

**Senator Olympia J. Snowe**  
**Chair, Senate Committee on Small Business and Entrepreneurship**  
**“The President’s Budget Request for the**  
**Small Business Administration for Fiscal Year 2007”**  
**March 9, 2006**

**Opening Statement**

**Good morning, and welcome to today’s hearing on the President’s Budget and legislative proposal for the Small Business Administration. Thank you, Administrator Barreto, for being here today as we examine the SBA’s priorities for the coming year.**

**At a small business forum earlier this year President Bush said, "Small businesses have been a driving force behind the tremendous growth and job creation of recent years. By adopting sound policies that help our small businesses continue to grow and expand, we will keep the economy moving forward and extend prosperity and hope in our country."**

**Prosperity and hope do, indeed, embody the spirit of the 25 million small business owners in our country. They take risks others don't. They transform their ideas and dreams into realities. Their hobbies become their professions. Their entrepreneurial spirit is everywhere, and their products and services have made the United States the most prosperous, powerful and generous country on earth.**

**Small businesses represent 99 percent of all employers, create nearly 75 percent of all net new jobs, and employ 51 percent of the private-sector workforce. They are the foundation, the base, the core of our economy. America is America because of our small businesses.**

**Given these facts, I am truly disappointed by the proposed funding level of \$624 million for the Small Business Administration for Fiscal Year 2007. Excluding the Disaster Loan program, only \$425 million will go to the SBA's core programs, which continues a trend of decreasing SBA budgets over the last 6 years that have reduced those programs by 25 percent in that period, as you can see in this chart. Moreover, since 2001, SBA proposes to reduce its overall budget by an astounding 37 percent! The SBA's budget represents less than 3/100ths of a percent of the total federal budget. Is this really the place for the Administration to find additional savings?**

**The SBA argues that it “does more with less,” but the Agency’s resources and employees are stretched too thin. We cannot, on one hand, cite how important small businesses are to our country and our economy, and, on the other hand, refuse to provide the Small Business Administration with the resources it requires to meet its mission.**

**And when Hurricanes Katrina and Rita hit the Gulf region, the SBA *desperately needed* a full complement of resources to respond to this unprecedented disaster. As we have learned, the Agency’s Disaster Credit Management System was incapable of handling the high volume of disaster loan applications – nearly 350,000 have been received so far -- and the SBA failed to accurately monitor its disaster financial information and to implement its disaster transformation workforce strategy. This tragic response to a tragic and devastating disaster *must not be repeated*.**

**I have led the effort to push the agency to improve its loan processing activities and I have consistently demanded that the SBA provide more effective relief to the hurricane victims. I urged SBA officials - publicly and privately - to process Hurricane disaster loans with greater urgency and**

**efficiency. Specifically, among other things, I asked the SBA to:**

- **Develop a comprehensive disaster response plan that accommodates different scales of disasters;**
- **Improve the process for accurately predicting disaster loan volumes;**
- **Work with local resource partners to determine their individual needs to better coordinate disaster relief efforts;**
- **Hire additional employees for processing centers, including business loan officers and data entry staff to meet the current demand; and**
- **Hire additional Loss Verification Officers to analyze damaged homes and businesses.**

**To date, while the SBA has resolved over 90 percent of small business disaster loans and over 73 percent of all disaster loan applications submitted by victims of Hurricanes Katrina and Rita for a total of \$5.7 billion, the largest outstanding problem is that *only* \$450.6 million of that total has actually been disbursed thus far, and I urge the SBA, as I have been doing for over six months now, to improve its processes and get more money out to the people who need it.**

**Beyond the doors of the SBA, are volumes of small business success stories that remain untold. From the local mom and pop shop to Ben and Jerry's ice cream, the SBA and its programs have a tremendous return on investment, helping to create or retain over 4.5 million jobs since 1999.**

