United States Government Accountability Office

Report to Congressional Addressees

February 2023

STATE SMALL BUSINESS CREDIT INITIATIVE

Improved Planning Could Help Treasury Limit Additional Delays

GAO-23-105293

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GAO Highlights

Highlights of GAO-23-105293, a report to congressional addressees

Why GAO Did This Study

SSBCI was reauthorized by the American Rescue Plan Act of 2021 (ARPA) to support small businesses recovering from the economic effects of the COVID-19 pandemic. Congress appropriated $10 billion for the program.

The CARES Act and ARPA include provisions for GAO to monitor the federal government's efforts to respond to COVID-19. Among its objectives, this report examines Treasury's efforts to complete key implementation steps for SSBCI and manage program risks and measure program performance.

GAO reviewed relevant legislation and SSBCI documentation and analyzed Treasury data on allocated and disbursed funds. GAO also interviewed Treasury officials, representatives of four territories, and representatives of nongeneralizable samples of 12 states and three tribal governments—selected to represent a range of geographic regions and other characteristics.

What GAO Recommends

GAO recommends that Treasury fully incorporate certain best practices for project scheduling in its planning efforts for SSBCI. Treasury agreed to review options for incorporating such practices in line with GAO's recommendation.

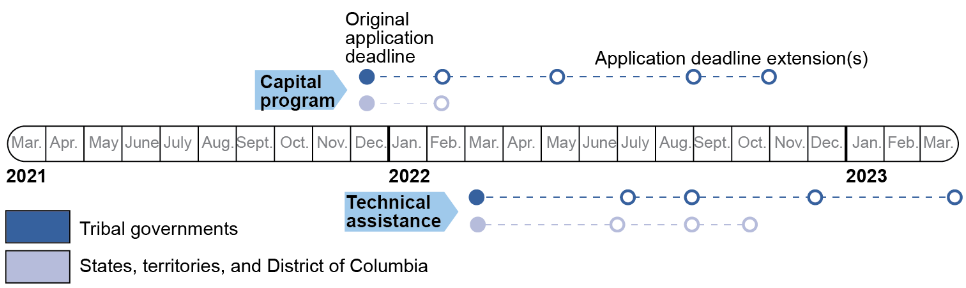
View GAO-23-105293. For more information, contact Michael Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

The State Small Business Credit Initiative (SSBCI) provides funds to eligible jurisdictions—states, territories, the District of Columbia, and tribal governments—to support small business lending and investment programs through its capital program. Eligible jurisdictions also can apply for technical assistance funding (such as for legal, accounting, and financial advisory services) to support certain businesses that apply to an SSBCI program or another government small business program.

The Department of the Treasury, which administers SSBCI, extended application deadlines for the capital and technical assistance programs multiple times (see figure). All 50 states, five territories, and the District of Columbia submitted applications for capital program funds, and as of September 30, 2022, Treasury had approved 31 applications and disbursed $1.3 billion.

Application Deadline Extensions for State Small Business Credit Initiative, March 2021–March 2023



Source: GAO analysis of Department of the Treasury documents. | GAO-23-105293

Partly because of these deadline extensions and the time needed to review and approve numerous applications, Treasury has taken longer than expected to disburse SSBCI funds. Significant SSBCI implementation steps remain, such as reviewing remaining applications and implementing compliance monitoring and performance measurement plans. However, Treasury's planning efforts have not fully incorporated certain best practices GAO previously developed for reliable project scheduling. For example, Treasury's work plan has not identified which staff or contractors would be responsible for each activity. Fully incorporating these best practices could help limit the potential for delays and help ensure timely disbursement and oversight of program funds.

Treasury has been developing a framework to support and monitor jurisdictions' compliance with SSBCI guidelines. In November 2022, Treasury published compliance and oversight standards for jurisdictions to use for their programs. Officials said they have been building on procedures used for the original SSBCI and planned to develop compliance monitoring procedures (for Treasury to use) by December 31, 2022. Treasury also has published data collection and reporting requirements for SSBCI and has been developing key indicators to measure program performance.

Contents

Abbreviations

ARPA	American Rescue Plan Act of 2021
CDFI	community development financial institution
FAQ	frequently asked questions
SEDI	socially and economically disadvantaged individual
SSBCI	State Small Business Credit Initiative

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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February 2, 2023

Congressional Addressees

To help small businesses recover from the COVID-19 pandemic, Congress has provided nearly $1 trillion through grants, loan subsidies, and commitment authority to various programs. In March 2021, the American Rescue Plan Act of 2021 (ARPA) reauthorized the State Small Business Credit Initiative (SSBCI) in the Department of the Treasury to strengthen state, territory, District of Columbia, and tribal government programs that support lending and investment in small businesses.[1]

The current SSBCI program retains key features of the original program, which operated from 2010 through 2017, but it received a much larger appropriation ($10 billion compared to $1.5 billion). The current program also includes an allocation for tribal governments and allocations for very small businesses and those owned and controlled by socially and

[1]Congress first authorized SSBCI in the Small Business Jobs Act of 2010, appropriating $1.5 billion in funding following the 2007–2009 financial crisis. GAO issued four reports on the program and made recommendations to Treasury on improving oversight and enhancing performance measurement and evaluation. Treasury implemented our recommendations. See GAO, *State Small Business Credit Initiative: Opportunities Exist to Improve Program Oversight*, GAO-12-173 (Washington, D.C.: Dec. 7, 2011); *Small Business Lending: Opportunities Exist to Improve Performance Reporting of Treasury's Programs*, GAO-13-76 (Washington, D.C.: Dec. 5, 2012); *State Small Business Credit Initiative: Opportunities Exist to Enhance Performance Measurement and Evaluation*, GAO-14-97 (Washington, D.C.: Dec. 18, 2013); and *Small Business Credit Programs: Treasury Continues to Enhance Performance Measurement and Evaluation but Could Better Communicate and Update Results*, GAO-15-105 (Washington, D.C.: Dec. 11, 2014).

economically disadvantaged individuals (SEDI-owned businesses).[2] Moreover, it provides technical assistance funds that jurisdictions or Treasury can use to provide legal, accounting, and financial advisory services to support certain businesses that apply for SSBCI or another government small business program (technical assistance program).[3]

The CARES Act and ARPA include provisions for GAO to monitor and oversee the federal government's efforts to prepare for, respond to, and recover from COVID-19. In January 2022, we reported on steps Treasury had taken to begin implementing the program and potential challenges facing Treasury and program participants.[4] This report examines (1) jurisdictions' planned use of SSBCI funds to meet program objectives; (2) Treasury's completion of key implementation steps for SSBCI; and (3) Treasury's efforts to manage program risks and measure program performance.

[2]Very small businesses are those with fewer than 10 employees and may include independent contractors and sole proprietors. According to Treasury's capital program policy guidelines, Treasury considers SSBCI funds to be expended for SEDI-owned businesses if the funds are expended for loans, investments, or other credit or equity support to business enterprises that (1) certify they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (a) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, (b) gender, (c) veteran status, (d) limited English proficiency, (e) disability, (f) long-term residence in an environment isolated from the mainstream of American society, (g) membership of a federally or state-recognized Indian Tribe, (h) long-term residence in a rural community, (i) residence in a U.S. territory, (j) residence in a community undergoing economic transitions, or (k) membership of another "underserved community" as defined in Executive Order 13985; (2) certify they are owned and controlled by individuals whose residences are in Community Development Financial Institutions (CDFI) Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); (3) certify they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or (4) are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii). The term "owned and controlled" means, if privately owned, 51 percent is owned by such individuals; if publicly owned, 51 percent of the stock is owned by such individuals; and in the case of a mutual institution, a majority of the board of directors, account holders, and the community which the institution services predominantly consists of such individuals.

[3]Treasury also can transfer technical assistance funds to the Minority Business Development Agency in the Department of Commerce.

[4]GAO, *COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies*, GAO-22-105291 (Washington, D.C.: Jan. 27, 2022).

For the first objective, we reviewed and analyzed Treasury data on state and territory planned programs. We assessed the reliability of these data by obtaining written responses from Treasury officials about their process for ensuring the accuracy of the data. We found these data to be sufficiently reliable for describing the planned programs. We also interviewed representatives of four of the five permanently inhabited territories and nongeneralizable selections of 12 states and three tribal governments on their planned programs and for perspectives on Treasury's implementation of SSBCI.[5] We selected states to reflect a range of funding allocation amounts and geographic diversity, and to include states that did and did not participate in the original SSBCI program. We contacted 16 tribal governments from among those that submitted a Notice of Intent to apply for SSBCI and to represent a range of geographic regions and sizes based on preliminary total funding allocations. We interviewed representatives of the three tribal governments that responded, which represented three different geographic regions (Midwest, Northwest, and Southern Plains) and all had preliminary allocation amounts greater than the median amount of approximately $686,000.[6] We also interviewed experts from three business organizations, two lender organizations, and six tribal organizations.

For the second objective, we reviewed relevant legislation and Treasury's SSBCI program guidelines, frequently asked questions (FAQ), notices on Treasury's website, and other SSBCI program documentation. We analyzed Treasury's time frames for developing and updating program guidelines and application deadlines and compared Treasury's efforts to consult with tribal governments against its 2015 Tribal Consultation Policy. We reviewed Treasury's work plan and other planning efforts for SSBCI and compared them to our best practices for project scheduling.[7] Specifically, we compared Treasury's work plan and planning efforts to best practices related to sequencing and establishing the duration of activities, assigning resources to activities, and updating schedules using actual progress. We interviewed Treasury officials on the steps they took

[5]The five permanently inhabited U.S. territories are American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, and the U.S. Virgin Islands. We requested interviews with all five territories and one did not respond to our request.

