GAO Highlights

Highlights of GAO-15-105, a report to congressional committees

December 2014

SMALL BUSINESS CREDIT PROGRAMS

Treasury Continues to Enhance Performance Measurement and Evaluation but Could Better Communicate and Update Results

Why GAO Did This Study

The Small Business Jobs Act of 2010 established the SBLF and SSBCI programs within Treasury to enhance credit opportunities for small businesses. SBLF aims to stimulate job growth by encouraging community banks and community development loan funds with assets of $10 billion or less to increase their small business lending. SSBCI provides direct funding to participants for programs that expand access to capital to small businesses.

The act mandates that GAO conduct an audit of both programs annually. GAO's prior audits examined program implementation, monitoring of performance and compliance, and usage of program funds. This fourth report examines (1) the status of SBLF and SSBCI and (2) the extent to which Treasury has enhanced efforts to measure and evaluate program performance. GAO analyzed the most recently available financial and performance information and interviewed officials from Treasury, nine states, one municipality, and trade associations. GAO selected the states and municipality based on usage of SSBCI funds, unique program characteristics, number of programs, and geographic dispersion, among other things.

What GAO Recommends

Treasury should make the results of its SBLF impact evaluation more prominent and update its estimate of the impact of SBLF in future reports. In its written comments, Treasury agreed to implement both recommendations.

View GAO 15-105. For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or GarciaDiazD@gao.gov.

What GAO Found

The Small Business Lending Fund (SBLF) and State Small Business Credit Initiative (SSBCI) have continued to support small business lending. According to the Department of the Treasury (Treasury), as of June 30, 2014, SBLF participants had increased their qualified small business lending by $13.5 billion over their aggregate 2010 baseline, and SSBCI participants had used 60 percent of the $1.5 billion in allocated funds.

In response to prior GAO recommendations, Treasury has taken steps to enhance performance measurement and program evaluation for SBLF and SSBCI but has not effectively communicated or updated its SBLF evaluation.

- **SBLF.** Treasury conducted an impact evaluation, using statistical methods to compare lending among SBLF banks to a control group of non-SBLF banks that are as similar as possible to participating SBLF banks. This rigorous approach is a significant improvement over Treasury's previous analyses because it is designed to isolate the impact of the program and provides greater confidence that any differences observed between SBLF and non-SBLF banks are attributable to the program rather than to other factors. Treasury's impact evaluation estimated that 23 percentage points of the increase in small business lending among SBLF banks is attributable to the program. Although Treasury's previous, less rigorous analyses suggested that SBLF banks increased lending by as much as 45 percentage points more than non-SBLF banks, these analyses did not attempt to isolate the impact of SBLF from other factors. Treasury published its impact evaluation in appendixes in its three most recent *Lending Growth Reports*. However, it did not discuss the results of the evaluation in the summary or body of the reports and has not utilized the control group to update the results. Relevant resources on program evaluations indicate that the most rigorous evidence should be presented most prominently. Because Treasury has not effectively presented or updated its impact evaluation results, stakeholders may not benefit from the most rigorous and recent information on the effect of SBLF.
- **SSBCI.** Treasury established targets for selected measures to monitor program performance and has taken steps to enhance the design of its planned program evaluation. Treasury established a target for one of its existing performance measures and also developed new performance measures and targets. For example, Treasury established a target for its existing performance measure on the amount of private-sector funds leveraged using SSBCI funds and created a new performance measure and target related to the amount of funds disbursed to states. To select and establish the new performance measures and targets, agency officials stated that they used the program objectives stated in the Small Business Jobs Act of 2010 and information from participants' annual 2013 reports. Treasury officials stated they have obtained input from experts on the design of their SSBCI program evaluation and have begun to reach out to congressional staff for feedback on the proposed design.