

# The Ryan Budget: Wrong for Small Businesses, Wrong for America

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A Report prepared by the Democrats of the House Committee on Small Business  
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## EXECUTIVE SUMMARY

- Across the government, the Ryan Budget would cut small business-related programs by \$10.8 billion, reducing employment by 314,000.
- Reduces small business contracts awards by \$133 billion.

## SMALL BUSINESS ADMINISTRATION

- Cuts the SBA by over \$1.2 billion.
- Reduces 504 program lending by \$12 billion, resulting in 207,000 fewer jobs.
- Decreases Microloan technical assistance by \$32 million and Microloans by \$34 million, which lowers job creation by 17,928 jobs.
- Cuts SBDCs by \$183 million, reducing small business creation by 19,170.
- Reduces Women's Business Center program by \$22 million, preventing WBCs from assisting 180,000 small businesses and resulting in 860 fewer new small businesses.

## INNOVATION, TECHNOLOGY, AND MANUFACTURING

- Cuts SBIR and STTR awards by \$3.2 billion, leaving many innovative small firms without the resources they need to grow.
- Reduce funding for the EDA by nearly \$400 million, resulting in nearly 5,000 fewer jobs.
- Cuts the National Telecommunication and Information Administration by \$82 million, which impairs small firms' access to broadband technologies, particularly those in rural areas.
- Cuts the Manufacturing Extension Partnership by more than \$200 million, reducing job creation by 42,325.

## JOB TRAINING

- Reduces Job Corps funding by \$2.7 billion, which would mean more than 80,000 fewer students would be able to access training, educational opportunities, and career counseling.
- Cuts Trade Adjustment Assistance by nearly \$1 billion, causing nearly 42,000 workers to go out without the training and assistance they need to reenter the workforce.
- Decreases the Department of Labor's adult employment and training programs by \$1.2 billion, leading to fewer skilled workers for small businesses.

### SMALL BUSINESS TRADE

- Cuts trade enforcement by \$114 million, making it harder for small firms to receive the protection and representation they require to compete in the international marketplace.
- Reduces trade promotion activities by more than a half a billion dollars, leaving nearly 30,000 businesses without the assistance they need.

### RURAL BUSINESS

- Cuts total lending for the U.S. Department of Agriculture's (USDA) Business & Industry loan program by 1.5 billion, leading to a loss of more than 20,000 jobs.
- Reduces USDA's Rural Business grants by \$88 million, resulting in 2,000 fewer jobs.

## **INTRODUCTION**

Perhaps the single most important sector for ensuring sustained economic growth and job creation is small business. The 28.2 million small firms in the U.S. are the engine of the American economy, representing 99.7 percent of all employers, and generating 63 percent of all new jobs.<sup>1</sup> In the past, during times of economic downturns as well periods of growth, it has been our entrepreneurs who launch start-ups, spark business investment, and provide job opportunities for the ranks of the unemployed or underemployed. Because of small firms' important role, it is important to design federal policy in a manner that supports their continued development.

The Budget Resolution introduced by Committee on the Budget Chairman Paul Ryan (Ryan Budget) on April 1, 2014 undermines this principle. If enacted, this \$42.6 trillion, 10-year budget would reduce non-defense discretionary spending by \$791 billion. Given that nearly all small business programs fall into this category, the Ryan Budget would significantly reduce federal assistance and support for small firms across the country.

The following report provides an assessment of the Ryan Budget's impact on small businesses across several areas, including the Small Business Administration, procurement, international trade, innovation, technology and manufacturing, job training, and rural development. What it finds is that agencies and programs that support small business and promote entrepreneurship would be substantially curtailed under the Ryan Budget. The result would be lower startup rates and reduced levels of job creation.

For small businesses to continue to be the foundation of the U.S. economy, they require an environment that is conducive for growth. Many of the programs in this report have compensated for market failures in such critical areas as manufacturing, technology, entrepreneurial development, worker training, rural assistance, and business financing. The network of federal government programs in these areas has enabled the development of a strong and vibrant small business sector, which is essential if the economy is to enjoy a sustained economic recovery. To be effective, however, these programs require the support of Congress.

