United States Government Accountability Office

Report to Congressional Committees

June 2024

STATE SMALL BUSINESS CREDIT INITIATIVE

Treasury Made Progress on Disbursements and Improvements to Project Scheduling

GAO-24-106671

GAO Highlights

Highlights of GAO-24-106671, a report to congressional committees

June 2024

STATE SMALL BUSINESS CREDIT INITIATIVE

Treasury Made Progress on Disbursements and Improvements to Project Scheduling

Why GAO Did This Study

SSBCI was reauthorized by the American Rescue Plan Act of 2021 (ARPA) to support small businesses recovering from the economic effects of the COVID-19 pandemic. Congress appropriated $10 billion for the program. ARPA requires Treasury to complete all disbursements and remaining obligations before September 30, 2030. Any remaining funds unexpended by Treasury are to be rescinded and deposited in Treasury's general fund.

The CARES Act and ARPA include provisions for GAO to monitor and oversee federal efforts to respond to the COVID-19 pandemic. GAO previously examined jurisdictions' planned use of SSBCI funds and Treasury's implementation of the program (GAO-23-105293). This report examines the disbursement of SSBCI funds and Treasury's continuing efforts to manage time frames and measure and report on program performance, among other objectives.

GAO analyzed Treasury data on amounts disbursed to participating jurisdictions and interviewed Treasury and Commerce officials. GAO also reviewed Treasury's planning tools and program guidelines and interviewed representatives of four territories and a nongeneralizable sample of 12 states and 13 tribal applicants. They were selected to represent a range of geographic regions and other characteristics.

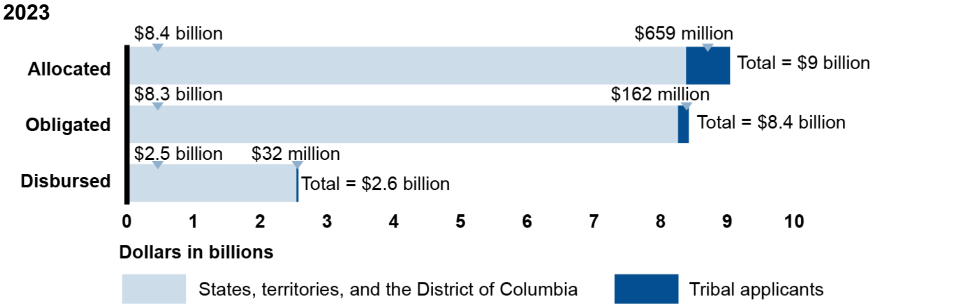
View GAO-24-106671. For more information, contact Michael Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

The State Small Business Credit Initiative (SSBCI) provides funds to participating jurisdictions to support small business lending and investment programs through its capital program. The program also includes technical assistance funds that jurisdictions can use to provide legal, accounting, and financial advisory services to support certain businesses applying for SSBCI or another government small business program.

The Department of the Treasury, which administers most SSBCI funding, obligated $8.4 billion and disbursed $2.6 billion in SSBCI capital program funds as of December 31, 2023. (See figure.) As of that date, nearly all states and territories and about one-third of tribal applicants had been approved to participate in the capital program and received funds. Treasury continued to review the remaining applications, which primarily included tribal applicants for which there was a later deadline. The Department of Commerce awarded $117 million in SSBCI technical assistance funds to 43 organizations in September 2023.

Capital Program Funding for the State Small Business Credit Initiative, as of December 31, 2023



Source: GAO analysis of Department of the Treasury data. | GAO-24-106671

Note: Numbers may not sum to the totals due to rounding.

Treasury incorporated additional best practices for project scheduling for SSBCI in line with GAO's 2023 recommendation (GAO-23-105293). For example, Treasury began to use a project management tool that helps track, manage, and report on projects. However, GAO's recommendation remains open until Treasury demonstrates further progress fully incorporating these best practices. For example, Treasury could better analyze staff availability and workloads to help the SSBCI program team efficiently implement the program. By fully addressing GAO's recommendation, Treasury could help ensure timely disbursement of the remaining $6.5 billion of allocated funds.

In December 2023, Treasury finalized performance metrics for SSBCI that track deployment of SSBCI funds to eligible small businesses and the amount of private capital leveraged. These metrics are consistent with key attributes of successful performance metrics GAO identified, such as including measurable targets. Treasury provided templates and training to help jurisdictions meet reporting requirements. Treasury published the first quarterly report on SSBCI (based on data jurisdictions submitted) in December 2023 and plans to issue the first annual report in September 2024.

Contents

Figures

Abbreviations

ARPA	American Rescue Plan Act of 2021
FAQ	frequently asked question
MBDA	Minority Business Development Agency
SEDI	socially and economically disadvantaged individual
SSBCI	State Small Business Credit Initiative

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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June 11, 2024

Congressional Committees

To help small businesses recover from the COVID-19 pandemic, Congress provided more than $1 trillion in relief funds through various programs. One such program is the State Small Business Credit Initiative (SSBCI), which supports lending and investment in small businesses.

The American Rescue Plan Act of 2021 (ARPA) reauthorized SSBCI, which originally operated from 2010 through 2017.[1] ARPA authorizes the Department of the Treasury to allocate approximately $10 billion to participating jurisdictions—states, the District of Columbia, territories, and tribal governments.[2] The funding provides support to small businesses responding to and recovering from the economic effects of the COVID-19 pandemic and to ensure that underserved businesses have access to

[1]Congress first authorized SSBCI in the Small Business Jobs Act of 2010, appropriating $1.5 billion in funding following the 2007–2009 financial crisis. The original SSBCI program ended in September 2017. GAO issued four annual reports on the program and made recommendations to Treasury on improving oversight and enhancing performance measurement and evaluation. Treasury implemented our recommendations. See GAO, *State Small Business Credit Initiative: Opportunities Exist to Improve Program Oversight*, GAO-12-173 (Washington, D.C.: Dec. 7, 2011); *Small Business Lending: Opportunities Exist to Improve Performance Reporting of Treasury's Programs*, GAO-13-76 (Washington, D.C.: Dec. 5, 2012); *State Small Business Credit Initiative: Opportunities Exist to Enhance Performance Measurement and Evaluation*, GAO-14-97 (Washington, D.C.: Dec. 18, 2013); and *Small Business Credit Programs: Treasury Continues to Enhance Performance Measurement and Evaluation but Could Better Communicate and Update Results*, GAO-15-105 (Washington, D.C.: Dec. 11, 2014).

[2]In this report, we use "tribal governments" or "Tribes" to refer to federally recognized tribal governments eligible for the SSBCI program. According to Treasury officials, Treasury identified 582 tribal governments as eligible to apply to the program. This included 574 federally recognized tribal governments and eight component bands of those tribal governments that had submitted tribal enrollment data to the Bureau of Indian Affairs.

credit and investments.[3] ARPA requires Treasury to complete all disbursements and remaining obligations before September 30, 2030.[4]

The current SSBCI retains key features of the original program but received a larger appropriation ($10 billion compared to $1.5 billion). The current program also includes an allocation for tribal governments, very small businesses, and businesses owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses).[5] In addition, it provides technical assistance funds that jurisdictions or Treasury can use to provide legal, accounting, and financial advisory services to support certain businesses applying for SSBCI or another government small business program. The Minority Business Development

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[3]ARPA appropriated $10 billion for the current SSBCI for these and other purposes. Subsequently, the Fiscal Responsibility Act of 2023 rescinded $150 million of unobligated SSBCI funds and the Further Consolidated Appropriations Act, 2024 rescinds $283 million from unobligated SSBCI funds by September 30, 2024. Other entities, including municipalities, may be eligible for participation as a “state” consistent with 12 U.S.C. §§ 5702(a), 5701. Only municipalities in states that did not submit complete applications were eligible to receive funding. All 50 states submitted applications for the current SSBCI; therefore, no municipalities were eligible to apply.

[4]Any remaining funds unexpended by Treasury are to be rescinded and deposited in Treasury’s general fund.

[5]Very small businesses are those with fewer than 10 employees and may include independent contractors and sole proprietors. According to Treasury’s capital program policy guidelines, Treasury considers SSBCI funds to be expended for SEDI-owned businesses if the funds are expended for loans, investments, or other credit or equity support to business enterprises that (1) certify they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (a) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, (b) gender, (c) veteran status, (d) limited English proficiency, (e) disability, (f) long-term residence in an environment isolated from the mainstream of American society, (g) membership of a federally or state-recognized Indian Tribe, (h) long-term residence in a rural community, (i) residence in a U.S. territory, (j) residence in a community undergoing economic transitions, or (k) membership of another “underserved community” as defined in Executive Order 13985; (2) certify they are owned and controlled by individuals whose residences are in Community Development Financial Institutions Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); (3) certify they will operate a location in a Community Development Financial Institution Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or (4) are located in Community Development Financial Institution Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii). The term “owned and controlled” means, if privately owned, 51 percent is owned by such individuals; if publicly owned, 51 percent of the stock is owned by such individuals; and in the case of a mutual institution, a majority of the board of directors, account holders, and that the community the institution services predominantly consists of such individuals.

Agency (MBDA) in the Department of Commerce administers $125 million of the technical assistance funding.[6]

The CARES Act and ARPA include provisions for GAO to monitor and oversee federal efforts to prepare for, respond to, and recover from the COVID-19 pandemic. In January 2022, we reported on Treasury's initial steps to implement SSBCI and potential challenges facing Treasury and program participants.[7] In February 2023, we reported on jurisdictions' planned use of SSBCI funds and Treasury's completion of key implementation steps for SSBCI.[8] Our current report examines (1) Treasury's disbursement of program funds and the status of MBDA's grant awards; (2) Treasury's management of time frames for remaining implementation steps; (3) Treasury's efforts to ensure compliance with program requirements; and (4) Treasury's efforts to measure and report on program performance.

