba.gov/sites/default/files/oig_reports_tmc_fy10.pdf.

Capital Access Programs

SBA “capital access” programs include several loan guarantee programs, support for venture capital firms, several programs to provide low-cost bonding and technology transfer programs.

SBA’s flagship program is the 7(a) Loan Program, which guarantees private business loans up to \$5 million for five to 25 years based on loan purpose.⁸ To qualify for a 7(a) loan, a borrower must meet the “credit elsewhere” test, demonstrating that he or she cannot obtain credit from any private source. Loans are issued by private lenders, but the SBA covers up to 90 percent of all losses in the event of a default, in essence providing taxpayer funds as collateral.

Management problems have plagued the 7(a) program in recent years, which has seen taxpayer losses soar since 2008. Unfortunately, many of these problems were known years before these enormous losses materialized.

A 2007 GAO report uncovered that the SBA had almost no way to measure the impact of the program, and whether it was meeting its intended goal of providing additional credit to businesses. GAO noted that the “SBA does not collect any outcome-based information,” and that “none of the measures link directly to the SBA’s long-term objectives.”⁹ Further, the report noted that while minority-owned firms benefited slightly, the 7(a) program did not serve an essentially different market than was already served by private lenders. Whether measured by minority-status, gender, or credit score, both the 7(a) program and private lenders issued loans in roughly equal measure.¹⁰ The primary effect of the program was to encourage higher-dollar loans on better terms to less than one percent of the nation’s businesses.¹¹

In the same year, scandal rocked the agency when it was uncovered that a top SBA lender, Business Loan Express (BLX), issued tens of millions of dollars in fraudulent taxpayer-backed loans.¹² Called, “the largest single fraud in the history of the Small Business Administration,” BLX CEO Patrick Harrington concocted “a six-year conspiracy to fraudulently issue or acquire \$76.9 million in loans backed by the SBA.”¹³ While he was ultimately sentenced to ten years in prison, the investigation into the SBA’s handling of the matter proved equally troubling. The SBA inspector general found that the agency knew about “recurring and material” problems dating back to 2001 but “took no actions to restrict BLX’s ability to originate loans.”¹⁴

⁸ Gonzales, Oscar R., Congressional Research Service, “Small Business Administration: A Primer on Program,” June 22, 2011, RL33243, <http://www.crs.gov/Products/RL/PDF/RL33243.pdf>.

⁹ Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, <http://www.gao.gov/new.items/d08226t.pdf>.

¹⁰ Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, <http://www.gao.gov/new.items/d08226t.pdf>.

¹¹ Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, <http://www.gao.gov/new.items/d08226t.pdf>.

¹² Fisk, Margaret Cronin and Christine Richard, “Former Business Loan Express Executive Gets 10 Years (Update2),” *Bloomberg*, November 13, 2008, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aKIvrYcg9tiU>.

¹³ Fisk, Margaret Cronin and Christine Richard, “Former Business Loan Express Executive Gets 10 Years (Update2),” *Bloomberg*, November 13, 2008, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aKIvrYcg9tiU>.

¹⁴ Small Business Administration, Office of the Inspector General, *SBA’s Oversight of Business Loan Center, LLC*, Report No 7-28, July 11, 2007, http://www.sba.gov/sites/default/files/oig_bllc_7-28.pdf

Problems with the 7(a) program persisted, and in 2009 GAO again uncovered that the SBA had no way to prove whether or not small businesses were meeting the credit elsewhere test, a central requirement for eligibility in the program.¹⁵ By law, the SBA is not allowed to approve *any loan* in which a borrower can get credit elsewhere, but GAO found that lenders routinely failed to document why a borrower met this test.¹⁶

Lenders are given enormous leeway by the SBA, known as *delegated authority*, allowing them to originate taxpayer-supported loans without agency involvement. Unfortunately, SBA's system for rating the risk of these same lenders was found by GAO in 2009 to have only limited usefulness in sorting out high-risk lenders from low-risk ones.¹⁷ GAO warned that unless the risk rating system was fixed, it "may deteriorate as economic conditions . . . change over time."¹⁸ That warning proved all too accurate, when in 2010 the 7(a) program suffered record-setting losses of more than \$1.35 billion, and all SBA guarantee programs lost more than a combined \$2.3 billion.¹⁹

