United States Government Accountability Office

Report to Congressional Committees

December 2013

STATE SMALL BUSINESS CREDIT INITIATIVE

Opportunities Exist to Enhance Performance Measurement and Evaluation

GAO-14-97

GAO Highlights

Highlights of GAO-14-97, a report to congressional committees

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STATE SMALL BUSINESS CREDIT INITIATIVE

Opportunities Exist to Enhance Performance Measurement and Evaluation

Why GAO Did This Study

The Small Business Jobs Act of 2010 created SSBCI within Treasury. The program provides direct funding to participants for programs that expand access to capital for small businesses. The act mandates that GAO conduct an annual audit of the program. GAO's first two reports examined Treasury's implementation of SSBCI and its processes for monitoring compliance and procedures for evaluating and communicating program outcomes. This third report examines, among other things, the extent to which (1) participants have used their SSBCI allocations and faced challenges in using the funds, and (2) Treasury has used performance measures and program evaluation to manage SSBCI. GAO reviewed Treasury's SSBCI policies and procedures and participants' data on fund usage and interviewed officials from Treasury, eight states, and one municipality. GAO selected the states and municipality based on usage of SSBCI funds, the number of programs they implemented, and geographic dispersion, among other things.

What GAO Recommends

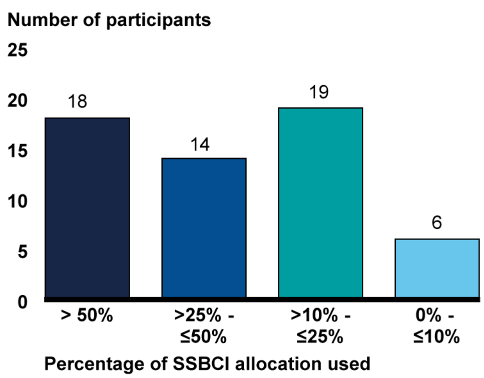
GAO recommends that Treasury set targets for selected measures to track SSBCI's performance and seek input from Congress and other federal agencies on what information will be useful in assessing SSBCI's effectiveness as Treasury designs its program evaluation. Treasury agreed with both of these recommendations.

View GAO-14-97. For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

What GAO Found

As of June 30, 2013, State Small Business Credit Initiative (SSBCI) participants—states, territories, and municipalities—had used $549 million of the $1.5 billion the Department of the Treasury (Treasury) allocated to them, nearly four times the amount used as of June 30, 2012. However, the rates at which participants have used funds continue to vary, as shown below. While initial challenges generally have been addressed, others remain. Participants' challenges with using funds at the start of the program resulted from some program policies not being finalized and low demand for some program types, among other things. Treasury and participants have since addressed many of these issues, but according to agency officials and others, participants will likely continue to face some challenges in using SSBCI funds. For example, some large lenders have been reluctant to partner with SSBCI participants because the variation in participants' programs makes it difficult for lenders to implement the program on a national basis, which has limited the program's reach into the small business lending market.

SSBCI Participants' (States, Territories, and Municipalities) Fund Usage, as of June 30, 2013



Source: GAO analysis of Treasury data.

Treasury uses performance measures to manage SSBCI. For example, Treasury uses performance measures to adjust staff allocations and to identify participants that may need additional assistance. Although Treasury has set targets for program administration measures (for example, how long it takes the agency to approve participants' requests to modify their programs), it has not set targets for performance (for example, the amount of funds used over time). Federal internal control standards and performance management leading practices encourage agencies to set targets, where appropriate. Targets could help Treasury identify program areas needing improvement. Treasury has also recently started to determine how it will evaluate SSBCI's effectiveness and plans to form a working group of participants to help design the format of the evaluation. GAO guidance on designing evaluations encourages agencies to obtain input from external stakeholders, including Congress, that are expected to be interested in the results. By seeking input from external stakeholders early in the design phase, Treasury can help ensure that it designs an evaluation that is useful for decision makers and other agencies working to promote small business credit access.

Contents

Abbreviations

CAP	capital access programs
CDFI	community development financial institutions
Ex-Im	U.S. Export-Import Bank
FDIC	Federal Deposit Insurance Corporation
NAFCU	National Association of Federal Credit Unions
OCC	Office of the Comptroller of the Currency
OCSP	other credit support programs
OIG	Office of the Inspector General
SBA	Small Business Administration
SSBCI	State Small Business Credit Initiative
USDA	U.S. Department of Agriculture

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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December 18, 2013

Congressional Committees

Congress enacted the Small Business Jobs Act of 2010, which created the $1.5 billion State Small Business Credit Initiative (SSBCI) program to address difficulties small businesses faced in accessing credit due to disruptions of the credit markets in 2008 and 2009.[1] The act was intended to address concerns that small businesses might not be able to access enough capital to enable them to spur job creation during the nation's ongoing economic recovery. SSBCI, which is administered by the Department of the Treasury (Treasury), is designed to create or strengthen state programs that support private financing to small businesses and small manufacturers that, according to Treasury, are not obtaining the loans or investments they need to expand and to create jobs. SSBCI received a one-time appropriation and is designed to generate up to $15 billion in lending to small businesses. SSBCI participants—states, territories, municipalities, and the District of Columbia—are to use the funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy but have been unable to secure the loans needed to expand and to create jobs.[2]

The act mandates that we conduct an annual audit of the SSBCI program.[3] In our first and second reports, we reviewed the implementation of SSBCI and made recommendations to improve the management oversight of the program.[4] This third report examines the extent to which (1) SSBCI participants have used their SSBCI allocations and faced challenges in using the funds, (2) Treasury and program stakeholders have used outreach activities to promote use of the program

[1] Pub. L. No. 111-240, § 3003, 124 Stat. 2504, 2570 (codified at 12 U.S.C. § 5702).

[2] For the purposes of this report, we refer to the states, territories, municipalities, and the District of Columbia that participate in SSBCI generally as "participants."

[3] § 3011(b), 124 Stat. at 2581 (codified at 12 U.S.C. § 5710(b)).

[4] GAO, *State Small Business Credit Initiative: Opportunities Exist to Improve Program Oversight,* GAO-12-173 (Washington, D.C.: Dec. 7, 2011) and *Small Business Lending: Opportunities Exist to Improve Performance Reporting of Treasury's Programs,* GAO-13-76 (Washington, D.C.: Dec. 5, 2012).

and assessed the success of these efforts, and (3) Treasury has used performance measures and program evaluation to manage SSBCI.

To assess the extent to which SSBCI participants have used their SSBCI allocations, we analyzed program data, as of June 30, 2013, on fund usage, allocation amounts, disbursement requests, and program types, as well as whether participants developed new programs to participate in SSBCI or expanded existing programs with SSBCI funds. We determined that the data were sufficiently reliable for the purposes of describing these factors. To examine the extent to which SSBCI participants faced challenges in using SSBCI funds, we reviewed relevant reports from Treasury's Office of the Inspector General (OIG), our 2011 and 2012 reports on SSBCI, and Treasury's policies and procedures.[5] We also interviewed officials from Treasury; nine SSBCI participants (Arizona; Iowa; Maryland; Missouri; Montana; New York; City of Carrington, North Dakota; Vermont; and Virginia); and representatives from trade associations representing the lending and venture capital communities. Factors we used for selecting the SSBCI participants included their percentage of funds used, allocation amounts, number of programs implemented, and geographic dispersion. Appendix I contains detailed information on the process we used to select participants.

To examine the extent to which Treasury and program stakeholders, including SSBCI participants, federal banking regulators, and trade associations, have used outreach activities to promote use of the program and assessed the success of these efforts, we interviewed Treasury officials and representatives of stakeholder groups and reviewed materials pertinent to SSBCI outreach. Specifically, we interviewed officials from Treasury; the nine SSBCI participants identified above; the federal banking regulators: Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC); and representatives from lending and venture capital trade associations to learn about outreach activities they have conducted for SSBCI and to obtain relevant materials and documentation. We reviewed Treasury guidance on SSBCI outreach, including marketing best practices for three SSBCI program types and Treasury budget documents. We also reviewed SSBCI outreach materials developed by participants, banking regulators, and trade associations and all participants' SSBCI websites to

[5]GAO-12-173 and GAO-13-76.

understand how they are providing information about SSBCI to interested parties.[6]

To assess the extent to which Treasury has used performance measures and program evaluation to manage SSBCI, we reviewed performance measures and targets Treasury has set for SSBCI and a summary report on performance information Treasury developed from participants' 2012 annual reports. We also interviewed Treasury officials on their actions to manage the SSBCI program using performance measures. We identified relevant criteria in the Small Business Jobs Act of 2010, the federal internal control standards, and leading practices for federal agencies' performance management.[7]

We conducted this performance audit from May 2013 to December 2013 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.

Background

SSBCI provides direct support to participants for use in programs designed to increase access to credit for small businesses. Using a formula contained in the Small Business Jobs Act of 2010, Treasury calculated the amount of SSBCI funding for which each of the 50 states, as well as the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American

[6]We were unable to review three SSBCI participants' websites because the website links listed on Treasury's SSBCI website did not work.

[7]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999); *Internal Control Management and Evaluation Tool*, GAO-01-1008G (Washington, D.C.: August 2001); *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures,* GAO-03-143 (Washington, D.C.: Nov. 22, 2002); *Managing for Results: Strengthening Regulatory Agencies' Performance Management Practices*, GAO/GGD-00-10 (Washington, D.C.: Oct. 28, 1999); and *Designing Evaluations: 2012 Revision (Supersedes PEMD-10.1.4),* GAO-12-208G (Washington, D.C.: Jan. 31, 2012). Leading practices are performance management practices and key attributes of performance measures that we have identified in previous work based on information from a variety of federal and state organizations that would help federal agencies more effectively manage and measure program performance.

Samoa, and the United States Virgin Islands, were eligible to apply. This formula takes into account a state's job losses in proportion to the aggregate job losses of all states. In addition to states, the act granted permission to municipalities to apply directly for funding under SSBCI in the event that their state did not apply for funding. Municipalities in Alaska, North Dakota, and Wyoming used this option.[8] Participants are expected to use their SSBCI funds to leverage private financing and investment that is at least 10 times the amount of their SSBCI allocation (a leverage ratio of 10-to-1) by December 31, 2016. Forty-seven states; the District of Columbia; the Commonwealth of Puerto Rico; the Commonwealth of the Northern Mariana Islands; Guam; American Samoa; the United States Virgin Islands; Anchorage, Alaska; Carrington, North Dakota; Mandan, North Dakota; and Laramie, Wyoming, currently participate in the program.

The act allowed Treasury to provide SSBCI funding for two program categories: capital access programs (CAP) and other credit support programs (OCSP). For both CAPs and OCSPs, the act requires that lenders have a meaningful amount of their own capital at risk. Loan terms, such as interest and collateral, are typically negotiated between the lender and the borrower, although in some cases loan terms are subject to SSBCI participant approval and, in many cases, the SSBCI participant and lender will discuss and negotiate loan terms and guarantee options prior to reaching agreement to approve the loan and issue a guarantee.