For the first objective, we reviewed and analyzed Treasury data on amounts allocated, obligated, and disbursed to participating jurisdictions and the status of jurisdictions' applications.[9] We reviewed written information from MBDA officials on the status of grant awards and analyzed data on grantee characteristics that were self-reported by the grantees. We also interviewed Treasury and MBDA officials on the status of the program.

For the second objective, we reviewed Treasury's planning tools and processes, interviewed Treasury officials, and observed their project scheduling tools and practices through a virtual demonstration. We

[6]ARPA authorizes Treasury to transfer SSBCI technical assistance funding to MBDA.

[7]GAO, *COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies*, GAO-22-105291 (Washington, D.C.: Jan. 27, 2022).

[8]GAO, *State Small Business Credit Initiative: Improved Planning Could Help Treasury Limit Additional Delays*, GAO-23-105293 (Washington, D.C.: Feb. 2, 2023).

[9]We assessed the reliability of these data by obtaining written responses from Treasury officials about their processes for ensuring the accuracy of the data. We found these data to be sufficiently reliable for describing the amounts allocated, obligated, and disbursed to participating jurisdictions and the status and time frames for Treasury's application reviews.

compared Treasury's tools and planning efforts for SSBCI against best practices for project scheduling we identified in prior work.[10]

For the third objective, we reviewed Treasury's program guidelines, online program resources, and training materials and interviewed Treasury officials about support and guidance provided to participating jurisdictions. We also interviewed representatives of four of the five permanently inhabited territories and representatives of nongeneralizable selections of 12 states and 13 tribal applicants.[11] We selected states to reflect variation in funding allocation amounts, geographic region, and initial funding dates, among other criteria. We selected tribal applicants to reflect a range of funding amounts requested in their capital program applications, geographic diversity, and proposed program types, and to include applicants that applied individually and jointly.

For the fourth objective, we reviewed documentation of Treasury's performance measures and indicators for SSBCI, guidance for jurisdictions, quarterly reports of SSBCI data, and plans for evaluating SSBCI. We compared Treasury's performance measures and indicators against key attributes of successful performance measures identified in prior GAO work.[12] We also interviewed Treasury officials about these efforts. For more detailed information about our objectives, scope, and methodology, see appendix I.

We conducted this performance audit from February 2023 to June 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

[10]See GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-16-89G (Washington, D.C.: Dec. 22, 2015).

[11]The five permanently inhabited U.S. territories are American Samoa, the Commonwealth of the Northern Mariana Island, Guam, Puerto Rico, and the U.S. Virgin Islands. We requested interviews with all five territories; one did not respond to our request. Tribal applicants refer either to tribal governments that applied individually or to an application submitted by a consortium of tribal governments that applied jointly. Tribal governments can operate programs themselves or contract with third parties. In some cases, representatives of the 13 tribal applicants directed us to interview representatives of such third parties or representatives of organizations connected to the tribal applicants that are helping administer their programs.

[12]See GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, GAO-03-143 (Washington, D.C.: Nov. 22, 2002).

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The SSBCI capital program, administered by Treasury, is the largest program component of the current SSBCI and received approximately $9.5 billion of the nearly $10 billion in total funding. Participating jurisdictions can use funds from the capital program to fund lending programs that facilitate loans to small businesses, as well as venture capital and other equity investment programs (see table 1). The types of lending programs established by Treasury include capital access, loan guarantee, collateral support, and loan participation programs. Each type of program shares lending or equity financing risks with lenders or investors, facilitating transactions that otherwise might not have occurred.

Table 1: Program Types for Capital Program of the State Small Business Credit Initiative (SSBCI)

Type of program	Description
Capital access	Provides loan portfolio insurance, wherein the borrower and lender, such as a small business owner and a bank, contribute to a reserve fund held by the lender. Amounts in the lender's reserve fund are available to cover any losses incurred in its portfolio of capital access loans.
Loan guarantee	Allows jurisdictions to use SSBCI funds to provide assurance to lenders that they will be partially repaid in the event of default. The guarantees help small businesses secure loans that otherwise may have been inaccessible or prohibitively expensive.
Collateral support	Supplies cash collateral accounts to lenders to enhance the collateral coverage of borrowers, enabling business owners to borrow funds to help their businesses grow.
Loan participation	Allows jurisdictions to buy an interest in the loans made by lenders or lend directly alongside private lenders, providing additional direct lending to finance small businesses.
Venture capital and other equity investment	Allows jurisdictions to set up public-private partnerships for equity investing or investment in venture capital funds. These investments may focus on providing capital to underserved startups and making venture capital more available across geography and business founders.

Source: GAO analysis of Department of the Treasury documents. | GAO-24-106671

The current SSBCI capital program retains the original program's formula for allocating main capital funds to states, territories, and the District of Columbia.[13] It requires participating jurisdictions to match the federal contribution with private dollars at a level of 1:1 for each loan guarantee, collateral support, or loan participation program or for each fund within venture capital programs. In addition, as with the original program, the

[13]Although the formula for the main capital distribution for these entities remained structurally the same, ARPA also required Treasury to determine how to allocate additional funds to tribal governments.

current program expects jurisdictions to catalyze $10 of private lending or investing for every $1 of SSBCI funding (achieve a 10:1 leverage ratio).

Eligible jurisdictions can administer funds directly or can contract with a third party that serves as the program administrator with jurisdiction oversight. These third parties may include entities such as economic development corporations or business development centers.

For the purposes of the SSBCI capital program, Treasury determines allocation amounts for each eligible jurisdiction—the amount of funding potentially available—prior to the program application deadlines. Once Treasury approves a jurisdiction's capital program application, it obligates funds (typically equal to the allocated amount). Treasury and the jurisdiction then execute an allocation agreement, which establishes the terms and conditions for the jurisdiction to receive capital funds.

Participating jurisdictions receive up to three tranches (disbursements) of funding over the life of the program. After receiving the first tranche of funding, the jurisdiction must certify it has appropriately expended, transferred, or obligated at least 80 percent of the previous tranche before it can receive the next tranche.[14]

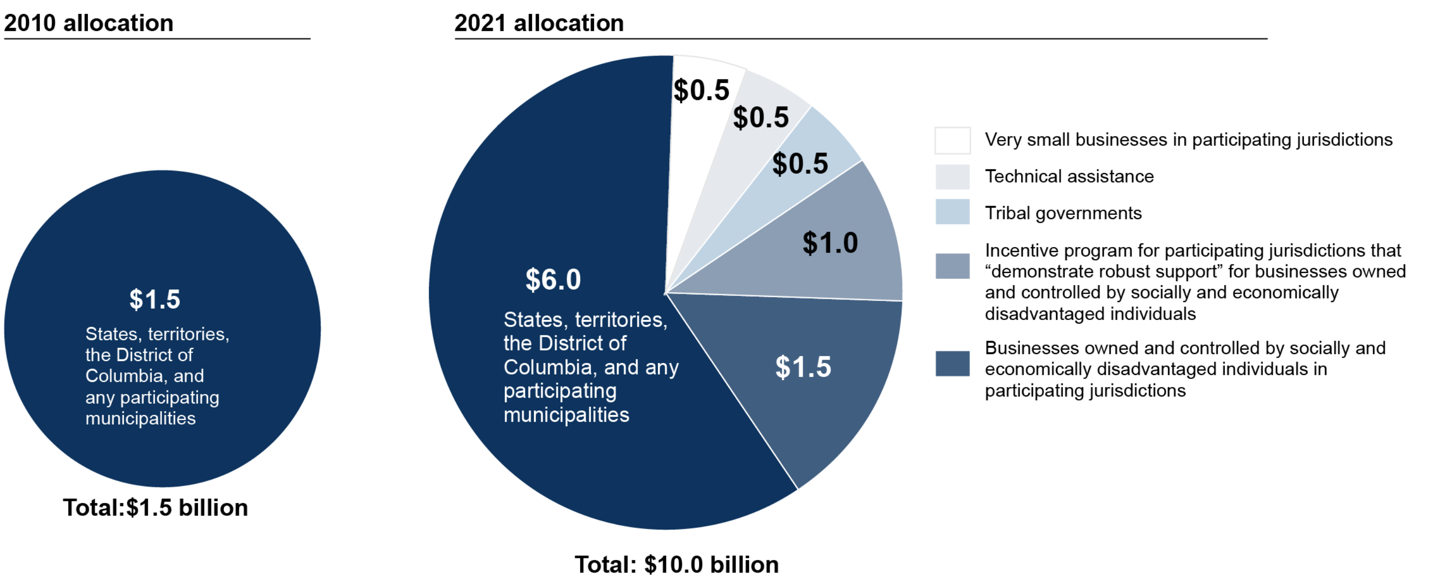
As we reported in February 2023, all 50 states, five territories, and the District of Columbia applied to participate in the SSBCI capital program. Treasury began disbursing funds through the capital program in May 2022. Treasury also received 108 applications from tribal applicants for the capital program, of which 101 were submitted by individual tribal governments. The remaining seven applications were from consortiums that collectively represented 182 different tribal governments.