The need for small business loan guarantee programs has diminished greatly in recent years. First, the 7(a) program is intended for creditworthy borrowers, but billions of dollars in losses since 2008 demonstrate that the agency has a poor track record in administering taxpayer dollars for this purpose. Second, there was more than \$609 billion in outstanding small business loans during the first quarter of 2011.²⁰ While this is lower than the 2008 lending peak, due in part to a 57 percent decline in demand,²¹ lending activity is higher than 2005 levels when the economy grew by 4.3 percent.²² Third, there are several other duplicative federal loan guarantee programs that assist small businesses with obtaining credit. The USDA provides both direct and guaranteed farm loans,²³ administers the Business and Industry Guaranteed Loans (B&I) Program for all types of firms,²⁴ and eighteen other various business-related loan programs.²⁵ The Export-Import Bank runs both direct and guaranteed loan programs,²⁶ the Department of

¹⁵ Government Accountability Office, *Small Business Administration: Additional Guidance on Documenting Credit Elsewhere Decisions Could Improve 7(a) Program Oversight*, GAO-09-228, February 2009, <http://www.gao.gov/new.items/d09228.pdf>.

¹⁶ Government Accountability Office, *Small Business Administration: Additional Guidance on Documenting Credit Elsewhere Decisions Could Improve 7(a) Program Oversight*, GAO-09-228, February 2009, <http://www.gao.gov/new.items/d09228.pdf>.

¹⁷ Government Accountability Office, *Small Business Administration: Actions Needed to Improve the Usefulness of the Agency's Lender Risk Rating System*, GAO-10-53, November 2009, <http://www.gao.gov/new.items/d1053.pdf>.

¹⁸ Government Accountability Office, *Small Business Administration: Actions Needed to Improve the Usefulness of the Agency's Lender Risk Rating System*, GAO-10-53, November 2009, <http://www.gao.gov/new.items/d1053.pdf>.

¹⁹ Website of the Small Business Administration, Charge-Off Amounts, http://www.sba.gov/sites/default/files/files/WDS_ChargeOffAmount_Report.pdf.

²⁰ Clifford, Catherine, "Small business lending plummets," *CNNMoney*, June 16, 2011, http://money.cnn.com/2011/06/16/smallbusiness/small_business_lending/?section=money_latest.

²¹ Headd, Brian, U.S. Small Business Office of Advocacy, *Small Business Quarterly Bulletin*, Fourth Quarter 2010, http://www.sba.gov/sites/default/files/SBQB_2010q4.pdf.

²² Isidore, Chris, "A perfect GDP report," *CNNMoney*, November 30, 2005, <http://money.cnn.com/2005/11/30/news/economy/gdp/index.htm>.

²³ Website of the US Department of Agriculture, Farm Service Agency, Guaranteed Farm Loans, <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=gfl>; <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=df>.

²⁴ Website of the United States Department of Agriculture, Rural Development, Business and Cooperative Programs, "Business and Industry Guaranteed Loans (B&I), (accessed July 6, 2011), http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm.

²⁵ Website of the United States Department of Agriculture, Rural Development, "Rural Development Loan Assistance," (accessed July 6, 2011), http://www.rurdev.usda.gov/RD_Loans.html.

²⁶ Website of the Export-Import Bank of the United States, "Loan Guarantee & Direct Loan," (accessed July 6, 2011), http://www.exim.gov/products/loan_guar.cfm.

Energy offers three different business loan programs,²⁷ and one is offered by the Bureau of Indian Affairs.²⁸ Fourth, the program's losses plus the cost to administer the program add up to a cost, more than \$1.5 billion, that outweighs the benefits gained by the economy.

Contract Preference Programs

SBA also administers a number of preference programs intended to carve out a percentage of federal contracts for small and disadvantaged businesses. Overall, Congress has established a government-wide goal of providing 23 percent of contracts and subcontracts to small businesses, as well as five percent to disadvantaged small businesses, five percent to women-owned small businesses and three percent to HUBZone small businesses and three percent to veteran-owned small businesses.²⁹ Unfortunately, SBA's poor oversight of contracting programs leaves them open to fraud and abuse.