**Small businesses yearn to grow, flourish and thrive and the SBA has the**

**experience and the resources to be their bridge to success. However, a steady decline in the SBA's budget could jeopardize its ability to provide this positive economic stimulus in the future. More importantly, if we fail to provide sufficient support to SBA's core lending and business development programs, we threaten to reduce small businesses' ability to compete.**

**In addition to analyzing the SBA's declining budget request, I am deeply concerned about the SBA's plan to charge additional fees on small businesses in the 7(a), 504, and Small Business Investment Company programs. These are highly successful programs. None of them receives appropriations to subsidize its loans. Last year, at no cost to the taxpayer, the 7(a) program provided over \$14 billion in small business loans, the 504 program provided over \$10 billion in loans, and the SBIC program provided \$2.9 billion. Now, the Administration proposes to increase fees on small businesses to raise \$7 million in revenue, which will be used for the SBA's administrative costs. Increasing fees paid by small businesses is not the way to reduce the budget. These small businesses are already paying fees and taxes to fund the Agency. Lets not make it more costly for them to get financing.**

**SBA loan programs have produced success story after success story, which include Eric Thorson, the Administration's nominee to be the SBA's next Inspector General. At a hearing last week Mr. Thorson told the Committee that he began his small business with an SBA veterans loan after returning from a tour of duty in Vietnam. SBA loans have also assisted the founders of Federal Express, Outback Steak House, Calloway Golf, and thousands of other successful businesses.**

**The Administration is also proposing that Disaster Loan borrowers be**

**required to pay a higher interest rate after the first five years of their loan, to lower the cost of disaster loans by a total of \$41 million for FY2007. Putting a greater burden on disaster victims is a short-sighted policy that Congress should not adopt, and I strongly oppose this proposal.**

**I also intend to fight any attempt to eliminate the SBA's Microloan Program, which provides loans of up to \$35,000 and technical assistance to new and growing small businesses. This relatively inexpensive program helps entrepreneurs start and grow small businesses throughout our nation. In my own State of Maine, almost 90 loans have been made in the program over the last two years, for a total of over \$1 million. It has a proven record of helping small businesses that could not get any other financing, and the Administration's proposal would eliminate this crucial source of small business growth.**

**I will continue to oppose the Administration's proposals to insufficiently fund programs such as the Small Business Development Centers, Veteran's Business Development, and Women's Business Centers which served over 1 million clients in 2005. Not only have these programs have been level-funded for the last 4 years but this year the SBA proposed to decrease their funding. These programs have exceeded their potential and it is time to provide them with the necessary resources they need to reach and assist more small businesses.**

**During the course of this hearing, I also wish to examine the Agency's funding and management of government contracting and business development programs, which are subject to your executive direction.**

**According to reports prepared by the Government Accountability**

**Office and the SBA's Inspector General last year, the SBA failed to review over 80 percent of bundled contracts, the SBA's oversight of prime contract awards and of the 8(a) program are among the Agency's major management challenges, and large contractors at the Department of Energy have repeatedly overstated their subcontracting achievements. Despite your claims last year to increase the government contracting and business development budget by 5 percent, the budget actually saw a \$5 million decrease. I applaud your decision to reverse this decline in 2007, but I am skeptical that your agency will follow through.**

**I think we all can agree that small businesses are essential to America's success, and that the SBA is a vital help to small businesses. We would be remiss to accept the status quo, rather than vigorously seek improvements.**

**The American economy needs a strong and vibrant Small Business Administration. This Committee is here to help you, Administrator Barreto, improve the SBA in any way possible to ensure the success of tomorrow's entrepreneurs. Of course, the agency has been subjected to criticism, including my own. I do this in the hope that we can move beyond criticism and find solutions to the problems so the SBA will exhibit the same passion for excellence found in the entrepreneurs it serves . That is why we are here today.**

**Finally, as the notice indicated to Members, we intend to report out the confirmation of Eric Thorson to be the next Inspector General of the SBA. As soon as we get a quorum, we will vote on the nomination.**

**I now recognize the ranking member, Senator Kerry.**