A CAP is a loan portfolio insurance program wherein the borrower and lender, such as a small business owner and a bank, contribute to a reserve fund held by the lender. Under a CAP, when a participating lender originates a loan, the lender and borrower combine to contribute an amount equal to a percentage of the loan to a loan reserve fund, which is held by the lender. Under SSBCI, the contribution must be from 2 percent to 7 percent of the amount borrowed. Typically, the contribution ranges from 3 percent to 4 percent. The SSBCI participant then matches

[8] The act allowed multiple municipalities in a state to collectively submit a joint application for funds. SSBCI policy requires that municipalities submitting joint applications had to designate a "lead applicant" to serve as the point of contact and to ensure that all parties to the application comply with program requirements. Carrington, North Dakota, is the lead applicant for 36 North Dakota communities that participate in SSBCI. Mandan, North Dakota, is the lead applicant for 38 municipalities in North Dakota, and Laramie, Wyoming, is the lead applicant for 17 Wyoming municipalities.

the combined contribution and sends that amount to the lender, which deposits the funds into the lender-held reserve fund. Under SSBCI, approved CAPs are eligible to receive federal contributions to the reserve funds held by each participating financial institution in an amount equal to the total amount of the contributions paid by the borrower and the lender on a loan-by-loan basis.

In addition, the following OCSPs are examples of types of programs eligible to receive funding under the act:

- *Collateral support programs*. A collateral support program is designed to enable financing that might otherwise be unavailable due to a collateral shortfall. It provides pledged cash collateral to lenders to enhance the collateral coverage of individual loans. The SSBCI participant and lender negotiate the amount of cash collateral to be pledged by the participant.

- *Loan participation programs*. SSBCI participants may structure a loan participation program in two ways: (1) through purchase transactions, also known as purchase participations, in which the SSBCI participant purchases a portion of a loan originated by a lender, or (2) by participating in a loan as a co-lender, where a lender originates a senior loan and the SSBCI participant originates a second loan to the same borrower that is usually subordinate to the lender's senior loan should a default occur. SSBCI loan participation programs encourage lending to small businesses because the lender is able to reduce its potential loss by sharing its exposure to loan losses with the SSBCI participant.

- *Loan guarantee programs*. These programs enable small businesses to obtain a term loan or line of credit by providing the lender with the necessary security in the form of a partial guarantee. In most cases, the SSBCI participant sets aside funds in a dedicated reserve or account to collateralize the guarantee of a specified percentage of each approved loan. The guarantee percentage is determined by the participants and lenders but, under SSBCI, may not exceed 80 percent of loan losses.

- *Venture capital programs*. These programs provide investment capital to create and grow start-ups and early-stage businesses, often in one of two forms: (1) a SSBCI participant-run venture capital fund (which may include other private investors) that invests directly in businesses, or (2) a fund of funds, which is a fund that invests in other venture capital funds that in turn invest in individual businesses.

- *Direct loan programs*. Although Treasury does not consider these programs to be a separate SSBCI program type, it acknowledges that some participants may identify programs that they plan to support with SSBCI funds as direct loan programs. The programs that some SSBCI participants label as direct loan programs are viewed by Treasury as co-lending programs categorized as loan participation programs, which have lending structures that are allowable under the statute.

OCSPs approved to receive SSBCI funds are required to target small businesses with an average size of 500 or fewer employees and to target support towards loans with an average principal amount of $5 million or less. In addition, these programs cannot lend to borrowers with more than 750 employees or make any loans in excess of $20 million.

After their applications were approved, SSBCI participants entered into Allocation Agreements with Treasury before they received their funds. SSBCI Allocation Agreements are signed by Treasury and participants, and they outline how participants are to comply with program requirements. The act requires that each participant receive its SSBCI funds in three disbursements or tranches of approximately one-third of its approved allocation. As part of its request to receive the second and third disbursements, a participant must certify that it has expended, transferred, or obligated 80 percent or more of the previous disbursement. When participants request subsequent disbursements, Treasury reviews the request and certification for completeness. Treasury may also review a sample of the participant's transactions for compliance with SSBCI requirements. All SSBCI Allocation Agreements will expire on March 31, 2017. Treasury may terminate any portion of a participant's allocation that Treasury has not yet transferred to the participant within 2 years of the date on which its SSBCI Allocation Agreement was signed. Treasury may also reduce or terminate a participant's allocation at any time during the term of the Allocation Agreement upon an event of default under the agreement. Under the act, participants are required to submit quarterly and annual reports on their use of SSBCI funds.

Changes to participants' Allocation Agreements generally must be approved by Treasury through a program modification. For example, participants must submit a program modification to Treasury for approval in order to use SSBCI funds for a new program that was not originally approved by Treasury, to materially change the scope or purpose of an approved program, or to reapportion and transfer allocated SSBCI funds among approved programs when the cumulative amounts transferred exceed 10 percent of the participant's total SSBCI allocation. Treasury has procedures for participants to apply for modifications and for its processing of modification approval requests. In general, the procedures require participants to submit, among other things, justification of the need for the modification and the impact of the change on program performance, including the 10-to-1 private leverage expectation. As of June 30, 2013, Treasury had approved 32 modifications of SSBCI participants' programs.

The act requires Treasury's OIG to conduct audits of participants' use of their SSBCI allocations. As of November 8, 2013, Treasury's OIG has conducted 12 audits of SSBCI participants' use of SSBCI funds.[9]

SSBCI Participants Have Used Funds at Varying Rates and a Number of Challenges Have Been Addressed

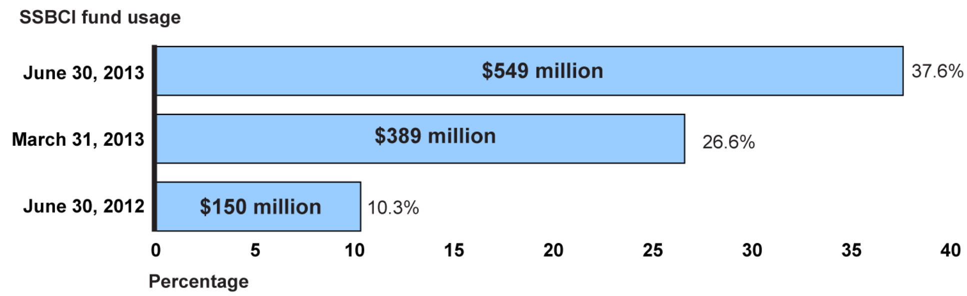
Between June 30, 2012, and June 30, 2013, SSBCI participants nearly quadrupled their overall use of SSBCI funds, but individual participants continue to use their funds at varying rates and for different types of programs. SSBCI participants faced challenges using their SSBCI funds in the early stages of the program. For example, because Treasury initially implemented the program without issuing final policies and procedures, some SSBCI participants experienced delays in receiving subsequent disbursements of funds. While initial challenges have mostly been addressed, participants continue to face ongoing challenges with using SSBCI funds, including reluctance from large banks to participate in the program.

[9]Treasury's OIG website contains the full list of reports it has conducted of SSBCI participants' use of funds. See www.treasury.gov/about/organizational-structure/ig/Pages/Office-of-Small-Business-Lending-Fund-Program-Oversight.aspx.

SSBCI Fund Usage Has Increased but Continues to Vary Widely across Participants

As of June 30, 2013, SSBCI participants had used a total of about $549 million in SSBCI funds, which represents about 38 percent of the $1.5 billion allocated for the program.[10] As shown in figure 1, usage of SSBCI funds by participants has nearly quadrupled since June 30, 2012, when participants had used about $150 million.

Figure 1: SSBCI Fund Usage, June 30, 2012, to June 30, 2013



Source: GAO analysis of Treasury data.

Note: The amount of funds used does not include funds used by participants for administrative expenses.

In 2012, we found that participants had used their SSBCI funds at different rates.[11] As of June 30, 2013, SSBCI participants were continuing to use their SSBCI allocations at varying rates, as shown in figure 2. Fifty-five of the 57 participants had used some portion of their allocation as of June 30, 2013. Idaho had used the highest percentage of its allocated funds, approximately 94 percent of the $13 million it was allocated. Two territories—American Samoa and Northern Mariana Islands—had not used any of their allocation, which, according to Treasury officials, is because both territories have limited small business credit and investment markets. As of June 30, 2013, 18 participants had used more than 50

[10] Throughout this report we use "funds used" to represent the amount of SSBCI funds participants have used to support small business lending and investments. This definition is similar to Treasury's definition of "funds expended, obligated, or transferred," except our definition of "funds used" does not include funds used by participants for administrative expenses. Treasury used the following definitions: (1) SSBCI "funds expended" are funds used to support loans or investments or for administrative expenses; (2) SSBCI "funds obligated" are funds legally committed to support loans or investments, including obligations to intermediaries; and (3) SSBCI "funds transferred" are funds transferred to a contracting entity as reimbursement of expenses incurred or to fund a loan or investment.

[11] GAO-13-76.

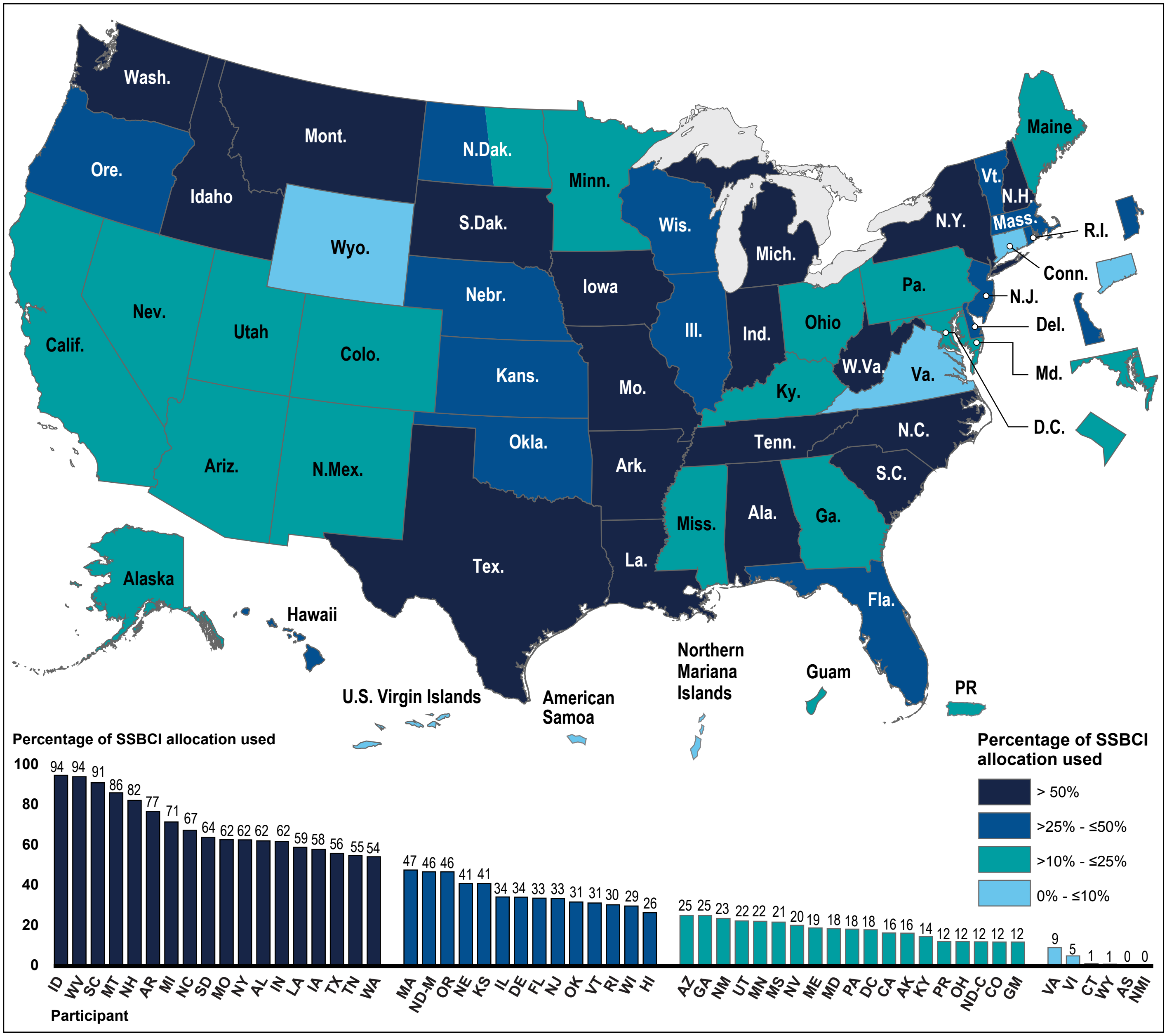
percent of their allocations, 14 participants had used more than 25 to 50 percent of their allocation, 19 participants had used more than 10 to 25 percent of their allocation, and 6 participants had used 10 percent or less of their allocation. As previously discussed, participants can request subsequent SSBCI disbursements when they have used at least 80 percent of their current tranche of SSBCI funds. As of June 30, 2013, Treasury had disbursed almost $811 million in SSBCI funding to participants. Eight participants had received their third and final disbursement of funds, 19 participants had received their second disbursement, and 30 participants were still working to use their first disbursement of SSBCI funding.

