The Impact of the FY 2007 Budget on Small Business

Congress of the United States
House of Representatives

Report by the House Small Business Committee
Democratic Staff
Nydia Velázquez, Ranking Member
March 2, 2006

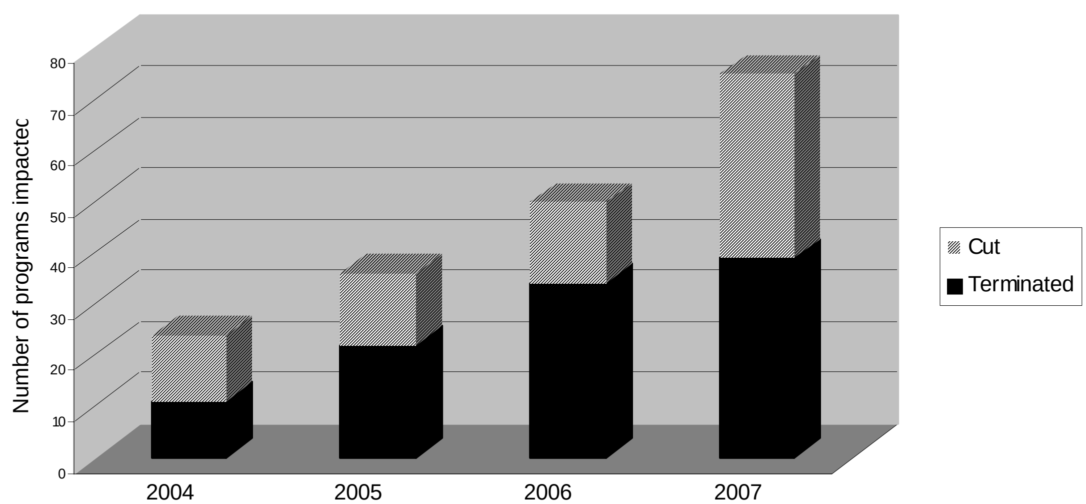
INTRODUCTION

With the recent release of President Bush's FY 07 budget, which outlines funding levels for agencies and the programs under their purview, the administration is providing the first indication of investment priorities for the coming year. This current budget request decreases funding for domestic non-homeland security by $16.8 billion below the amount necessary to maintain purchasing power at the 2006 level.

In the review of proposed cuts, one sector – small businesses – continues to be hit particularly hard. Federal resources government-wide dedicated to promoting the growth of this nation's entrepreneurs have been significantly reduced in the President's FY 07 budget proposal. An analysis of the 100 federal programs that impact the economic conditions faced by entrepreneurs and start-up companies reveals that 75 percent have been targeted for cuts or elimination. The overall reduction in both discretionary and non-discretionary funding for federal small business programs is nearly $6 billion. This represents a shift of public investments away from this country's top economic drivers – entrepreneurs.

This year's proposal follows the path of a developing trend that has seen the number and amount of cuts grow exponentially. Over the last four years, small business programs have experienced a 200 percent increase in cuts. Of the 100 government-wide programs tracked, cuts increased from one quarter in FY 04, one-third in FY 05, one half in FY 06, to three-quarters in the current budget proposal (see Chart 1).

Chart 1: Historical Trends in Small Business Budget Cuts
2004-2007



Most striking is the number of programs – nearly half – that are targeted for termination. These considerable cuts threaten the viability at the federal level to meet the diverse needs of small businesses. The cuts contained in the FY 07 budget for those initiatives that assist small businesses are on average 60 percent of 2006 funding levels. Over half of the targeted programs are to be funded at no more than 20 percent of last year's appropriated level. This represents one of the largest areas cut in the FY 07 budget.

Agencies administering resources to assist entrepreneurs and small firms are facing sharp funding reductions. Over half of the cuts are concentrated in three federal agencies, the U.S. Department of Agriculture (USDA) in which 22 programs are to be cut, the Small Business Administration (SBA) with 11 programs reduced or terminated, and the Department of Labor (DOL) with 9 program funding cuts.

Although each address different needs, these agencies provide necessary and unique support to promote small business growth. The balance of the small business programs targeted for cuts in FY 07 are administered by 8 other agencies, including the Departments of Commerce (DOC), Department of Education (ED), Department of Energy (DOE), Department of Interior (DOI), Department of the Treasury, the Environmental Protection Agency (EPA), Department of Health and Human Services (HHS), and the Department of Housing and Urban Development (HUD). These programs are linked by their common goal to spur growth in private enterprises, as well as local and national economies through public investments.