While ensuring that government operates efficiently is a priority, the decreases in small business resources do not represent a promising path forward. Experience has demonstrated that such reductions only serve to dampen economic activity, rather than act as a catalyst for

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<sup>1</sup> SBA Office of Advocacy, Frequently Asked Questions, April 2014.

renewed growth. Ensuring that all sectors and geographic regions have access to the resources they need is vitally important, especially for the small businesses that are so critical to our nation's growth.

As the following report details, many small businesses will face tougher challenges receiving the assistance and support they need under the Ryan Budget. By not adequately funding the programs that promote entrepreneurship and support small firms, the United States will be unable to build on its recent advances and risks relinquishing the hard-fought gains it has realized during the last few years.

## **RYAN BUDGET IMPACT ON THE SMALL BUSINESS ADMINISTRATION**

### **Small Business Administration**

The Small Business Administration (SBA) provides loans, investment capital, training, and contracting opportunities to small firms across the U.S. The agency support more than \$35 billion in small business financing; facilitates access to over \$80 billion in federal contracts; and counsels and trains over one million small business owners through a nationwide network of resource partners.<sup>2</sup>

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>SBA - Ryan Budget</b>	\$770	\$704	\$693	\$ 701	\$ 709	\$ 715	\$ 721	\$ 725	\$ 728	\$ 731	\$ 7,198
<b>SBA - Baseline</b>	\$770	\$772	\$789	\$ 808	\$ 829	\$ 850	\$ 870	\$ 892	\$ 916	\$ 939	\$ 8,434
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (67)	\$ (95)	\$ (106)	\$ (121)	\$ (135)	\$ (149)	\$ (167)	\$ (188)	\$ (208)	\$ (1,236)

The Ryan Budget will have a broad impact on the federal government's ability to support small firms. Over the ten year window, the Ryan Budget would decrease SBA's budget by over \$1 billion, and on average, by more than \$100 million per year. The impact on small firms would be significant as it would have to cut capital, training, and procurement resources for small firms. Below, this reduction and its impact on small businesses and job creation are further assessed.

### **504 Loan Program**

The 504 program is SBA's primary economic development loan program, providing small companies with financing for major projects and purchases. With a statutorily-mandated job creation component and various public policy goals, the program helps facilitate job creation nationwide. A typical 504 project includes a loan secured from a private sector lender with a senior lien and an SBA-backed loan secured from a certified development company (CDC) in a second position.

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<sup>2</sup> U.S. Small Business Administration, FY 2015 Congressional Budget Justification and FY 2013 Annual Performance Report.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>504 Loan Program - Ryan Budget</b>	\$107	\$ 98	\$ 96	\$ 97	\$ 99	\$ 99	\$ 100	\$ 101	\$ 101	\$ 102	\$ 1,000
<b>504 Loan Program - Baseline</b>	\$107	\$107	\$110	\$ 112	\$ 115	\$ 118	\$ 121	\$ 124	\$ 127	\$ 130	\$ 1,172
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (9)	\$ (13)	\$ (15)	\$ (17)	\$ (19)	\$ (21)	\$ (23)	\$ (26)	\$ (29)	\$ (172)

Given that the 504 program relies on an appropriation, the Ryan Budget creates significant challenges for small firms reliant on this initiative. The Ryan Budget would reduce funding for the 504 program by \$172 million over the budget period, which would result in a total lending reduction of \$12 billion over this time. Based on SBA provides metrics, this would result in 207,000 fewer jobs over this period.<sup>3</sup>

### Microloan Program

SBA's Microloan program provides loans to non-profit intermediary lenders which in turn lend the funds in amounts of \$50,000 or less to the smallest of small businesses. Microloan program intermediary lenders may also receive grants to help provide training and technical assistance to microborrowers and potential microborrowers. The fusion of capital and training helps shore up the capacity of the microborrower to turn a profit, improve operations, grow the business and create jobs.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Microloan TA - Ryan Budget</b>	\$ 20	\$ 18	\$ 18	\$ 18	\$ 18	\$ 19	\$ 19	\$ 19	\$ 19	\$ 19	\$ 187
<b>Microloan TA - Baseline</b>	\$ 20	\$ 20	\$ 20	\$ 21	\$ 22	\$ 22	\$ 23	\$ 23	\$ 24	\$ 24	\$ 219
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (2)	\$ (2)	\$ (3)	\$ (3)	\$ (3)	\$ (4)	\$ (4)	\$ (5)	\$ (5)	\$ (32)