[6]We categorized tribal governments by geographic region based on the 12 regions used by the Bureau of Indian Affairs in the Department of the Interior.

[7]See GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-16-89G (Washington, D.C.: Dec. 22, 2015).

to implement SSBCI, including hiring staff, implementation time frames, and any planning efforts.

For the third objective, we reviewed Treasury's oversight and monitoring plans and reporting guidance and interviewed Treasury officials. For more detailed information about our scope and methodology, see appendix I.

We conducted this performance audit from August 2021 to February 2023 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

As with the original SSBCI, the current program includes a capital program that jurisdictions can use to fund lending programs that facilitate loans to small businesses—including capital access, collateral support, loan participation, and loan guarantee programs—and venture capital and other equity investment programs (see table 1). Each type of program shares lending or equity financing risks with lenders or investors, thereby facilitating transactions that otherwise might not have occurred. Eligible jurisdictions can design new programs, restart previous programs, or scale up existing programs. They also can implement multiple programs of the same type.

Table 1: Program Types for State Small Business Credit Initiative Capital Program

Type of program	Program description
Capital access	Provides loan portfolio insurance wherein the borrower and lender, such as a small business owner and a bank, contribute to a reserve fund held by the lender. Amounts in the lender's reserve fund are available to cover any losses incurred in its portfolio of capital access loans.
Loan guarantee	Allows jurisdictions to use State Small Business Credit Initiative funds to provide assurance to lenders that they will be partially repaid in the event of default, after the lender makes every reasonable effort to collect funds. The guarantees help small businesses secure loans that otherwise may have been inaccessible or prohibitively expensive.
Collateral support	Supplies cash collateral accounts to lenders to enhance the collateral coverage of borrowers, enabling business owners to borrow funds to help their businesses grow.
Loan participation	Allows jurisdictions to buy an interest in the loans made by lenders or lend directly alongside private lenders, providing additional direct lending to finance small businesses.
Venture capital and other equity investment	Allows jurisdictions to set up public-private partnerships for equity investing or investment in venture capital funds. These investments may be focused on providing capital to underserved startups and making venture capital more available across geography and business founders.

Source: GAO analysis of Department of the Treasury documents. | GAO-23-105293

As stipulated by ARPA, the current capital program retains key features of the original program, including the formula for allocating a portion of the funds for states, the District of Columbia, and territories; the disbursement structure; and private funding requirements.

- Main allocations for states, territories, and the District of Columbia generally were based on each jurisdiction's decline in employment from 2019 to 2020 as a proportion of national employment decline.[8]
- Participating jurisdictions receive up to three installments over the life of the program, and must use at least 80 percent of the previous disbursement before receiving the next installment.
- Participating jurisdictions must match the federal contribution with private dollars at a level of 1:1 for each loan guarantee, collateral support, or loan participation program or for each fund within venture capital programs.[9] Jurisdictions are expected to leverage $10 in lending or investing for every $1 of SSBCI funding spent over the life of the SSBCI programs (achieve a 10:1 leverage ratio).[10]

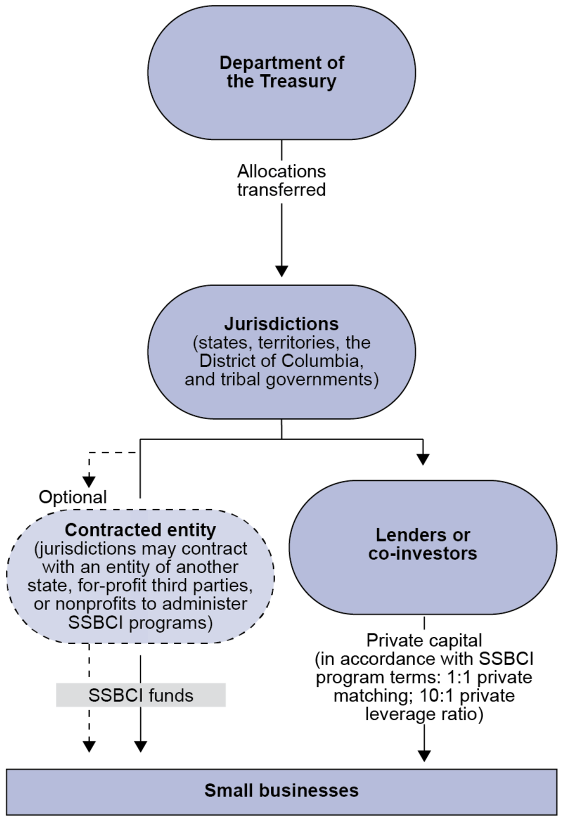
As with the original program, eligible jurisdictions can administer funds directly or they can partner with a third party, such as an economic development corporation or business development center, to serve as the program administrator with state oversight (see fig. 1).

[8]Main allocations refer to capital program allocations that are distinct from allocations for very small or SEDI-owned businesses and incentive allocations to support SEDI-owned businesses.

[9]SSBCI funds may be used to match aggregate borrower and lender contributions at a level of 1:1 for each capital access program.

[10]During the original SSBCI, participants leveraged $8.95 in new financing for every $1 in SSBCI funds as of December 31, 2016.

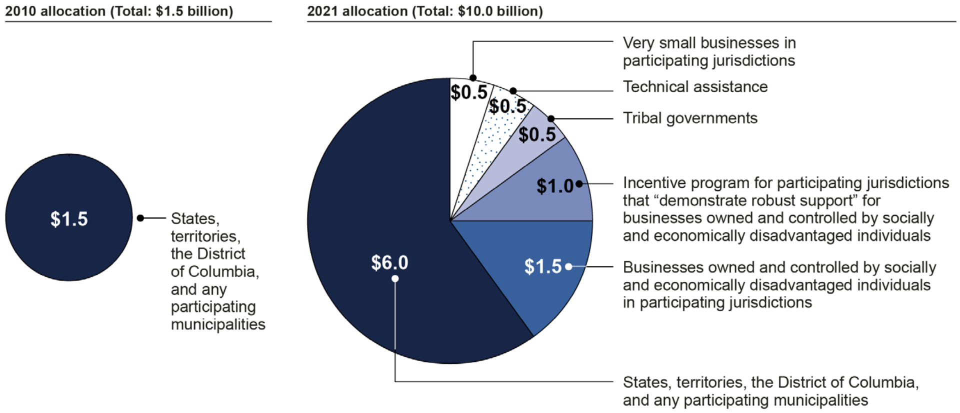
Figure 1: Overview of Flow of Funds in State Small Business Credit Initiative (SSBCI)



Source: GAO analysis of Department of the Treasury documents. | GAO-23-105293

The current program received a much larger appropriation than the original ($10 billion compared to $1.5 billion in 2010) and includes an allocation for tribal governments and allocations for certain types of small businesses and the technical assistance program (see fig. 2).

Figure 2: State Small Business Credit Initiative Funding Allocations, 2010 and 2021



Source: GAO analysis of 12 U.S.C. Ch. 54, Small Business Jobs Act of 2010, and American Rescue Plan Act of 2021. | GAO-23-105293

Notes: Only municipalities in states that do not submit complete applications are eligible to receive funding. In addition to their direct allocations, the jurisdictions (including tribal governments) may receive portions of the funding for technical assistance, very small businesses, and businesses owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses) and incentive funding to support SEDI-owned businesses.

Treasury also applied the employment-based formula to determine allocations for very small businesses to states, territories, and the District of Columbia. In contrast, Treasury based allocations related to SEDI-owned businesses on the percentage of each jurisdiction's total population residing in Community Development Financial Institution (CDFI) Investment Areas.[11] Treasury based allocations to all eligible tribal governments on the number of enrolled tribal members for each tribe (using available data).[12]

As required by ARPA, Treasury published capital program allocations for states, territories, and the District of Columbia by April 9, 2021. Treasury required these jurisdictions to submit a Notice of Intent to apply for the program by May 10, 2021, and initiate capital program applications by

[11]CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii), are generally low-income, high-poverty areas that do not receive sufficient access to capital or support for the needs of small businesses.