The FY 07 budget proposes significant cuts for services that provide a range of assistance for all sectors. Almost one third of the programs provide resources for entrepreneurs to obtain business development and training services, which are critical to firms with limited resources and staff. Nearly 30 percent of the programs that provide access to capital for small businesses have had their funding reduced. These resources have helped remove barriers to securing capital in an area where the private sector has been traditionally risk-averse to providing these funds. 20 percent of the targeted programs are tasked with providing access for small businesses to modern technologies, which helps to close the technology gap between large and small firms. Approximately 17 percent of program cuts provide rural development assistance for small firms located in isolated areas and regions with limited infrastructure.

These cuts impact all portions of the small business sector. Nearly half of the firms likely to be affected by the FY 07 budget cuts are involved in the service sector. Federal resources have increasingly played a critical role overcoming problems such as marketing, contracting, and delivery obstacles for small firms in industries from travel and tourism to retail establishments. One quarter of programs targeted for cuts will impact firms in the agricultural sector, particularly family farmers. Agricultural enterprises rely on public funds to ensure their products are produced and traded at competitive rates. Twenty percent of the cut programs serve technology and innovation-oriented small businesses. These firms, such as those in the pharmaceutical and biotechnology arena, require cutting edge knowledge and resources to remain competitive in domestic and global markets.

Nearly 10 percent of the programs targeted for cuts will impact small manufacturing firms. These businesses require support for significant energy and resource inputs to produce and transport their goods at affordable rates.

As the country struggles to meet new needs and maintain its competitiveness in the increasingly global economy, economic policies which prioritize cuts in funding for incentives that promote the growth of small businesses are questionable. It is integral to maintain resources that enhance the country's employment opportunities, industries, and productivity – particularly in times of limited economic growth and shifting global financial conditions.

What is most perplexing about the current budget proposal is that even as the administration emphasizes the need to accomplish several critical goals, it's budget cuts the funds required to complete these initiatives. The centerpiece of the administration's agenda - to revitalize the economy by stimulating American competitiveness and innovation - demonstrates the disconnect between the objectives and policies and the budget proposal which cuts over 15 programs that foster research and innovation among small business owners.

Similarly, with the increasing emphasis placed on energy independence and efficiency, the budget proposes a reduction in 5 initiatives that enable entrepreneurs to cope with energy costs and research and develop alternative energy practices. The administration has also sent a mixed message regarding hurricane relief. Six months after Hurricane Katrina first hit, lingering problems remain in the impacted communities, demonstrating the importance of providing resources to protect and revitalize regions from major disasters. However, funding for 14 programs that aid in recovery and redevelopment efforts have been cut in the FY 07 proposal. This divergent relationship between the stated public policy goals and cuts to the very programs that help accomplish these ends – represent a substantial disconnect.

Small businesses have proven highly capable of evolving and adapting to changing economic conditions. As such, they must be considered as vital partners in the process to revitalize and maintain the country's economic growth. However, they can only provide these benefits if supplied with adequate resources. As the budget for small businesses continues to dwindle, the country's ability to address these needs becomes less likely. As the fate of the country's small businesses is intricately tied to the country's local and national economies, the funding cuts will generate significant and extensive impacts.

In order to fully assess the impact that the administration's FY 07 budget request will have on small businesses, this report evaluates the funding levels for the 100 small business programs government-wide. The analysis includes a project description of all the small business programs that have received cuts in funding over the past five years – and provides additional insight into the types of effects that these cuts will have on the small business community and economy as a whole. The report therefore reveals the likely return on public investments for small businesses from the FY 07 budget proposal.

ANALYSIS

Small businesses generate economic growth in the country through employment opportunities, strengthening our nation’s industries, and producing high volumes of products and services that are sold domestically and internationally. They are specifically responsible for creating 75 percent of all new jobs, 55 percent of new technological developments and account for 97 percent of export companies in the country.

As an economic engine at a macro and micro level, cuts in public investment to small businesses will have widespread impacts. In particular, national initiatives that have recently been proposed to promote economic stability are endangered as a result of the administration’s budget proposal. The request shifts resources from the programs with the capacity to spur entrepreneurial growth. This analysis examines the impact that the FY 07 budget request has on small businesses and how it impedes the fulfillment of several national goals – to rebuild America’s competitiveness edge, increase energy efficiency, and revitalize communities impacted by disasters.