Interactive graphic

Figure 2: SSBCI Participants' Usage of Allocated SSBCI Funds, as of June 30, 2013

Directions:

Roll your mouse over each participant to see the percentage of the SSBCI allocation the participant has used, the participant's allocation amount, and the total amount of funds the participant has used, as of June 30, 2013. See appendix II for additional details.



Sources: GAO analysis of Treasury data; Map Resources (map).

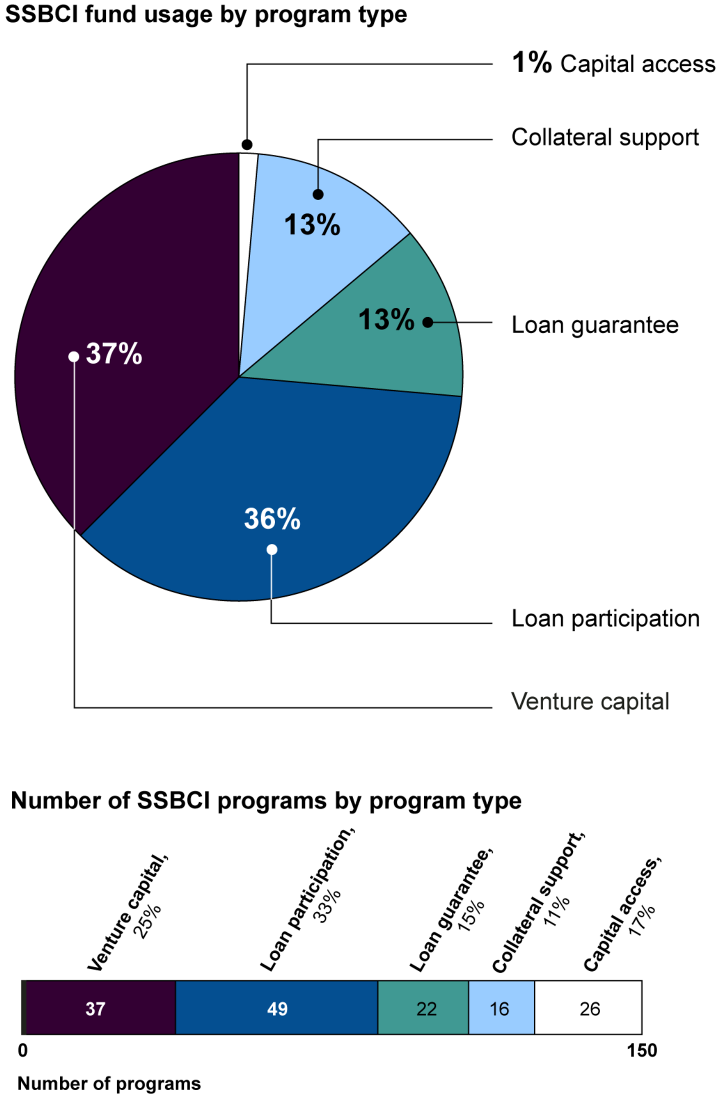
Print instructions To print a text version of this graphic, go to appendix II.

Note: The four Municipalities participatng in SSBCI are Anchorage, Alaska (AK), Carrington, North Dakota (ND-C), Mandan, North Dakota (ND-M), and Laramie, Wyoming (WY). The five U.S. territories participating in SSBCI are American Samoa (AS), Guam, (GM), the Northern Mariana Islands (NMI), Puerto Rico (PR), and U.S. Virgin Islands (VI).The amount of funds used does not include funds used by participants for administrative expenses.

SSBCI participants have used their allocations to fund a variety of different program types. SSBCI allows participants to use their allocations to support program types that best meet their individual circumstances and demands. This flexibility has resulted in participants implementing numerous types of programs to use their SSBCI allocations (see fig. 3). Similar to what we reported in 2012, loan participation and venture capital programs had used the most funds, as of June 30, 2013.[12] However, between June 30, 2012, and June 30, 2013, venture capital programs surpassed loan participation programs to become the program type with the highest percentage of funds used. As of June 30, 2013, venture capital programs accounted for approximately 37 percent of SSBCI funds used. Loan participation programs accounted for the next highest percentage of funds used (36 percent), followed by loan guarantee programs and collateral support programs (each about 13 percent). The remaining program type—CAP—represented only approximately 1 percent of the funds used. Figure 3 also shows that venture capital programs and loan participation programs were the most common program types implemented, representing more than half of all SSBCI programs. Three of the six participants with whom we spoke during this review said that demand for their venture capital programs was higher than their lending programs. Further, figure 3 demonstrates that while CAPs accounted for 17 percent of the programs implemented, their fund usage represented only 1 percent of the funds used by SSBCI participants. Multiple participants we interviewed during our 2012 and 2013 reviews noted that the demand for their CAPs was low, which resulted in them reallocating funds to SSBCI programs with higher demand.

[12] GAO-13-76.

Figure 3: SSBCI Fund Usage and Number of SSBCI Programs by Program Type, as of June 30, 2013



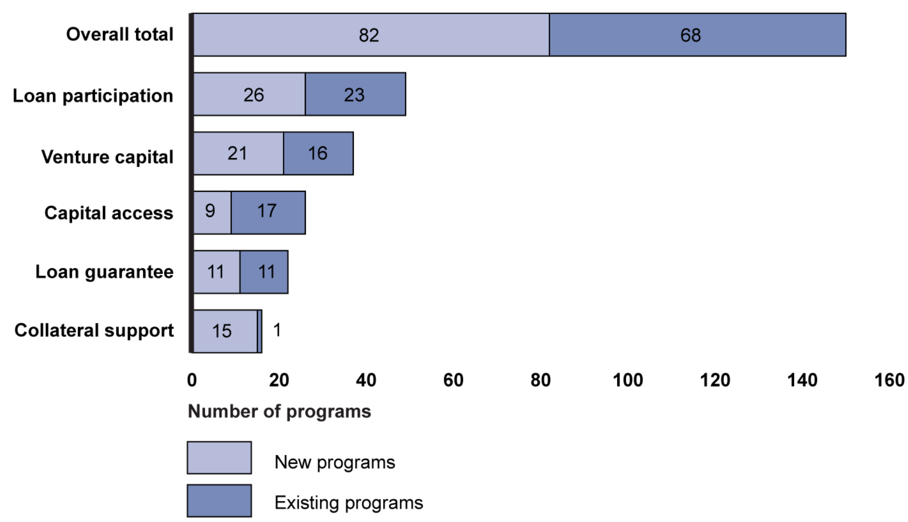
Source: GAO analysis of Treasury data.

Note: The amount of funds used does not include funds used by participants for administrative expenses. The percentage of SSBCI programs by program type sums to more than 100 percent due to rounding.

The number of programs participants chose to divide their SSBCI allocations among also varied. As of June 30, 2013, SSBCI participants were using their SSBCI allocations to fund a total of 150 different programs. Fifteen participants used only one program type, whereas others used up to five different program types. Most of the participants (34) used their SSBCI allocations to fund two or three programs.

SSBCI also provides participants flexibility to use their allocations to fund existing state programs or to implement new programs. Of the 150 SSBCI programs, over half (82) were new programs created specifically to utilize SSBCI funds. Figure 4 illustrates the number of new and existing SSBCI programs by type, as of June 30, 2013.

Figure 4: Number of New and Existing SSBCI Programs by Program Type, as of June 30, 2013



Source: GAO analysis of Treasury data.

Early Challenges Have Mostly Been Addressed, but Participants Face Ongoing Challenges with Using Funds

SSBCI participants faced challenges with using program funds early in the program because Treasury had not finalized all of the program's policies and procedures. However, Treasury has generally taken action to address these challenges, and most of the nine SSBCI participants with whom we spoke said that Treasury has been responsive to questions they have received since the program began. Participants also faced early challenges related to low demand for some program types and to the implementation of new programs. Some participants noted that the types of challenges they encountered while SSBCI was first being implemented were issues they would expect to occur with the implementation of any new program. In addition, some participants with whom we spoke explained that some challenges remain, such as reluctance from large banks to participate in the program.

Treasury's Program Guidance, Policies, and Procedures

As we reported in 2011, Treasury was tasked with quickly starting up an SSBCI program office and developing policies, procedures, and guidance to implement this new program after the Small Business Jobs Act of 2010 was enacted on September 27, 2010.[13] As a result, the program was rolled out without all of the policies and procedures having been finalized and with Treasury officials answering participants' questions verbally or through email as they arose. Some participants experienced delays in obtaining and using their SSBCI funds as a result. For example, we found in our 2011 report that the delay in the development of Treasury's disbursement procedures potentially delayed participants from receiving their subsequent SSBCI disbursements.[14] Officials from Missouri confirmed this finding and stated that they requested their second disbursement of funds within the first 9 months of the program and that they felt that the disbursement of funds was slower than anticipated because Treasury, among other things, was in the process of developing the procedures at the time. Treasury addressed this issue by finalizing its disbursement procedures in November 2011 and updating its Frequently Asked Questions document to describe the procedures participants must follow to request and receive approval for subsequent disbursements.