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Microloan Lending - Ryan Budget</b>	\$ 5	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 43
<b>Microloan Lending - Baseline</b>	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 6	\$ 50
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (0)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (7)

<sup>3</sup> *Ibid.*

The Ryan Budget would reduce funding for both portions of the Microloan program – technical assistance and loan-making. It would reduce technical assistance by \$32 million and loan making by \$34 million (\$7 million in funding at current credit subsidy rate) over the ten-year period. Based on metrics provided by SBA, this reduction will reduce job creation by 17,928 jobs over the period.<sup>4</sup>

### Small Business Development Centers

Across the United States, Small Business Development Centers (SBDCs) promote the economic growth of small firms, generating business revenue, job creation and job retention as well as advancing local and regional economies. These centers deliver management and technical assistance to small businesses through an extensive business education network comprised of 63 lead centers managing over 900 outreach locations in all 50 states and the insular territories.

Last year, SBDCs helped 14,000 entrepreneurs start new businesses, provided long-term counseling services (5+ hours or more) to 64,000 clients, assisted clients in obtaining \$4.5 billion in capital for their businesses, and helped 4,200 clients obtain \$1.2 billion in federal government contracts.<sup>5</sup> This assistance has a positive and lasting impact on not only aspiring entrepreneurs and small business owners, but also the communities in which they reside.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>SBDCs - Ryan Budget</b>	\$114	\$104	\$103	\$ 104	\$ 105	\$ 106	\$ 107	\$ 107	\$ 108	\$ 108	\$ 1,066
<b>SBDCs - Baseline</b>	\$114	\$114	\$117	\$ 120	\$ 123	\$ 126	\$ 129	\$ 132	\$ 136	\$ 139	\$ 1,249
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (10)	\$ (14)	\$ (16)	\$ (18)	\$ (20)	\$ (22)	\$ (25)	\$ (28)	\$ (31)	\$ (183)

The Ryan Budget proposes to cut SBDCs by \$183 million over the ten-year budget window. This cut, which would average approximately \$20 million per year, would greatly reduce service levels at these centers. Therefore, there would be fewer resources for small businesses and would-be entrepreneurs. Over the ten-year period, this would result in SBDCs not being able to assist 12,600 startups and 86,400 long-term counseling clients. Based on measures provided by the SBA, this will reduce small business creation by 19,170 over the period.<sup>6</sup>

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<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

**Women’s Business Centers**

Women’s Business Centers (WBCs) provide counseling and training services primarily to women entrepreneurs, many of whom are socially and economically disadvantaged. Many WBCs provide multilingual services and offer flexible hours, including evenings and weekends, allowing mothers with children to attend training classes. WBCs predominantly utilize long term training courses to maximize the delivery of services to a population of primarily nascent entrepreneurs. Many of the training courses focus on business and financial planning, helping women entrepreneurs gain business financial literacy. WBCs also provide direct counseling to clients and help clients understand various loan programs, including loan applications.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>WBCs - Ryan Budget</b>	\$ 14	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 131
<b>WBCs - Baseline</b>	\$ 14	\$ 14	\$ 14	\$ 15	\$ 15	\$ 15	\$ 16	\$ 16	\$ 17	\$ 17	\$ 153
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (1)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (3)	\$ (3)	\$ (3)	\$ (4)	\$ (22)

The Ryan Budget would reduce funding for the Women’s Business Center program by \$22 million over the ten-year budget period. Based on measures provided by the SBA, this reduction will prevent WBCs from assisting 180,000 small businesses and will result in 860 fewer new small businesses.<sup>7</sup>

**SMALL BUSINESS CONTRACTING**

Many small businesses rely on federal government contracts as their main source of revenue. Others look to the procurement marketplace as a means to grow their businesses and enter a new market. Still other firms use contracts as a means to diversify their revenue base, so that in an economic downturn they still have the stable funding that often is associated with federal contracts. In the last year for which data was available, small businesses were awarded approximately \$83 billion in federal contracts.<sup>8</sup> These contracts provided the basis for many firms to hire additional employees and provided a stimulus to communities in which these companies are located.