The SBA has struggled for years to see that federal contracts are awarded to small businesses, and often come up short of its 23 percent goal.³⁰ As a remedy, the agency frequently resorts to rigging the statistics to make them appear better than they are. For example, SBA policy *excludes certain contracts* from the final tally even as it *includes certain types of large businesses* as "small."³¹ One outside organization found that in 2010, 61 of the top 100 "small" business contractors were in fact large businesses, and that the real percentage of small business awards was closer to five percent.³² This same study found that \$8 billion of the government's \$14 billion in small business contracts went to large businesses.³³

The SBA inspector general also took notice that ineligible large companies were using the contracting program to gain special set-asides.³⁴ SBA's response was telling: it simply increased the size of a small business, allowing close to 10,000 more firms to qualify in 2011.³⁵ In the case of engineering firms, "small" was increased from \$4.5 million to \$19 million.

The HUBzone contracting program has proven especially vulnerable to fraud, according to several GAO investigations. In one particularly revealing 2008 report, GAO investigators found that 17 HUBZone contractors in Washington, D.C. received \$24 million in fraudulent contracts,

²⁷ Website of the U.S. Department of Energy, Loan Programs Office, "Programs," (accessed July 6, 2011), https://lpo.energy.gov/?page_id=37.

²⁸ Website of GovLoans, (accessed July 13, 2011), <http://www.govloans.gov/loans/loan-details/800>.

²⁹ Gonzales, Oscar R., Congressional Research Service, "Small Business Administration: A Primer on Program," June 22, 2011, RL33243, <http://www.crs.gov/Products/RL/PDF/RL33243.pdf>.

³⁰ 2009 is the latest year for which data is available,

http://archive.sba.gov/idc/groups/public/documents/sba_program_office/govt_wide_2009.pdf

³¹ Mandelbaum, Robb, "Small Gains for Small Business in Federal Contracting," *You're the Boss (NY Times blog)*, September 3, 2010, <http://boss.blogs.nytimes.com/2010/09/03/small-gains-for-small-business-in-federal-contracting/>.

³² Chacko, Sarah, "61 large businesses among top 100 winning contracts meant for small firms, analysis finds," *Federal Times*, June 30, 2011, <http://www.federaltimes.com/article/20110630/ACQUISITION03/106300301/1001>.

³³ Chacko, Sarah, "61 large businesses among top 100 winning contracts meant for small firms, analysis finds," *Federal Times*, June 30, 2011, <http://www.federaltimes.com/article/20110630/ACQUISITION03/106300301/1001>.

³⁴ Chacko, Sarah, "SBA to let larger companies win small-biz contracts," *Federal Times*, March 25, 2011, <http://www.federaltimes.com/article/20110325/ACQUISITION03/103250301/1032/IT>.

³⁵ Chacko, Sarah, "SBA to let larger companies win small-biz contracts," *Federal Times*, March 25, 2011, <http://www.federaltimes.com/article/20110325/ACQUISITION03/103250301/1032/IT>.

and potentially \$80 million more as a result of their HUBZone designations.³⁶ To understand the extent of the problem in Washington, undercover investigators applied for HUBZone designations for four fake companies that clearly did not meet program requirements—all four were accepted to the program, including one that listed its office address at a Starbucks.³⁷

A follow up investigation in early 2009 revealed far more extensive problems with HUBZone contractors, this time focusing on Texas. GAO once again created four fake companies, listing fake addresses at locations such as the Alamo and a local city hall building—once again three were accepted, while the SBA lost the fourth's paperwork.³⁸ According to GAO investigators, “[a] simple Internet search by SBA could have revealed these as phony,” which the agency did not determine despite taking seven months to process each application.³⁹

Extensive abuses have also been found in the 8(a) Program, which helps disadvantaged minority-owned businesses win sole-source contracts, as well as with the program for disabled veterans. Regarding the former, GAO uncovered 14 cases in which business owners misrepresented themselves and won \$325 million in federal awards.⁴⁰ In each of the cases, SBA either “did not detect the false statements” or “became aware of the firms’ ineligibility but failed to take action.”⁴¹ Regarding the latter, GAO uncovered 10 examples in 2009 of firm owners that posed as service-disabled veterans in “rent-a-vet” schemes to win \$100 million in contracts.⁴² Despite the fraud, none of the contractors was disbarred from doing business with the government.⁴³

Disaster Loan Programs

While disaster response is the mission of the Federal Emergency Management Agency (FEMA) within the Department of Homeland Security, the SBA administers most of the government’s disaster loan programs. Unlike its business loan programs, however, SBA disaster loans are available not only to small businesses in a disaster area, but also to individuals and non-profits.⁴⁴ Loans are available in varying amounts and can be used for everything from rebuilding homes to operating a business while a community rebuilds.