As previously noted, the current program received a larger appropriation than the original and includes allocations for tribal governments, certain types of small businesses, and technical assistance (see fig. 1). Following

[14]According to Treasury's SSBCI guidance, funds generally are considered "expended" if the expenses were paid by or are for an approved state program. They are considered "transferred" if they have been transferred by the jurisdiction receiving funds to the implementing or contracted entity administering daily operations of an SSBCI program to reimburse actual expenses, when there is a clearly documented actual and immediate cash need to fund a loan or investment to an eligible small business, or to pay for allowable administrative expenses. They are considered "obligated" if they have been committed in writing to pay for orders placed, contracts awarded, goods and services received, and similar transactions during a given period that will require payment by the approved state program during the same or future period.

the initial reauthorization, the Fiscal Responsibility Act of 2023 rescinded $150 million of unobligated SSBCI funds.[15] According to Treasury, it applied the recission to $100 million in technical assistance funds and $50 million in capital program funds.[16] Treasury also allocated $212 million for administrative expenses for fiscal years 2021–2030. These expenses include personnel costs and contracts to provide program support and technical assistance to states and businesses. On March 23, 2024, the Further Consolidated Appropriations Act, 2024 was enacted, which rescinds $283 million from unobligated SSBCI funds by September 30, 2024.[17]

Figure 1: Funding Allocations for State Small Business Credit Initiative (SSBCI), 2010 and 2021



Source: GAO analysis of 12 U.S.C. Ch. 54, Small Business Jobs Act of 2010, and American Rescue Plan Act of 2021. | GAO-24-106671

Notes: Following the initial reauthorization, the Fiscal Responsibility Act of 2023 rescinded $150 million of unobligated SSBCI funds. According to Treasury, it applied the recission to $100 million in technical assistance funds and $50 million in capital program funds. On March 23, 2024, the Further Consolidated Appropriations Act, 2024 was enacted, which rescinds $283 million from unobligated

[15] The Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, Div. B, Title I, Sec. 14, 137 Stat. 26.

[16] ARPA requires Treasury to complete all disbursements and remaining obligations before September 30, 2030. Any remaining funds unexpended by Treasury are to be rescinded and deposited in Treasury's general fund.

[17] Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, Div. B, Title VI, Sec. 638.

SSBCI funds by September 30, 2024. The $6.0 billion allocated to the states, territories, the District of Columbia, and participating municipalities includes administrative expenses.

In addition to the capital program, Treasury administers two components of technical assistance funding totaling approximately $275 million:

- **Noncompetitive grants to eligible jurisdictions.** Treasury allocated a total of approximately $200 million for these grants. Allocations for each state, territory, and the District of Columbia were based on the jurisdiction's allocations for very small businesses and SEDI-owned businesses.[18] Allocations for tribal governments were based on tribal enrollment data, subject to certain minimum and maximum levels.[19] Noncompetitive technical assistance applications were due in October 2022 for the states, territories, and the District of Columbia and in October 2023 for tribal governments.
- **Competitive grants to eligible jurisdictions.** Treasury allocated $75 million for these grants, which it will provide through its SSBCI Investing in America Small Business Opportunity Program. Jurisdictions that participate in the capital program are eligible to apply for funds, which may be used to provide legal, accounting, and financial advisory services to eligible very small businesses and SEDI-owned businesses.

Treasury's SSBCI program office operates in Treasury's Office of Capital Access (formerly the Office of Recovery Programs) and is responsible for administration and oversight of SSBCI. The program office includes teams responsible for policy, compliance, outreach, operations, and technical assistance. For instance, according to Treasury officials the compliance team trains jurisdictions on compliance rules and answers questions about types of transactions. Officials said the program office is supported by Treasury's Office of Tribal and Native Affairs and has a contract to hire additional support as needed.

MBDA is administering $125 million of the SSBCI technical assistance funding through the Capital Readiness Program. This competitive grant program provides technical assistance funding to nonprofit organizations, private-sector entities, institutions of higher education, or consortiums of

[18]Noncompetitive technical assistance allocations for states, territories, and the District of Columbia ranged from $469,000 to $25.4 million.

[19]Noncompetitive technical assistance allocations for individual tribal governments ranged from the minimum of approximately $64,000 to the maximum of $1 million.

these organizations. The program supports SEDI-owned businesses that are applying, have previously applied, or plan to apply to an SSBCI capital program or other government program that supports small businesses. Organizations that receive Capital Readiness Program grants must provide a nonfederal match of 10–25 percent of the award, depending on the award amount.

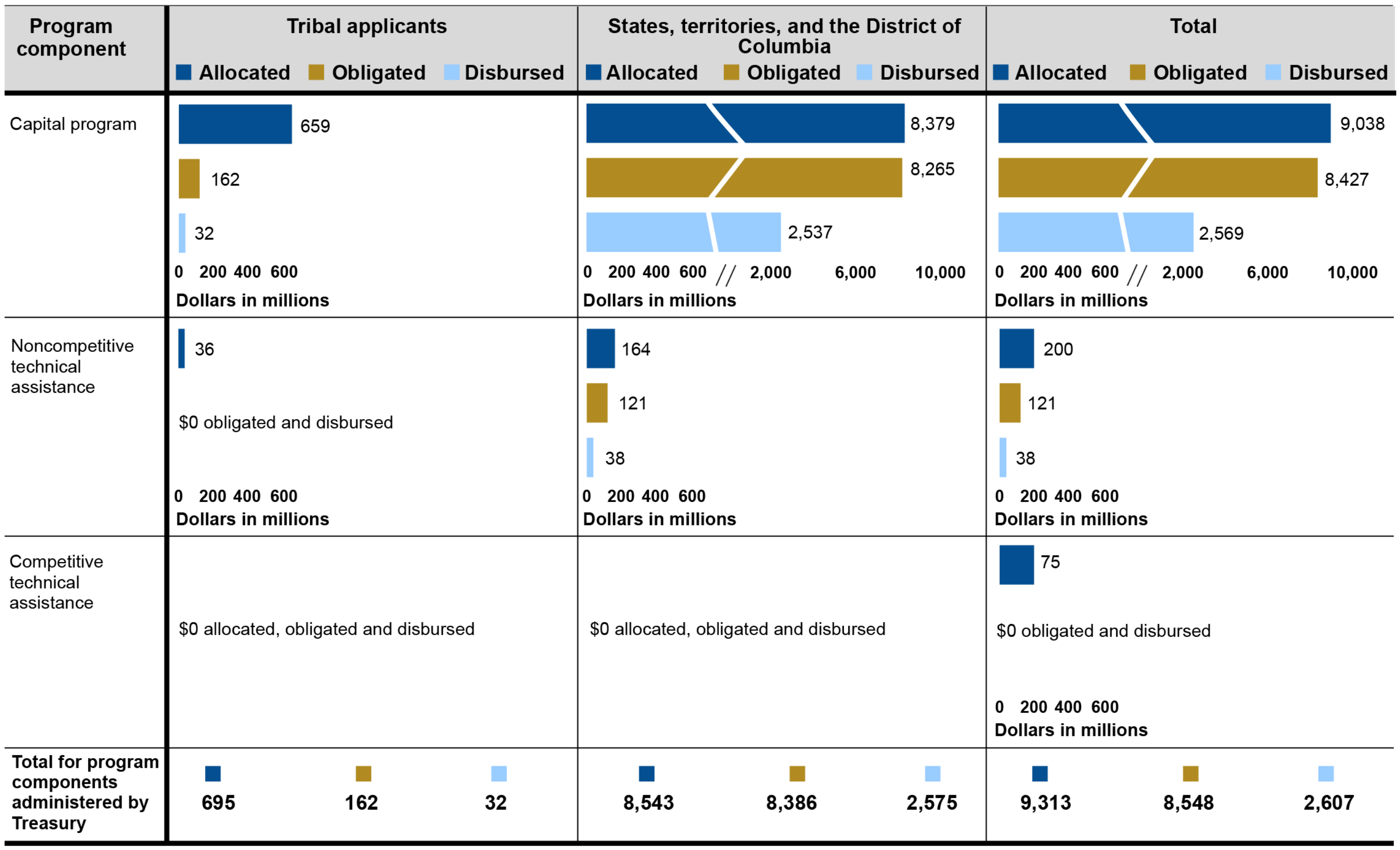
Treasury Disbursed Initial Funds to Most States and Some Tribes, and MBDA Made Grant Awards

Nearly All States and Territories and About One-Third of Tribal Applicants Received Initial SSBCI Disbursements

Treasury obligated $8.5 billion and disbursed $2.6 billion of SSBCI funding as of December 31, 2023 (see fig. 2).[20] These amounts largely reflect progress obligating and disbursing capital program funds to jurisdictions. Treasury also obligated and disbursed funding for noncompetitive technical assistance grants, and started accepting applications in April 2024 for the competitive technical assistance program it administers.

[20]For the purposes of the SSBCI capital program, Treasury determines allocation amounts for each eligible jurisdiction—the amount of funding potentially available—prior to the program application deadlines. Once Treasury approves a jurisdiction's capital program application, it obligates funds (typically equal to the allocated amount) and notifies the jurisdiction of the full amount of obligated funds. Treasury and the jurisdiction then execute an allocation agreement, which establishes the terms and conditions for the jurisdiction to receive capital funds. Participating jurisdictions receive up to three tranches (disbursements) of funding over the life of the program.

Figure 2: State Small Business Credit Initiative (SSBCI) Funding, as of December 31, 2023, by Program Component Administered by Department of the Treasury



Source: GAO analysis of Department of the Treasury data. | GAO-24-106671

Note: For the purposes of the SSBCI capital program, Treasury determines allocation amounts for each eligible jurisdiction—the amount of funding potentially available—prior to the program application deadlines. Once Treasury approves a jurisdiction's capital program application, it obligates funds (typically equal to the allocated amount) and notifies the jurisdiction of the full amount of obligated funds. Treasury and the jurisdiction then execute an allocation agreement, which establishes the terms and conditions for the jurisdiction to receive capital funds. Participating jurisdictions receive up to three tranches (disbursements) of funding over the life of the program. While Treasury is in the process of approving applications, the total amount obligated will be less than the total amount allocated.