<sup>7</sup> *Ibid.*

<sup>8</sup> Federal Procurement Data System. FY 2013 data.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>SB Contracts - Ryan Budget</b>	\$83,000	\$75,915	\$ 74,734	\$ 75,577	\$ 76,421	\$ 77,096	\$ 77,770	\$ 78,108	\$ 78,445	\$ 78,783	\$ 775,848
<b>SB Contracts - Baseline</b>	\$83,000	\$83,169	\$ 85,024	\$ 87,049	\$ 89,411	\$ 91,604	\$ 93,797	\$ 96,159	\$ 98,689	\$101,220	\$ 909,120
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (7,254)	\$(10,291)	\$(11,472)	\$(12,990)	\$(14,508)	\$(16,026)	\$(18,051)	\$(20,244)	\$( 22,437)	\$(133,272)

If the Ryan Budget is enacted, small business contracts would be reduced by \$133 billion over the budget period. Agencies that are key customers to small firms, such as the Department of Defense, Department of Energy, and Department of Health and Human Services, would be forced to decrease their procurement spending. For small contractors, the result would be lower revenue and profitability, layoffs among existing contractors, and lower rates of job creation among new contractors. In turn, this would affect the broader economy as many companies would decrease their size and overall employment.

**RYAN BUDGET IMPACT ON INNOVATION, TECHNOLOGY AND MANUFACTURING PROGRAMS**

**SBIR/STTR**

The Small Business Innovation Research (SBIR) program is a highly competitive program that encourages small businesses to engage in federal research and Development that has the potential for commercialization. Through a competitive awards-based program, SBIR provide funding to small businesses to develop new technologies and pursue their commercialization. Similarly, the Small Business Technology Transfer (STTR) is another program that expands small business funding opportunities in the federal innovation R&D arena. The unique feature of the STTR program is the requirement that small businesses formally collaborate with a research institution, helping bridge the gap between basic science and commercialization of resulting innovations. In FY 2013, the SBIR and STTR programs made 4,700 awards for more than \$2 billion.<sup>9</sup>

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<sup>9</sup> SBIR data from [www.sbir.gov](http://www.sbir.gov)

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>SBIR/STTR - Ryan Budget</b>	\$2,009	\$1,838	\$1,809	\$1,829	\$1,850	\$1,866	\$1,882	\$1,891	\$1,899	\$1,907	\$18,779
<b>SBIR/STTR - Baseline</b>	\$2,009	\$2,013	\$2,058	\$2,107	\$2,164	\$2,217	\$2,270	\$2,328	\$2,389	\$2,450	\$22,005
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (176)	\$ (249)	\$ (278)	\$ (314)	\$ (351)	\$ (388)	\$ (437)	\$ (490)	\$ (543)	\$ (3,226)

The Ryan Budget would substantially reduce SBIR/STTR funding opportunities. In the ten-year budget window, SBIR/STTR funding would decrease by \$3.2 billion dollars, reducing the number of awards by approximately 15 percent. This means that agencies would fund fewer SBIR/STTR proposals, leaving many small firms without the resources to pursue R&D. The result would be fewer startups and less job creation in the technology sector, as well as less innovation in the life sciences, defense, and energy sectors.

### **Economic Development Administration**

The U.S. Economic Development Administration (EDA) supports small firms by facilitating the commercialization of federally-funded research and the i6 Challenge, which, as a component of the White House’s Startup America initiative, supports small business development. The EDA also promotes collaboration among small firms by providing financial support for clusters through the country. In addition, the EDA supports revolving loan funds that are directly used by entrepreneurs. Overall, small businesses reap the benefits of the EDA’s support for R&D, worker training, business expansion, and infrastructure improvements.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>EDA - Ryan Budget</b>	\$247	\$226	\$222	\$ 225	\$ 227	\$ 229	\$ 231	\$ 232	\$ 233	\$ 234	\$ 2,309
<b>EDA - Baseline</b>	\$247	\$248	\$253	\$ 259	\$ 266	\$ 273	\$ 279	\$ 286	\$ 294	\$ 301	\$ 2,705
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (22)	\$ (31)	\$ (34)	\$ (39)	\$ (43)	\$ (48)	\$ (54)	\$ (60)	\$ (67)	\$ (397)

The Ryan budget would significantly impair the EDA’s ability to support its mission of promotion innovation and regional collaboration. Over the ten-year period, the Ryan Budget would reduce funding by nearly \$400 million. Based on indicators provided by the EDA, these funding reductions to EDA would result in nearly 5,000 fewer jobs.<sup>10</sup>

<sup>10</sup> United States Department of Commerce, Economic Development Administration, Fiscal Year 2015 Congressional Budget Request.