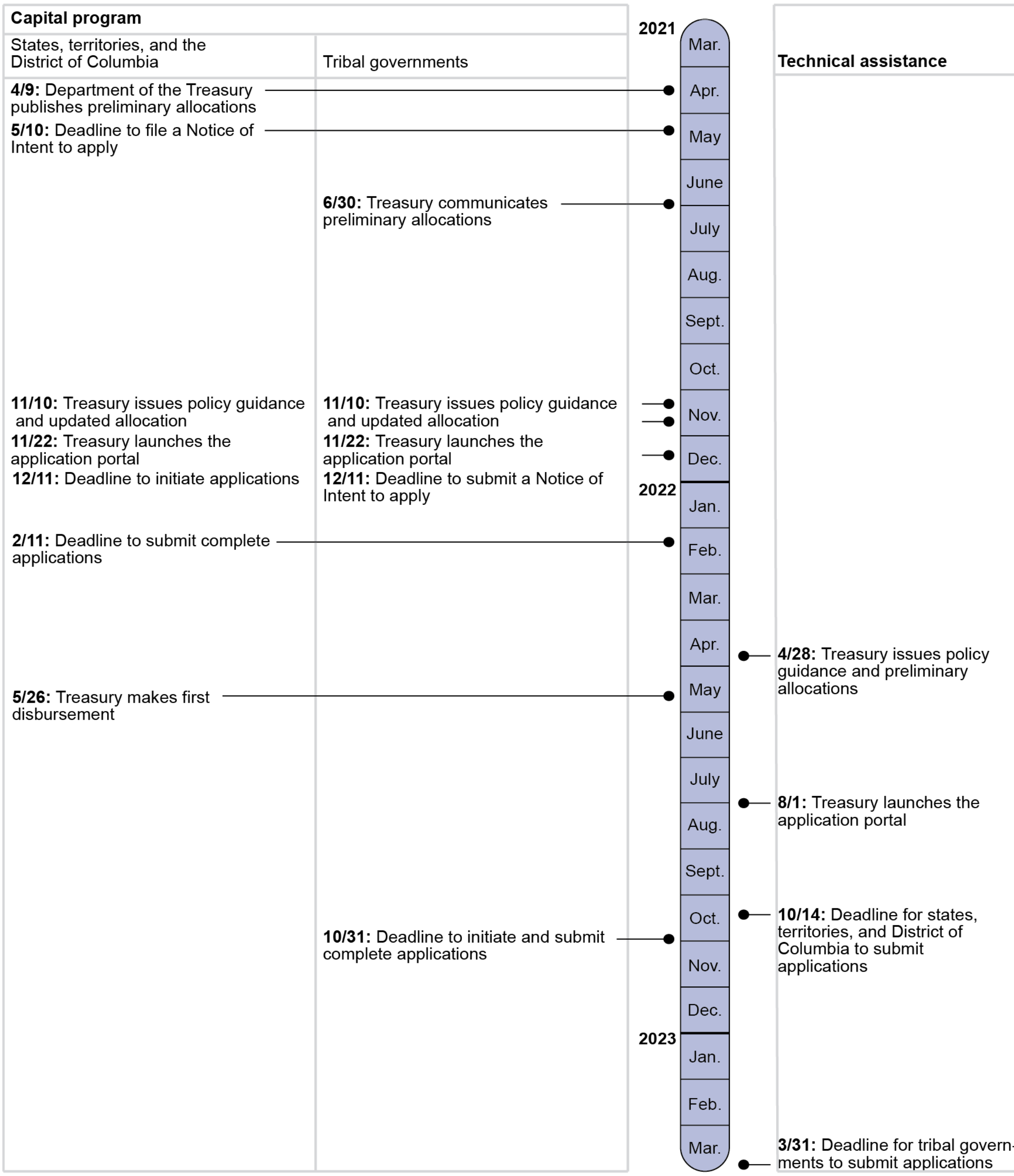
[12]The employment-based methodology used for main allocations for states, territories, and the District of Columbia is statutorily defined, but Treasury developed the methodologies for allocating funds to very small and SEDI-owned businesses and tribal governments.

December 11, 2021.[13] As discussed in more detail later in this report, Treasury set later deadlines for tribal governments to submit a Notice of Intent to apply and subsequently complete applications. ARPA requires Treasury to complete all disbursements and remaining obligations before September 30, 2030.[14] Any remaining unexpended funds are to be rescinded and deposited in Treasury's general fund. Figure 3 provides a timeline of major milestones and key implementation steps through the end of March 2023 for the capital and technical assistance programs of the current SSBCI.

[13]Eligible jurisdictions had to initiate capital program applications by December 11, 2021. Specifically, they had to designate the implementing entity, identify key contacts, and provide a list of proposed programs and statement of legal action. Jurisdictions were required to complete capital program applications by February 11, 2022. That is, they had to describe how each of their proposed programs satisfied the requirements in the SSBCI statute and Treasury program guidelines and provide the signature of the authorized official.

[14]Each jurisdiction approved for participation in SSBCI will receive main allocations of capital funds in three disbursements (each approximately 33 percent of the total). As a precondition to receipt of the second and third disbursements, the jurisdiction must certify to Treasury that 80 percent or more of the prior disbursement had been expended, transferred, or obligated to one or more approved programs. Funds generally will be considered "expended" if the expenses were paid by or are for an approved state program. They are considered "transferred" if they have been transferred to the implementing or contracted entity administering daily operations of an SSBCI program to reimburse actual expenses, when there is a clearly documented actual and immediate cash need to fund a loan or investment to an eligible small business, or to pay for allowable administrative expenses. Finally, funds are considered "obligated" if they have been committed in writing to pay for orders placed, contracts awarded, goods and services received, and similar transactions.

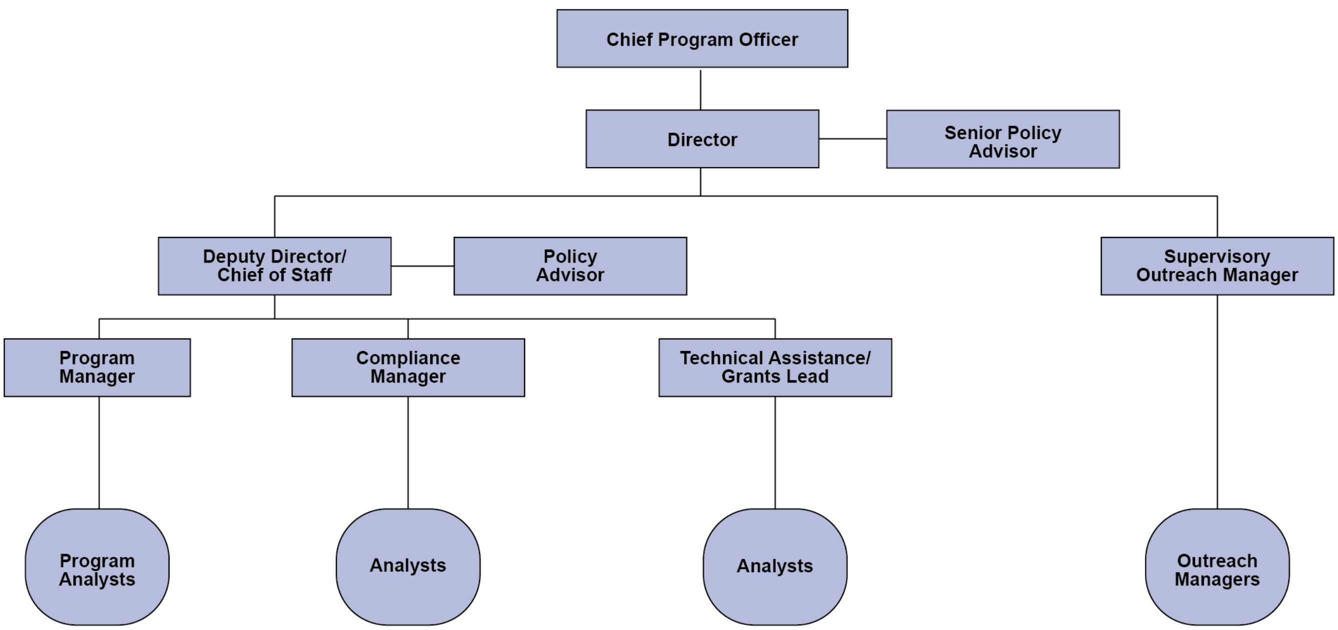
Figure 3: Major Milestones for State Small Business Credit Initiative, March 2021–March 2023



Source: GAO analysis of Department of the Treasury documents. | GAO-23-105293

The program office responsible for administration and oversight of SSBCI operates within Treasury's Office of Recovery Programs.[15] As of August 2022, the program office had 23 full-time authorized positions and administered SSBCI through groups responsible for policy, compliance, outreach, and technical assistance (see fig. 4). Treasury also has a contract in place to hire additional support for the program as needed.

Figure 4: Organizational Chart for the State Small Business Credit Initiative Program Office



Source: GAO analysis of Department of the Treasury documents. | GAO-23-105293

[15]Treasury established the Office of Recovery Programs in April 2021 to lead implementation of the department's pandemic relief and recovery programs.

Participating Jurisdictions Plan to Use a Mix of Program Types to Meet SSBCI Objectives