In addition, as we found in 2012, when Treasury initially implemented SSBCI, it had not finalized its policy on how it would use its discretionary authority to terminate allocated funds to participants that had not met the requirements to receive their full allocation within 2 years of having been accepted into the program.[15] As a result, some participants with whom we spoke at that time had concerns about their ability to use SSBCI funds within that time frame and what actions Treasury might take to suspend their disbursements. Similarly, during the course of this review, officials from three SSBCI participants noted that because Treasury had not finalized this policy prior to the start of the program, they were uncertain about the amount of time they had to use their SSBCI allocations, and two of them modified their programs as a result. For example, officials from Maryland told us that they were initially concerned about their ability to use funds allocated to the state's loan guarantee program in the specified time frame and, therefore, submitted a program modification to reallocate a portion of the funds to its venture capital program, which they believed would allow them to use the program funds more quickly.

[13] GAO-12-173.

[14] GAO-12-173.

[15] GAO-13-76.

In 2012, we recommended that Treasury develop a written policy explaining how it would use its authority to terminate disbursements.[16] In response to our recommendation and to address uncertainties about the length of time SSBCI participants have to use their allocations, Treasury developed a written policy on how it will use its discretionary authority to terminate funds for participants that do not meet the requirement to use the funds within the 2-year period. In July 2013, Treasury published this policy in its Frequently Asked Questions document. The policy states that Treasury will deem a participant to have made sufficient progress in implementing its SSBCI program and will allow it to retain its full allocation for the duration of the program if the participant submits its second disbursement request by June 30, 2015, and qualifies to receive that disbursement.[17]

Further, because policies were being developed as the program was rolled out, some participants made decisions early in the program based on informal guidance they received from Treasury, which later turned out not to be in compliance with SSBCI policies. For example, officials from Montana told us that sometimes there were differences between the guidance they were given verbally or through email from Treasury and guidance that Treasury later formally released. One such instance affected some loans they had made, which followed guidance they received from Treasury, but the OIG later found during its audit to be impermissible under SSBCI policies. In its audit of Montana's use of funds, the OIG noted that, in addition to Montana, several other participants had inquired of Treasury about the permissibility of loans similar to the ones made by Montana as early as January 2011. However, Treasury did not publish guidance on these types of loans until April 2012, after some participants had already approved some of these loans. Treasury and Montana SSBCI officials noted that the need to resolve the OIG audit issue was one reason why Montana's subsequent

[16]GAO-13-76.

[17]The policy further explains that for participants that do not qualify for their second disbursement by June 30, 2015, Treasury expects to conduct an analysis of the participant's progress in implementing its SSBCI program to determine whether Treasury should exercise its authority to terminate the availability of the remaining allocation.

disbursement of SSBCI funds was delayed.[18] Montana officials stated that the delay resulted in the cancellation of some SSBCI transactions, including one $450,000 loan. Treasury officials explained that they have now developed procedures for resolving similar issues and that, going forward, they expect that these types of issues will be handled more quickly.

Although some initial confusion on the part of participants occurred as policies were being developed, multiple participants told us that Treasury has been responsive and helpful when they had questions. In addition, multiple participants with whom we spoke in 2012 and during this review told us that they found the technical assistance Treasury provided through conference calls, webinars, and conferences very useful in helping them to understand SSBCI policies or compliance requirements. Finally, many participants told us that they would expect these types of challenges with the implementation of any new program and that Treasury's ability to operate the program has improved over time.

Program Demand

Ten of the 18 SSBCI participants we interviewed in 2012 and during this review told us that some of the SSBCI programs they had implemented experienced low demand for funds from small businesses and lenders, which resulted in difficulties in using funds in the early stages of the program. Officials from 8 of these participants explained that to address this issue, they modified their programs and reallocated funds from the programs with low demand to programs with higher demand. Five participants said that interest from financial institutions in their CAPs and loan participation programs was low for various reasons and, therefore, they requested approval from Treasury to reallocate funds from these programs to other SSBCI programs with higher demand. For example, officials from Virginia told us that they found that financial institutions preferred to use other government small business lending programs rather than the SSBCI CAP because, among other things, the other programs provided better risk coverage. Two additional participants told us that demand for equity was higher than demand for their lending programs, which caused them to reallocate funds from their lending programs to their venture capital programs. Treasury officials explained

[18]Treasury officials also attribute the delay in Montana receiving its disbursement to: (1) the final determination that Montana had defaulted under its Allocation Agreement, (2) Montana's disbursement request overlapping the OIG audit, and (3) Treasury having not yet developed policies for audit resolution procedures and participants receiving partial disbursements.

that participants that reacted to low demand early in the program and submitted modifications have been more successful at using SSBCI funds than participants that did not react to signs of low program demand.

New Program Development

Treasury officials, some SSBCI participants, and representatives from trade associations stated that participants that implemented new programs to utilize SSBCI funds faced more challenges in using funds initially than participants that used SSBCI funds to fund existing programs. As described earlier, over half of the 150 programs were newly created to utilize SSBCI funds. Treasury officials said that participants that implemented new programs generally required more time to get their SSBCI programs operational than participants that expanded existing programs. Treasury officials added that participants that reactivated existing programs that had been inactive or operating at low levels of activity prior to SSBCI being rolled out also faced challenges in using SSBCI funds initially because it took time to get the programs back in operation. In addition, we reported in 2012 that some participants that implemented new SSBCI programs said that it could take more time to use SSBCI funds because they had to conduct extensive outreach to lenders to make them aware of the programs and encourage them to commit to small business lending.[19] This position was reiterated to us during this review by two SSBCI participants that had implemented new SSBCI programs. The participants explained that they did not have existing networks of lenders and economic development organizations that they could immediately contact to promote their programs and that it took time to develop these networks. For example, Arizona program officials stated that when SSBCI was initially rolled out, they did not have an existing network of potential participants. They said that after dedicating significant time to outreach to lenders, community development financial institutions (CDFI), local Chambers of Commerce, and others, they developed a network of interested participants and have seen increased demand for the program.

Ongoing Challenges

SSBCI participants, Treasury officials, and representatives from trade associations stated that SSBCI participants will likely continue to face some challenges in using SSBCI funds. One ongoing challenge identified by multiple SSBCI participants has been difficulty in gaining participation by large national banks. Treasury officials stated that large national banks are sources of a significant amount of small business lending and that

[19] GAO-13-76.

weak participation by large national banks has had a sizable impact on CAPs supported by SSBCI. Because of the way CAPs operate, lenders need to generate a high loan volume, which large lenders are generally able to do more easily than smaller lenders. Treasury officials and representatives from a trade association attribute the reluctance of large national banks to participate in SSBCI to the variation in SSBCI participants' programs. They explained that national banks typically design programs that can be implemented consistently throughout the country and that they are reluctant to tailor different processes to each SSBCI participant's program.

A second ongoing challenge identified by several SSBCI participants with whom we spoke is that some lenders and investors have questioned the act's requirement for obtaining certifications from lenders and borrowers that they have not been convicted of a sex offense against a minor.[20] One SSBCI participant with whom we spoke noted some banks have determined that, for legal reasons, they are not able to sign the certification, while other banks do not understand the need for the certification requirement. Two SSBCI participants told us that there were banks that refused to participate in their SSBCI programs because of the sex offender certification requirement.

A third ongoing challenge identified by Treasury officials and several SSBCI participants is that some lenders have concerns about being subject to additional regulatory scrutiny for using SSBCI programs to underwrite loans. For example, Maryland officials stated that some lenders they met with were unwilling to participate in Maryland's loan guarantee program because they did not want to underwrite loans that contained a federal guarantee because they were concerned that regulators would subject them to heightened regulatory scrutiny. To help address these concerns, Treasury officials said they briefed officials from the federal banking regulators—FDIC, Federal Reserve, and OCC—on SSBCI and provided the regulators with periodic program updates. In addition, Treasury held a regulatory panel at its October 2012 SSBCI national conference during which officials from the federal banking regulators addressed lenders' concerns about additional scrutiny related to participating in SSBCI. Further, FDIC and OCC published guidance assuring their regulated entities that solely participating in SSBCI does not subject them to increased regulatory scrutiny. OCC officials added

[20]Pub. L. No. 111-240, § 3011(c)(2), 124 Stat. 2504, 2581 (codified at 12 U.S.C. § 5710(c)(2)).

that Treasury's efforts to include the federal banking regulators in implementing the program were key in helping to encourage lenders to participate. Finally, we reported in 2011 that multiple SSBCI participants indicated that reaching a 10-to-1 leverage ratio of private financing and investment to program funds could prove challenging, especially for participants creating new programs.[21] A few participants in this review also noted similar concerns with meeting the requirement.

Treasury and Stakeholders Undertake Various Outreach Activities to Promote Use of SSBCI

Treasury, SSBCI participants, federal banking regulators, and trade associations all conduct numerous outreach activities to promote the use of SSBCI. These activities include presenting information on SSBCI at conferences and lender roundtables, conducting face-to-face meetings with lenders and investors, and distributing information through brochures and websites. Challenges with promoting SSBCI have been identified by Treasury and SSBCI stakeholders, including the variation among SSBCI participants' programs and the amount of time and resources involved in conducting outreach. To address these challenges, Treasury is working with SSBCI participants to identify best practices for marketing SSBCI.

Treasury Collaborates with Stakeholders to Promote Use of SSBCI

Treasury conducts numerous outreach activities to promote the use of SSBCI, many of which are conducted in conjunction with program stakeholders, including federal banking regulators, trade associations, and SSBCI participants. Outreach conducted in collaboration with external stakeholders is consistent with federal internal control standards, which state that adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals should exist.[22] To help promote use of the participants' SSBCI lending programs, Treasury officials stated that they work with federal banking regulators on a regular basis. For example, Treasury officials have participated in lender roundtables sponsored by federal banking regulators and written articles for their newsletters that describe SSBCI and, in some cases, contain case study examples of some SSBCI participants' programs. Treasury officials also said that they have developed a national awareness campaign in which they work with relevant trade associations—representing both the lending and venture capital communities—to promote use of SSBCI. Treasury

[21] GAO-12-173.

[22] See GAO/AIMD-00-21.3.1 and GAO-01-1008G.

officials explained that this outreach consists of presenting information on SSBCI at trade associations' conferences and writing articles for their member newsletters. Treasury officials also participate in SSBCI participants' outreach activities. For example, representatives from Montana's SSBCI program told us that the Treasury SSBCI program director participated in meetings with CDFIs that they held when the program was first started. Finally, Treasury maintains a webpage dedicated to SSBCI. The site contains program policy and procedure documents, guidance materials on specific program types, and links to each participant's SSBCI program website, among other items.

In 2012, Treasury piloted a program in which it hired consultants to assist three SSBCI participants—Mississippi, Ohio, and South Carolina—with program outreach. The goal of the pilot was to increase financial institutions' awareness and use of the states' SSBCI lending programs. In each state, consultants developed action plans detailing the assistance they would provide to the state to help promote the use of SSBCI by lenders. The consultants also conducted in-person meetings or telephone calls directly to lending institutions to discuss SSBCI, designed program marketing materials, and reviewed the states' websites, among other things. In addition, in South Carolina, the consultant assisted in the development of a webinar presentation, which was offered to all South Carolina banks and was later posted to the state's website. Treasury officials said that while the consultants' work could provide a useful outside perspective and help to identify improvements needed in participants' programs, the process of finding and contracting with an appropriate consultant is time consuming and its effectiveness depends on whether participants are able to take advantage of the consultants' recommendations. Treasury officials explained that they would like to continue to provide consultant assistance to participants and have requested additional funds for their 2014 budget to do so. They explained that, with congressional approval for additional funding, they would expand the amount of time the consultants work with the states. For example, the outreach consultant pilot program provided for 100 hours of consultant assistance to each state, and officials said they would like to expand this type of assistance to selected participants for 6 to12 months.