## National Telecommunications and Information Administration

The National Telecommunications and Information Administration’s (NTIA) programs and policymaking focus largely on expanding broadband Internet access and adoption in America. This goal is critical to small businesses. Research has shown that the smaller the business, the bigger the impact that broadband can have. For example, broadband is responsible for approximately 20 percent of new jobs across all businesses, but it is responsible for 30 percent of new jobs in businesses of fewer than 20 employees.<sup>11</sup> Data also demonstrate that higher speed and quality broadband technologies increase the benefits to businesses in the form of growth, productivity, reducing costs, and enabling innovation.<sup>12</sup> The NTIA’s investment has enabled small businesses to reach new customers and streamline operation, while providing entrepreneurs with the foundation to start-up.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>NTIA - Ryan Budget</b>	\$ 51	\$ 47	\$ 46	\$ 46	\$ 47	\$ 47	\$ 48	\$ 48	\$ 48	\$ 48	\$ 477
<b>NTIA - Baseline</b>	\$ 51	\$ 51	\$ 52	\$ 53	\$ 55	\$ 56	\$ 58	\$ 59	\$ 61	\$ 62	\$ 559
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (4)	\$ (6)	\$ (7)	\$ (8)	\$ (9)	\$ (10)	\$ (11)	\$ (12)	\$ (14)	\$ (82)

Over the ten year period, the Ryan Budget would reduce the NTIA budget by \$82 million. This would impair the NTIA’s ability to promote advanced communications technologies, many of which are relied upon by small businesses, particularly those in rural areas.

## Manufacturing Extension Partnership

Given that 98 percent of all manufacturers are small businesses, programs like the Manufacturing Extension Partnership program (MEP) are critical for small firms. MEP is a Federal-state-industry partnership that provides U.S. manufacturers with access to technologies, resources, and industry experts. For every one dollar of federal investment, the MEP generates nearly \$19 in new sales growth and \$21 in new client investment.<sup>13</sup> This translates into \$2.2 billion in new sales annually. For every \$1,978 of federal investment, MEP creates or retains one manufacturing job.

<sup>11</sup> Testimony of The Honorable Lawrence Strickling, Assistant Secretary for Communications and Information National Telecommunications and Information Administration, United States Department of Commerce, before the Committee on Small Business, United States House of Representatives. Hearing entitled “Digital Divide: Expanding Broadband Access to Small Businesses,” July 18, 2012.

<sup>12</sup> *Ibid.*

<sup>13</sup> MEP performance data can be found at: <http://www.nist.gov/mep/about.cfm>

The MEP program consists of Centers located across the country that work directly with local manufacturers to help them cultivate new products, as well as the processes and services necessary to grow their businesses. America needs a robust manufacturing base and MEP is critical to the small and mid-sized U.S. manufacturers who strengthen that base.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>MEP - Ryan Budget</b>	\$128	\$117	\$115	\$ 117	\$ 118	\$ 119	\$ 120	\$ 120	\$ 121	\$ 121	\$ 1,196
<b>MEP - Baseline</b>	\$128	\$128	\$131	\$ 134	\$ 138	\$ 141	\$ 145	\$ 148	\$ 152	\$ 156	\$ 1,402
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (11)	\$ (16)	\$ (18)	\$ (20)	\$ (22)	\$ (25)	\$ (28)	\$ (31)	\$ (35)	\$ (206)

The Ryan Budget would cut the MEP program by more than \$200 million over the ten-year budget window. Based on data from the National Institute of standards and Technology, if the Ryan Budget were enacted this funding decrease would reduce job creation by 15 percent, or 42,325 positions.<sup>14</sup>

