

GAO Highlights

Highlights of [GAO-16-271](#), a report to congressional committees

Why GAO Did This Study

To help small and medium-sized manufacturers obtain the capital they need to develop innovative technologies and remain competitive, COMPETES 2010 directed the Secretary of Commerce to establish the ITM program. When implemented, the program is to provide loan guarantees to small and medium-sized manufacturers for the use or production of innovative technologies. Under COMPETES 2010, Commerce must ensure that activities carried out under the ITM program do not duplicate the efforts of other federal loan guarantee programs. Commerce's EDA is responsible for implementing the program.

COMPETES 2010 also included a provision for GAO to biennially review the program. This report assesses (1) the status of EDA's implementation of the ITM program and (2) the extent to which EDA has coordinated with other agencies to ensure that ITM program activities do not duplicate the efforts of other federal loan guarantee programs. GAO analyzed applicable laws and program documents, interviewed EDA officials and contractor staff, and interviewed officials from agencies with comparable loan guarantee programs or with other expertise about the needs of small and medium-sized manufacturers.

What GAO Recommends

GAO recommends that EDA work with SBA and NIST to further identify any gaps in capital access that the program could fill, and conduct outreach to help target those gaps. Commerce agreed with GAO's recommendation.

View [GAO-16-271](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

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INNOVATIVE MANUFACTURING

Commerce Should Target Program Outreach to Address Capital Access Gaps

What GAO Found

The Department of Commerce's Economic Development Administration (EDA) has taken a number of steps to implement the Federal Loan Guarantees for Innovative Technologies in Manufacturing (ITM) program, but several key tasks remain before EDA can issue loan guarantees. EDA hired a contractor to assist with developing the program, drafted program documents and published them in the *Federal Register* for comment, and submitted documents to the Office of Management and Budget for review, as required when creating new federal credit programs. EDA officials said the most significant of the remaining key tasks are finalizing the ITM program regulations, manuals, and forms. Other key tasks remaining include hiring additional staff, finalizing the requirements for the program's information technology systems, developing marketing materials, and conducting outreach. As of November 2015, EDA officials expected they could begin issuing ITM program loan guarantees as early as July 2016.

EDA has coordinated with other federal agencies to learn from their experiences with loan guarantee programs, but EDA has not clearly differentiated ITM from other programs, which may result in duplication.

- **Coordination.** EDA officials said they reached out to officials from the Departments of Energy and Agriculture, and the Small Business Administration (SBA)—agencies that have loan guarantee programs comparable to the ITM program—to learn from their experiences. EDA officials decided to largely model the ITM program after an SBA program that provides loan guarantees to small businesses, and they adapted or plan to adapt the SBA program's application forms, and regulations, among other things. EDA's coordination has helped avoid duplication of the effort those agencies have already expended in designing loan guarantee programs.
- **Potential duplication.** As currently designed, the ITM program is not clearly differentiated from SBA's program or from other programs that already provide loan guarantees to a similar pool of borrowers. EDA officials acknowledged that the ITM program is potentially duplicative with other programs in a number of respects. However, the America COMPETES Reauthorization Act of 2010 (COMPETES 2010) directs the Secretary of Commerce to ensure that the activities carried out under the ITM program are coordinated with, and do not duplicate the efforts of other federal loan guarantee programs. GAO's fragmentation, overlap, and duplication analysis guide states that one way to help minimize duplication among government programs is to identify and target service gaps that the programs could fill. In 2011, the National Institute of Standards and Technology (NIST) identified several gaps in capital access for small and medium-sized manufacturers, including gaps companies face in early stages of growth. However, in coordinating with SBA and NIST, EDA did not seek information on how the ITM program could target these capital access gaps to minimize duplication with other programs. Coordinating more extensively with SBA and NIST on targeting the ITM program could provide EDA with greater assurance that ITM loan guarantees will not duplicate the efforts of other federal loan guarantee programs.