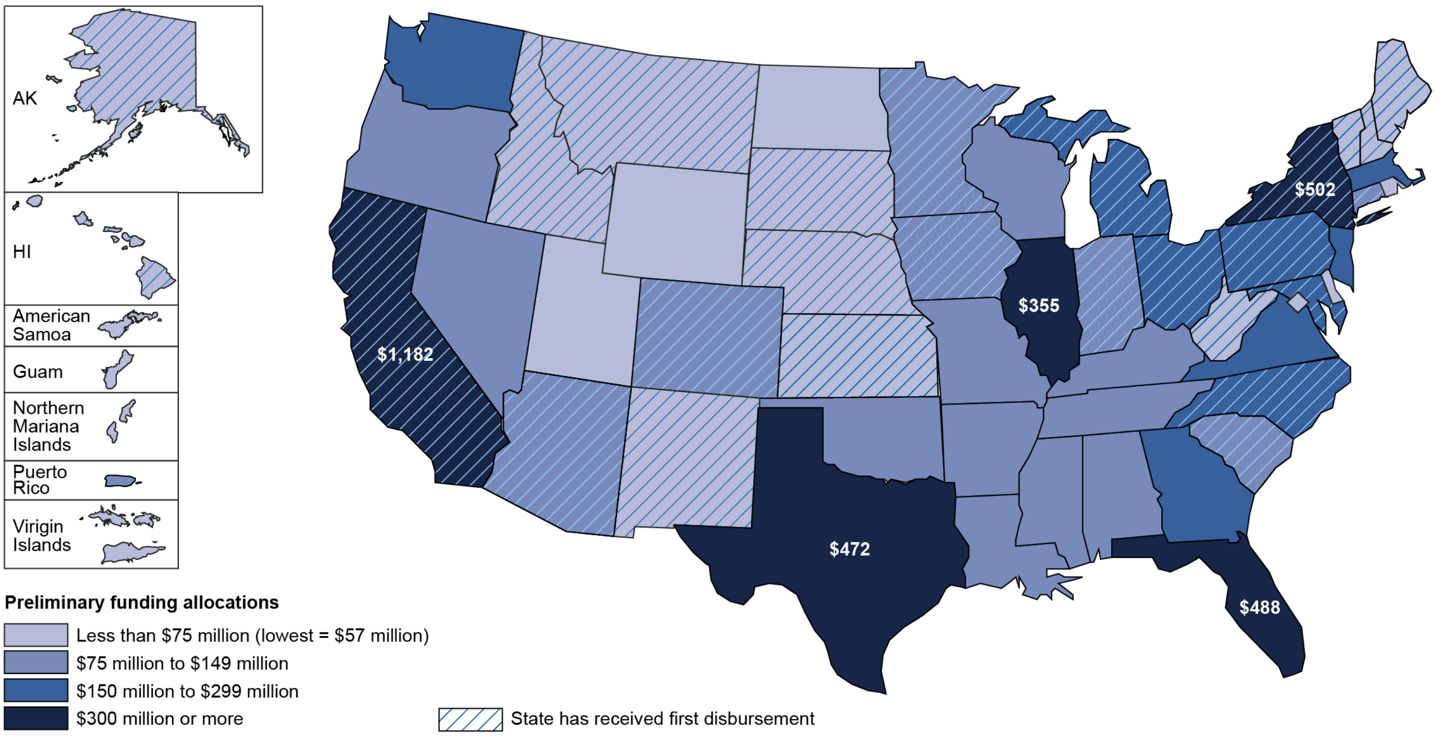
All States and Territories Applied to Participate and Most Plan to Use a Variety of Lending and Investment Programs

Some of the states already have begun to receive SSBCI funding, and most states and territories plan to use it for a mix of lending and equity investment programs.

Status of applications and allocations. All 50 states, all five territories, and the District of Columbia submitted a complete application for SSBCI funding to Treasury by the February 11, 2022 deadline.[16] As of September 30, 2022, Treasury had approved 31 applications and disbursed the first tranche (portion) of funding to 26 jurisdictions, which totaled $1.3 billion or approximately 13 percent of program funds. Figure 5 summarizes the amount of funding allocated and disbursed to states, the District of Columbia, and territories.

[16]All five territories (American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, and the U.S. Virgin Islands), the District of Columbia, and all but three states (Alaska, North Dakota, and Wyoming) also participated in the original SSBCI. However, one or more municipalities in each of those three states participated. In lieu of state programs, Anchorage (Alaska), two consortiums of municipalities in North Dakota, and one consortium of municipalities in Wyoming participated in the original SSBCI.

Figure 5: Total Preliminary Funding Allocations and States That Received Disbursements for the State Small Business Credit Initiative (SSBCI), as of September 30, 2022



Source: GAO analysis of Department of the Treasury data. | GAO-23-105293

Note: Once Treasury approves an application, the jurisdiction is notified of its full funding obligation and, after execution of its allocation agreement, receives its first tranche (portion) of funding, which is typically equal to approximately one-third of the preliminary allocation. Funding is disbursed in three approximately equal tranches if the jurisdiction meets SSBCI requirements. As of September 30, 2022, Treasury had approved applications but not yet disbursed the first tranche to five states (Kentucky, Missouri, Nevada, Oklahoma, and Oregon).

Type and numbers of planned programs. According to preliminary data from Treasury, 45 percent of the participating jurisdictions plan to implement more than one type of lending program as well as a venture capital or other equity investment program. Of the planned programs, 58 percent are lending programs, 34 percent are venture capital and other equity investment programs, and 8 percent are other types. As shown in table 2, the jurisdictions plan to implement 213 programs in total—61 more than the original SSBCI.

Table 2: Number of Jurisdictions Proposing Programs and Number of Planned Programs for State Small Business Credit Initiative (SSBCI) and Change in Number from Original SSBCI, by Type

	Number of jurisdictions that plan to implement a program type[a]		Total number of proposed SSBCI programs	
Program type	**Current program as of September 2, 2022**	**Change in number of jurisdictions from the original SSBCI**	**Proposed SSBCI programs as of September 2, 2022**	**Change in number of programs from the original SSBCI**
Capital access (Loan loss reserve)	12	-12↓	12	-12↓
Loan guarantee	24	+5↑	27	+5↑
Collateral support	22	+5↑	22	+5↑
Loan participation	43	+4↑	63	+15↑
Venture capital and other equity investment	45	+7↑	72	+31↑
Other program types	12	+12↑	17	Not applicable
Total number and change in number of jurisdictions participating / Total number and change in number of programs	**56**	**-1↓**	**213**	**(+61↑)**

Source: GAO analysis of Department of the Treasury data. | GAO-23-105293

[a]Excluding tribal governments, 56 jurisdictions plan to participate in the current SSBCI (50 states, five territories, and the District of Columbia). Fifty-seven jurisdictions participated in the original SSBCI (47 states, five territories, the District of Columbia, Anchorage, Alaska, two consortiums of municipalities in North Dakota, and one consortium of municipalities in Wyoming). Tribal governments were not eligible to participate in the original SSBCI.

Under the current SSBCI, loan participation and venture capital programs are the most common planned program types and capital access programs are the least common. The number of planned capital access programs declined by 12 compared to the original SSBCI, while the planned number of other lending program types increased. Under the original SSBCI, capital access programs generated the least amount of new financing of all program types, which may have contributed to the decrease in their planned use under the current SSBCI.[17]

Of the 16 jurisdictions whose representatives we interviewed, 10 states and four territories participated in the original SSBCI. Of the 10 states, three plan to restart programs used in the original SSBCI, three plan to

[17]Under the original SSBCI, capital access programs generated $640 million in total new financing, and loan participation and venture capital programs generated $3.2 and $4.2 billion, respectively. See Department of the Treasury, *State Small Business Credit Initiative: A Summary of States' 2016 Annual Reports* (Washington, D.C.: July 24, 2017).

implement new programs, and three plan to implement a mix of new and continuing programs. Three of the four territories plan to implement new programs, and three also plan to restart programs operated under the original SSBCI. Twelve of the 16 jurisdictions plan to implement three or more program types.

Officials from the 12 states we interviewed described how their jurisdictions selected different program types to meet SSBCI program requirements and objectives.

- **Meeting leverage requirements.** States provided examples of how they selected certain types of programs to help ensure they meet the 10:1 leverage ratio requirement, which was a challenge for many states in the original SSBCI. Officials from five states that plan to implement venture capital programs told us they chose such programs in part because they typically result in higher leverage ratios.[18] For example, two states estimated that their venture capital programs would achieve a leverage ratio of 20:1 or higher. They said this would help them to meet the overall leverage requirement even if their other programs did not reach the 10:1 leverage target.
- **Reaching very small and SEDI-owned businesses.** The states described how they plan to leverage partnerships and deploy different program types to reach a range of small businesses, including very small and SEDI-owned businesses. All 12 states said they plan to leverage existing partnerships with lenders, CDFIs, small business development centers, or other community groups to provide support to very small and SEDI-owned businesses. For example, officials from four states said they plan to work with CDFIs or other community-based lenders to implement loan guarantee and loan participation programs. Officials from two states said they plan to continue their capital access programs from the original SSBCI because those were their primary programs for reaching very small and SEDI-owned businesses.

Officials from four territories we interviewed also said they plan to use a mix of program types to meet SSBCI requirements.

[18]According to Treasury's 2016 Summary of States' Annual Reports, venture capital programs had an overall leverage ratio of 12.8:1, compared to an overall ratio of 7.7:1 for loan guarantee programs, 7.5:1 for loan participation programs, and 5.6:1 for collateral support programs.

- **Meeting leverage requirements.** To meet the 10:1 leverage ratio, officials from two territories said they plan to implement a venture capital program in addition to at least one lending program, so that their combined programs can achieve the leverage ratio. An official from another territory said it plans to implement three different lending programs and use a mix of short-, medium-, and long-term loans to meet the leverage ratio.
- **Reaching very small and SEDI-owned businesses.** Officials from all four territories told us that most or all of the businesses in their territories qualify as SEDI-owned, so all of their planned programs would serve these businesses and help them meet that requirement.[19]

Finally, all four territories we interviewed plan to use SSBCI funds to expand or further develop certain business sectors. For example, officials from two territories told us they intend to use SSBCI funds to expand equity investments to businesses in industries other than construction and manufacturing, which are currently their main industries.

Tribal Governments Recently Completed Applications and Some Noted Potential Challenges for Program Implementation

Tribal governments were at an earlier stage of program planning and design than states and territories at the time of our review because their deadline for completing capital program applications (October 31, 2022) was about 8 months later than the deadline for states and territories. Data on program types proposed by tribal governments were not available at the time of our review. According to information from Treasury, 283 tribal governments submitted an application either individually or as part of a consortium.[20] Representatives from a regional tribal organization we

[19]According to Treasury's capital program guidelines, SEDI allocations are based on the percentage of the jurisdiction's total population residing in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii), relative to the total population residing in all CDFI Investment Areas. Treasury determined that American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands in their entirety constitute CDFI Investment Areas for purposes of SSBCI, because each of these territories has a poverty rate of at least 20 percent.