### **RYAN BUDGET IMPACT ON JOB TRAINING INITIATIVES**

#### **Job Corps**

Job Corps is able to match small business owners with the well-trained, entry-level employees needed to fill their workforce needs. As a national vocational and employment training program overseen by the Department of Labor (DOL), it is designed to fill this niche by providing disadvantaged youth between the ages of 16 to 24 with the education and support needed to secure long-term employment. Operating in 125 Job Corps Centers nationwide, the program offers a four-stage approach to educational and career development, including outreach and admissions, career preparation, career development, and career transition. By providing a pool of qualified labor, small businesses benefit from the Job Corps programs.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Job Corps - Ryan Budget</b>	\$1,688	\$1,544	\$1,520	\$1,537	\$1,554	\$1,568	\$1,582	\$1,589	\$1,595	\$1,602	\$15,779
<b>Job Corps - Baseline</b>	\$1,688	\$1,691	\$1,729	\$1,770	\$1,818	\$1,863	\$1,908	\$1,956	\$2,007	\$2,059	\$18,489
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (148)	\$ (209)	\$ (233)	\$ (264)	\$ (295)	\$ (326)	\$ (367)	\$ (412)	\$ (456)	\$ (2,710)

<sup>14</sup> National Institute of Standards and Technology, National Technical Information Service, Fiscal Year 2015 Budget Submission to Congress.

The Ryan Budget would reduce Job Corps funding by a total of \$2.7 billion over the ten-year budget window. On average, this would mean a nearly \$300 million reduction for the program. This reduction would mean that 9,000 fewer students per year would be able to access training, educational opportunities, and career counseling.

### Trade Adjustment Assistance (TAA) Program

The Trade Adjustment Assistance (TAA) program provides aid to business owners and workers who have lost their jobs, or have seen diminished hours, wages, or work due to increased imports or shifts in production out of the U.S. Eligible workers are offered a variety of benefits and employment services through TAA in an effort to reintegrate these individuals back into the workplace. By increasing the supply of qualified labor, other small businesses are better able to fill open positions.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>TAA - Ryan Budget</b>	\$609	\$557	\$548	\$ 555	\$ 561	\$ 566	\$ 571	\$ 573	\$ 576	\$ 578	\$ 5,693
<b>TAA - Baseline</b>	\$609	\$610	\$624	\$ 639	\$ 656	\$ 672	\$ 688	\$ 706	\$ 724	\$ 743	\$ 6,671
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (53)	\$ (76)	\$ (84)	\$ (95)	\$ (106)	\$ (118)	\$ (132)	\$ (149)	\$ (165)	\$ (978)

The Ryan Budget would cut TAA by nearly \$1 billion over the budget period, dramatically reducing the ability of small businesses to access the trained labor force they need to compete globally. Based on Department of Labor data, this budget reduction would cause nearly 42,000 workers to go out without the training and assistance they need to reenter the workforce.<sup>15</sup>

### Adult Employment and Training Programs

Small business owners face formidable challenges in finding money to train employees, which can cost anywhere from \$250 an hour to \$10,000 a week. The purpose of the Department of Labor’s adult programs employment and training program is to address these shortcomings and provide training tailored to businesses’ needs. This trend will be particularly burdensome for small business owners who do not have the time or the network to conduct personnel searches, or the resources to lure skilled workers away from larger companies with higher salaries and better benefits.

<sup>15</sup> Department of Labor, FY 2015 Congressional Budget Submission.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Adult Training - Ryan Budget</b>	\$766	\$701	\$690	\$ 697	\$ 705	\$ 712	\$ 718	\$ 721	\$ 724	\$ 727	\$ 7,160
<b>Adult Training - Baseline</b>	\$766	\$768	\$785	\$ 803	\$ 825	\$ 845	\$ 866	\$ 887	\$ 911	\$ 934	\$ 8,390
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (67)	\$ (95)	\$ (106)	\$ (120)	\$ (134)	\$ (148)	\$ (167)	\$ (187)	\$ (207)	\$ (1,230)

If the Ryan Budget were to be enacted, the Department of Labor’s adult employment and training programs would be reduced by \$1.2 billion over the budget period. This funding shortcoming would result in fewer skilled workers for small businesses.