Small Business Program Cuts Threaten U.S. Innovation and Competitiveness

Many economic indicators demonstrate that the country is losing its competitive edge, including the country’s unprecedented and still rising trade deficit; the emergence of high-tech companies and research institutions around the globe; and the outsourcing of manufacturing and service industries to newly developing economies. During his tenure, President Bush has presided over the country’s rapid decline in overall competitiveness. The administration’s FY 07 budget request continues to reduce investment in federal programs that are designed to promote competitive small businesses, impeding the discovery and dissemination of innovative products.

There are a number of federal programs that help maintain the country’s competitiveness, but the FY 07 budget slashes over $3 billion in funds that enable small businesses to develop innovative technologies, products, and services. As the globalization of the economy continues, firms across all industries must struggle to maintain the affordability of their products, prices, technologies/production inputs, and business processes. The proposed cuts in programs that help lower these costs will prevent many small businesses from obtaining their share of domestic and international markets, leaving them at a significant disadvantage.

Small businesses’ limited resources to develop and utilize modern technologies have constantly placed them at a disadvantage to their corporate counterparts, hindering their potential for innovation. Federal programs have provided resources to overcome this gap by improving small businesses’ access to new technologies through partnerships, information exchange, and research funding.

However, of the 4 programs administered by the Department of Commerce designed to promote small businesses' access to resources to develop advanced machinery and products, 2 are slated for cuts greater than 50 percent of last year's funding and 2 are eliminated all together. The impact will be less competitive small manufacturing firms and fewer developments in high-tech products. As the leading firms in many of the technology sectors, small businesses require support to maintain the viability of key national industries.

Significant cuts are also proposed for federal programs that provide research and development opportunities for small businesses to adopt innovative practices and products. Local and regional centers throughout the country tasked with providing educational outreach, including disseminating information on business skills, available technologies, and research project funding, are faced with cuts. The centers administered by the Department of Education and the Department of Labor are examples of this. They provide affordable services for small businesses to maintain modernized production and accounting systems, but face over $100 million in funding cuts.

Out of the SBA programs that provide funding for research into better business practices as well as development assistance for minority and women-owned businesses – two have been slated for termination and three are facing significant funding cuts. Furthermore, funding is terminated for private company incentives to invest in technological research and development. These resources have been instrumental in developing modern technologies, and without these funds, companies will be unable to improve their level of competitiveness.

These actions will result in small businesses running the risk of being out priced by foreign and large domestic companies. As these firms rely on assistance to maintain low production costs, the cuts for innovation-based programs will reduce profit and job creation for entrepreneurs in all sectors. As the main engines behind innovative developments and business practices, reductions in the competitiveness of small businesses will severely impair the nation's ability to maintain a comparative advantage in many sectors active in the global market.

Small Business Cuts Impede Energy Independence and Efficiency Goals

As the largest domestic users of energy, the rising costs and unstable supplies of these resources are the most significant problem currently facing the country's small businesses. However, with their flexible business approach and skills in developing innovative technologies, small businesses have been highly successful in designing innovative responses to cope with the country's energy crisis. Energy reform has been driven largely by the small businesses dominating many of the industries that produce alternative resources, energy efficient technologies, and energy conservation practices.

Small firms have utilized federal resources to develop products and business practices that utilize energy more efficiently. However, even as the administration advocates for its energy agenda, with its objective to achieve independence from foreign oil supplies, the FY 07 budget proposal slashes vital funds. These resources would promote the growth of sustainable energy production processes aiding small businesses in implementing energy efficiency practices.

With cuts totaling more than $3 billion in programs designed to assist small businesses become energy efficient and develop alternative energy products, this is a severe blow to energy-intensive sectors and national energy conservation objectives. Of the four programs administered by the Department of Energy to support small business energy efficiency, two have had their funding cut and two terminated. These programs have provided incentives for small businesses to purchase energy efficient products and develop sustainable energy resources. The budget proposes terminating EPA's energy efficiency program and funding within the Department of Agriculture for developing renewable energy systems. These cuts will result in increased production costs and lower competitive pricing for many small businesses as they shift more resources to energy expenditures.