[20]According to data from Treasury, over 400 Notices of Intent to apply to SSBCI were received from tribal governments by the December 2021 deadline. According to Treasury officials, Treasury identified 582 tribal governments as eligible to apply to the program. This included 574 federally recognized tribes and eight component bands of those tribes that had submitted tribal enrollment data to the Bureau of Indian Affairs.

interviewed said tribes may apply as part of a consortium to pool funding and share administrative resources.[21]

As Treasury reviews and approves applications, tribal governments will be notified of their full funding obligation, and after executing allocation agreements, will receive the first of their three funding tranches. The preliminary (or minimum) allocations for tribal governments that submitted a Notice of Intent to apply for SSBCI ranged from about $600,000 to about $89 million, according to data from Treasury. Eighty percent of tribal governments (333) received a preliminary allocation of less than $1 million, 19 percent (78) received between $1 million and $20 million, and 1 percent (four) received more than $20 million.

Representatives of tribal governments and tribal organizations we interviewed offered perspectives on how their governments might deploy SSBCI funds to meet program requirements and objectives. A representative from a regional tribal organization told us loan guarantee programs may be popular options because they offer greater security to lenders that otherwise might not provide funding to tribal entrepreneurs. Officials from two tribal governments told us they plan to implement lending programs through CDFIs. Officials from one of these governments said they plan to implement a loan participation program in partnership with a CDFI with which they have an existing relationship. Officials from the other tribal government told us they plan to work with their tribe's CDFI to implement a small business lending program.

Tribal government officials and organizations we interviewed indicated potential challenges with designing and implementing programs and meeting statutory requirements. These challenges may influence which tribal governments participate in SSBCI and the types of programs they implement. Specifically, interviewees highlighted the challenges of being first-time participants, including navigating the complexity of SSBCI and learning how to develop and operate eligible programs. Interviewees also said that tribal governments may face challenges associated with limited administrative resources, technical expertise, or lending capacity to administer programs and access private capital to meet the 1:1 matching requirement or the 10:1 leverage ratio target.

[21]In contrast, officials from two tribal governments we interviewed said they were leaning towards applying individually so they could implement targeted programs to best meet the needs of the small businesses in their communities.

Treasury officials noted that because of these challenges, the smallest and most economically distressed tribes may find it particularly difficult to access and navigate SSBCI. As discussed in the next section, Treasury has taken steps to conduct outreach and provide assistance to tribes to mitigate these challenges.

Treasury Had Delays Disbursing Program Funds and Has Not Fully Implemented Best Practices for Project Scheduling

Treasury Hired Program Office Staff, Conducted Outreach to Stakeholders, and Completed Initial Program Guidelines

In the first year, Treasury staffed the SSBCI program office and generally focused on conducting outreach to stakeholders and eligible jurisdictions and developing guidelines and application materials for the capital program. Treasury began staffing the SSBCI program office in March 2021 and filled about half the positions by October 2021. Initial hires included the Director and Deputy Director/Chief of Staff, who had worked on the original SSBCI program.[22] By October 2021, Treasury filled additional lead roles such as the Senior Policy Advisor, Compliance Manager, Technical Assistance/Grants Lead, and Supervisory Outreach Manager to begin work on program implementation. By August 2022, all but one position in the SSBCI program office was filled.

Program office staff put essential administrative plans and functions in place. For example, in March and April 2021, staff coordinated with Treasury budget personnel to establish an administrative budget and staffing plan. They also started working with Office of Recovery Programs and procurement personnel to put in place a project management support contract. In August 2021, Treasury awarded a contract for support with program design, operations and implementation, and outreach and technical assistance to applicants.

Treasury also obtained input from stakeholders to inform the development of program guidelines and materials. In May 2021, Treasury published a

[22]In addition to bringing back staff with experience from the original SSBCI program, Treasury officials noted they reviewed organizational charts and consulted with staff from the original program to inform the rebuild of the SSBCI program office.

Request for Information in the Federal Register to obtain public input on effective approaches for delivering capital and technical assistance to small businesses through SSBCI. Treasury received more than 90 responses by the June 2021 deadline, including from state agencies, tribal organizations, and representatives of other program stakeholders, such as lender and investor associations. From spring to fall 2021, Treasury also held over 50 listening sessions with state and territory officials and other organizations to identify potential implementation issues. According to Treasury officials, Treasury updated its capital program guidelines to provide additional clarity and flexibility in response to these listening sessions.

Beginning in May 2021, Treasury also conducted extensive outreach to jurisdictions to provide assistance with program design and help them understand SSBCI program requirements. Treasury officials said they held approximately 70 webinars and daily office hour sessions through December 11, 2021. They also convened working groups of states and connected jurisdictions with subject matter experts. Nine of the 16 states and territories we interviewed reported that Treasury facilitated connections with other jurisdictions, and four told us these connections were helpful for sharing knowledge about specific program types.

Treasury officials said they recognized that tribal governments would require additional support and guidance as first-time participants. In accordance with its 2015 Tribal Consultation policy, Treasury held an initial consultation with tribal governments in May 2021 on the capital program and another in January 2022 on the technical assistance program. According to officials, Treasury also conducted approximately 15 webinars and seven regional leadership meetings in 2021 to inform tribal governments of the reauthorized SSBCI.[23]

Treasury Disbursed Funds Later Than It Planned, Partly Because of Time Needed to Implement New Program Components

Treasury began disbursing capital program funds later than it planned, partly because it required more time and resources than anticipated to support first-time participants and establish comprehensive guidelines for new program components. The larger size and increased complexity of the current SSBCI in comparison to the original introduced additional challenges in setting and meeting planned time frames for the program. For example, Treasury officials noted they needed more time and resources to provide support to tribal governments that had not previously

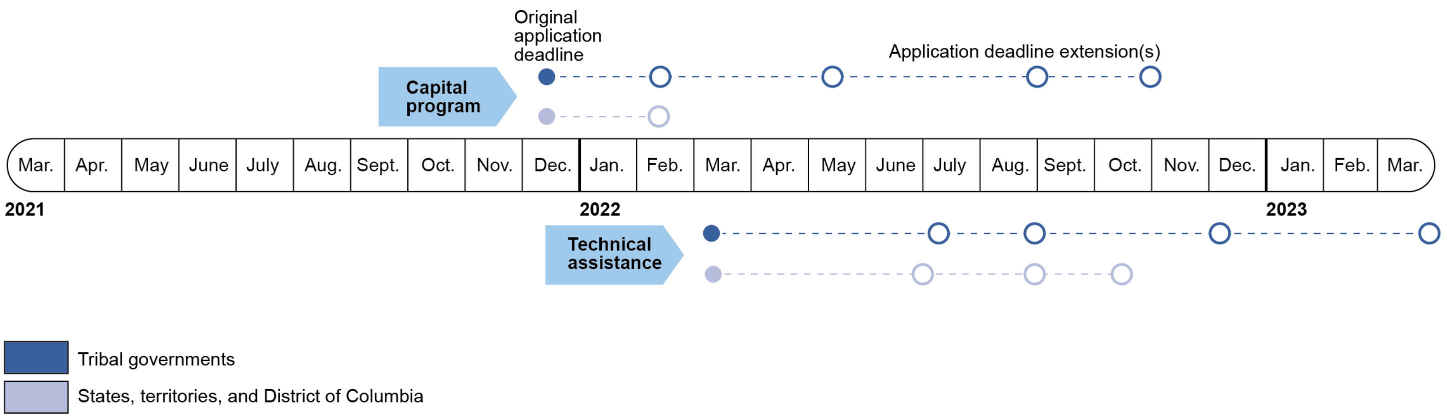
[23]In the period before the deadline for tribal governments to submit a Notice of Intent to apply, Treasury's outreach to tribes also included information sessions, periodic office hours, and one-on-one outreach to eligible tribal governments.

participated in the program, and to implement the technical assistance component of SSBCI.

Treasury issued guidelines for the capital program on November 10, 2021, later than originally estimated. Officials said they wanted to allow enough time to ensure the guidelines were comprehensive and minimize the need for later revisions, a lesson learned from the previous program. In the original SSBCI, Treasury issued revised guidelines and materials after a number of states had submitted applications. As a result, some states had to amend their programs to comply with Treasury's revised guidelines.

Treasury extended the application deadlines for both the capital and technical assistance programs (see fig. 6). It did so to give jurisdictions more time to design programs following the release of its capital program guidelines, and to accommodate the additional time needed to support tribal governments.

Figure 6: Application Deadline Extensions for State Small Business Credit Initiative, March 2021–March 2023



Source: GAO analysis of Department of the Treasury documents. | GAO-23-105293

Capital program deadlines for states and territories. On September 27, 2021, Treasury extended the deadline for states and territories to complete their capital program applications from December 11, 2021, to February 11, 2022.[24] Treasury officials said they extended the application

[24]Treasury initially required states, territories, and the District of Columbia to initiate applications for the capital program by December 11, 2021, and to submit a complete application by February 11, 2022.

deadline to allow more time for jurisdictions to design their programs after capital program guidelines were issued in November 2021.

Capital program deadlines for tribal governments. Treasury extended the capital program application deadline for tribal governments four times.[25] Treasury first extended the deadline in response to concerns from tribal governments about the feasibility of submitting applications by the original deadline of December 11, 2021. It extended the deadline a second time to update preliminary allocations for tribal governments and allow additional time for tribes to form consortiums, and because tribal governments lacked experience with the original SSBCI.[26] Treasury then extended the deadline two more times to continue to give tribal governments time to design their programs and for Treasury staff to continue outreach efforts.