Treasury officials explained that it is difficult to quantify the success of their outreach efforts and that they mostly rely on the feedback they receive from SSBCI participants to gauge the success of their outreach efforts. Treasury officials also explained that they conduct satisfaction surveys after each conference to ask what attendees thought of the conference. Our review of Treasury's analysis of the conference survey results showed that the majority of those that responded to the surveys found the conferences very good or excellent. Treasury officials said that they also track some indicators in addition to conference survey results. For example, they track the number of attendees at the SSBCI conferences, the number of participants that join webinars or conference calls, and, when feasible, the number of hits received by articles posted on the SSBCI webpage.

Treasury plans to continue to provide assistance to SSBCI participants on program outreach in order to increase the effectiveness and rate of deployment of SSBCI funds. Treasury's 2014 SSBCI Congressional Justification for its budget notes that Treasury will expand individualized technical assistance to participants by training and supporting SSBCI participants on outreach to financial institutions. Treasury officials explained that they plan to do this in several ways, including conducting state-specific outreach to state banking associations and state banking regulators. They also plan to conduct roundtables consisting of local bankers, some of whom have used SSBCI and can share their experiences with bankers who have not used the program. As described previously, they would also like to provide longer-term consultant assistance to states. Finally, Treasury officials would like to develop a "tool box" of SSBCI marketing materials, such as templates for websites, presentations, work plans, and forums. The 2014 Congressional Justification also noted that Treasury is planning to add additional relationship managers to support state outreach to the lending industry. SSBCI relationship managers are responsible for working with an assigned group of participants to help them successfully allocate funds to lenders and subsequently borrowers. Treasury officials explained that SSBCI currently has three relationship managers, each of whom handles a portfolio of between 15 and 20 participants, which officials view as a heavy workload. Treasury officials noted that all outreach efforts discussed in Treasury's 2014 Congressional Justification, including its ability to expand assistance to participants on program outreach and to hire additional relationship managers, are contingent upon congressional approval of Treasury's proposed budget for the agency.

SSBCI Stakeholders Also Conduct Outreach Activities

In addition to Treasury's outreach efforts, SSBCI participants, federal banking regulators, and a number of trade associations also independently conduct outreach to promote the use of the program. Treasury's program guidance states that one of the roles of SSBCI participants is to conduct program outreach. The guidance varies depending on the type of program. For example, guidance on venture capital programs is general and states only that SSBCI participants are responsible for marketing the program in their region or community.

Guidance on loan guarantee programs is more explicit and instructs that participants are responsible for conducting outreach to inform lenders and trade associations of the program, including activities such as distributing press releases and speaking at industry or small business conferences.

All of the SSBCI participants with whom we spoke conduct outreach on an ongoing basis to promote use of their programs. Many of the outreach activities they conduct are similar to those used by Treasury.

- *Collaboration with other organizations.* Eight of the nine SSBCI participants with whom we spoke told us that they collaborate with other organizations to help them promote SSBCI. Many work with state banking associations, local economic development groups, small business development centers, and local or regional Chambers of Commerce to reach potentially interested parties. For example, officials from Virginia's SSBCI program explained that they collaborate with the Virginia Bankers Association, Virginia Association of Community Banks, small business development centers, regional Chambers of Commerce, and Virginia Economic Development Partnership by educating these groups about SSBCI and soliciting their assistance in promoting the program to their members.

- *Presentations on SSBCI*. SSBCI participants also told us that they hold lender roundtables; present information on SSBCI to groups of potentially interested parties, including CDFIs, economic developers, and manufacturing associations; and hold conference calls and webinars for potential program users.

- *Face-to-face meetings*. Five of the nine participants with whom we spoke discussed having face-to-face meetings with lenders or economic developers to promote use of the program. In fact, some participants stated that they found this type of outreach, although time consuming, to be the most effective in encouraging use of the program.

- *Distribution of information*. SSBCI participants also distribute marketing materials, such as program brochures and electronic newsfeeds; issue press releases; publish print advertisements and testimonials on the experiences of program users; send emails with program information; and use social media to promote SSBCI.

- *Website.* Each SSBCI participant also maintains a website where SSBCI program information can be found. Our review of all SSBCI participants' websites found that the majority included detailed descriptions of their SSBCI programs, links to related materials, information on how to apply for the program, and contacts for additional information.[23] In addition, some websites included other useful promotional information, such as a list of participating financial institutions and testimonials on the program's benefits.

In addition to Treasury and SSBCI participants, federal banking regulators also conduct outreach activities to promote the use of SSBCI. Outreach conducted by the federal banking regulators has been done on both a national and regional basis. However, regulators' regional offices focus more specifically on states in their regions and tend to be in a better position to focus on the differences between SSBCI participants' programs. Specific outreach activities they have conducted include participating in or sponsoring lender roundtables, conferences, and forums in which SSBCI is discussed. These events are often held in conjunction with the promotion of other small business credit programs and include representatives from each of the federal banking regulators, as well as state economic development agencies. For example, an official from OCC's Southern District office stated that her office held a series of outreach events throughout the district. Each event included a regulatory panel of officials from OCC, FDIC, and the Federal Reserve Bank of Atlanta in which they discussed SSBCI with lenders and CDFIs. In addition, some federal banking regulators have used their newsletters to provide information about SSBCI. For example, regulators have written articles about how states are using SSBCI to increase the amount of credit available for small businesses, and they have also published articles that Treasury has written on SSBCI. Further, as discussed previously, both FDIC and OCC published a list of Frequently Asked Questions to address their regulated entities' concerns regarding the regulatory implications of participating in SSBCI.

Finally, trade associations for lenders, CDFIs, and venture capitalists have also helped to promote the use of SSBCI to their members. Similar to the types of outreach activities conducted by Treasury, SSBCI participants, and federal banking regulators, trade associations have provided information on SSBCI at their conferences and, as noted earlier, included articles in member newsletters and magazines. In addition, some trade associations, including the American Bankers Association,

[23]We were unable to review three SSBCI participants' websites because the website links listed on Treasury's SSBCI website did not work.

Opportunity Finance Network, and Council of Development Finance Agencies, hosted conference calls and webinars for their members to promote the use of SSBCI. Representatives from the Opportunity Finance Network—a national network of CDFIs—explained that because some CDFIs were not familiar with SSBCI and some agencies that implement SSBCI at the state level were not familiar with the function of CDFIs, they used conference calls and webinars to connect their members with the appropriate SSBCI stakeholders.

Treasury and Stakeholders Identified Challenges to Promoting SSBCI, as Well as Promising Practices for Conducting Outreach

Treasury and other stakeholders have identified various challenges with promoting SSBCI, including variation among SSBCI participants' programs, limited time and resources, and limited experience with marketing small business programs.

- *Variation among SSBCI participants' programs*. Treasury, Federal Reserve, and OCC officials, as well as representatives from the National Association of Federal Credit Unions (NAFCU), all said that the variation among SSBCI participants' programs creates marketing challenges because different program types have different users. For example, if a SSBCI participant operates only a venture capital program, lenders, such as credit unions in that state or territory, would not be eligible to participate in SSBCI. Treasury officials added that the variation makes it hard for them to build awareness of SSBCI at a national level, and representatives from NAFCU stated that the variation in participants' programs made it difficult to educate their member credit unions about how they could promote SSBCI to their customers.

- *Time and resources*. Five of the nine SSBCI participants with whom we spoke stated that reaching out to and educating interested parties on SSBCI has been a challenge because of the time commitment and a lack of resources. For example, officials from the municipality of Carrington, North Dakota—whose SSBCI program consists of a consortium of 36 municipalities—explained that outreach is challenging because of the amount of time involved in developing relationships, setting up meetings, and educating lenders and CDFIs about their program. As noted earlier, some participants who implemented new programs did not have established networks of lenders and said that establishing such networks was time consuming. Further, the Carrington, North Dakota, officials noted that small community banks and rural economic development groups can have high turnover rates, which requires them to conduct continual outreach to re-educate staff on the program. Officials from both

Carrington and Montana also added that the large geographic footprint covered by their SSBCI programs makes it difficult to reach all lenders in the communities. Montana officials added that this is why they collaborated with other organizations in the state, such as CDFIs, to help promote SSBCI.

- *SSBCI participants' experience*. SSBCI participants' experience with marketing small business programs may also vary, resulting in challenges in promoting use of the program. At its October 2012 national SSBCI conference, Treasury identified participants' lack of experience in program marketing as a challenge for participants' deploying funds in SSBCI lending programs.

Other challenges that participants mentioned with conducting outreach for SSBCI include that it can be difficult to distinguish SSBCI from other federal and state programs that assist small businesses and, as noted earlier, that some lenders have concerns about being subject to additional regulatory scrutiny for using SSBCI programs to underwrite loans.

Treasury has stated that promoting best practices in marketing is one of SSBCI's priorities. To achieve this goal and to help address some of the challenges mentioned above, Treasury developed working groups consisting of officials from participating states, territories, and municipalities for the different SSBCI program types. These groups have been working to identify best practices for how to operate each program type, including best practices on marketing the program. As of September 2013, working groups for loan guarantee programs, loan participation programs, and collateral support programs had issued best practice guidance for these program types. Best practices identified in the guidance for all three program types include using consistent marketing; developing and maintaining websites that are current, easy to find, and contain all pertinent information; identifying and reaching out to the small group of key small business lenders; publishing testimonials from lenders that have successfully used SSBCI; and asking the state banking regulators for the opportunity to brief the state examiners so that the examiners can inform lenders about SSBCI. The guidance also includes additional best practices unique to each program type. Treasury officials said that they are working with the group for venture capital programs as well to develop similar best practice guidance for SSBCI participants who operate that type of program. The federal banking regulators also offered some examples of best practices they have identified to promote their programs. One of these was using technology and mobile resources to conduct outreach, such as using webinars to reach a larger audience. OCC officials stated that they have found that collaborating with state banking associations to help design the outreach efforts is effective, as is having lenders that participate in the program share their experiences with other lenders. Similarly, FDIC officials noted that it is important to leverage relationships with the appropriate networks of organizations and to conduct follow-up on activities in which relationships are established.

Prior to the development of the loan participation, collateral support, and loan guarantee programs best practice guidance, Treasury had not provided SSBCI participants with any specific written guidance on program outreach. Instead, Treasury officials told us they mostly relied on peer-to-peer learning among SSBCI participants. Treasury officials explained that its SSBCI conferences provide a good forum for participants to exchange ideas on how to market their programs. In addition, each of Treasury's three SSBCI conferences has included a session on different aspects of conducting program outreach. The March 2012 SSBCI conference included a session on how to market SSBCI to underserved communities, the October 2012 conference session focused on how to market SSBCI to lenders, and the June 2013 conference session was on how to market SSBCI with partner organizations.