As energy costs continue to rise and supplies become more difficult to obtain, these cuts will force entrepreneurs to divert resources away from expanding their business to instead cover the higher cost of running their venture brought on by the rising energy costs. Small businesses that intended to utilize resources from programs enacted as part of the comprehensive energy bill, which have been targeted for cuts in the FY 07 budget, will face continued problems designing or implementing resource-saving practices and processes.

Budget Proposal Reduces Relief from Natural Disasters and Redevelopment Incentives for Small Businesses

Historically, nearly half of small businesses located in disaster-struck areas never reopen. For any successful recovery to take place, small businesses must be an instrumental part in the revitalization. In most cases, small businesses have brought employees, commerce, and hope back to affected communities. In order to reopen their doors, small firms have relied on loans and grants through the federal government; however, many of these initiatives have been significantly slashed in the FY 07 budget.

Contravening its promise to help all communities in America rebuild after disasters, cuts to nearly $1 billion in funding for federal programs that provide resources for small businesses to revitalize communities in unprecedented times have been proposed. Five of the programs slated for cuts are administered by the Department of Agriculture, a number of which have recently been utilized to provide assistance in Gulf Coast communities to aid small businesses in revitalizing their local economy.

To move from recovery to rebuilding, small businesses rely upon the existence of physical infrastructure, such as transportation facilities and communication networks before they can reopen their doors. As Hurricane Katrina recovery efforts demonstrated, port closures and a lack of workforce housing impeded the return of small businesses to their communities. Cuts in the FY 07 proposal to rebuild the infrastructure diminish incentives for private investment in disaster-struck and struggling communities slowing the recovery process.

Federal programs that provide funds to redevelop lagging communities and those affected by significant events have been slashed in the FY 07 budget. Many of HUD's redevelopment programs that have helped fund revitalization projects in all major disaster areas of the country and in those communities experiencing economic disinvestment, have received major cuts in the budget. Programs in the Department of Treasury and Department of Commerce that spur private investment in economically-distressed communities have been essentially zeroed out, eliminating incentives for small businesses to locate in these communities and contribute to local economic growth.

Assistance for businesses to restart local industries has also been targeted. Small businesses have relied upon federal resources to restore their workforce after major disruptions and obtain retraining services. However, cuts in the Department of Labor's programs that provide entrepreneurial development assistance and skill advancement are cut by over $200 million. The SBA's program that provides loans to micro-enterprises has also been terminated in the budget, hindering the ability of the smallest companies with little access to capital to restart their businesses in disaster-affected and economically-distressed communities.

By eliminating resources that can be used by communities to reinvest in small businesses, many areas will linger in disarray. These cuts prevent communities from returning to their previous level of economic achievement and repositioning themselves as successful contributors to the national economy.

2007 Budget Proposal Reduces Entrepreneurial Opportunities for All Americans

Over $600 million has been reduced in the FY 07 proposal for programs that provide entrepreneurial assistance. This is a clear divergence from the country's goal of creating an "ownership society" in which people of all backgrounds can, through hard work, fulfill their preferred livelihood. For instance, all eight of the small business programs that provide resources for minority and women entrepreneurs to overcome obstacles to obtaining financial support and business/contracting opportunities have been cut or slated for termination. These sectors have historically served a critical function in revitalizing their local communities and bringing financial stability to their households. Twenty percent of the programs slated for cuts provide small businesses with the ability to access trained employees and information to become successful independent entrepreneurs. With diminished resources, entrepreneurs will be forced to expend more in order to obtain these services and many will be deterred from branching out to pursue new enterprises.

Small businesses provide support for local communities to grow – which in turn promotes household income growth as well as national economic productivity. Therefore the administration's funding cuts for small business programs and investments in the country's economic and physical framework, reduce present and future opportunities for the economy to grow. As an outline for the nation's priorities for the upcoming year, an administration's budget proposal must position the country on the path to meetings its goals and needs.

The following section is a program-by program analysis of how those programs targeted for elimination or budget reduction serve small businesses and the possible effects of such cuts. The programs have been divided into five categories: Economic Development, Entrepreneurial Assistance, Technology, Rural Initiatives and Access to Capital. These program areas are representative of the needs of the small business sector.