For fiscal years 2021–2023, Treasury spent $47 million for administrative expenses for SSBCI. Over this period, Treasury's program expenses were less than the amount of funds budgeted for administrative expenses.[21]

As previously discussed, MBDA also administers an SSBCI component, the Capital Readiness Program. MBDA officials said the agency made awards for this program totaling $117 million available for use by grantees in September 2023.[22]

Nearly All States and Territories Received Funding

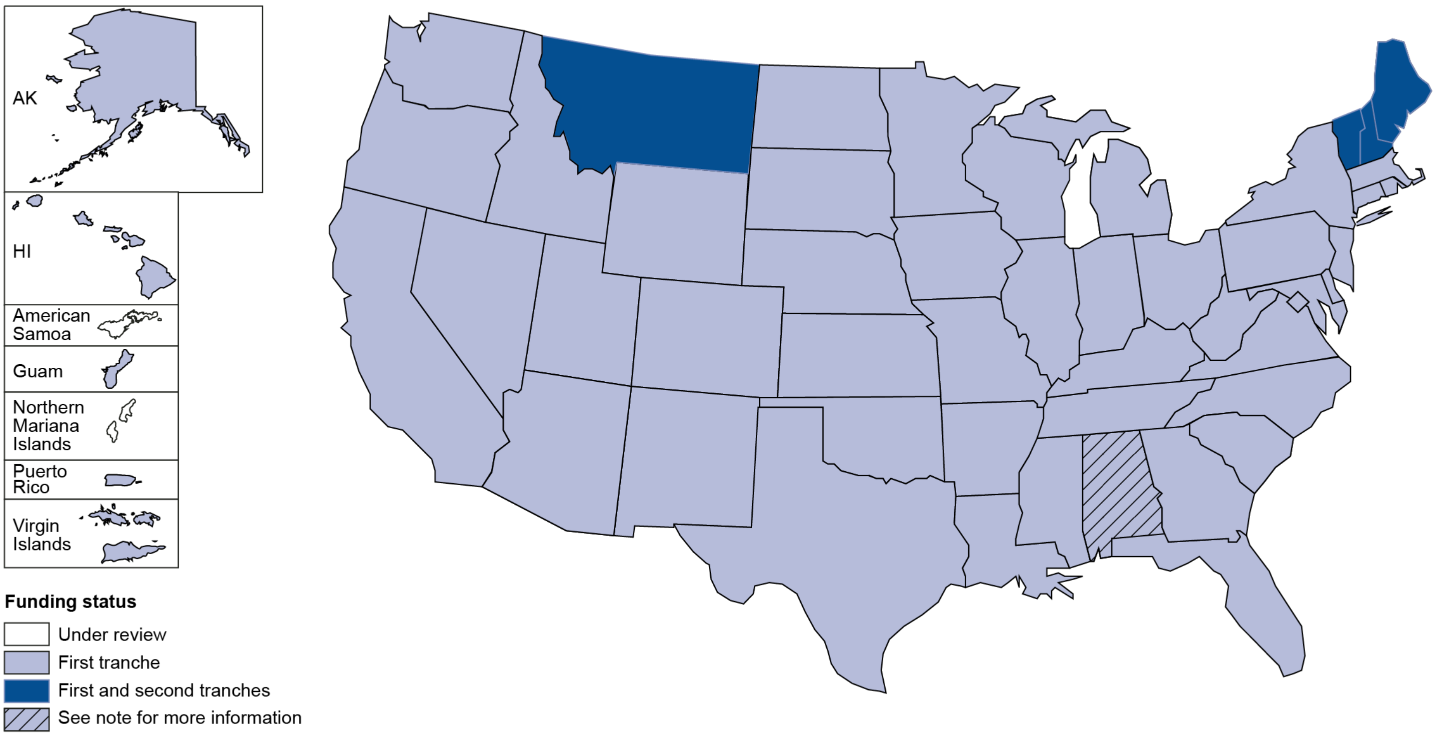
As of December 31, 2023, Treasury obligated $8.3 billion and disbursed $2.5 billion (30 percent) of the $8.4 billion of capital program funds allocated to states, territories, and the District of Columbia. This included first-tranche disbursements to 49 states, three territories, and the District of Columbia, and second-tranche disbursements to four states (see fig. 3).[23] As of December 31, 2023, 59 jurisdictions had deployed $1.1 billion in SSBCI capital program funds, according to Treasury's second SSBCI quarterly report. Appendix II provides more information on jurisdictions' uses of capital program funds.

[21]Treasury originally budgeted a total of $55 million for administrative expenses for fiscal years 2021–2023.

[22]The remaining funds administered by MBDA have been budgeted for administrative expenses for fiscal years 2023–2028. These expenses include personnel costs, advisory and assistance services, other services from federal and nonfederal sources, and supplies, materials, and equipment.

[23]As of December 31, 2023, Alabama had been approved and received its first tranche of funds. However, according to Treasury, Alabama chose to return these funds pending resolution of a question of state law regarding the acceptance of the funds. Treasury officials said the issue was resolved in April 2024 and the first tranche of funds was reissued to Alabama in May 2024. Additionally, capital program applications for two territories (American Samoa and the Commonwealth of the Northern Mariana Islands) were under review as of December 31, 2023.

Figure 3: Capital Program Disbursements for State Small Business Credit Initiative to States, Territories, and the District of Columbia, as of December 31, 2023



Source: GAO analysis of Department of the Treasury data. | GAO-24-106671

Note: As of December 31, 2023, Alabama had been approved and received its first tranche of funds. However, according to Treasury, Alabama chose to return these funds pending resolution of a question of state law regarding the acceptance of the funds. Treasury officials said the issue was resolved in April 2024 and the first tranche of funds was reissued to Alabama in May 2024.

As of December 31, 2023, Treasury obligated $121 million and disbursed $38 million (23 percent) of the $164 million of noncompetitive technical assistance funds allocated to states, territories, and the District of Columbia (see fig. 2).[24] Of the 45 states that applied for these funds, Treasury had disbursed the first tranche to 32 and approved applications for but had not disbursed funds to three. It had not approved applications from 10 states, the District of Columbia, and five territories.

Some Tribal Applicants Received First-Round Funds

Treasury provided more time to tribal applicants to complete applications for both the capital program and noncompetitive technical assistance

[24]Forty-five states, all five territories, and the District of Columbia applied for noncompetitive technical assistance funding by the October 14, 2022, deadline.

funding.[25] As a result, Treasury began reviewing tribal applications and disbursing funds to them later than it did for states and territories.

As of December 31, 2023, Treasury obligated $162 million and disbursed $32 million (5 percent) of the $659 million of capital program funds initially allocated to tribal governments (see fig. 2). This included disbursing first-tranche funds to 29 tribal applicants (27 individual applicants and two consortiums) and both second- and third-tranche funding to one applicant. As of December 31, 2023, five additional applicants had been approved for the capital program but had not yet received funding. The remaining 74 tribal applicants (69 individual applicants and five consortiums) had their applications under review as of December 31, 2023.

As of December 31, 2023, Treasury had not disbursed any of the $36 million allocated to tribal governments for noncompetitive technical assistance. Treasury received 64 applications representing 234 tribal governments, including five applications from consortiums, by the October 27, 2023, deadline according to Treasury officials. As of December 22, 2023, an additional 25 applications were in draft status. Officials said they will provide these applicants guidance and time frames to complete submissions and be eligible for review.[26]

Treasury Is Implementing a New Technical Assistance Grant Program

Treasury is in the early stages of implementing the SSBCI Investing in America Small Business Opportunity Program. This competitive grant program is designed to provide $75 million in additional technical assistance to jurisdictions.[27] Treasury issued a Notice of Funding Opportunity for the program on October 25, 2023. Treasury will score grant applications based on the extent to which applicants demonstrate (1) how their proposed goals and solutions align with the technical

[25]As we reported in February 2023, Treasury extended the capital program application deadline four times for tribal applicants, from an initial deadline in December 2021 (which was the same for states and territories) to a final deadline in October 2022. Treasury also extended the technical assistance application deadline six times, from an initial deadline in March 2022 to a final deadline in October 2023.

[26]As of December 22, 2023, Treasury officials said the agency may permit additional tribal applicants to apply for noncompetitive technical assistance funding if they had communicated with Treasury in writing in advance of the deadline to adequately demonstrate technical or other issues that prevented a timely application.

[27]Through this program, jurisdictions participating in the capital program may apply for technical assistance funds for legal, accounting, and financial advisory services to eligible very small businesses and SEDI-owned businesses.

