

Senator Olympia J. Snowe
Chair, Senate Committee on Small Business and Entrepreneurship
Hearing on the “Reauthorization of SBA Financing and
Economic Development Programs”
April 26, 2006

Opening Statement

Good morning, and welcome to today’s hearing on the reauthorization of the Small Business Administration’s financing and economic development programs.

I want to thank you, Administrator Barreto, for being here today as we examine SBA priorities, responsibilities and goals for the future. And as this may be your last appearance before this Committee – and I’m certain you’ll miss us! – I *also* want to extend my appreciation to you for your service to America.

As you prepare to move on from your position as the second-longest serving Administrator since the SBA was created by President Eisenhower and Congress in 1953, you have been a strong voice for our small businesses – and have served the President and our nation well in leading this vital agency. So again, Hector, I appreciate your commitment to the success of America’s small businesses, and I wish you well as you undertake new challenges.

Indeed, the entrepreneurial spirit of our 25 million small businesses dates back to our nation’s founding. Small businesses are the cornerstone of economic growth and job creation, representing 99 percent of all employers,

creating nearly three-quarters of all net new jobs, and employing over 50

percent of the private-sector workforce.

From family farms to software development, small businesses are the foundation of our economy and the lynchpin for the innovation that moves our country forward. Americans who assume the risks and responsibilities inherent in owning and operating a business deserve our praise, admiration and unwavering support.

The Small Business Administration plays a vital role in the economic growth and well-being of our nation by providing entrepreneurs with the capital they need to start and grow small businesses. The SBA and its programs have had a tremendous return on investment, helping to create or retain over 5.3 million jobs since 1999.

In 2005, SBA programs disbursed record-breaking totals of loans to small businesses, both in the number of loans and total dollar value provided to small businesses. During the last fiscal year, the SBA guaranteed over \$24 billion in loans and venture capital for small businesses, the highest level of capital ever provided.

The SBA's successful record of achievement - also in Fiscal Year 2005 alone - includes:

*** Approving over 89,000 business loans through the 7(a) and 504 lending programs;**

*** Funding 74,307 7(a) program loans to small businesses for a total of more than \$14 billion;**

*** Saving \$6.6 billion through implementation of the Regulatory Flexibility Act;**

*** A doubling of small business lending since 2001, with nearly a third of SBA-backed loans being made to minority-owned small businesses;**

*** Assisting 37,000 small businesses with procurement and government contracting;**

*** Counseling 1.25 million entrepreneurs through the agency's Small Business Development Centers, Business Information Centers, SCORE and Women's Business Centers.**

I have long fought to expand the power and reach of the SBA's financial and business development tools, which are used by millions of aspiring entrepreneurs and small businesses across the United States. We must continue to strengthen the core SBA programs because they have proven invaluable in aiding the efforts and dreams of America's entrepreneurs.

I am committed to supporting our nation's small business community by increasing its access to capital. For entrepreneurs and other aspiring small business owners, a self-evident truth since the founding of our country is that it takes money to make money. We're here today to make that goal a little easier for all Americans.

The SBA's entrepreneurial development programs demonstrate how Congress can play a positive role in enhancing private-sector financing for start-up companies. SBA loan and investment programs have produced success story after success story, which include assisting the founders of Intel,

Staples, Federal Express, Outback Steakhouse, Ben & Jerry's, Callaway Golf, as well as thousands of other successful businesses.

My plan is to build upon these successes and to capitalize on the reauthorization process to make the SBA's progress even more effective. Today marks the beginning of this process. The Committee will conduct hearings, examine the oral and written testimony, and evaluate the performance of SBA programs. I hope that this reauthorization process will lead to a renewed SBA that is wholly dedicated to fostering small business ownership in America.

The reauthorization process began with three bills I introduced. The first, the Small Business Lending Improvement Act, S. 1803, streamlines the process that helps small businesses obtain the capital they require to compete. It brings fundamental and long-awaited reforms to the operation of the Preferred Lenders Program. Rather than mandate 71 separate applications, the PLP program lenders would only be required to complete one application. This would create a "National Preferred Lenders Program" that will remedy the inefficiencies and cost of applying for PLP status in each district.

Currently, in the 7(a) program a small business' eligibility to receive a loan is determined by a confusing multi-page chart that has different size standards for every industry. This chart is nothing more than a bureaucratic impediment, and this bill would fix that problem.

The second bill reforms and enhances the Small Business Investment Companies (SBIC) program. SBICs use their own capital, combined with funds borrowed from other private investors and supported by an SBA guarantee, to make equity and debt investments in qualifying small

businesses. The structure of the program is unique and has been a model for similar public-private partnerships around the world.

This bill creates a new SBIC program that would be a "zero-subsidy" program - with no Federal appropriations necessary - that would provide financing to small businesses. Additionally, the new program would prevent financial losses to the government by increasing its share of SBICs' profits.

The third bill, the "Local Development Business Loan Program Act," improves the 504 program by streamlining the lending process and providing small businesses with greater opportunities to obtain affordable financing. The statutory purpose of the 504 loan program is to create new jobs and strengthen the local impact of the 504 loan program. To reflect that, the bill, along with many other changes, re-names the 504 program the "Local Development Business Loan Program." This new name will help borrowers understand the intent of the program; many small business owners have told the Committee that the name "504 program" was neither clear nor indicative of the program's purposes.

I plan to advance these bills and move toward a successful rejuvenation of the SBA. That goal includes rejecting 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, yet, the Administration proposes to eliminate this crucial source of small business growth.

Today, I want to make clear this Committee's opposition to the SBA's plan to charge additional fees on small businesses in the 7(a), 504, and SBIC programs. As I've already described, these are highly successful programs. None receive appropriations to subsidize its loans. 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. Let's not make it more costly for them to get financing.

I believe that Congress must do everything possible to sustain economic growth and job creation. The American economy needs a strong and vibrant Small Business Administration. This Committee is here to help the SBA Administrator improve SBA programs in any way possible.

Finally, while today's hearing is dedicated to the entrepreneurial development and finance programs rather than the Disaster Program, I remain deeply troubled by the SBA's Gulf Coast recovery efforts. I am particularly concerned as to whether the SBA has adequately planned for the new hurricane season, which begins in just over one month. I strongly urge the SBA and all Federal employees working to rebuild the area to redouble their efforts. The Committee will conduct another hearing as soon as possible to improve the SBA's response to destructive hurricanes and help its leadership avoid the same mistakes that have hurt Gulf coast residents and small business owners over the last eight months. I now recognize Ranking Member Kerry for his opening statement.