PROGRAM DESCRIPTIONS

<u>ACCESS TO CAPITAL</u>

7(A) LOAN PROGRAM (U.S. SMALL BUSINESS ADMINISTRATION)

One of the greatest challenges facing entrepreneurs is securing access to affordable capital. Often times, small business owners are unable to obtain reasonably priced financing, and instead turn to higher-priced forms of capital, such as credit cards. Filling this financing gap is the Small Business Administration's (SBA) 7(a) loan program. Designed as a public-private partnership that leverages financial institutions' knowledge of their communities and the government's ability to mitigate risk, the 7(a) program allows small businesses to tap into the financing they need for success. Small business owners across the country rely on the 7(a) loan program as a source of financing so they can launch and expand their operations. The SBA's current business loan portfolio of roughly 219,000 loans worth more than $45 billion makes it the largest single financial backer of U.S. businesses in the nation. As the economy struggles to create high-paying jobs, the 7(a) loan program has proven to provide businesses with a steady source of reliable capital, which is critical to making future plans for growth and hiring new employees. In the FY 2007 budget proposal, no funding has been requested again for the subsidy, and a new set of fees have been proposed for participants who receive a loan of over $1 million – making the program even less accessible and more costly for small businesses. Given this administration's weak job creation record, and the role small business financing plays in helping spur employment opportunities, the continued demise of the 7(a) loan program will only hurt entrepreneurs' ability to put our nation back to work.

BANK ENTERPRISE AWARDS PROGRAM (BEA) (U.S. DEPARTMENT OF THE TREASURY)

Finding credit is an uphill battle for many small businesses across the country. This challenge is particularly difficult for entrepreneurs in economically distressed neighborhoods, many of which lack commercial banks. Significant economic redevelopment is unlikely to take place in these communities without opportunities for business financing. Many times the flexible nature of small businesses enables them to be successful in communities ignored by big business. In order for small businesses to help foster a community's economic well-being, they need sufficient support from financial institutions. Small businesses do an excellent job of making the most of business opportunities when they have the appropriate level of access to capital. The Bank Enterprise Awards (BEA) program expands the financial services and amount of resources provided in distressed communities through government programs. The BEA encourages the expansion of government community development activities and overall financial commitments through incentives. By offering incentives, the BEA program leverages its awards into further expansion of the government credit programs and the opportunities that they create. As in years past, the FY 2007 budget proposes the termination of the BEA program. The BEA program has a proven track record of increasing community development in distressed communities; its removal will deprive entrepreneurs of the initial opportunity to start a business and to improve the community.

BUSINESS AND INDUSTRY (B&I) GUARANTEED LOANS (U.S. DEPARTMENT OF AGRICULTURE)

The survival of American agriculture is critical to the sustainability of our country's food security and independence. However, rural viability has grown more difficult for small farmers over the last 40 years. While the cost of farmland has quadrupled, prices for crops and commodities have simply not kept pace – making it more difficult for small farmers and businesses to remain profitable, while affording the many other expenses associated with running a small business. Often, these businesses are not able to secure traditional forms of financing. The Business and Industry (B&I) Guaranteed Loan program provides financial backing for small rural businesses and farmers that otherwise would not be approved for a loan, and provide guarantees up to 90 percent of a loan made by a commercial lender. The proceeds of these loans may be used to pay for various expenses incurred by farmers – including working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. By expanding the lending capability of private lenders in rural areas, the Business and Industry Guaranteed Loan program helps local banks make and service the quality loans that provide lasting and meaningful benefits to the community. Agricultural policies not only have a significant impact on our nation's food supply, but also on those small businesses that either produce and harvest the food, or support and service those who do. The Bush administration's FY 2007 budget requests a cut of $1.2 million in funding for the B&I Guaranteed Loans. By providing decreased funding for this program, small businesses will lack the substantial sources of capital needed to create jobs, and stimulate the economic climate and quality of life for business owners operating in America's rural communities.

COMMODITY CREDIT CORPORATION (CCC)