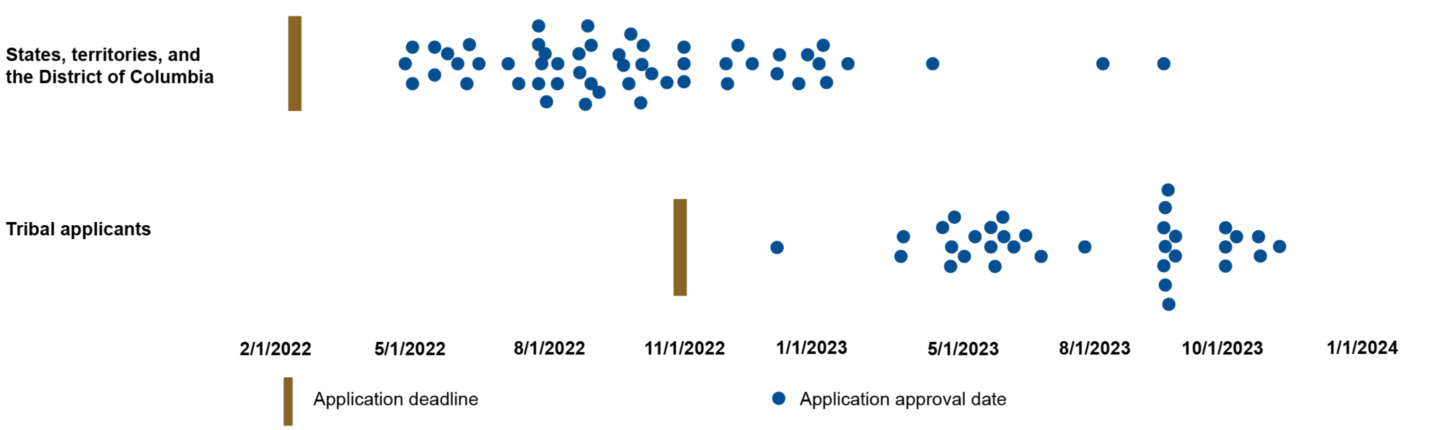
assistance needs of small businesses in the project's service area; (2) the organizational capacity to succeed in connecting very small businesses and SEDI-owned businesses to small business programs; (3) the feasibility of their proposed budget; and (4) how the proposed project will result in regional economic benefits.

Treasury anticipates making from eight to 15 grant awards under this program, with individual awards ranging from $5 million to $10 million. Treasury opened the application portal on April 5, 2024, and intends to receive applications until June 3, 2024. Awards will be issued in summer or fall of 2024.

Review Times for Capital Program Applications Ranged from 2 to 20 Months

As of December 31, 2023, Treasury's application review times (from the application deadline date to approval date) ranged from about 2 to 20 months for the capital program (see fig. 4). The median review time for jurisdictions whose capital program applications were approved was about 7 months for states, territories, and the District of Columbia and 9 months for tribal applicants.

Figure 4: State Small Business Credit Initiative Capital Program Application Deadlines and Approval Dates, for Participating Jurisdictions Approved as of December 31, 2023



Source: GAO analysis of Department of the Treasury data. | GAO-24-106671

Note: As of December 31, 2023, capital program applications for two of five territories and 74 of 108 tribal applicants remained under review. Applications for all 50 states and the District of Columbia were approved.

The time between the capital program approval date and the first-tranche disbursement date ranged from 1 to 187 days for jurisdictions that had received their first-tranche disbursement as of December 31, 2023.[28] The median was 14 days for states, territories, and the District of Columbia and 11 days for tribal applicants.

As we previously reported, the larger number and variety of SSBCI program types proposed by participating jurisdictions increased the resources Treasury needed to complete application reviews compared to the original SSBCI. In preparation, Treasury obtained additional staff resources from within the agency and hired contractors. Treasury also provided training and conducted outreach to jurisdictions before application deadlines to help them meet application requirements.

However, Treasury officials said that during the review process they identified areas in which jurisdictions did not fully understand certain program rules and requirements. According to officials, the need for additional training and outreach added to the resources and time needed to complete application reviews.

Treasury officials cited two additional factors that contributed to some application review times taking longer than expected:

- **Resolving issues or questions.** Application review times were longer when Treasury needed to obtain clarification or resolve issues with a jurisdiction. For example, Treasury officials noted that some jurisdictions submitted applications for multiple SSBCI program types under a single program name. Treasury then had to work with these jurisdictions to ensure applications fully addressed each program type. Some jurisdictions noted that the back-and-forth to resolve Treasury's questions could take several weeks.
- **Designating administrative responsibility.** In order to meet statutory requirements, SSBCI applicants must demonstrate they have delegated administrative responsibility to the entity implementing SSBCI capital programs (typically, a state agency or department) and that all necessary legal actions have been completed to enable the

[28]According to Treasury officials, after jurisdictions' applications are approved the jurisdiction signs the allocation agreement and returns it to Treasury to be countersigned, at which point the first-tranche funds are disbursed. Officials said that were delays in the execution of agreements by some jurisdictions—for example, jurisdictions may have conducted internal reviews before signing the allocation agreement—which could increase the time between approval and disbursement dates.

implementing entity to implement the proposed programs.[29] According to Treasury, this sometimes required a lengthy communication process between Treasury and applicant jurisdictions.

As of December 31, 2023, review times (application deadline date to approval date) ranged from about 8 to 14 months for noncompetitive technical assistance funding for states, territories, and the District of Columbia. The median review time was 12 months. The time from approval to first-tranche disbursement for jurisdictions that had received their first-tranche disbursement as of December 31, 2023, ranged from 4 to 55 days, with a median of 19 days.

MBDA Awarded Its Technical Assistance Grants in September 2023

In September 2023, MBDA awarded grants totaling $117 million to 43 organizations under the Capital Readiness Program.[30] Under the program, grantees provide technical assistance to SEDI-owned businesses that are starting or scaling their businesses and have either applied, are applying, or plan to apply to an SSBCI capital program or another government program that supports small businesses. Award amounts ranged from $1.9 to $3 million, with an average of $2.7 million. Most (34) of the 43 grantees are nonprofit organizations. Remaining grantees are institutions of higher education, private entities, or both of these types. See appendix III for more information on the characteristics of program grantees.

Treasury Incorporated Additional Best Practices for Project Scheduling

In February 2023, we reported that Treasury faced challenges setting and maintaining a reliable schedule for key SSBCI program implementation steps, as indicated by multiple deadline extensions and later-than-

[29] 12 U.S.C. § 5703(b)(1), (2). This process requires submission of a letter of designation signed by the appropriate governing official. Furthermore, Treasury requires the applicant submit a narrative describing the legal actions they took to appropriately enable the designated implementing entity to implement SSBCI programs, along with any supporting documentation. *See also* Treasury's SSBCI Capital Program Policy Guidelines (rev. Dec. 4, 2023), Section VI.

[30] According to MBDA officials, the agency received more than 1,000 applications for the program by the March 10, 2023, deadline. After accounting for duplicate and ineligible applications, 808 applications were scored based on criteria focused on proposed project goals and proposed solutions, organizational capacity, and budget and timeline. Applications also received bonus points for addressing MBDA's strategic priorities, such as providing services in rural areas. MBDA announced the 43 grant winners in August 2023.

expected disbursements.[31] We recommended that Treasury fully incorporate best practices for project scheduling related to sequencing and establishing the duration of activities, assigning resources to activities, and updating schedules using actual progress into planning processes. In response, Treasury agreed to review options for incorporating such practices in line with the recommendation.

Since February 2023, Treasury has taken steps to incorporate additional best practices for project scheduling:

- **Enhancing work plans.** Two best practices for project scheduling are to assign resources to all activities and update the schedule using actual progress and logic.[32] Consistent with this, Treasury made changes to the high-level SSBCI work plan to better indicate the staff resources assigned to each activity and track actual progress for ongoing activities. At the time of our last report, Treasury's most recent work plan from September 2022 did not indicate which staff or contractor would be responsible for each activity. Treasury's work plan as of May 2023 indicated the teams and team leads responsible for each activity and the status of activities. Treasury updated the status of these activities in September 2023 and again updated the plan in December 2023 to reflect priorities for 2024.
- **Developing a project management module.** Other best practices for project scheduling are to sequence activities and establish the duration of activities.[33] Treasury has begun to take actions that align with this practice. Beginning in April 2023, Treasury tasked a

[31]GAO-23-105293.

[32]The schedule should reflect the resources needed to do the work, whether they will be available when needed, and any constraints on funding or time. Progress updates and logic provide a realistic forecast of start and completion dates for program activities. Maintaining the integrity of the schedule logic is necessary to reflect the true status of the program. To ensure that the schedule is properly updated, people responsible for the updating should be trained in critical path method scheduling. See GAO-16-89G.

[33]The schedule should be planned so that critical program dates can be met. To do this, activities must be logically sequenced and linked—that is, listed in the order in which they are to be carried out and joined with logic. In particular, a predecessor activity must start or finish before its successor. Date constraints and lags should be minimized and justified. This helps ensure that the interdependence of activities that collectively lead to the completion of activities or milestones can be established and used to guide work and measure progress. The schedule should also realistically reflect how long each activity will take. Durations should be reasonably short and meaningful and should allow for discrete progress measurement. Schedules that contain planning and summary planning packages as activities will normally reflect longer durations until broken into work packages or specific activities. See GAO-16-89G.

contractor to add a module to its existing program management software to track, manage, and report on projects for SSBCI. Treasury made the tool available to staff in late July 2023. The module allows Treasury to assign resources to and track activities at a granular level. It is designed to logically group activities into wider initiatives and track and report on the status of initiatives within high-level program objectives. This may provide Treasury with better insight into the relationships between activities. According to Treasury officials, the module has helped identify activities that are delayed or may need additional resources.

Although Treasury made improvements, our recommendation remains open until Treasury demonstrates additional progress to fully incorporate these best practices. For example, Treasury could better sequence activities within higher-level program initiatives by linking activities that must occur in a certain order. The agency also could improve how it establishes durations for activities so that they are based on available resources and experience with similar activities, which would help it more accurately estimate reasonable completion dates. Finally, Treasury could better analyze staff availability and workloads to help the SSBCI program team efficiently manage its implementation of the program. Fully incorporating these practices could better position Treasury to establish and communicate reliable time frames and reduce the potential for additional delays as it disburses the remaining $6.5 billion of allocated funds, monitors jurisdictions' programs, and reports on SSBCI funds.