In several of the nation’s most recent disasters, most notably following Hurricane Katrina, the SBA has come under sharp criticism from Congress and citizens alike for its slow processing of

³⁶ Stewart, Brandi, “GAO finds HUBZone program rife with fraud,” *CNNMoney*, July 23, 2008, http://money.cnn.com/2008/07/23/smallbusiness/hubzone_fraud.fsb/index.htm.

³⁷ Stewart, Brandi, “GAO finds HUBZone program rife with fraud,” *CNNMoney*, July 23, 2008, http://money.cnn.com/2008/07/23/smallbusiness/hubzone_fraud.fsb/index.htm.

³⁸ Government Accountability Office, *Small Business Administration: Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse*, GAO-10-759, June 2010, <http://www.gao.gov/new.items/d10759.pdf>.

³⁹ Government Accountability Office, *Small Business Administration: Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse*, GAO-10-759, June 2010, <http://www.gao.gov/new.items/d10759.pdf>.

⁴⁰ Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received \$325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 2010, <http://www.gao.gov/new.items/d10425.pdf>.

⁴¹ Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received \$325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 2010, <http://www.gao.gov/new.items/d10425.pdf>.

⁴² Jordan, Bryant, “GAO Claims Abuse in Disabled Vet SBA Program,” *Military.com*, December 30, 2009, <http://www.military.com/news/article/gao-claims-abuse-in-disabled-vet-sba-program.html>.

⁴³ Jordan, Bryant, “GAO Claims Abuse in Disabled Vet SBA Program,” *Military.com*, December 30, 2009, <http://www.military.com/news/article/gao-claims-abuse-in-disabled-vet-sba-program.html>.

⁴⁴ Gonzales, Oscar R., Congressional Research Service, “Small Business Administration: A Primer on Program,” June 22, 2011, RL33243, <http://www.crs.gov/Products/RL/PDF/RL33243.pdf>.

disaster assistance applications. A 2006 review of SBA's response to the hurricane found myriad problems, all of which resulted in a backlog of 204,000 applications four months after the disaster.⁴⁵ Applications were supposed to be processed in no more than 21 days, but ended up taking an average of 74 days—nearly four times longer.⁴⁶

The results of SBA's bungled response to Hurricane Katrina left many frustrated, disillusioned and, not infrequently, without the help they needed. An investigation by the *Associated Press* five years after the hurricane uncovered new details about how poor the agency's response really was. For instance, loans were approved more often for wealthy whites while poor blacks in New Orleans' Lower 9th Ward were mostly rejected.⁴⁷ One SBA whistleblower admitted that loans for the wealthy were "cherry-picked" because they could be dealt with faster, noting, "[t]he truth is that only the wealthy moved through the system easily."⁴⁸ Another whistleblower and former loan officer said the SBA's response was owed largely to the fact that "there were lots of people sitting around not doing anything with thousands of applications pouring in everyday."⁴⁹

Worse, some of SBA's loan officers talked of the immense pressure managers applied to simply clear applications, regardless of whether they were handled properly or whether disaster victims in need were passed over. Contests were held offering \$100 prizes for rejecting applications, with one supervisor even instructing people to use an egg timer, and "[w]hen it goes off, hang up."⁵⁰ "I couldn't sleep at night," admitted one SBA worker, "[w]e had no compassion for these people . . . it was all about production and we hurt a lot of people along the way."⁵¹

Years earlier, the SBA was also criticized by its inspector general for badly mishandling the STAR Loan Program, intended to help businesses directly impacted by the terrorist attacks of September 11, 2001. Only the IG found the vast majority of STAR loans his office reviewed were ineligible for the program. He concluded that "small businesses near Ground Zero in New York couldn't get the assistance they desperately sought."⁵² The *Associated Press* found that loans were instead going to companies spread throughout the country, including "a South Dakota radio station, a Virgin Islands perfume shop, a Utah dog boutique, and more than 100 Dunkin' Donuts and Subway sandwich shops."⁵³ When the IG interviewed the borrowers themselves,

⁴⁵ Government Accountability Office, *Small Business Administration: Actions Needed to Provide More Timely Disaster Assistance*, GAO-06-860, July 2006, <http://www.gao.gov/new.items/d06860.pdf>.

⁴⁶ Government Accountability Office, *Small Business Administration: Actions Needed to Provide More Timely Disaster Assistance*, GAO-06-860, July 2006, <http://www.gao.gov/new.items/d06860.pdf>.