### **RYAN BUDGET IMPACT ON SMALL BUSINESS TRADE INITIATIVES**

#### **Trade Enforcement**

In order for a small business to expand and grow, it is often important that they look to foreign markets. Doing so often can come with significant risks, particularly those related to unfair foreign trade practices and foreign-government imposed trade barriers. The International Trade Administration (ITA) defends U.S. exporters, of which more than 97 percent are small businesses, against these violations and also assists them by working to ensure foreign government compliance with international trade agreement obligations.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Trade Enforcement - Ryan Budget</b>	\$ 71	\$ 65	\$ 64	\$ 65	\$ 65	\$ 66	\$ 67	\$ 67	\$ 67	\$ 67	\$ 664
<b>Trade Enforcement - Baseline</b>	\$ 71	\$ 71	\$ 73	\$ 74	\$ 76	\$ 78	\$ 80	\$ 82	\$ 84	\$ 87	\$ 778
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (6)	\$ (9)	\$ (10)	\$ (11)	\$ (12)	\$ (14)	\$ (15)	\$ (17)	\$ (19)	\$ (114)

The Ryan Budget would reduce the ITA’s enforcement and compliance budget by \$114 million over the ten-year budget window. Based on the ITA data, this would translate to a loss of 50 staff, making it harder for small firms to receive the protection and representation they require to compete in the international marketplace.<sup>16</sup>

<sup>16</sup> International Trade Administration, FY 2015 Congressional Budget Submission.

## Trade Promotion

The International Trade Administration (ITA) also undertakes trade promotion activities, which are critical to small exporters. Through these efforts, the ITA advances the interests of U.S. small firms by engaging foreign governments and businesses, identifying and resolving country-specific market barriers, and leading interagency efforts to advocate for U.S. firms. It also expands U.S. exports by implementing programs to increase U.S. access to and presence in foreign markets and provides small businesses with market contacts, knowledge, opportunities and customized client-driven solutions. Small businesses have access to ITA’s country/regional experts, overseas and domestic field staff, and certain trade promotion programs, which support these small firms international trade.

The ITA also operates a network of 108 U.S. Export Assistance Centers (USEACs) across the United States that focus primarily on the exporting needs of small and medium-sized businesses. These trade specialists help identify opportunities for U.S. exporters, clarify foreign regulations and standards, provide support to clients who have business disputes abroad or encounter foreign market barriers, and counsel U.S. companies on the best strategies to succeed in overseas markets. USEACs also play a primary role in educating U.S. firms, especially small businesses, that may not be aware of their rights, obligations, and opportunities in foreign markets, or of the assistance ITIA can provide in resolving their trade problems.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Trade Promotion - Ryan Budget</b>	\$312	\$285	\$281	\$ 284	\$ 287	\$ 290	\$ 292	\$ 294	\$ 295	\$ 296	\$ 2,916
<b>Trade Promotion - Baseline</b>	\$312	\$313	\$320	\$ 327	\$ 336	\$ 344	\$ 353	\$ 361	\$ 371	\$ 380	\$ 3,417
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (27)	\$ (39)	\$ (43)	\$ (49)	\$ (55)	\$ (60)	\$ (68)	\$ (76)	\$ (84)	\$ (501)

The Ryan Budget would reduce these trade promotion activities by more than a half a billion dollars over the ten-year window. Based on the agency’s performance measures, this budget reduction would result in 27,000 fewer clients served by the ITA.<sup>17</sup>

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<sup>17</sup> *Ibid.*

## **RYAN BUDGET IMPACT ON RURAL SMALL BUSINESSES**

### **USDA Business and Industry Loan Program**

The U.S. Department of Agriculture's (USDA) Business and Industry (B&I) Guaranteed Loan program provides loans to establish, expand, or modernize rural businesses. In doing so, the program drives growth and employment in rural communities. This program provides long-term loans of up to \$10 million, making it a critical source of financing for rural businesses, especially those involved in agriculture, bio-based business, and renewable energy development.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>B&amp;I Loans - Ryan Budget</b>	\$ 67	\$ 61	\$ 60	\$ 61	\$ 62	\$ 62	\$ 63	\$ 63	\$ 63	\$ 64	\$ 626
<b>B&amp;I Loans - Baseline</b>	\$ 67	\$ 67	\$ 69	\$ 70	\$ 72	\$ 74	\$ 76	\$ 78	\$ 80	\$ 82	\$ 734
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (6)	\$ (8)	\$ (9)	\$ (10)	\$ (12)	\$ (13)	\$ (15)	\$ (16)	\$ (18)	\$ (108)

The Ryan Budget will reduce funding for the B&I loan program by \$108 million over the ten-year period. At current credit subsidy rates, this reduction in funding will reduce total lending by \$1.5 billion over the period. Based on the USDA job creation/retention ratio, this will result in a loss of more than 20,000 jobs.<sup>18</sup>

### **USDA Rural Business Grants**

Together, these grant initiatives assist small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. This includes Rural Business Enterprise grants, Rural Business Opportunity grants, Delta Regional Authority grants, Rural Cooperative Development grants, Small Socially Disadvantaged Producer grants, Rural Technology Transfer grants, and Value-added Producer grants. This investment is used to provide rural small businesses with training, financing, and infrastructure assistance. For these rural companies, USDA's grant programs provide the foundation for future growth.