Treasury Took Steps to Address Compliance Risks and Jurisdictions' Concerns with Program Requirements

Treasury Implemented a Framework for Addressing Compliance and Oversight Risks

Treasury implemented the following key components of its framework to support and monitor jurisdictions' compliance with SSBCI capital program requirements:

- **Compliance risk matrix.** By August 2023, Treasury finalized a compliance risk matrix in which it identified compliance and oversight risks for SSBCI and indicated its approach to mitigate each risk (see table 2). In October 2023, Treasury officials said they planned to review the compliance risk matrix twice a year to identify additional risks.

- **National compliance and oversight standards.** Published in 2022, these standards describe best practices and Treasury's recommended approach for jurisdictions to ensure compliance and provide adequate oversight. The standards are intended to complement SSBCI compliance requirements. Treasury's compliance risk matrix groups risks into three categories (program operations, reporting, and financial management) that align with sections of these standards.

Table 2: Examples of SSBCI Program Requirements and Treasury's Approach to Ensuring Compliance

Risk category	Examples of program requirements	Treasury's approach to ensuring compliance
Program operations	Jurisdictions must require lenders and investors to obtain assurances from borrowers or investees that proceeds will not be used for impermissible purposes, as defined in Treasury's capital program policy guidelines for the State Small Business Credit Initiative (SSBCI).	Treasury tests sample transactions annually and before second- and third-tranche disbursements. Treasury compares language from the jurisdictions' certifications to the sample certifications published on the SSBCI website.
	A loan may not be enrolled in more than one approved program at the same time. A lender also may not divide one loan into multiple agreements or notes, each enrolled in an approved program, when the loan is to be used for the same purpose.	Treasury tests sample transactions annually and before second- and third-tranche disbursements.
Reporting	Jurisdictions must certify that 80 percent or more of the previous disbursements were appropriately expended, transferred, or obligated before receiving second or third disbursements.	Jurisdictions self-certify that they met the program requirement. Treasury tests sample transactions before second- and third-tranche disbursements. Treasury reviews data on cumulative transactions at the time of the disbursement request.
	The funds that a jurisdiction receives from the allocation for businesses owned by socially and economically disadvantaged individuals (SEDI-owned businesses) must be expended for such businesses, consistent with SSBCI capital program policy guidelines.	Treasury tracks SEDI-owned business transactions and tests sample SEDI-owned business transactions annually and before second- and third-tranche disbursements. Treasury reviews data on cumulative SEDI-owned business transactions at the time of the disbursement request.
Financial management	Jurisdictions must establish controls for the prevention of fraud, waste, and abuse.	Treasury monitors and reviews jurisdictions' controls annually and before second- and third-tranche disbursements.
	Jurisdictions may have funding withheld by Treasury pending results of a financial audit.	Treasury monitors jurisdictions' programs and tests sample transactions before second- and third-tranche disbursements.

Source: GAO analysis of Department of the Treasury documents. | GAO-24-106671

Since our February 2023 report, Treasury has made additional progress in applying its framework for addressing compliance and oversight risks in SSBCI:

- **Compliance training.** Since August 2022, Treasury has held training sessions for jurisdictions that addressed topics related to compliance with SSBCI program requirements.[34] These included 20 training sessions in 2023, according to Treasury officials.
- **Pre-disbursement compliance reviews and transaction testing.** In March 2023, Treasury finalized a framework for assessing jurisdictions' compliance with key program requirements before second- and third-tranche disbursements. According to the framework, Treasury is to test documentation submitted by jurisdictions to verify that at least 80 percent of their previous disbursements were appropriately expended, obligated, or transferred to or for the account of programs that have delivered loans or investments to eligible businesses. It is also to verify the total amount expended for very small businesses and SEDI-owned businesses. We examined documentation for one such pre-disbursement review performed in September 2023 that Treasury provided us. For this review, Treasury obtained transaction-level data to verify the total amount expended, obligated, or transferred (including the amount to SEDI-owned businesses) and reviewed the jurisdiction's administrative expenses, among other things.

  Treasury also selects a sample of loans or investments to test transaction-level compliance, such as with certification and eligibility requirements.[35] We examined documentation related to three transaction sample reviews performed from September to December 2023 that Treasury provided us. For these reviews, Treasury requested documentation of borrower and lender certifications, private financing supporting the transaction, and the number of employees of the business, among other things, from the jurisdictions.
- **Annual compliance reviews.** According to Treasury officials, Treasury also conducts compliance reviews of a sample of transactions identified using data submitted in jurisdictions' annual

[34]These requirements are outlined in the SSBCI statute, policy guidelines, reporting guidance, FAQs, and each jurisdiction's respective allocation agreement with Treasury.

[35]According to the capital program disbursement framework, the SSBCI compliance team samples transactions based on the number of total transactions and programs and any indication of risk of potential noncompliance as appropriate based on the individualized review of documentation provided by participating jurisdictions.

reports. In the documentation for one such review that we examined, Treasury requested documentation of private capital supporting the transaction, borrower eligibility, and required certifications.

As with the original SSBCI, participating jurisdictions' use of SSBCI funds will undergo audit by Treasury's Office of Inspector General. By statute, the office must conduct audits of participating jurisdictions' use of SSBCI funds for the current program.[36] Pursuant to its allocation agreement with the participating jurisdiction, Treasury is to recoup any allocated funds transferred to the participating jurisdiction if the results of the audit include a finding of intentional or reckless misuse of funds by the jurisdiction. Treasury also may withhold the transfer of any successive tranche of funding pending results of a financial audit.[37]

Treasury Updated Program Guidelines and Frequently Asked Questions to Help Address Jurisdictions' Concerns About Certain Requirements

To help address concerns some jurisdictions raised about meeting program requirements while deploying funds, Treasury published five updates to the capital program guidelines after they were first released in November 2021.[38] Examples of these updates include the following:

- In June 2023, Treasury revised refinancing guidelines to ease requirements for new lenders using SSBCI funds to refinance loans previously made by another, unaffiliated lender. These revisions addressed concerns some jurisdictions raised about meeting small business needs in the current lending or interest rate environment.
- In December 2023, Treasury began allowing prepayment fees for certain SSBCI-supported transactions to accommodate transactions for which such fees may be customary (such as larger commercial loans) and to potentially help enable lenders to charge lower interest

[36]According to Treasury's Office of Inspector General officials, as of November 2023 the office had not begun any audits related to the current SSBCI.

[37]Although SSBCI capital program funds are not subject to single audit act requirements, noncompetitive and competitive technical assistance funds are subject to these requirements for all recipients who expend $750,000 or more in aggregate federal financial assistance within their fiscal year. As of March 2024, Treasury officials said they would evaluate whether it was necessary to provide a compliance supplement for SSBCI technical assistance funds for 2025. Compliance supplements document compliance requirements for each program subject to single audit act requirements. In the absence of a compliance supplement, recipients are audited based on Part 7 of the annual Office of Management and Budget compliance supplement.

[38]Treasury published updates to the capital program guidelines in October 2022, December 2022, June 2023, August 2023, and December 2023.

rates that benefit borrowers.[39] For example, one state said that commercial real estate loans often include prepayment fees, and the prohibition of these fees limited their ability to support such loans.

To help address concerns with program requirements that Treasury did not revise, officials updated online frequently asked questions (FAQs) to highlight information helpful in mitigating challenges related to meeting the requirements. For example:

- Some of the 29 jurisdictions we interviewed noted that the amount of allowable administrative expenses was insufficient to account for the time and effort required to administer their programs.[40] Treasury published an FAQ to clarify that jurisdictions can use program income to pay for administrative costs in addition to the allocated funds.
- Some jurisdictions we interviewed raised concerns regarding the cap on the amount of funds from the federal contribution to a venture capital fund that may be used to pay for venture capital fund services.[41] For example, representatives of one state said Treasury did not provide a standard management fee for venture capital fund services. As a result, they had to pay for management services out of venture capital funds. This could affect jurisdictions' ability to partner with funds. Treasury officials said they believed the policy was appropriate and were monitoring jurisdictions' implementation of their programs for any challenges. Treasury published FAQs to clarify this cap and answered specific questions from jurisdictions.

According to Treasury officials, they may issue additional clarifications or provide training in the future to help address other concerns. In particular, some jurisdictions we interviewed noted challenges in meeting the

[39]The original capital program guidelines for the current SSBCI stated that SSBCI-supported transactions could not include prepayment fees, which lenders may charge for full or partial payment of a loan prior to maturity. In December 2023, Treasury revised the guidelines to allow prepayment penalties for SSBCI-supported loans with an original principal amount of $100,000 or more, so long as any such fees were reasonable, customary, and clearly disclosed to the borrower in accordance with SSBCI guidelines.

[40]By statute, the cap on administrative expenses is 5 percent of the first tranche of funding and 3 percent of each successive tranche. 12 U.S.C. § 5702(c)(3)(C), (D). *See also* Treasury's SSBCI Capital Program Policy Guidelines (rev. Dec. 4, 2023), Section XI.

[41]According to Treasury's capital program policy guidelines, SSBCI funds may be used to pay for services provided by venture capital funds (such as financial management, operational guidance, and IT consulting), up to an annual average of 1.71 percent of the federal contribution to a venture capital fund over the life of the jurisdiction's venture capital program.

conflict-of-interest requirements for venture capital programs in the capital program guidelines.[42] Some representatives of smaller states noted that they have a limited network of venture capital fund managers, which increases the likelihood that board members who approve SSBCI transactions will have connections to these fund managers.

In October 2023, Treasury officials said they did not plan to revise these requirements because they are intended to preserve program integrity and prevent SSBCI funds from supporting businesses or investments in which an investor had a previous interest. However, Treasury published an FAQ that provided additional guidance to help jurisdictions meet this requirement.