Each crop season, small farmers are faced with a great deal of price instability and uncertainty. The price they receive for their crop is determined by a variety of factors, most of which are entirely out of the farmer's control. Unlike agribusiness, family farmers lack the market share of large-scale agricultural enterprise to set the market, and are thus forced to be price takers. Additionally, family farmers do not have the land resources necessary to diversify their crops, which would protect them from low prices in a particular commodity. The Commodity Credit Corporation (CCC), administered by the U.S. Department of Agriculture (USDA), functions as a safety net for family farmers by ensuring minimum commodity prices, which protects them from the volatility of the market by ensuring their continued viability. CCC ensures these commodity prices by entering the market as a purchaser, and buying enough of a certain commodity to ensure it receives a reasonable price. In addition to ensuring commodity prices, CCC provides loans to farmers when they need capital, as well as ensures there are adequate markets for domestic agricultural products, maintains domestic supplies, and distributes them accordingly. Over the years, CCC has helped to protect farmers from losing their land as a result of a single bad farming season or year of low commodity prices – yet the president has requested nearly $5.9 billion less in funding for the program in FY 2007, which reflects a 23 percent cut from the funding it received in FY 2006. Without the valuable services provided by CCC, family farms will face difficulty in planning for the coming crop season and recovering from the losses suffered as a result of unfavorable market forces or weather patterns.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM (CDFI) (U.S. DEPARTMENT OF THE TREASURY)

Many times small businesses located in underprivileged communities are the most in need of capital. Often times these businesses are overlooked by conventional financial institutions, and as a result, their neighborhoods lack opportunities for economic development and are forced into decline. The Community Development Financial Institutions program (CDFI) was created to fill this gap. As a result of the CDFI program, more than $534 million has been awarded to community development organizations and financial institutions for the expansion of credit availability, investment capital, and financial services in distressed urban and rural communities. CDFI offers several services to entrepreneurs including, commercial loans for the expansion of an existing small business, investment in start-ups and general financial services in low-income communities. In addition, the program provides services that help ensure credit from CDFI is used effectively, which is achieved through technical assistance to small businesses recipients of CDFI capital. CDFI has channeled this capital to countless enterprises such as grocery stores, construction contractors and daycare providers, creating jobs and improving the standard of living in underserved communities. Through their community development loan funds, CDFI helps businesses expand while community development venture capital funds provide equity and management expertise to small, minority-owned businesses that promise rapid growth. The FY06 budget contains no funding for the CDFI program, despite the fact that CDFI has a proven track record of helping underserved communities revitalize their local economies by providing jobs and entrepreneurial opportunities for the residents who live there. The administration's request scraps the success of the CDFI program by cutting funding by nearly 86 percent, leaving this program with less funding and fewer means to expand the availability of credit, capital and financial services in underprivileged communities across the country.

CDFI NATIVE AWARDS PROGRAM (U.S. DEPARTMENT OF THE TREASURY)

Many Native American populations have not experienced the economic prosperity that has touched the majority of the country. Mirroring the rest of the communities in America, small businesses offer native populations the opportunity to be the engine of economic development. Small business has been particularly effective at promoting economic growth in Native American communities. From 1992 to 1997, Native American and Native Alaskan-owned small businesses grew by 84 percent, and their gross receipts grew by 179 percent in that same time period. These figures compare favorably with the overall small business growth rate of 7 percent and total gross receipt growth of 40 percent. Like other distressed communities, native communities often lack sufficient financial institutions, which offer the opportunity to spur needed growth. Recognizing the special economic development needs of these communities, Congress established the CDFI Awards Program to ensure that native communities receive a guaranteed level of investment. These funds are only available to Native Hawaiian, Native Alaskan and Native American communities. These funds are used for three types of projects: technical assistance, development of new funds and funds for the expansion of existing economic development activities. By choosing to eliminate funding for the Native Awards program in FY 2007, the administration has chosen to deny small businesses in Native American communities of the strong economic development support they rightfully deserve. Under the administration's new proposal, these populations will no longer be guaranteed to receive a set minimum level of funding.

COMMUNITY DEVELOPMENT LOAN GUARANTEES (SECTION 108) (U.S. DEPARTMENTOF HOUSING AND URBAN DEVELOPMENT)

One path to economic revitalization is through the infusion of capital into businesses that anchor local communities. Large corporations abandoned many of this nation's most vulnerable communities long ago, meaning that small businesses are the only remaining economic pillars. The Community Development Loan Guarantees (Section 108) were designed to fund community renewal projects that have the potential to transform entire neighborhoods. As a federally-funded initiative, these loans help to encourage private economic activity and provide the incentive for investment in distressed areas of the country. The Section 108 Loan program can be utilized by entities for a number of economic development activities that emphasize small business growth and the cultivation of local entrepreneurship. These funds are often used in tandem with CDBG funds to further strengthen economic development projects. These projects include microenterprise loans to low-income individuals, business loans to assist in the expansion of small firms that employ low-income workers, or securing land to attract industry. Cities have used Section 108 funds to provide gap financing as a credit enhancement for local businesses, and to fund start-ups and grow existing businesses. By again terminating the Section 108 program in FY 2007, this budget proposal will decrease the ability of entrepreneurs and small businesses to help their areas rebound and create jobs for local residents.

INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA) (U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES)

Accessing affordable capital to start and run their business enterprises has long been one of the top concerns of fledgling entrepreneurs across America. Individual Development Accounts (IDA) are emerging as one of the most promising tools to enable low-income families and individuals to live out the American dream of owning a small business. These dedicated savings accounts are intended to encourage recipients to develop beneficial money saving habits or to reinforce the strong habits they already possess, and are comprised of matching funds from participant savings through the income they earn. Matching funds for low-income families and business owners are provided by federal and state governments, private sector organizations, or individuals. IDAs have the potential to bring a new level of economic and personal security to both families and the communities they live in by using these assets to create job opportunities through entrepreneurship, investment in the community, and access to higher education and quality employment. As of January 2003, over 500 IDA initiatives exist in communities across the country, and overall at least 10,000 people are currently saving in IDAs. While this program encourages participants to develop and reinforce strong habits for personal advancement in society, a cut in funding for IDAs as proposed in the FY 2007 budget means that millions of American families will only continue the struggle to save money, acquire assets, and participate more fully in their local economy.

INTERMEDIARY RELENDING PROGRAM (IRP) (U.S. DEPARTMENT OF AGRICULTURE)

Rural small businesses face additional barriers in accessing capital compared to non-rural businesses. The Intermediary Relending Program (IRP) provides funding for both community development projects and business financing. IRP does not make loans itself; rather, it provides resources to intermediary organizations, which then lend to businesses. In order to increase the number of ventures funded through IRP, the funds are designed to be revolving so that all excess payments are reinvested into the program – in turn creating more opportunities for small businesses that utilize the program. Loans made by IRP intermediaries are used to start new businesses, grow existing businesses, hire new employees, or secure jobs at established firms. IRP funds can only be used to fund up to 75 percent of the total value of the project. By requiring loan recipients to get outside financing for a minimum of 25 percent of a project, firms that utilize the program are able to forge relationships with local banks with whom they can work with in the future. In addition, the program is only made available to communities with fewer than 25,000 residents, which ensures that these funds are targeted to communities where corporations are not typically located. Since President Bush first took office, IRP has experienced a 50 percent reduction in federal funding – leaving rural small businesses $17.8 million short in funding. By cutting this program, the administration has chosen to increase the barriers to capital facing small businesses in rural communities, thus limiting their ability to create jobs and spur local economic growth.

MICROLOAN PROGRAM (U.S. SMALL BUSINESS ADMINISTRATION)

Many entrepreneurs that lack sufficient personal assets do not conform to traditional credit screening, or lack the business training necessary to access affordable capital. These entrepreneurs have difficulty securing conventional loans and often look elsewhere to satisfy their capital needs. SBA's Microloan program is one such program where entrepreneurs can turn to receive smaller loans. Through this initiative, entrepreneurs are able to secure loans up to $35,000. Last year, the program provided $20 million in loans and $14 million in training and education assistance to U.S. microenterprises. A recent analysis of the microenterprise industry found that return on investment in microenterprise development is over $2 for every $1 invested. In addition, microbusinesses have very favorable survival rates when compared to other small businesses, and are a way out of poverty for low-income individuals. In its FY 2007 budget proposal, the administration has again proposed to terminate Microloan – despite the fact that Congress has repeatedly restored funding for this initiative. The Microloan program has clearly been a key factor in the development and strengthening of America's microbusinesses. By cutting this program, the administration is limiting the potential for many low-income and minority entrepreneurs to become self-sufficient, and preventing our nation from utilizing a successful and proven economic development tool.

