



Highlights of [GAO-12-173](#), a report to congressional committees

## Why GAO Did This Study

Congress enacted the Small Business Jobs Act of 2010 in September 2010 in response to concerns that small businesses have been unable to access capital that would allow them to create jobs. Among other things, the act aims to stimulate job growth by establishing the \$1.5 billion State Small Business Credit Initiative (SSBCI) within the Department of the Treasury (Treasury) to strengthen state and territory (state) programs that support lending to small businesses and small manufacturers. Participating states are expected to leverage the SSBCI funds to generate an amount of private financing and investment at least 10 times the amount of their SSBCI funds (that is, a leverage ratio of 10:1). The act also requires GAO to audit SSBCI annually. Accordingly, this report examines (1) which states applied for SSBCI funds and the planned uses of those funds; (2) Treasury's implementation of SSBCI; and (3) Treasury's efforts to measure whether SSBCI achieves its goals. GAO surveyed state SSBCI applicants (for a 100 percent response rate), analyzed data from Treasury case files, and interviewed officials from Treasury and eight participating states.

## What GAO Recommends

GAO recommends that Treasury direct the SSBCI Program Manager to consider key attributes of successful performance measures when developing and finalizing SSBCI-specific performance measures. Treasury concurred with the report's recommendation.

View [GAO-12-173](#) or key components. For more information, contact A. Nicole Clowers at (202) 512-8678 or [clowersa@gao.gov](mailto:clowersa@gao.gov).

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# STATE SMALL BUSINESS CREDIT INITIATIVE

## Opportunities Exist to Improve Program Oversight

## What GAO Found

Fifty-four of the 56 eligible states and territories submitted applications requesting a total of about \$1.4 billion in SSBCI funds. According to GAO's survey of SSBCI applicants, states plan to support 153 lending programs nationwide with SSBCI funds, 69 of which are new programs being created because of the SSBCI program. These lending programs include a variety of capital access programs and other credit support programs, with venture capital programs receiving the largest amount of funds among eligible program types. SSBCI applicants anticipate that their SSBCI funds will allow them to leverage up to \$18.7 billion in new private financing and investment. Some applicants, however, expressed concern that achieving a 10:1 leverage ratio of private financing and investment to program funds could ultimately prove challenging, especially for states creating new programs.

Treasury's procedures for SSBCI have evolved throughout its implementation of the program. Treasury began approving applications for SSBCI funds in January 2011 in accordance with guidance it issued in December 2010. However, Treasury did not finalize its application guidance and review procedures until April and May 2011, respectively. Some states indicated they delayed submitting their applications until Treasury's guidance was finalized, with 37 states not submitting an application until June 2011—the deadline for applications. In addition, Treasury did not finalize its procedures for disbursing subsequent installments of funds to states until November 2011, citing potential different legal interpretations of the act's disbursement requirements as the cause for the delay. Treasury is implementing a plan to monitor states' compliance with program requirements, which will include sampling transaction-level data to evaluate the accuracy of the states' annual reports. The Treasury Inspector General made recommendations in August 2011 to improve the tools Treasury will use to monitor state compliance.

Treasury has not yet established performance measures for the SSBCI program. Treasury officials noted they are considering several draft performance measures to assess the efficiency of the program. However, Treasury has not finalized its plans for measuring the SSBCI program's performance. GAO and others have recognized the importance of using performance measures to gauge the progress of programs. GAO has also identified key attributes of successful performance measures. Given the preliminary nature of Treasury's potential performance measures, assessing whether the measures reflect the attributes of successful performance measures is premature. Nonetheless, considering these attributes as it works to finalize the SSBCI-specific performance measures could help Treasury to develop robust measures. Until such measures are developed and implemented, Treasury will not be able to determine whether the program is achieving its goals.