Treasury also took steps to help tribal applicants meet statutory requirements they might find challenging, such as the 10:1 leverage ratio and the private capital matching requirement. For example, as we reported in February 2023, Treasury officials said they facilitated connections among tribal governments to form consortiums.[43] These consortiums may be better equipped than individual tribal governments to meet the leverage ratio target because they can pool funding. One representative of a tribal economic development corporation told us Treasury also provided lists of community development financial institutions with which they might partner, which could help tribal applicants meet private capital matching requirements. Treasury also allows participating jurisdictions to reallocate funds across approved programs, which could in some cases help jurisdictions achieve better leverage.

[42]Capital program guidelines state that funds from an SSBCI equity/venture capital program must not be used to make an investment in a business or venture capital fund in which an “SSBCI insider” or their family members or business partners have a personal financial interest.

[43]GAO-23-105293.

Treasury Finalized Performance Measures and Issued the First Two Quarterly Reports of SSBCI Program Data

Performance Measures and Indicators

In December 2023, the SSBCI program office finalized four performance measures to track and report performance for the current SSBCI. The measures are related to the deployment of program funds, including funds deployed for SEDI-owned businesses and very small businesses, and the amount of private capital leveraged (see table 3).

Table 3: Performance Measures for the State Small Business Credit Initiative (SSBCI) Capital Program

Measure	Target
Cumulative new small business lending, as reported annually	10:1 leverage ratio reached by the end of the SSBCI program
Cumulative disbursement of funds available to jurisdictions, as reported in jurisdiction disbursement requests	98 percent disbursed by the end of the SSBCI program
Cumulative percent of expended funds that support businesses owned by socially and economically disadvantaged individuals (SEDI-owned businesses), as reported annually	35 percent of funding expended for SEDI-owned businesses annually
Cumulative percent of expended funds that support very small businesses, as reported annually	30 percent of funding expended for very small businesses annually

Source: GAO analysis of Department of the Treasury documents. | GAO-24-106671

These performance measures are consistent with key attributes of successful performance measures we identified in prior work.[44] For example, the measures are clearly stated, include measurable targets, and are aligned with program goals.

Treasury also tracks three indicators for SSBCI, which are additional metrics Treasury uses to monitor progress but for which it will not set specific goals or targets because of how they are influenced by external factors.[45] These indicators are (1) the cumulative amount of SSBCI

[44]See GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, GAO-03-143 (Washington, D.C.: Nov. 22, 2002).

[45]As defined by Treasury, a measure is a value Treasury uses to track its progress toward a goal or target.

capital program funds deployed by jurisdictions, (2) the cumulative volume and dollar amount of loans or investments supported by SSBCI funds, and (3) the cumulative volume and number of loans or investments to SEDI-owned businesses.

In addition, in November 2023 the Office of Capital Access published a plan for evaluating the economic impact of programs under its purview. This plan includes five research questions to evaluate the economic impact of the current SSBCI, including the extent to which SSBCI creates jobs, increases capital access, and provides other measurable community and economic development benefits.[46]

Data Reporting

As with the original SSBCI, Treasury will produce quarterly and annual reports for the current program using data submitted by participating jurisdictions.[47]

- **Quarterly reporting.** Treasury published the first quarterly report in December 2023 and the second in March 2024. The first report covered data for the first five quarters for which jurisdictions had submitted data.[48] These quarterly reports present program-level data on the cumulative amount of funds allocated by program type,

[46]The five questions related to the current SSBCI are (1) How does SSBCI technical assistance impact the ability of underserved businesses to access funds? (2) To what extent does capital from SSBCI create jobs, increase capital access, and provide other measurable community and economic development benefits? (3) To what extent did SSBCI strengthen the resilience and growth of recipient businesses and in particular, minority-owned, women-owned, and otherwise underserved businesses? (4) SSBCI has six common program formats, does one particular program format better reach small businesses, including small businesses in underserved communities? (5) How did jurisdictions use SSBCI funds to support emerging venture capital ecosystems, and to what extent were those efforts successful?

[47]Per statute and Treasury's reporting guidance, participating jurisdictions must provide quarterly and annual reports. Treasury's reporting guidance delineates the data points to be included in such reports. On a quarterly basis, participating jurisdictions must provide, among other things, program-level data, such as the total amount of funds expended and the amount of recycled funds (which can include program income or funds the jurisdiction receives from loan repayment). On an annual basis, they must provide transaction-level data, including on sources of private capital, purposes of loans or investments, expected jobs created or retained as a result of the loans or investments, and whether the borrowers or investees certified as SEDI-owned businesses, among other data points.

[48]Officials said they published a cumulative report covering the first five quarters because during those quarters, jurisdictions had just started the programs and transaction volume was low.

cumulative amount of funds deployed by quarter, and cumulative amount of funds deployed as a percentage of total allocation.

- **Annual reporting.** In December 2023, Treasury officials said they anticipated publishing the first annual report by September 2024.[49] The annual report is expected to present information from transaction-level data on sources of private capital, purposes of loans or investments, expected jobs created or retained as a result of SSBCI loans or investments, and whether borrowers or investees certified as SEDI-owned businesses.

To assist jurisdictions with meeting the requirements to report quarterly and annual data, Treasury published reporting guidance in May 2022. It also has provided training on the reporting requirements since August 2022. In addition, Treasury officials said they provided templates to jurisdictions tailored to their specific program types.

Several of the 12 state officials we interviewed found Treasury's reporting templates, webinars, and communication helpful in understanding reporting obligations. For example, some state officials said the reporting templates and use of demonstrations during webinars were helpful to understand how to fill out reports effectively.

Agency Comments

We provided a draft of this report to Treasury and Commerce for review and comment. Treasury and Commerce provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Treasury, and the Secretary of Commerce. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

[49]Officials said they collected annual data for 2022, but that the first annual report would be published reflecting data from 2023 when transaction volume was higher.

If you or your staff have any questions about this report, please contact Michael Clements at 202-512-8678 or clementsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Michael E. Clements
Director, Financial Markets and Community Investment

List of Committees

The Honorable Patty Murray
Chair
The Honorable Susan Collins
Vice Chair
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Bernard Sanders
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The Honorable Bill Cassidy, M.D.
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

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United States Senate

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The Honorable Jamie Raskin
Ranking Member
Committee on Oversight and Accountability
House of Representatives

The Honorable Jason Smith
Chairman
The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the Department of the Treasury's disbursement of State Small Business Credit Initiative (SSBCI) funds and the status of the Minority Business Development Agency's (MBDA) grant awards; (2) Treasury's management of time frames for remaining implementation steps; (3) Treasury's efforts to ensure compliance with program requirements; and (4) Treasury's efforts to measure and report on program performance.

To address the first objective, we reviewed and analyzed Treasury data on SSBCI amounts allocated, obligated, and disbursed to participating jurisdictions as of December 31, 2023. We also reviewed the status of jurisdictions' applications for the SSBCI capital program and noncompetitive technical assistance funding. We analyzed these data to determine which states, territories, and tribal applicants had received each of three tranches of funding for both the capital program and noncompetitive technical assistance funding. We also reviewed Treasury's guidance and notices on application deadlines. We analyzed these together with Treasury data on disbursement dates to determine the length of review time between application deadlines and approval and disbursement dates.

We assessed the reliability of these data by obtaining written responses from Treasury officials about their processes for ensuring the accuracy of the data. We found these data to be sufficiently reliable for describing the amounts allocated, obligated, and disbursed to participating jurisdictions and the status and time frames for Treasury's application reviews.

We also interviewed Treasury officials on the status of program components and their efforts to implement remaining components. We reviewed Treasury's guidance and notices related to the SSBCI Investing in America Small Business Opportunity Program. To examine the status of MBDA's grant awards for the Capital Readiness Program, we reviewed written information from MBDA officials and interviewed MBDA officials on the status of funds disbursed to grantees. We also analyzed data on grantee characteristics that were self-reported by the grantees in their application package.

To address the second objective, we reviewed Treasury's planning tools and processes, including its updated work plans as of May 2023 and December 2023 and a user guide of its project management software (Project Investment Manager). We also reviewed written documentation and screenshots of Treasury's Project Investment Manager platform for SSBCI and observed the platform through a virtual demonstration. We interviewed Treasury officials about steps taken or planned to improve project scheduling.

To examine the extent to which Treasury met best practices for project scheduling for SSBCI, we reviewed the GAO Schedule Guide that identified 10 best practices for scheduling.[1] We previously recommended that Treasury implement four of these practices to improve SSBCI schedules: sequencing all activities, establishing the duration of activities, assigning resources to activities, and updating schedules using actual progress.[2] To assess Treasury against these four best practices, we analyzed the information described above to identify the extent to which Treasury had incorporated these practices.

To address the third objective, we reviewed Treasury's capital program guidelines, online program resources (such as frequently asked questions), and compliance training materials. We also reviewed documentation of Treasury's compliance monitoring procedures, including the SSBCI compliance risk matrix, Treasury's internal pre-disbursement review procedures, and written information provided by Treasury. We reviewed sample document and data requests Treasury made to participating jurisdictions as part of its pre-disbursement review and annual review procedures. We interviewed Treasury officials about support and guidance they provided to participating jurisdictions and their approaches to risk management.

We interviewed officials from a nongeneralizable selection of 12 jurisdictions from among the 50 states and the District of Columbia, representatives of 13 of 108 tribal applicants, and officials from four of the five permanently inhabited territories.[3]

- We selected states to have (1) a range of total funding obligation amounts and (2) geographic diversity across U.S. regions. We also selected states to include (1) a mix of those that did or did not

[1]See GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-16-89G (Washington, D.C.: Dec. 22, 2015).

[2]GAO-23-105293.