Treasury's Efforts to Measure and Evaluate Performance Could Be Enhanced

Treasury uses performance measures to manage SSBCI in a number of ways, such as to allocate program resources and to identify participants that might need additional assistance. However, Treasury has not developed targets for all of its performance measures. Federal internal control standards and leading performance management practices identified in prior GAO work state that, where appropriate, management should set performance targets and measure results against these targets, and this practice can help management to identify performance gaps. In addition, Treasury has started to determine how it will evaluate the performance of SSBCI at the end of the program in 2017. Our guidance on designing program evaluations suggests that gathering input from external stakeholders during the design of an evaluation can help better ensure that the evaluation is useful for decision makers and other interested parties.

Treasury Uses Performance Measures to Manage SSBCI but Has Not Set Targets for All Measures

In 2012 we reported that Treasury had established performance measures for both the timeliness of program administration and the monitoring of program performance, which are listed in table 1.[24]

Table 1: Treasury's SSBCI Performance Measures and Targets

Program administration	**Measure:** Number of requests for modification to Allocation Agreements approved or disapproved **Target:** 90 percent of requests approved or rejected within 90 days of receiving a final submission
	Measure: Number of requests for subsequent disbursements under existing Allocation Agreements approved or rejected **Target**: 90 percent of requests approved or rejected within 90 days of receiving a formal submission
	Measure: Number of quarterly reports received **Target**: 90 percent of quarterly reports received within 5 days of the deadline
Program performance	**Measure**: Amount of SSBCI funds used over time, as reported on SSBCI quarterly reports **Target**: None
	Measure: Volume and dollar amount of loans or investments supported by SSBCI funds, as reported in SSBCI annual reports **Target**: None
	Measure: Amount, in dollars, of private-sector leverage in SSBCI annual reports **Target**: None
	Measure: Estimated number of jobs created or retained in SSBCI annual reports **Target**: None

Source: Treasury.

Treasury officials explained that they have used these performance measures in a variety of ways to manage SSBCI. First, Treasury officials stated that they use the measure on the amount of SSBCI funds participants have used to adjust staff allocations, which has helped them to improve efficiency in program operations. For example, by tracking quarterly report data on participants' use of SSBCI funds, officials realized that a large number of participants would be submitting requests for subsequent disbursements of funds. To manage this increase in disbursements, Treasury increased the number of compliance team staff from two to four in order to better handle the processing of the requests.

[24] GAO-13-76.

Second, Treasury officials also stated that they use information on participants' fund usage to identify participants that have been slow to request subsequent disbursements of funds, and that they contact these participants to see if they need additional technical assistance from Treasury. Treasury officials explained that the relationship managers monitor participants' fund usage each quarter and develop action plans for participants with the lowest fund usage to help them address challenges they are facing in using SSBCI funds. Third, Treasury officials told us that they use performance measures on the timeliness of program administration to help manage staff performance. They explained that they compare the amount of time it takes Treasury staff to respond to program modifications and disbursement requests to the goals they have set. They maintain a spreadsheet to track the status of pending modifications and disbursements and distribute it during weekly staff meetings for staff to see if they are on track to meet the performance goals. Officials added that they have started to use these measures in staff performance reviews to hold staff accountable.

As shown in table 1, Treasury has created targets for its measures related to the timeliness of program administration but not for its measures used to monitor the performance of SSBCI. In our 2012 review of SSBCI, as well as in this review, Treasury officials said that they have not developed targets for their measures that monitor program performance and that SSBCI's performance cannot be summarized using a single number or performance indicator because SSBCI now consists of 150 different programs.[25] Further, they explained that specific numeric indicators, such as the number of loans resulting from participants' programs, may or may not indicate the performance of SSBCI. They added that outcomes can also be highly dependent on factors outside of the program's control, such as the demand for credit in a given locality and the quality of the small business borrowers' requests for such funds. In addition, because many participants did not receive their first SSBCI allocation until late 2011, they did not submit annual reports—which contain data on SSBCI funds used to support small business loans or investments—for that year. As a result, Treasury had little data to assess program performance and set baselines for the targets for program performance measures. In early 2013, Treasury received participants' 2012 annual reports, which represent the first complete set of annual reports Treasury has received since the inception of the program.

[25] GAO-13-76.

Federal internal control standards state that management should review performance reports and measure results against targets.[26] Leading practices in federal agency performance management previously identified by GAO also state that, where appropriate, performance measures should have quantifiable, numerical targets, and that agencies can use baselines to set realistic but challenging targets.[27] Numerical targets facilitate future assessments of whether overall goals and objectives were achieved because comparisons can be easily made between projected performance and actual results. In addition, numerical targets can also create motivation for improving program performance. Further, Treasury has established targets for performance measures for other programs, including its CDFI Fund programs—programs similar to SSBCI that are administered by locally based organizations and help to promote access to capital and local economic growth.[28] Our previous work has recognized the challenges and provided strategies for agencies in measuring performance and setting performance targets when factors outside of an agency's control impact the results of a program.[29] For example, one strategy is to set goals at the lowest, most disaggregated level for distinct target populations for which the agency has different expectations. In the case of SSBCI, this could mean setting different performance targets for different program types. Despite these challenges, developing targets for selected SSBCI measures that monitor program performance could help Treasury identify performance gaps and highlight program areas that need additional attention.

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[26] GAO/AIMD-00-21.3.1 and GAO-01-1008G.

[27] GAO-03-143 and GAO/GGD-00-10.

[28] The Riegle Community Development and Regulatory Improvement Act of 1994, Pub. L. No. 103-325, 108 Stat. 2160, created the Community Development Financial Institutions (CDFI) Fund to help promote access to capital and credit in underserved urban and rural communities across the country. Sec. 104(a), 108 Stat. at 2166 (codified at 12 U.S.C. § 4703). In fiscal year 2011, Treasury began to establish targets for a CFDI Fund performance measure on the number of affordable housing units created by CDFI Fund programs. Treasury used fiscal year 2011 to collect baseline performance data on the measure and subsequently set a target for fiscal year 2012.

[29] For example, see GAO, *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be* Uneven, GAO/GGD-97-109 (Washington, D.C.: June 2, 1997); *Managing for Results: Measuring Program Results That Are Under Limited Federal* Control, GAO/GGD-99-16 (Washington, D.C.: Dec. 11, 1998); *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results,* GAO-04-38 (Washington, D.C.: Mar. 10, 2004); and *Managing For Results: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges,* GAO-13-518 (Washington, D.C.: June 26, 2013).

Treasury Recently Released SSBCI Performance Information

Treasury officials stated that they share the performance information they collect on SSBCI with Treasury management, other agencies, and SSBCI participants. For example, officials told us that they share SSBCI performance information regularly with SSBCI program management, including the director and deputy director, and with Treasury departmental management to provide information on the progress of the program. In addition, Treasury shares SSBCI performance information with other agencies working on the Entrepreneurship and Small Business Cross-Agency Priority goal.[30] This Cross-Agency Priority goal seeks to increase federal services, including promoting access to capital, to entrepreneurs and small businesses. Within the Cross-Agency Priority goal, a working group consisting of Treasury, U.S. Export-Import Bank (Ex-Im), Small Business Administration (SBA), and U.S. Department of Agriculture (USDA) was developed specifically for the goal's objective related to increasing access to capital for entrepreneurs and small businesses. SSBCI is one of the programs that will help to contribute to this objective. The fiscal year 2013 third-quarter status update for this Cross-Agency Priority goal included information on the amount of new private sector lending or investment that SSBCI supported and the percentage of participants who had used SSBCI funds to support loans or investments.

Treasury has also shared some performance information with SSBCI participants and recently released summary performance information from participants' 2012 annual reports to the public. Officials from Treasury and some participants with whom we spoke told us that Treasury has also been sharing some SSBCI performance information with participants at its SSBCI national conferences. For example, at its June 2013 conference, Treasury shared preliminary performance information from the 2012 annual reports on the number of loans and investments made with SSBCI funds and the amount of SSBCI funds loaned or invested. In 2012 we recommended that in order to provide information on the progress of SSBCI to Congress and the SSBCI participants, Treasury should make information publicly available on its performance indicators for SSBCI.[31] In September 2013, Treasury released a summary report of performance

[30]As required by the GPRA Modernization Act of 2010, the Office of Management and Budget coordinates with agencies to establish federal government priority goals—Cross-Agency Priority goals—that include outcome-oriented goals covering a limited number of policy areas. Pub. L. No. 111-352, § 5, 124 Stat. 3866, 3873 (codified at 31 U.S.C. § 1120(a)(1)(A)).

[31]GAO-13-76.

information collected in participants' 2012 annual reports.[32] The report contains information on each of Treasury's program performance measures, as of December 31, 2012 (see table 2). The report also summarizes participants' data in numerous ways, such as by program type, distribution of loans or investments by size and industry, loans or investments made in low- and moderate-income communities, and lender and investor participation by size of lender. Treasury officials added that they expect to continue to release quarterly report data and issue annual reports to the public going forward.

Table 2: Program Performance Measure Status, as of December 31, 2012

Performance measure	Status
Amount of SSBCI funds used[a]	$271 million
Volume and dollar amount of loans or investments supported by SSBCI funds	Number of loans or investments: 4,676 Amount loaned or invested: approximately $1.9 billion
Amount, in dollars, of private-sector leverage	$6.58 to $1.00
Estimated number of jobs created or retained	53,422

Source: Treasury, State Small Business Credit Initiative: A Summary of States' 2012 Annual Reports.

[a]The amount of SSBCI funds used includes funds used by participants for administrative expenses.

Treasury Should Seek Input as It Begins to Determine How to Evaluate SSBCI's Effectiveness

As previously discussed, because of the variety of SSBCI programs implemented by participants, as well as the influence of factors beyond Treasury's control, Treasury officials said that SSBCI's performance cannot be evaluated using a single number or performance indicator. Further, performance measures may not always give a complete understanding of a program's effectiveness. To address these issues, Treasury has started to determine how it will evaluate the performance of SSBCI at the end of the program in 2017. As part of Treasury's SSBCI oversight and performance strategy, all Allocation Agreements require participants to conduct a final assessment on their programs' performance at the end of the program in 2017. Treasury officials explained that they are in the early stages of thinking about how they will use this information to help them evaluate SSBCI's performance and to determine if the program model for SSBCI was successful. Officials

[32]Department of the Treasury, *State Small Business Credit Initiative: A Summary of States' 2012 Annual Reports* (Washington, D.C.: Sept. 25, 2013). Treasury simultaneously released a summary report of participants' June 30, 2013, quarterly data, which included information on disbursements and funds expended, obligated, or transferred, as of June 30, 2013.

explained that they are planning on convening a working group of program participants to help Treasury design the format for participants' final assessments. They added that they are planning on inviting experts in program measurement to the meeting to help determine the design of the evaluation. Officials added that they have reviewed evaluations of other Treasury programs, as well as evaluations conducted by other agencies and SSBCI participants, to help them in their planning process. Treasury officials explained that they expect to convene the working group of participants by the end of 2013, but that they expect that the design of the evaluation will not be finalized until late in 2014.