Treasury officials said that providing support to tribal governments has taken more time and resources than they expected because tribal governments are statutorily held to the same requirements as states but generally do not have similar experience in implementing capital lending and investment programs. To assist tribal governments, Treasury facilitated connections between tribal governments to form consortiums and incorporated flexibilities into the program guidance where possible, such as allowing businesses owned by tribal governments to participate in SSBCI.

Technical assistance deadlines. Treasury also extended deadlines for the technical assistance program multiple times. For states and territories, Treasury extended the deadline three times from March 31, 2022, to a final deadline of October 14, 2022. For tribal governments, it extended the deadline four times from March 11, 2022, to March 31, 2023.

One factor that contributed to the first extension was the delayed issuance of the technical assistance guidelines. Treasury communicated in November 2021 that it would issue these guidelines in the following weeks, but did not do so until April 28, 2022. Officials said the guidelines

[25]Treasury initially required tribal governments to submit a Notice of Intent to apply by September 16, 2021, and subsequently extended this deadline to December 11, 2021.

[26]According to officials, Treasury initially communicated preliminary allocations to each eligible tribal government before the deadline for tribal governments to submit a Notice of Intent to apply and updated allocations after the Notice of Intent deadline. Treasury then re-calculated the allocations based on the number of entities that submitted a Notice of Intent to apply by the December 2021 deadline.

were issued later than planned because they wanted to make sure they were fully developed and reflected the capital program guidelines. They also were balancing competing program priorities and needed time to solidify their partnership with the Department of Commerce's Minority Business Development Agency, which will administer part of the program.

More broadly, according to Treasury officials, timelines for the technical assistant component shifted from their original estimates because they did not fully anticipate the resources needed to develop and issue extensive reporting guidance, compliance standards, and FAQs. They also did not fully anticipate the time and effort needed to review capital program applications.

Finally, officials said deadlines were extended in response to feedback from jurisdictions that wanted to complete their capital program applications before submitting technical assistance applications. The deadline for tribal governments to submit technical assistance applications also was pushed back when Treasury extended the deadline for them to submit capital program applications.

Timing of disbursements. The deadline extensions, and the time needed to review numerous applications (many proposing multiple programs and program types) affected the timing of disbursements of funds to jurisdictions. In September 2021, Treasury officials said they planned to start disbursing funds in the first quarter of 2022. They did not begin disbursing funds until May 26, 2022—about 3 months after the February 2022 capital program application deadline for states and territories. As of September 30, 2022, Treasury had approved 31 applications and disbursed the first tranche of funds to 26 of the 56 jurisdictions that applied.

According to officials, completing application reviews and disbursing funds took longer than expected in part because of the timing and volume of capital program applications. Nearly all of the 56 capital program applications from states, territories, and the District of Columbia were submitted shortly before the February 11, 2022 deadline, and collectively proposed substantially more programs than implemented during the original SSBCI. Officials also said participating jurisdictions were planning a wider variety of programs to absorb the increased amount of funding. They noted that it generally takes a month to complete an application review, including 1–3 weeks to pose questions to a jurisdiction about their application and receive answers.

Participants and stakeholder views on timelines for guidance, applications, and fund disbursement. While tribal governments and organizations generally reported that the deadline extensions were helpful, several states we interviewed between March and May 2022 told us they made it more difficult to design or start their programs. Two of the three tribal governments we interviewed said the deadline extensions were helpful and gave them more time to design their programs. Similarly, four of the six tribal organizations we interviewed noted that the extensions allowed tribal governments to explore private funding options, flesh out program designs, clarify guidance, obtain additional assistance from Treasury, or communicate with other tribal governments.

However, eight of 12 states noted that collective program delays hindered their efforts to design or put their programs in place. In particular, five states reported that Treasury's delays issuing guidance made it more challenging to design their programs because they had to work with incomplete information. Three states reported that Treasury's guidance delays made it more difficult to develop partnerships or work with third parties necessary for their programs. Representatives from a financial organization similarly reported that the later-than-expected disbursal of funds caused program partners to drop out, which might affect jurisdictions' ability to administer programs.

The remaining four states did not report implementation challenges resulting from the extension of SSBCI timelines. However, two of these states said that delays raised concerns about getting funds to small businesses in need. Three of the four territories told us that Treasury could have improved the timeliness of the guidance or application process.

Treasury's Planning Could More Fully Incorporate Certain Best Practices for Project Scheduling

Treasury has faced challenges setting and maintaining a reliable schedule for key SSBCI program implementation steps, as indicated by multiple deadline extensions and later-than-expected disbursements. Although Treasury moved back some time frames to allow more time to properly manage new SSBCI components and allow jurisdictions additional time they needed, some jurisdictions reported challenges arising from certain delays, such as increased difficulty in working with partners to implement their programs.

Treasury's planning efforts have not fully incorporated certain best practices for creating and maintaining a reliable schedule—a document that integrates the planned work of government staff and contractors, the resources necessary to accomplish that work, and the associated budget (see app. II for more details).[27] Incorporating these best practices can help agencies improve their project planning processes and reduce the potential for delays. These practices include, but are not limited to, the following:

- **Sequencing and establishing the duration of activities.** Activities should be logically sequenced and linked, and a schedule should realistically reflect how long each activity will take. Treasury officials noted that they began drafting a work plan in March 2022 and produced an updated work plan in September 2022 to help set work streams, develop high-level deliverables for a period of time, and communicate the SSBCI program office's goals internally and to management. However, while Treasury's September 2022 work plan documented goals and objectives through December, it did not describe the interim steps needed to reach deadlines for major work streams, how Treasury planned to sequence planned work, or estimations for how long each activity would take.
- **Assigning resources to activities.** A schedule should reflect the resources needed to do the work. Treasury's September 2022 work plan did not identify which staff or contractors would be responsible for leading and conducting each activity or reflect a consideration of resource availability or constraints.
- **Updating the schedule using actual progress.** A schedule should be updated with actual dates and progress to adjust time frames for remaining efforts. Treasury officials noted that since spring 2021, they have used frequent internal meetings to establish and revise time frames and plan to revisit the work plan at least annually to identify gaps in resources and set objectives. However, Treasury's work plan did not include time frames for such updates, reflect progress updates based on prior work plans, or report on program performance relative to the documented objectives.

Fully incorporating these practices for creating and maintaining a reliable schedule could help Treasury communicate accurate time frames to program stakeholders and ensure timely and efficient implementation of remaining SSBCI components. These components include

- reviewing capital program applications and disbursing funds for tribal governments and consortiums;

[27] See GAO-16-89G.

- reviewing applications for all participating jurisdictions for the technical assistance program; and
- developing compliance and performance monitoring plans for the capital and technical assistance programs.

Treasury officials noted that Treasury's approach to work planning was influenced by a variety of factors, including the program office's limited staff resources and the need for flexibility in planned time frames. Officials noted the value of conducting planning exercises to align staff resources and sequence project activities. But they said that rigorous and time-consuming project planning practices might not be appropriate because of the significant workload required to implement the program. However, incorporating these best practices for project scheduling does not necessarily require significant staff resources and could help Treasury more efficiently use the limited staff resources it has available.

Without a planning process that incorporates best practices for project scheduling, Treasury may experience additional delays as it executes the remaining key implementation steps for SSBCI. In turn, this may impede efforts to disburse the remaining funds and conduct oversight of jurisdictions' use of funds in a timely manner. Treasury also may be unable to share reliable time frames with participating jurisdictions, which could hinder jurisdictions' efforts to design and implement programs and meet the needs of small businesses.

Treasury's Compliance and Performance Monitoring Efforts Are in Progress

Treasury Has Begun Developing a Compliance Framework for the Capital Program

Treasury has taken steps to support and monitor jurisdictions' compliance with SSBCI capital program guidelines, and has been developing compliance procedures. Key components of Treasury's compliance efforts include the following:

- **Compliance monitoring procedures.** Treasury officials said the agency plans to use compliance monitoring procedures similar to those used for the original SSBCI. They plan to adjust those procedures to account for the current program's increased size and its new components, such as the addition of tribal governments and funding for very small and SEDI-owned businesses. According to officials, they expect these procedures to include conducting risk-based sampling of participant transactions, reviewing participant transactions prior to disbursing additional funds, and reviewing jurisdictions' quarterly and annual reports. As of November 2022, officials were drafting a plan for these procedures. According to Treasury's September 2022 work plan, the agency planned to complete a compliance monitoring plan for the SSBCI capital program by December 31, 2022.

- **National compliance and oversight standards.** Treasury published standards for compliance and oversight by jurisdictions on November 17, 2022. Similar to national compliance and oversight standards published for the original program, these standards describe best practices and Treasury's recommended approach for designing and implementing a comprehensive compliance and oversight system. Treasury officials said the capital program policy guidelines also included some of the guidance from the original standards.
- **Compliance training.** Treasury officials said they plan to conduct periodic compliance training for jurisdictions, particularly for tribal governments and smaller states and territories that may need additional support to handle the larger allocations they received under the current program. According to officials, the agency developed compliance training materials and held multiple rounds of this training as of December 31, 2022.

To mitigate potential compliance issues that may arise while the agency develops its compliance framework, officials said jurisdictions will be able to submit compliance questions to Treasury. They plan to meet frequently with jurisdictions and lending partners to answer compliance questions. Officials also said the application review process allows them to identify potential issues and address them with jurisdictions before programs are implemented.[28]

In interviews conducted between March and May 2022, some states and territories indicated a need for additional compliance guidance and tools.

