November 16, 2001

The Honorable John F. Kerry
Chairman
The Honorable Christopher S. Bond
Ranking Minority Member
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Donald A. Manzullo
Chairman
The Honorable Nydia M. Velázquez
Ranking Minority Member
Committee on Small Business
House of Representatives

Subject: Small Business Administration: Disaster Loan Program

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Small Business Administration (SBA), entitled “Disaster Loan Program” (RIN: 3245-AE82). We received the rule on November 5, 2001. It was published in the Federal Register as an “interim final rule with request for comments” on October 22, 2001. 66 Fed. Reg. 53329.

The interim rule allows SBA to make economic disaster loans to eligible small business concerns outside the declared disaster areas that suffered substantial economic injury as a direct result of the destruction of the World Trade Center, New York, New York, or the damage to the Pentagon on September 11, 2001, or as a direct result of any related federal action taken between September 11, 2001, and October 22, 2001.

Enclosed is our assessment of the SBA’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that the SBA complied with the applicable requirements.
If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Thomas McCool, Managing Director, Financial Markets and Community Investments. Mr. McCool can be reached at (202) 512-8678.

signed

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: Nina D. Levine
Acting Deputy General Counsel
Small Business Administration
(i) Cost-benefit analysis

SBA estimates that approximately $852 million will be loaned to small businesses as a result of the interim final rule and that while the subsidy cost of this lending will be approximately $250 million, the economic benefits will be significant. The survival of the affected small businesses presents a potential net increase to the economy and will prevent additional costs to the government through increased payments in entitlement programs and reduced revenues.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

Since the interim final rule did not follow the issuance of a notice of proposed rulemaking, SBA was not required to prepare a regulatory flexibility analysis.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The interim final rule does not contain either an intergovernmental or private sector mandate, as defined in title II, of more than $100 million in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

In view of the emergency nature of the interim final rule, SBA has found “good cause” under the Administrative Procedure Act to forgo public comment and to make the rule effective upon publication in the Federal Register. 5 U.S.C. 553(b)(3)(B) and 553(d)(3). However, SBA is accepting public comments on the interim final rule for 30 days.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The interim final rule does not contain any new information collections that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act.
Statutory authorization for the rule

The interim final rule is promulgated under the authority contained at 15 U.S.C. 633(d) and 636(b)(2).

Executive Order No. 12866

The interim final rule was reviewed by OMB and found to be an “economically significant” regulatory action.

Executive Order No. 13132 (Federalism)

SBA has determined that the interim final rule does not have sufficient federalism implications to warrant the preparation of a federalism assessment.