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<sup>18</sup> USDA, FY 2015 Budget Summary and Performance Plan.

<i>Dollars in Millions</i>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Rural Business Grants - Ryan Budget</b>	\$ 55	\$ 50	\$ 50	\$ 50	\$ 51	\$ 51	\$ 52	\$ 52	\$ 52	\$ 52	\$ 514
<b>Rural Business Grants - Baseline</b>	\$ 55	\$ 55	\$ 56	\$ 58	\$ 59	\$ 61	\$ 62	\$ 64	\$ 65	\$ 67	\$ 602
<b>Decrease Due to Ryan Budget</b>	\$ -	\$ (5)	\$ (7)	\$ (8)	\$ (9)	\$ (10)	\$ (11)	\$ (12)	\$ (13)	\$ (15)	\$ (88)

The Ryan Budget proposes to cut USDA’s Rural Business grants by \$88 million, or 15 percent, over the ten-year budget period. According to USDA, current investment levels will create approximately 14,000 new jobs.<sup>19</sup> Based on USDA data, if enacted, the Ryan Budget would result in a reduction of more than 2,000 jobs.<sup>20</sup>

## **CONCLUSION**

A budget resolution provides the blueprint for the government’s fiscal and economic policies. By outlining fiscal priorities, it is the vision for how the U.S. economy should grow and expand. For this reason, Americans should be concerned about the economic policies contained in the Ryan Budget. Instead of prioritizing programs and policies that create new businesses and the jobs that come with them, the Ryan Budget significantly reduces the resources that encourage and support entrepreneurship. The Ryan Budget requests deep cuts in federal programs designed to spur economic growth.

While recognizing the need for fiscal constraint given the current budget deficit, the broad cuts to small business programs are troublesome. The federal budget deficit is not a result of the minimal costs associated with these programs. Studies have found that many of these generate from one to four dollars in additional federal revenue for every dollar spent. If the ultimate concern is the effect of budget deficits, these programs have paid for themselves by increasing federal tax revenues.

The current deficit developed as a product of a number economic of forces, but has been primarily driven by the loss in federal revenues related to the tax cuts passed in 2001 and 2003 and the failure of these measures to generate tax revenues. The tax cuts simply did not create their predicted growth, and when combined with spending on two wars, left the U.S. in significant debt.

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<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

A better course to reduce the deficit is to target investment in proven revenue-generating initiatives along with tax reform. By doing this, new jobs would be created, while at the same time reducing the budget deficit through economic growth and increased tax revenues. When businesses launch and expand, they generate more income and hire new workers, ultimately generating higher tax receipts and broadening the tax base.

Instead of changing course and offering a balanced proposal that incorporates targeted tax relief as well as adequate funding for programs that spur economic growth, the Ryan Budget relies on cuts that have a great probability of leading to economic stagnation. Without a reordering of the Ryan Budget's priorities, the livelihood of American consumers, workers, and small business owners will be jeopardized.

## **APPENDIX: METHODOLOGY**

In order to estimate the impact that the Ryan Budget would have on individual agencies and programs, the Committee analyzed the Ryan Budget's discretionary budget authority allocations for defense and non-defense functions contained in the Ryan Budget Appendix Table S-5. Using the spending caps contained in the Bipartisan Budget Act of 2013 (P.L. 113-067) and CBO estimates for discretionary budget authority as a baseline, Appendix Table S-5 provides annual discretionary spending levels for defense and non-defense during the 10 year budget window. Using these numbers, the Committee was able to calculate annual and aggregate percent reductions in non-defense discretionary spending under the Ryan Budget. These percent reductions were then used to calculate funding decreases in the agency budgets, spending areas, and programs contained in this report. This is appropriate given that all of the activities contained in this report are funded through the non-defense discretionary portion of the budget. Similar to the recent sequestration, it is also assumed that these cuts would be allocated evenly across agencies and programs.