[28]As part of the application review process, Treasury reviews whether the applicant has represented that it completed the legal actions necessary to implement the proposed capital programs and whether the application demonstrates an understanding of SSBCI capital program guidelines. Treasury also evaluates the reporting mechanisms, audits, or other internal controls and compliance activities the jurisdiction has in place to conduct oversight and meet annual and quarterly reporting requirements.

Six of 12 states and one of four territories told us that additional checklists or templates from Treasury would be helpful. For example, checklists or templates that could be shared with participating small businesses or lenders could help jurisdictions meet program requirements or prevent compliance issues. Two states said Treasury's guidance was unclear and a third said it would be helpful if Treasury's FAQs were more complete.

In the months since our interviews were conducted, Treasury issued FAQs in June, July, August, September, and December 2022 to clarify existing program guidelines. Treasury also published sample certifications in June 2022 to help participating jurisdictions comply with certification requirements in the SSBCI capital program guidelines, and published standards for compliance and oversight by jurisdictions in November 2022. Treasury officials said they do not have immediate plans to develop compliance templates and checklists, because it would be difficult to develop a document that covers the nuances of every program that jurisdictions plan to implement.

Treasury Plans to Use Performance Measures from the Original SSBCI and Develop Measures for New Program Elements

Treasury officials said their approach to measuring performance for the SSBCI capital program will be similar to their approach for the original SSBCI, with some additions such as measuring performance for the SEDI-owned business component. As we reported in December 2013, Treasury's performance measures for the original program included the

- amount of SSBCI funds used over time, as reported in SSBCI quarterly reports;
- volume and dollar amount of loans or investments supported by SSBCI funds, as reported in SSBCI annual reports;
- amount, in dollars, of private-sector leverage in SSBCI annual reports; and
- estimated number of jobs created or retained in SSBCI annual reports.

As of September 30, 2022, Treasury had issued capital program reporting guidance for jurisdictions and was developing performance measures for that component of the current SSBCI and an online portal for jurisdictions to submit reporting data.[29] Treasury had not yet developed performance measures or reporting guidance for the technical assistance component

[29]Treasury issued capital program reporting guidance in May 2022 and updated guidance in September 2022.

of SSBCI. The capital program reporting guidance requires jurisdictions to submit quarterly and annual reports and report data on recipient business and investment characteristics, the number of jobs expected to be created and retained, and the amount of private financing obtained. Jurisdictions must report on demographic-related characteristics of small businesses participating in their programs, including the SEDI-owned status of businesses and the race, ethnicity, gender, sexual orientation, and veteran status of principal business owners, to the extent businesses provide this information.

Conclusions

The reauthorized SSBCI provides critical funding to states, territories, and tribal governments to facilitate small business lending and investing in the aftermath of the COVID-19 pandemic. SSBCI's focus on very small and SEDI-owned businesses in particular makes it an important program for reaching businesses that historically have faced difficulties obtaining access to finance. While Treasury has made progress in implementing a large and complex program, it has taken longer than expected to disburse funds to jurisdictions. And significant implementation steps remain, such as continuing to review applications and implementing compliance monitoring and performance measurement plans. As Treasury plans work and manages time frames for remaining SSBCI implementation steps, its planning efforts could benefit from fully incorporating best practices for project scheduling, such as sequencing and assigning resources for planned activities and updating the schedule to reflect actual progress. Fully incorporating these practices could better position Treasury to establish and communicate reliable time frames and reduce the potential for additional delays.

Recommendation for Executive Action

Treasury's Chief Recovery Officer should fully incorporate best practices for project scheduling related to sequencing and establishing the duration of activities, assigning resources to activities, and updating the schedule using actual progress into its planning processes for the SSBCI program. (Recommendation 1)

Agency Comments and Our Evaluation

We provided a draft of this report to Treasury for review and comment. Treasury provided written comments, which are provided in appendix III. Treasury also provided technical comments, which we incorporated as appropriate.

In its written comments, Treasury stated that it agreed with the goal of ensuring appropriate planning and scheduling for Treasury's implementation of the SSBCI program. Treasury stated it will study GAO's best practices for project scheduling and review options for incorporating additional functionality into its planning for the SSBCI program in line with our recommendation.

Following this review of options, implementing the recommendation by fully incorporating these practices would help better position Treasury to set reliable time frames and limit additional delays for remaining SSBCI implementation steps.

We are sending copies of this report to the appropriate congressional committees and the Secretary of the Treasury. In addition, the report is 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 Michael Clements at 202-512-8678 or clementsm@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 key contributions to this report are listed in appendix IV.

Michael E. Clements
Director, Financial Markets and Community Investment

Congressional Addressees

Chair
Vice Chair
Committee on Appropriations
United States Senate

Chair
Ranking Member
Committee on Finance
United States Senate

Chair
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

Chair
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Kay Granger
Chair
The Honorable Rosa L. DeLauro
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Cathy McMorris Rodgers
Chair
The Honorable Frank Pallone, Jr.
Ranking Member
Committee on Energy and Commerce
House of Representatives

The Honorable Mark E. Green, M.D.
Chairman
The Honorable Bennie G. Thompson
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable James Comer
Chairman
The Honorable Jamie Raskin
Ranking Member
Committee on Oversight and Accountability
House of Representatives

The Honorable Jason Smith
Chairman
The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
House of Representatives

The Honorable Lisa Murkowski
United States Senate

Appendix I: Objectives, Scope, and Methodology

This report evaluates the Department of the Treasury's implementation of the State Small Business Credit Initiative (SSBCI), reauthorized by the American Rescue Plan of 2021. Specifically, we examined (1) jurisdictions' planned use of SSBCI funds to meet program objectives, (2) Treasury's completion of key implementation steps for SSBCI, and (3) Treasury's efforts to manage program risks and measure program performance.

To address the first objective, we reviewed and analyzed Treasury data on total preliminary funding allocations for states, territories, and tribal governments. These are allocations for the main capital program, very small businesses, businesses owned by socially and economically disadvantaged individuals (SEDI-owned businesses), and the SEDI-owned business incentive fund. We reviewed and analyzed data on the number of applications approved and the amount of funds disbursed to states and territories as of September 30, 2022. We compared these data to determine which states and territories had not yet received funds. We assessed the reliability of these data by reviewing Treasury guidance and methodologies for allocating funds to jurisdictions and interviewing Treasury officials about their process for ensuring the accuracy of the data. We found these data to be sufficiently reliable for describing preliminary funding allocation amounts for states, territories, and tribal governments and disbursement amounts for states and territories.

To describe how jurisdictions planned to use SSBCI funds, we reviewed and analyzed Treasury data on states and territories' planned programs, which were obtained from Treasury's ongoing reviews of applications for the SSBCI capital program as of September 2, 2022.[1] We obtained data on the types of programs implemented by states and territories during the original SSBCI from Treasury's 2016 SSBCI program evaluation. We compared the number of programs implemented during the original SSBCI to the number of planned programs for the current SSBCI. We assessed the reliability of these data by obtaining written responses from knowledgeable Treasury officials about their process for ensuring the accuracy of the data. We found these data to be sufficiently reliable for describing the planned programs.

[1]These data are subject to change as Treasury continues reviewing and approving applications.

We interviewed officials from four of the five permanently inhabited territories and a nongeneralizable selection of 12 states and three tribal governments.[2] We selected states with a range of (1) total preliminary funding allocations for the current SSBCI, (2) preliminary funding allocations for SEDI-owned businesses, and (3) geographic location; and to include states that did and did not participate in the original SSBCI program. We selected tribal governments that submitted a Notice of Intent to apply for SSBCI and to represent a range of geographic regions and sizes based on preliminary total funding allocations. We contacted 16 tribal governments and interviewed representatives of the three tribal governments that responded, which represented three different geographic regions (Midwest, Northwest, and Southern Plains) and all had preliminary allocation amounts greater than the median amount of approximately $686,000.[3]

Our interviews focused on the types of programs jurisdictions planned to implement, perspectives on Treasury's implementation of SSBCI, and any challenges faced or areas in which Treasury could provide additional guidance or support. For the states and territories we interviewed, we obtained and analyzed information on the types of programs they planned to implement and whether they would restart programs from the original SSBCI or develop new ones. We obtained this information through a pre-interview questionnaire that asked jurisdictions about the status of their application for the SSBCI capital programs, the types of programs they were planning to implement, and whether they were planning to implement new programs, restart programs, or fund ongoing programs.

To address the second objective, we reviewed relevant legislation and SSBCI documentation, including program guidelines and application materials for the capital and technical assistance programs, guidance in the form of frequently asked questions, and Treasury notices. We assessed Treasury's efforts to implement its 2015 Tribal Consultation

[2]We interviewed representative from the following states: Alabama, Alaska, Arizona, California, Florida, Illinois, Massachusetts, Missouri, New Hampshire, New Jersey, North Carolina, and North Dakota. We also interviewed representatives of four of the five permanently inhabited U.S. territories: American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and Puerto Rico. We requested interviews with all five territories; one did not respond to our request. We interviewed representatives of three tribal governments: the Confederated Tribes of the Umatilla Indian Reservation, Little Traverse Bay Bands of Odawa Indians, and Wichita and Affiliated Tribes.

[3]We categorized tribal governments by geographic region based on the 12 regions used by the Bureau of Indian Affairs in the Department of the Interior.