[3]We interviewed representatives from the following states: Arkansas, California, Florida, Massachusetts, New Hampshire, New York, Ohio, Oregon, South Dakota, Tennessee, Wisconsin, and Wyoming. We also interviewed representatives of four of the five permanently inhabited U.S. territories: American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and Puerto Rico. We requested interviews with all five territories; one did not respond to our request.

introduce new program types compared to the original SSBCI; (2) a mix of those that received their first capital program disbursement before and after September 30, 2022; and (3) at least one state that did not apply for technical assistance funding.

- We selected tribal applicants to have (1) a range of funding amounts requested in their capital program applications, (2) geographic diversity across U.S. regions, and (3) a variety of proposed program types. We spoke with representatives of 13 tribal applicants—11 that applied as individual tribal governments and two that applied as consortiums.[4] In several instances, tribal applicants directed us to speak with third-party organizations or organizations connected to the tribal applicant, such as economic development corporations, that help administer their SSBCI programs or asked representatives of these organizations to participate in the interviews.[5] The tribal applicants whose representatives we interviewed are from at least 11 of the 12 regions used by the Bureau of Indian Affairs and requested funding capital program amounts ranging from $518,000 to $93 million.[6]

Our interviews focused on jurisdictions' actual or planned uses of SSBCI funds, their perspectives on Treasury's administration of SSBCI, and any challenges faced or areas in which Treasury could provide additional guidance or support.

[4]We contacted 23 tribal applicants (including 20 that applied individually and three that applied as part of consortiums) and interviewed representatives of the 13 that responded. The 11 tribal applicants whose representatives (tribal government and/or third party) we spoke to included the Alabama-Coushatta Tribe of Texas, Blackfeet Nation, Cheyenne River Sioux Tribe, Confederated Tribes of the Umatilla Indian Reservation, Delaware Tribe of Indians, Mashantucket Pequot Tribal Nation, Navajo Nation, Ponca Tribe of Nebraska, Santa Clara Pueblo, Washoe Tribe of Nevada and California, and Yurok Tribe. We also interviewed representatives of the following third-party organizations that are helping to administer SSBCI programs on behalf of tribal consortiums: the Alaska Small Business Development Center and Apis Holdings.

[5]Third-party organizations and organizations connected to tribal applicants were the Alaska Small Business Development Center, Apis Holdings, Cheyenne River Economic Development Corporation, Civicus Group, Four Bands Community Fund, NACDC Financial Services, Nixyáawii Community Financial Services, Ochana Industries, Ponca Economic Development Corporation, Santa Clara Development Corporation, The Alliance Community Development Financial Institution, Washoe Development Corporation, and Yurok Economic Development Corporation.

[6]Five tribal applicants whose representatives we interviewed requested less than $1 million, five requested between $1 million and $5 million, and three requested more than $5 million.

For the fourth objective, we reviewed a memorandum documenting Treasury's performance measures and indicators for SSBCI, Treasury's guidance for jurisdictions on how to meet SSBCI program reporting requirements, and quarterly SSBCI reports published in December 2023 and March 2024. We also reviewed the Office of Capital Access' November 2023 Economic Recovery Learning Agenda, which includes its plans for evaluating SSBCI. We interviewed Treasury officials about their efforts to collect and verify the accuracy of data to track program performance. We also interviewed officials from the nongeneralizable selection of states, territories, and tribal applicants described above about their perspectives on Treasury's reporting and data collection guidance. We compared Treasury's performance measures and indicators against key attributes of successful performance measures identified in prior GAO work.[7]

We conducted this performance audit from February 2023 to June 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[7]See GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, GAO-03-143 (Washington, D.C.: Nov. 22, 2002).

Appendix II: Jurisdictions' Uses of Various Program Types to Deploy SSBCI Capital Program Funds

As we reported in February 2023, most states and territories planned to use State Small Business Credit Initiative (SSBCI) funding for a mix of lending and equity investment programs.[1] This appendix contains updated information on planned or implemented programs for states, territories, and tribal applicants.

Loan participation and venture capital programs are the most common program types and capital access programs are the least common among participating jurisdictions (see table 4).

Table 4: Number of Implemented or Planned State Small Business Credit Initiative (SSBCI) Capital Programs, by Program Type

	States, territories, and the District of Columbia, as of November 22, 2023[a]		Tribal applicants, as of December 22, 2023[b]	
Program type	**Number of programs**	**Percent**	**Number of programs**	**Percent**
Capital access (loan loss reserve)	12	6%	3	2%
Loan guarantee	27	13%	17	11%
Collateral support	23	11%	24	16%
Loan participation	64	30%	68	45%
Venture capital and other equity investment	74	35%	36	24%
Other program types	14	7%	4	3%
Total number of programs	**214**	**100%**	**152**	**100%**

Source: GAO analysis of Department of the Treasury data. | GAO-24-106671

[a]As of November 22, 2023, applications from American Samoa and the Commonwealth of the Northern Mariana Islands were still under review by Treasury. Applications for all 50 states, the District of Columbia, and the remaining three territories (Guam, Puerto Rico, and the U.S. Virgin Island) were approved.

[b]Tribal applicants refer to both individual and joint applications from tribal governments. As of December 22, 2023, Treasury was in the process of reviewing and approving tribal applications.

[1]GAO, *State Small Business Credit Initiative: Improved Planning Could Help Treasury Limit Additional Delays*, GAO-23-105293 (Washington, D.C.: Feb. 2, 2023).

Appendix III: Characteristics of Capital Readiness Program Grantees

The Minority Business Development Agency (MBDA) is administering $125 million in State Small Business Credit Initiative (SSBCI) technical assistance funds through the Capital Readiness Program. This competitive grant program provides technical assistance funding to nonprofit organizations, private-sector entities, institutions of higher education, or consortiums of these organizations. The program is aimed at serving businesses owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses) that are applying, have previously applied, or plan to apply to an SSBCI capital program or other government program that supports small businesses. Organizations that receive the grants must provide a nonfederal match of 10–25 percent of the award, depending on the award amount.

In September 2023, MBDA awarded grants totaling $117 million to 43 organizations.[1] This appendix contains summary information on grantee types, areas of operation, and other characteristics based on data self-reported by Capital Readiness Program grantees.

The majority of grantees (34 of 43) are nonprofit organizations, including those that self-reported as a combination of organizational types (see table 5).

Table 5: Capital Readiness Program Grantees, by Type of Organization

Type of organization	Number of grantees
Nonprofit organization	30
Institution of higher education	5
Private-sector entity	3
Nonprofit organization and institution of higher education	3
Nonprofit organization and private-sector entity	1
Institution of higher education and private-sector entity	1

Source: GAO analysis of Minority Business Development Agency data. | GAO-24-106671

Note: This analysis is based on data self-reported by Capital Readiness Program grantees.

[1]The remaining funds administered by MBDA have been budgeted for administrative expenses from fiscal years 2023 through 2028, including personnel costs, advisory and assistance services, other services from federal and nonfederal sources, and supplies, materials, and equipment.

- Twenty-eight of 43 grantees support initiatives in a single state or territory. Collectively, these are focused on 24 states and one territory. Eight grantees support initiatives regionally or across multiple states, territories, or both states and territories. Seven grantees have a national scope.
- Most grantees (32 of 43) are both an incubator, which focuses on early-stage technical assistance for new entrepreneurs, and an accelerator, which provides emerging-stage technical assistance to businesses ready to expand. Seven grantees are incubators but not accelerators and four are accelerators but not incubators.

Nearly all grantees (40 of 43) are focused on serving borrowers in underserved racial, ethnic, or cultural groups. Table 6 provides the number of Capital Readiness Program grantees serving target groups of small business owners.

Table 6: Number of Capital Readiness Program Grantees Serving Target Groups of Small Business Owners, by Target Group

Target group of small business owners	Number of grantees
Borrowers in underserved racial, ethnic, or cultural groups	40
Women business owners	27
Borrowers located in economically challenged geographic areas	18
Borrowers in rural areas	17
Veteran business owners	16
Borrowers with limited English proficiency	12
Tribal borrowers	12
Borrowers with a disability	6
Borrowers in U.S. territories	2

Source: GAO analysis of Minority Business Development Agency data. | GAO-24-106671

Notes: This analysis is based on data self-reported by Capital Readiness Program grantees. Grantees may serve more than one target group of small business owners. Borrowers located in economically challenged geographic areas include borrowers in communities undergoing economic transitions, borrowers in underserved communities, borrowers with a long-term residence in an environment isolated from the mainstream of American society, and grantees that self-reported as community development financial institutions, which primarily serve low-income communities. Four grantees self-reported as serving “other” target groups in addition to one or more groups identified above.

Approximately one-third of grantees (14 of 43) are not targeting or expecting to serve businesses in a particular industry (see table 7).

Table 7: Number of Capital Readiness Program Grantees Targeting or Expecting to Serve Businesses in Particular Industries, by Industry

Industry targeted or served	Number of grantees
Not industry-specific	14
Agriculture/food security	8
Hospitality, tourism, and recreation	8
Manufacturing, defense, supply chain, and product development	8
Building, construction, and housing	7
Healthcare services	6
Energy, environment, utilities, and climate	5
Information technology	5
Business, finance, and asset management	4
Emerging technologies (e.g., artificial intelligence)	4
Biotechnology/medical technology	3

Source: GAO analysis of Minority Business Development Agency data. | GAO-24-106671

Notes: This analysis is based on data self-reported by Capital Readiness Program grantees. Grantees may represent more than one industry. This analysis excludes five grantees that had blank values in this category.

Appendix IV: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the contact name above, John Fisher (Assistant Director), Gita DeVaney (Analyst in Charge), Lauren Capitini, LaToya Jeanita Coleman, Carl Ramirez, Barbara Roesmann, Jena Sinkfield, and Aida Woldu made key contributions to this report.

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