The Small Business Jobs Act of 2010 was signed by the President on September 27, 2010. As described in this report, as well as our 2011 and 2012 reports, Treasury has spent the last few years starting up the SSBCI program office; developing policies, procedures, and guidance; assisting participants with the implementation of their programs; and developing measures to monitor program administration and performance. Also as previously discussed, 2013 is the first year in which Treasury had a complete set of participants' annual reports. As a result, Treasury now has more complete information to analyze the program. As Treasury begins to design its evaluation, it should consider requirements in the act, including the Secretary of the Treasury consulting with SBA and the appropriate federal banking agencies on the administration of the program.[33] In addition, because the SSBCI program is included as one of the programs that will help to meet a Cross-Agency Priority goal, obtaining input from the agencies involved in the working group on increasing access to capital for entrepreneurs and small businesses (Ex-Im, SBA, and USDA) could help to ensure that the evaluation is useful in measuring progress toward that goal. Further, our guidance on designing program evaluations encourages agencies to obtain input from external stakeholders, such as Congress, that are expected to be interested in the evaluation results.[34] By seeking input from Congress on the types of information in which it is interested, Treasury can help ensure that it designs an evaluation that is useful for decision makers.

[33]Pub. L. No. 111-240, § 3009(a)(1), 124 Stat. 2504, 2580 (codified at 12 U.S.C. §5708(a)(1)).

[34]GAO-12-208G.

Conclusions

In SSBCI's third year, participants' fund usage has started to accelerate, with participants nearly quadrupling the amount of funds they used between June 30, 2012, and June 30, 2013. Treasury implemented measures in 2012 to help monitor the administration and performance of SSBCI. However, while it developed targets for the measures related to administration, it did not develop targets for the measures related to program performance. Treasury officials stated that it did not develop these targets because, among other things, factors outside of the program's control can have a significant impact on SSBCI's outcomes. Federal internal control standards and leading performance management practices state that agencies should set performance targets, where appropriate. Targets for selected performance measures could help Treasury better manage SSBCI by identifying performance gaps and highlighting program areas that may need additional attention. While we recognize that it could be challenging to set performance targets when the program is influenced by external factors, SSBCI is not the only federal program facing this challenge, and our previous work has identified strategies for setting targets in similar situations. Moreover, Treasury has set targets for performance measures of other programs that, like SSBCI, include multiple programs that are administered locally and help to promote access to capital. In addition, now that Treasury has received participants' 2012 annual reports, it has baseline data to analyze and use to help set targets for selected measures on program performance.

Treasury has also begun to consider how it will evaluate the effectiveness of the program at the program's conclusion in 2017. Our guidance on designing performance evaluations encourages agencies to obtain input from external stakeholders, including Congress, who are expected to be interested in the evaluation results. In addition, the Small Business Jobs Act of 2010 requires the Secretary of the Treasury to consult with SBA and the appropriate federal banking agencies on the administration of SSBCI. Because Treasury's SSBCI evaluation could be useful in informing future policymakers about programs that are intended to increase capital to small businesses in distressed credit markets, gathering input from external stakeholders on what information would be most valuable to them is essential.

Recommendations for Executive Action

We recommend that the Secretary of the Treasury take the following actions:

To enhance the use of performance measures to manage SSBCI and assess progress, Treasury should establish targets for selected performance measures related to monitoring program performance.

To better ensure that Treasury's SSBCI program evaluation provides information useful for future decision making and effective management and oversight, Treasury should seek input from program stakeholders—including other agencies involved in promoting small businesses and Congress—as it designs its SSBCI program evaluation.

Agency Comments and Our Evaluation

We provided a draft of this report to Treasury, FDIC, Federal Reserve, and OCC for their review and comment. Treasury provided written comments, which are reprinted in appendix III. FDIC, Federal Reserve, and OCC did not provide written comments on the draft report. In its written comments, Treasury agreed with our recommendations and stated that it has begun to take steps to implement both of them. Specifically, Treasury said it has begun establishing targets for program performance measures and gathering input from program stakeholders in designing SSBCI's program evaluation. Treasury noted that the report reflected the progress SSBCI participants have made in using their SSBCI funds and that program stakeholders have undertaken numerous outreach activities to promote SSBCI. Treasury also stated that it is confident that as SSBCI progresses it will continue to promote access to credit for small businesses, allowing them to expand and create new jobs. Treasury also provided a technical comment on the draft report, which we've incorporated in the final report.

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

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or garciadiazd@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 major contributions to this report are listed in appendix IV.

Daniel Garcia-Diaz
Director, Financial Markets and Community Investment

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Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine the extent to which (1) State Small Business Credit Initiative (SSBCI) participants have used their SSBCI allocations and faced challenges in using the funds, (2) the Department of the Treasury (Treasury) and program stakeholders have used outreach activities to promote use of the program and assessed the success of these efforts, and (3) Treasury has used performance measures and program evaluation to manage SSBCI.

To assess the extent to which SSBCI participants have used their SSBCI allocations, we analyzed Treasury program data on participants' allocation amounts, disbursement requests, and program types, and whether participants developed new programs to participate in SSBCI or expanded existing programs with SSBCI funds. In addition, we analyzed participants' June 30, 2013, SSBCI quarterly report data—the most recent quarter available—on the total amount of funds used and fund usage by program type. To show the trend in participants' total fund usage from June 30, 2012, to June 30, 2013, we also analyzed data from participants' June 30, 2012, and March 31, 2013, quarterly reports. To assess the reliability of SSBCI data on participants' fund usage, allocation amount, and program type, and whether participants developed new programs or expanded existing ones, we performed electronic testing for obvious errors in accuracy and completeness and compared Treasury's data on program type to participants' quarterly data. Where there were questions or discrepancies we identified related to the data, we clarified them through discussions with Treasury officials. We also interviewed knowledgeable Treasury officials on how they assess the reliability of participants' quarterly data and the information they maintain on SSBCI. We determined that the data were sufficiently reliable for the purposes of describing these factors.

To examine the extent to which SSBCI participants faced challenges in using SSBCI funds, we reviewed reports from Treasury's Office of the Inspector General (OIG) on participants' usage of SSBCI funds; our 2011 and 2012 reports on SSBCI; and Treasury's policies and procedures, including its policies on disbursing subsequent tranches of SSBCI funds and terminating the availability of participants' SSBCI allocations.[1] In addition, we interviewed officials from Treasury and nine SSBCI

[1]GAO, *State Small Business Credit Initiative: Opportunities Exist to Improve Program Oversight,* GAO-12-173 (Washington, D.C.: Dec. 7, 2011) and *Small Business Lending: Opportunities Exist to Improve Performance Reporting of Treasury's Programs,* GAO-13-76 (Washington, D.C.: Dec. 5, 2012).

participants: Arizona; Iowa; Maryland; Missouri; Montana; New York; City of Carrington, North Dakota; Vermont; and Virginia. We selected these nine participants from the total of 57 participants—which included 47 states; Washington, D.C.; four municipalities; and five U.S. territories—using participants' March 31, 2013, quarterly report data. We based our selection on the following criteria: (1) the percentage of SSBCI funds participants had used as of March 31, 2013; (2) the amount of SSBCI funds allocated to participants; (3) the number of programs participants implemented and whether the programs were new or existing; and (4) geographic dispersion. We selected this nonrandom sample of participants because we assumed that the types of challenges related to using SSBCI funds would vary for participants characterized by a mix of fund usage histories, allocation amounts, and numbers of new and existing programs across all regions. To reduce administrative burden, we excluded from our selection (1) the seven participants that the OIG told us it was in the process of auditing or was planning to audit at the time we selected the participants, and (2) the nine participants we interviewed in our 2012 SSBCI review.[2] When we selected participants to interview, the March 31, 2013, quarterly data were the most recent available. Because Treasury had not completed its review of the data at that time, we used preliminary quarterly report data for our selection. We also reviewed testimonial evidence we obtained during our 2011 and 2012 SSBCI reports related to challenges SSBCI participants faced in using SSBCI funds.[3] Finally, we interviewed representatives from a number of trade associations representing the lending and venture capital communities: the Conference of State Bank Supervisors, Community Development Venture Capital Alliance, Council of Development Finance Agencies, Independent Community Bankers Association, National Association of Federal Credit Unions, Opportunity Finance Network, and State Science & Technology Institute. We selected these trade associations based on information from Treasury officials on the organizations with whom they had worked.

To examine the extent to which Treasury and program stakeholders, including SSBCI participants, federal banking regulators, and trade associations, have used outreach activities to promote use of the program

[2]In 2012, we interviewed representatives from the following SSBCI participants: Colorado, Florida, Georgia, Illinois, Massachusetts, Michigan, New Jersey, Oregon, and Texas.

[3]In 2011, we interviewed representatives from the following SSBCI participants: California, Hawaii, Indiana, Kansas, Maryland, Missouri, North Carolina, and Vermont.

and assessed the success of these efforts, we interviewed Treasury officials and representatives of stakeholder groups and reviewed materials pertinent to SSBCI outreach. Specifically, we interviewed Treasury officials, representatives from the nine SSBCI participants and seven trade associations identified above, and officials from the federal banking regulators—Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC)—to learn about outreach activities they have conducted for SSBCI and to obtain relevant materials and documentation. We reviewed Treasury guidance on SSBCI outreach, including marketing best practices for SSBCI loan participation, loan guarantee, and collateral support programs, as well as Treasury budget documents. We also reviewed materials related to Treasury's pilot program to hire outreach consultants for the SSBCI programs in Mississippi, Ohio, and South Carolina. These materials included the solicitation for subject-matter experts for lender outreach support, technical assistance plans, and final reports developed by the consultants for the three states. We reviewed outreach materials SSBCI participants, federal banking regulators, and trade associations had developed related to SSBCI. We also reviewed all 57 SSBCI participants' websites to understand how SSBCI participants are providing information about SSBCI to interested parties.[4] We examined the websites to determine if they contained detailed program descriptions; information on the amount of SSBCI funds allocated to the participants; links to additional, related materials; information or materials on how to apply for the program; and contact information for additional information, among other things. We interviewed officials from Treasury, the federal banking regulators, and the nine SSBCI participants identified above on the methods they used to assess the success of their outreach efforts. We also reviewed Treasury's conference summary memorandums, which include conference attendees' responses to the satisfaction surveys that Treasury administers after each conference, as well as other general observations on the conferences.

To assess the extent to which Treasury has used performance measures and program evaluation to manage SSBCI, we reviewed performance measures and targets Treasury has set for SSBCI. We also reviewed a tool Treasury uses to track its progress on some performance measures

[4]We were unable to review three SSBCI participants' websites because the website links listed on Treasury's SSBCI website did not work.

and interviewed officials on actions they have taken to manage the program by using performance measures. We identified relevant criteria on setting targets for performance measures in the federal internal control standards and leading practices for federal agencies' performance management.[5] In addition, we reviewed performance information Treasury has shared with SSBCI participants at its conferences and a summary report of performance information that Treasury developed in September 2013, and we interviewed officials on their plans to publicly release SSBCI performance information. We also reviewed the second and third quarter fiscal year 2013 status update documents developed for the Cross-Agency Priority goal on Entrepreneurship and Small Business to identify SSBCI performance data Treasury has shared with other federal agencies. Finally, we reviewed the Small Business Jobs Act of 2010 to identify requirements for Treasury to evaluate SSBCI.[6] We also interviewed Treasury officials on their plans to evaluate SSBCI, including how they intend to use participants' 2017 assessments of their programs, as required by their Allocation Agreements. We used criteria from our guidance on designing program evaluations to evaluate Treasury's plans for its evaluation of SSBCI.[7]

We conducted this performance audit from May 2013 to December 2013 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.