⁴⁷ Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.

⁴⁸ Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.

⁴⁹ Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.

⁵⁰ Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.

⁵¹ Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.

⁵² Margasak, Larry, "SBA: Many That Got 9/11 Loans Weren't Hurt," *Associated Press*, December 28, 2005, http://www.breitbart.com/article.php?id=D8EPILK00&show_article=1.

⁵³ Margasak, Larry, "SBA: Many That Got 9/11 Loans Weren't Hurt," *Associated Press*, December 28, 2005, http://www.breitbart.com/article.php?id=D8EPILK00&show_article=1.

only 2 of 42 knew their loan was a STAR loan, and 25 said they were not directly impacted by the terror attacks.⁵⁴

Recommendations

Transfer Disaster Loan Program to FEMA. The government should transfer responsibility for the disaster loan program to FEMA, which is primarily responsible for most federal disaster programs, including those that deal with lending.⁵⁵ Not only does FEMA already administer the Community Disaster Loan Program for local governments,⁵⁶ but anyone seeking an SBA disaster loan is already required to first register with FEMA.⁵⁷ In late 2010, the SBA inspector general looked at the duplication resulting from competing disaster programs at SBA, FEMA and the Department of Housing and Urban Development (HUD). The IG found that the confusion has led more than \$925 million in HUD Community Development Block Grants being used to pay down SBA loans, even from those who had the means to pay them back on their own.⁵⁸ Administration costs for this program in 2011 were \$76.5 million,⁵⁹ and moving it to FEMA would produce a 50 percent savings in this area.

Estimated Ten-Year Savings: \$425 Million.

Transfer Small Business Contracting Program to OMB Office of Federal Procurement Policy. All small business contract set-aside programs should be transferred away from the SBA to the OMB Office of Federal Procurement Policy. SBA's current oversight of procurement programs is wrought with confusion, according to the agency's inspector general, "The procurement agencies think SBA has the oversight responsibility and SBA thinks the agencies do."⁶⁰ Moving the program would provide the advantage of more fully organizing federal contracting programs under a single office. Further, since individual agencies implement their own contracting programs already, OFPP would act in an oversight role to ensure their continuation. Oversight of the contracting programs cost \$32 million in 2011,⁶¹ and consolidating with existing programs at OFPP would achieve an estimated 50 percent savings.

Estimated Ten-Year Savings: \$178 Million.

End Business Loan Guarantee and Capital Access Programs. The government should end all of its business loan guarantee and capital access programs, allowing these functions to operate fully by private lenders. The market already provides business credit and bonding, and administering

⁵⁴ Small Business Administration, Office of Inspector General, "Audit of SBA's Administration of the Supplemental Terrorist Activity Relief (STAR) Loan Program, Report Number 6-09, December 23, 2005, http://archive.sba.gov/idc/groups/public/documents/sba/oig_bll0_6-09.pdf.

⁵⁵ Website of the Department of Homeland Security, Federal Emergency Management Agency, http://www.fema.gov/government/grant/fs_cdl.shtm.

⁵⁶ Website of the Department of Homeland Security, Federal Emergency Management Agency, http://www.fema.gov/government/grant/fs_cdl.shtm.

⁵⁷ Website of the Small Business Administration, <http://training.sba.gov:8000/response>.

⁵⁸ Small Business Administration, Office of Inspector General, "SBA's Role in Addressing Duplication of Benefits Between SBA Disaster Loans and Community Development Block Grants," September 2, 2010, Report Number 10-13, http://www.sba.gov/sites/default/files/oig_report_10-13_cgdb.pdf.

⁵⁹ Small Business Administration, "FY 2012 Congressional Budget Justification and FY 2010 Annual Performance Report," http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBBJ%20FY%202010%20APR_0.pdf.

⁶⁰ Clark, Charles, "SBA called slow to kill duplicative programs and curb improper payments," *Government Executive*, June 16, 2011, <http://www.govexec.com/dailyfed/0611/061611cc1.htm>.

⁶¹ <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/sba.html>

these programs cost taxpayers \$236 million in 2011. Losses from the programs approached a total of \$1.5 billion in 2010, and can no longer be afforded.

Estimated Ten-Year Savings: \$2.62 Billion.

SMALL BUSINESS ADMINISTRATION TEN YEAR SAVINGS

Discretionary: \$3.22 billion

Total: \$3.22 billion