HOUSE COMMITTEE ON

SMALL BUSINESS DEMOCRATS

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Impact of Multiple Short-term Appropriations on the Small Business Community

Since Republicans took control of Congress in 2014, they have struggled to enact regular budgets. Instead, they have relied on 13[1] short-term continuing appropriations resolutions (known as a continuing resolutions or "CRs") to fund the federal government. This lurching from CR to CR has negative consequences for agencies and small businesses alike. The uncertainty of funding and the inability to plan for the future hinder an agency's mission. CRs leave a lasting imprint on agencies tasked with assisting small firms in that they are rushed to obligate funds and implement unexpected changes. Due to a lack of available working capital, many agencies enact contingency funding protocols at reduced funding capacity, which reduces the availability of many programs aimed at fostering entrepreneurship. This is particularly apparent in their ability to implement long-term plans for entrepreneurial development programs, funding for government backed lending, and long-term contracting forecasts.

SBA's Entrepreneurial Development Programs

The SBA operates a wide-range of programs designed to assist would-be and existing entrepreneurs, including Small Business Development Centers (SBDC), Women's Business Centers (WBC), Service Corps of Retired Executives (SCORE), Veterans' Business Outreach Center (VBOC) program, and Procurement Technical Assistance Centers (PTAC), among other smaller initiatives. The constant short-term funding of the government does not allow for proper planning of programmatic requirements such as small business trainings, counseling, and matchmaking events. Under a CR, most agencies get a portion of their budget based a formula using the length of the CR and the previous fiscal year's budget, which limits the agency's ability to project obligations for later in the fiscal year. Many agencies have learned to operate under these conditions by cutting corners and delaying programmatic disbursements to certain areas they deem lower priorities. However, doing so only serves to hurt entrepreneurs and American taxpayers who expect the full services for which their taxes pay.

The aforementioned resource partners have difficulties maintaining their services when faced with reductions, albeit temporary, due to CRs. As an example, the Defense Logistics Agency (DLA) has determined it can provide only partial funding for the PTACs when presented with a CR. Such partial funding consists of the funds in the President's budget, excluding the supplemented funding from an appropriations addition. The PTACs affected by this fund

[1] Continuing appropriations for fiscal years 2015-2018, congress.gov.

reduction cannot operate as "business as usual" due to uncertain future funding. Managers are then forced to consider various scenarios for keeping their PTACs in operation by comparing available funds with what is needed to sustain staff levels, operating costs, and client services. In the end, many of these are reduced, thereby harming small business clients.

The failure by Republicans to enact full year funding will continue to result in reduced services and available staff to assist in improving economic development and technical assistance where it is most needed.

SBA's Lending Programs

SBA makes capital available to small businesses mainly through the 7(a) and 504 loan programs. During short-term CRs, these lending programs are limited to a pro rata share of the full year authorization for each program, unless there is an authorization anomaly in the CR, which adjusts spending in certain accounts to avoid problems caused by continuing funding at current levels.

During fiscal year 2018, the first three CRs did not include anomalies, which caused unnecessary disruptions for lenders and borrowers in the 7(a) program. Specifically, under the second CR, the 7(a) program hit its cap on December 22, 2017 and was forced to cease making loans to small businesses. Under the third CR, lenders did not trust the program would remain operational and began accelerating loan applications as the last day of funding approached, resulting in an artificial run on the program of 600% above the average for the week.[2]

As long as Republicans fail to properly govern and continue to rely on CRs, these disruptions and uncertainty in the 7(a) program will impact the ability of small businesses to get loans when they need them.

SBA's Disaster Loan Program

Although the SBA Disaster Loan program continues making loans during a short-term CR, SBA may require additional appropriations to make such loans, also known as a funding anomaly. According to SBA, it sent Congress a request for $160 million in appropriations to keep disaster lending available through the end of February. Without it, SBA indicated it would likely cease disaster lending after the second week of February. Unfortunately, Republicans denied the request and left the anomaly *out* of the most recent CR that passed on Monday, January 22, 2018.

If Republicans continue to deny additional appropriations in CRs, SBA will be forced to cease making disaster loans to homeowners and businesses in Puerto Rico, Texas, Florida, California, and other disasters across the country.

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[2] According to SBA data, on Jan. 16 and 17, 2018, the 7(a) program averaged $74 million, but Jan. 19, 2018 spiked 600% to $459 million.

Federal Small Business Contract Awards

A CR prevents federal agencies from long-term planning of new contract solicitations, including those with small businesses. Small firms can win awards through regular competition, restricted competition, or small business set-asides. On a daily basis, the government contracts approximately 6,800 actions worth $30.1 million with small firms.[3]

Agency solicitations are largely based on their anticipated needs, which they can only partially assess under a CR's short-term budget disbursement. Agencies often have to stretch the previous year's funding as long as possible under a CR, forcing them to incrementally disburse funds rather than provide full term contract funding to small firms. Unfortunately, interval payments increases work and stress on both the government and small contractor.

Some agencies do not fund certain programs under a CR, such as the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. Without funding, no new grants are awarded and existing grants must absorb the lack of funding until a budget is passed, which harms the small innovative firms developing groundbreaking technology and the economy as whole that depends on continued innovations in technology, medicine, manufacturing, and farming.

Agencies will continue to be forced to make these types of decisions until Republicans provide a full budget to properly carry out the contracting and grant functions necessary to keep both the government and the economy working as intended.

Conclusion

Successive short-term CRs do not allow federal agencies, small business contractors, service providers, or lenders to properly plan for present or future funding capacity. It has ripple effects on the perception of taxpayer reliance on government functions that ultimately cripple our economic structure of private and public interdependency. Short-term CRs are not a stand-in for a full budget, as they contain the constant threat of a federal shutdown, which then costs more money, consumer confidence, and harms the economy. It is time the Republicans, who have control of the government, truly govern by passing a budget or step aside for those that can keep the doors of the federal government open and keep the promise to the American taxpayer.

[3] Based on projections using FY 2017 data from the Federal Procurement Data System- Next Generation (FPDS-NG) as of Jan. 19, 2018.