[5]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1(Washington, D.C.: November 1999); *Internal Control Management and Evaluation Tool*, GAO-01-1008G (Washington, D.C.: August 2001); *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures,* GAO-03-143 (Washington, D.C.: Nov. 22, 2002); and *Managing for Results: Strengthening Regulatory Agencies' Performance Management Practices*, GAO/GGD-00-10 (Washington, D.C.: Oct. 28, 1999). Leading practices are performance management practices and key attributes of performance measures that we have identified in previous work based on information from a variety of federal and state organizations that would help federal agencies more effectively manage and measure program performance.

[6]Pub. L. No. 111-240, 124 Stat. 2504 (codified at scattered sections of 12, 15, and 42 U.S.C.).

[7]GAO, *Designing Evaluations: 2012 Revision (Supersedes PEMD-10.1.4),* GAO-12-208G (Washington, D.C.: Jan. 31, 2012).

Appendix II: SSBCI Participants' Allocation Amount and Fund Usage, as of June 30, 2013

We reviewed Treasury's program data and SSBCI participants' quarterly report data as of June 30, 2013, and found that SSBCI participants had used their SSBCI allocations at varying rates.

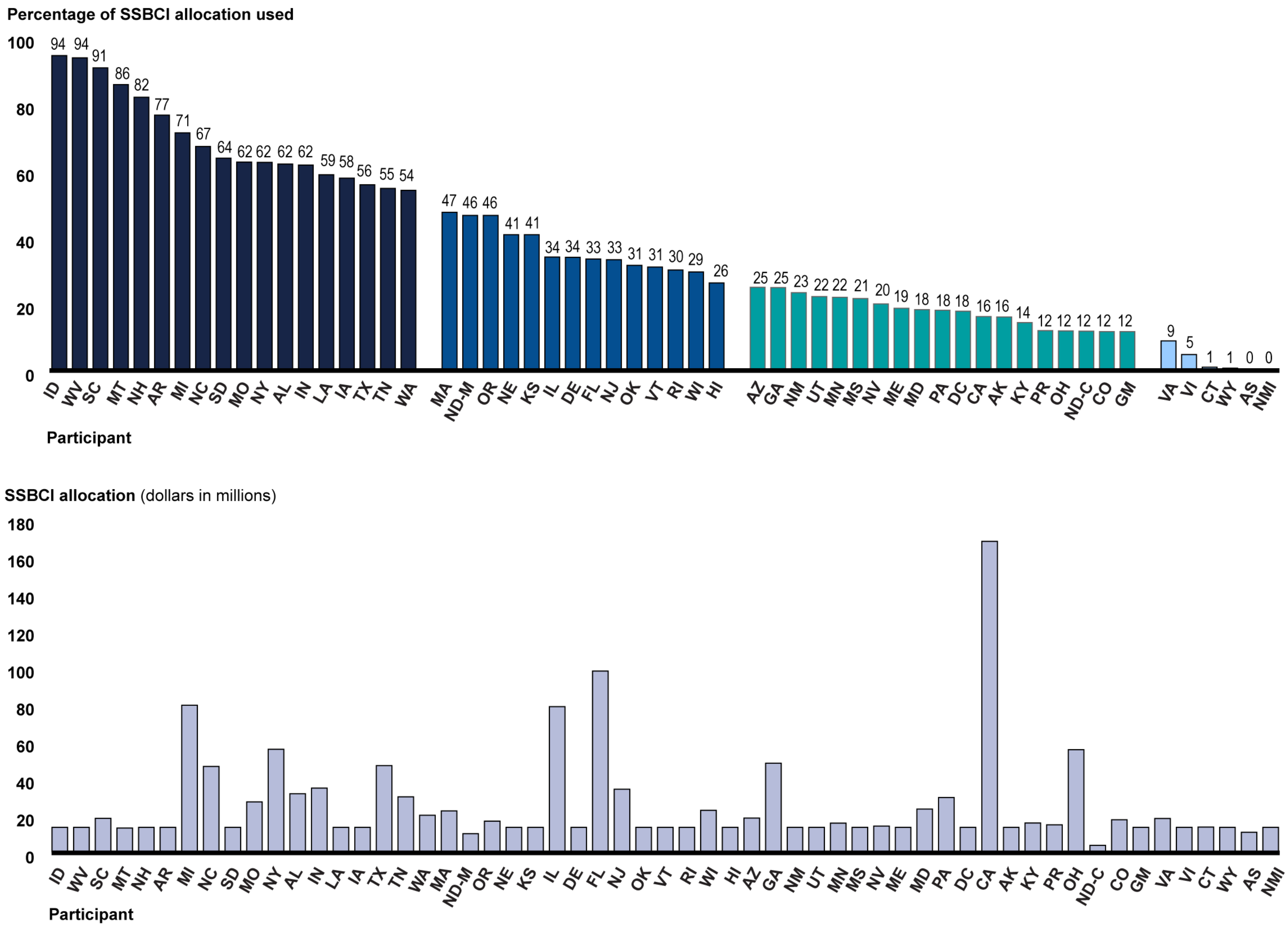
Table 3: SSBCI Participants' Allocation Amounts and Usage of Allocated SSBCI Funds, June 30, 2013

SSBCI participant	Funds used	Allocation amount	Percent of allocation used
Alabama	$19,351,944	$31,301,498	61.8%
Alaska—Anchorage	2,090,000	13,168,350	15.9
American Samoa	0	10,500,000	0.0
Arizona	4,516,833	18,204,217	24.8
Arkansas	10,068,873	13,168,350	76.5
California	26,866,053	167,755,642	16.0
Colorado	1,985,775	17,233,489	11.5
Connecticut	108,025	13,301,126	0.8
Delaware	4,447,131	13,168,350	33.8
District of Columbia	2,317,500	13,168,350	17.6
Florida	32,545,048	97,662,349	33.3
Georgia	11,794,132	47,808,507	24.7
Guam	1,516,172	13,168,350	11.5
Hawaii	3,440,000	13,168,350	26.1
Idaho	12,394,744	13,136,544	94.4
Illinois	26,566,573	78,365,264	33.9
Indiana	21,125,845	34,339,074	61.5
Iowa	7,578,473	13,168,350	57.6
Kansas	5,340,258	13,168,350	40.6
Kentucky	2,198,025	15,487,998	14.2
Louisiana	7,721,522	13,168,350	58.6
Maine	2,442,117	13,168,350	18.5
Maryland	4,164,550	23,025,709	18.1
Massachusetts	10,430,111	22,032,072	47.3
Michigan	56,336,431	79,157,742	71.2
Minnesota	3,373,673	15,463,182	21.8
Mississippi	2,813,738	13,168,350	21.4
Missouri	16,798,664	26,930,294	62.4
Montana	10,938,462	12,765,037	85.7
Nebraska	5,350,000	13,168,350	40.6

SSBCI participant	Funds used	Allocation amount	Percent of allocation used
Nevada	2,731,215	13,803,176	19.8
New Hampshire	10,784,753	13,168,350	81.9
New Jersey	11,173,982	33,760,698	33.1
New Mexico	3,054,318	13,168,350	23.2
New York	34,503,708	55,351,534	62.3
North Carolina	30,911,655	46,061,319	67.1
North Dakota—Carrington	400,000	3,433,709	11.6
North Dakota—Mandan	4,507,956	9,710,768	46.4
Northern Mariana Islands	0	13,168,350	0.0
Ohio	6,453,089	55,138,373	11.7
Oklahoma	4,130,000	13,168,350	31.4
Oregon	7,662,963	16,516,197	46.4
Pennsylvania	5,229,906	29,241,232	17.9
Puerto Rico	1,721,440	14,540,057	11.8
Rhode Island	3,945,832	13,168,350	30.0
South Carolina	16,308,424	17,990,415	90.7
South Dakota	8,378,768	13,168,350	63.6
Tennessee	16,180,272	29,672,070	54.5
Texas	25,874,999	46,553,879	55.6
U.S. Virgin Islands	609,325	13,168,350	4.6
Utah	2,893,125	13,168,350	22.0
Vermont	4,068,681	13,168,350	30.9
Virginia	1,561,807	17,953,191	8.7
Washington	10,624,150	19,722,515	53.9
West Virginia	12,339,500	13,168,350	93.7
Wisconsin	6,570,000	22,363,554	29.4
Wyoming—Laramie	70,000	13,168,350	0.5
Total	**$549,310,540**	**$1,459,154,481**	**37.6%**

Source: GAO analysis of Treasury data.

Figure 5: SSBCI Allocation Amount and Percent of Allocation Used, as of June 30, 2013



Source: GAO analysis of Treasury data.

Note: The four municipalities participating in SSBCI are: Anchorage, Alaska (AK); Carrington, North Dakota (ND-C); Mandan, North Dakota (ND-M); and Laramie, Wyoming (WY). The five U.S. territories participating in SSBCI are: American Samoa (AS), Guam (GM), the Northern Mariana Islands (NMI), Puerto Rico (PR), and U.S. Virgin Islands (VI).

Appendix III: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 4, 2013

Daniel Garcia-Diaz
Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Garcia-Diaz:

Thank you for the opportunity to review the draft report entitled *Opportunities Exist to Enhance Performance Measurement and Evaluation* (the Report). This letter provides the official response of the Department of the Treasury (Treasury).

The Report examines the State Small Business Credit Initiative (SSBCI), a Treasury program established by the Small Business Jobs Act of 2010. We are pleased that the Report acknowledges that SSBCI participants have nearly quadrupled their use of SSBCI funds and that Treasury and program stakeholders have undertaken numerous outreach activities to promote SSBCI, including conferences, lender roundtables, in-person meetings with lenders and investors, and other methods of information distribution. Treasury is confident that as the program progresses it will continue to promote access to credit for small businesses, allowing them to expand and create new jobs.

Treasury agrees with both of GAO's recommendations and has begun the process of establishing targets for program performance measures and gathering input from program stakeholders in designing SSBCI's program evaluation. In addition, we appreciate GAO's support in providing previous GAO reports to assist with Treasury's development of performance targets.

Thank you once again for the opportunity to review the Report. Treasury values GAO's review of its programs and looks forward to continuing to work with your team.

Sincerely,

Don Graves
Deputy Assistant Secretary
Small Business, Community Development, and
Affordable Housing Policy

Appendix IV: GAO Contacts and Staff Acknowledgements

GAO Contact

Daniel Garcia-Diaz, (202)-512-8678, garciadiazd@gao.gov.

Staff Acknowledgments

In addition to the individual named above, Kay Kuhlman (Assistant Director), Bethany Benitez, Anna Chung, Elizabeth Curda, Pamela Davidson, Christine Houle, Beverly Ross, Jennifer Schwartz, and Jena Sinkfield made key contributions to this report.

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