Policy for SSBCI by reviewing tribal consultation agendas and meeting notes. We reviewed and analyzed Treasury's time frames for developing and updating program guidelines and application deadlines for the capital and technical assistance programs using program guidelines, notices, and information on SSBCI's public website. We reviewed Treasury's work plan and other planning efforts for SSBCI and compared them to our best practices for project scheduling.[4] Specifically, we compared Treasury's work plan and planning efforts to best practices related to sequencing and establishing the duration of activities, assigning resources to activities, and updating the schedule using actual progress. We interviewed Treasury officials on the steps they took to implement SSBCI, including hiring staff, and about implementation time frames and any planning efforts.

To address the third objective, we reviewed prior GAO and Treasury Office of Inspector General reports, Treasury's national compliance and oversight standards for the original and current SSBCI, and Treasury's reporting guidance for the current SSBCI capital program. Treasury's compliance monitoring procedures and performance monitoring documents for SSBCI were under development at the time of our review. We interviewed Treasury officials on their approaches to risk management, including compliance monitoring and performance measurement plans.

For all our objectives, we interviewed experts from three business organizations (America's Small Business Development Network, Council of Development Finance Agencies, and State Science and Technology Institute); two lender organizations (National Venture Capital Association and Opportunity Finance Network); and six tribal organizations (Affiliated Tribes of Northwest Indians Economic Development Corporation, Midwest Alliance of Sovereign Tribes, NAFOA, Native American Development Corporation, Native CDFI Network, and United South and Eastern Tribes Sovereignty Protection Fund). We discussed their perspectives on how states, territories, and tribal governments planned to use SSBCI funding, Treasury's implementation of the program, and any challenges faced.

We conducted this performance audit from August 2021 to February 2023 in accordance with generally accepted government auditing standards.

[4]See GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-16-89G (Washington, D.C.: Dec. 22, 2015).

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.

Appendix II: Best Practices for Creating and Maintaining Reliable Schedules

GAO's Schedule Assessment Guide outlines best practices for creating and maintaining a high-quality and reliable project schedule.[1] The 10 best practices described below represent key concepts and activities for developing such schedules. They help integrate the planned work, the resources necessary to accomplish that work, and the associated budget. These best practices are in no particular order and are not intended as a series of steps for developing a schedule.

Table 3: GAO's Best Practices for Project Schedules

Best practice	Description
Capturing all activities	The schedule should reflect all activities as defined in the program's work breakdown structure, which defines in detail the work necessary to accomplish a project's objectives.
Sequencing all activities	The schedule should be planned so that critical program dates can be met. To do this, activities must be logically sequenced and linked—that is, listed in the order in which they are to be carried out and joined with logic. In particular, a predecessor activity must start or finish before its successor. Date constraints and lags should be minimized and justified. This helps ensure that the interdependence of activities that collectively lead to the completion of activities or milestones can be established and used to guide work and measure progress.
Assigning resources to all activities	The schedule should reflect the resources (labor, materials, travel, facilities, equipment, and the like) needed to do the work, whether they will be available when needed, and any constraints on funding or time.
Establishing the duration of all activities	The schedule should realistically reflect how long each activity will take. Durations should be reasonably short and meaningful and should allow for discrete progress measurement. Schedules that contain planning and summary planning packages as activities will normally reflect longer durations until broken into work packages or specific activities.
Verifying that the schedule can be traced horizontally and vertically	The schedule should be horizontally traceable, meaning that it should link products and outcomes associated with other sequenced activities. Such links are commonly referred to as "hand-offs" and serve to verify that activities are arranged in the right order for achieving aggregated products or outcomes. The schedule should also be vertically traceable—that is, data are consistent between different levels of a schedule. When schedules are vertically traceable, lower-level schedules are clearly consistent with upper-level schedule milestones, allowing for total schedule integrity and enabling different teams to work to the same schedule expectations.
Confirming that the critical path is valid	The schedule should identify the program's critical path—the path of longest duration through the sequence of activities. Establishing a valid critical path is necessary for examining the effects of any activity's slipping along this path. The program's critical path determines the program's earliest completion date and focuses the team's energy and management's attention on the activities that will lead to the project's success.
Ensuring reasonable total float	The schedule should identify reasonable total float (or slack)—the amount of time a predecessor activity can slip before the delay affects the program's estimated finish date—so that the schedule's flexibility can be determined. The length of delay that can be accommodated without the finish date's slipping depends on the number of date constraints within the schedule and the degree of uncertainty in the duration estimates, among other factors, but the activity's total float provides a reasonable estimate of this value. As a general rule, activities along the critical path have the least total float. Unreasonably high total float on an activity or path indicates that schedule logic might be missing or invalid.

[1]See GAO, *GAO Schedule Assessment Guide: Best Practices for Project Schedules*, GAO-16-89G (Washington, D.C.: Dec. 22, 2015).

Best practice	Description
Conducting a schedule risk analysis	A schedule risk analysis starts with a good critical path method schedule. Data about program schedule risks are incorporated into a statistical simulation to predict the level of confidence in meeting a program's completion date; to determine the contingency, or reserve of time, needed for a level of confidence; and to identify high-priority risks. Programs should include the results of the schedule risk analysis in constructing an executable baseline schedule.
Updating the schedule using actual progress and logic	Progress updates and logic provide a realistic forecast of start and completion dates for program activities. Maintaining the integrity of the schedule logic is necessary to reflect the true status of the program. To ensure that the schedule is properly updated, people responsible for the updating should be trained in critical path method scheduling.
Maintaining a baseline schedule	A baseline schedule is the basis for managing the program scope, the time period for accomplishing it, and the required resources. The baseline schedule is designated the target schedule and is subjected to a configuration management control process. Program performance is measured, monitored, and reported against the baseline schedule. The schedule should be continually monitored so as to reveal when forecasted completion dates differ from baseline dates and whether schedule variances affect downstream work.

Source: GAO. | GAO-23-105293

Appendix III: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

January 17, 2023

Michael E. Clements
Director, Financial Markets and Community Investment
Government Accountability Office
441 G St., N.W.
Washington, DC 20548

Dear Mr. Clements:

Thank you for the opportunity to review the Government Accountability Office's (GAO) draft report entitled *State Small Business Credit Initiative: Improved Planning Could Help Treasury Limit Additional Delays* (the Draft Report). The U.S. Department of the Treasury (Treasury) values GAO's analysis and has provided technical comments under separate cover.

The Draft Report reviews aspects of the State Small Business Credit Initiative (SSBCI) that was reauthorized by American Rescue Plan Act of 2021 (ARPA). Specifically, the Draft Report examines recipient jurisdictions' planned use of SSBCI funds, as well as Treasury's completion of key implementation steps and its efforts to manage program risks and measure program performance.

As a preliminary matter, Treasury notes that SSBCI is part of a broader suite of Treasury programs designed to address economic harms brought by the COVID-19 pandemic as well as revitalize small businesses. By early 2021, hundreds of thousands of small businesses had been shuttered by the pandemic. ARPA was passed in March 2021, providing a range of economic relief programs, including SSBCI, that have helped shepherd an equitable recovery for—and provide needed assistance and capital access to—small businesses. In concert with other programs that provided immediate relief, Treasury structured and implemented SSBCI to promote longer-term equitable growth for small businesses.

As the Draft Report acknowledges, the current SSBCI has a significantly larger mandate than the original SSBCI program, which was authorized by the Small Business Jobs Act of 2010 (P.L. 111-240). The $10 billion appropriation for the current SSBCI program is many times larger than the $1.5 billion appropriation of the prior program. SSBCI now also includes allocations for Tribal governments and new features designed to reach communities that have traditionally lacked access to capital—including $1.5 billion in allocations for jurisdictions to provide access to capital to underserved small businesses and $1 billion in incentive funds for jurisdictions that successfully achieve that goal. Despite these new, additional complexities, the current SSBCI program has successfully completed numerous key implementation steps: Treasury has published preliminary allocations, issued policy guidance, launched the application portal, conducted outreach to jurisdictions to promote best practices, provided extensive technical assistance to support the submission of high-quality applications, reviewed applications, and made disbursements, among other actions. Indeed, as reflected in the Draft Report, as of September 30,

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2022, Treasury had approved 31 applications and disbursed $1.3 billion in funding to 26 jurisdictions. Further, by the end of 2022, the number of application approvals had risen to 42 states and 1 territory, representing over 80 percent of the total SSBCI Capital Program funding reserved for states and territories. These programs have already begun to provide capital to small businesses, including underserved businesses. Finally, Treasury has established a technical assistance (TA) grant program, issued initial TA guidance, opened the TA application portal, and received TA applications. These achievements are the result of significant planning efforts by Treasury.

The Draft Report identifies changes in timelines that occurred during implementation and recommends further incorporation of best practices for project scheduling. Treasury agrees with GAO's goal of ensuring appropriate planning and scheduling for Treasury to continue the successful implementation of the SSBCI program. We note that Treasury employs scheduling and planning practices for SSBCI that are dynamic and support the program's goal of efficiently and effectively distributing funds. Implementation timelines are impacted by numerous factors, including needs of the recipients. For example, Treasury previously amended certain initial SSBCI timelines to provide additional support to Tribal governments that had not previously participated in the SSBCI program, as well as to allow more time for all recipient jurisdictions to design their programs. But we will study GAO's "Best Practices for Creating and Maintaining Reliable Schedules" in the context of the current and projected state of the program and review options for incorporating additional functionality into the workplan that is in line with GAO's recommendation.

Treasury appreciates GAO's continued work assessing implementation of ARPA funds. Thank you again for the opportunity to review the Draft Report and for your consideration of our comments.

Sincerely,

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Appendix IV: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

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