NEW MARKETS VENTURE CAPITAL PROGRAM (NMVC) (U.S. SMALL BUSINESS ADMINISTRATION)

Although much of the nation has experienced economic development in recent years, pockets of poverty continue to persist throughout many areas of our nation. In an attempt to bring investment to these areas of the country, the New Markets Venture Capital (NMVC) program was created. This initiative sought to spur economic development, job growth, and neighborhood revitalization in America's forgotten communities. The NMVC program brings equity investment and technical assistance to help small businesses located in low- and moderate-income areas. This need is highlighted by the fact that just three percent of all venture capital goes to minority firms. Since its inception, the NMVC program made available $100 million in capital to low-income areas in some fifteen states and up to $30 million in operational assistance grants to investment firms participating in the program. Currently, six NMVC companies have been established. Consistent with its previous budget requests for this program, the administration does not request any funding in FY 2007. As a result, SBA will be unable to bring new NMVC companies into the program, limiting the availability of equity financing to entrepreneurs located in distressed urban and rural areas when the need for quality jobs persists.

PRIME (PROGRAM FOR INVESTMENT IN MICROENTREPRENEURS) (U.S. SMALL BUSINESS ADMINISTRATION)

The main focus of the SBA's Program for Investment in Microentrepreneurs (PRIME) is to provide assistance to low-income entrepreneurs who may not have the training to successfully manage their business. Low-income and very low-income entrepreneurs operate nearly 2 million businesses in the United States, yet many studies show just a fraction of them receive any kind of business assistance. PRIME was created to help these small business owners, and is meant to provide guidance so entrepreneurs can better overcome the barriers that confront them in the early stages of business development. PRIME funding can be used by an organization to provide much-needed training and technical assistance to low-income and disadvantaged entrepreneurs interested in starting or expanding their own businesses. They also can be used to engage in capacity building activities targeted to microenterprise development organizations that serve low-income and disadvantaged entrepreneurs. SBA has not requested funding for this program since FY 2001, and its FY 2007 budget continues to fail to request funding for PRIME – despite the fact that the program received $2 million in funding for FY 2006. Without PRIME, many would-be entrepreneurs will be unable to get their business off the ground and achieve self-sufficiency.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)
One of the fastest growing markets for small business' goods and services are emerging overseas markets. As the number of free trade agreements the administration has entered into continues to increase, so does the importance of overseas markets. In particular, emerging foreign markets increasingly represent new markets for small business products. The Overseas Private Investment Corporation (OPIC) is a federal agency, which assists with international business transactions. Recently OPIC has become more active in assisting small firms through its Small Business Center, where it caters to the needs of small businesses. A main impediment for small firms when doing business in emerging markets is political instability. In order to reduce this risk, OPIC offers small businesses political risk insurance through a streamlined process, which helps to ensure that a small business' deal is not jeopardized by either political instability or delays in insurance processing. Many times small businesses have viable opportunities but are unable to secure funding through the private sector. Through its Small Business Center, OPIC is able to provide financing to small businesses with viable prospects that have been unable to secure private sector support. Additionally, overseas business transactions are incredibly time consuming and many small businesses have lost opportunities as a result of slow loan processing. OPIC processes loan applications on an expedited basis, ensuring small businesses can take advantage of as many opportunities as possible. OPIC allows small businesses to participate in international markets. Funding reduction to OPIC will result in small businesses losing opportunities either because of their inability to find financing or to secure the necessary insurance. As the world's economies grow closer, small businesses' ability to sell in foreign markets is becoming increasingly important. The FY 2007 budget request reflects a nearly 50 percent cut in funds from the FY 2004 budget to guarantee loans and provide insurance to exporters – even as the number of small and medium-sized exporters continues to increase. This lack of adequate funding will only limit the ability of OPIC to assist small businesses in accessing the international market.

RURAL BUSINESS INVESTMENT PROGRAM (RBIP) (U.S. DEPARTMENT OF AGRICULTURE)
Many times rural communities lag behind in job creation and economic development. Small businesses offer the potential to provide economic development and employment opportunities. However, the ability of small business in rural areas to serve as catalyst of economic development is hampered by the limited number of financial institutions that will extend capital. In response to the unique needs of rural entrepreneurs, the Rural Business Investment Program (RBIP) was created. The purpose of the RBIP is to promote economic development and job creation in rural areas by providing venture capital to promising start-ups. At least 50 percent of RBIP investments must be in smaller enterprises; of those, 50 percent must be in small business concerns. The administration has again requested no funding in this year's proposal. By eliminating funding for this vital program, small businesses will not have the access to the capital they need in order to spur economic development in these traditionally underserved areas.

SBIC PARTICIPATING SECURITIES PROGRAM (U.S. SMALL BUSINESS ADMINISTRATION)

Venture capital investment has been credited with aiding in the small business boom of the 1990s. This was especially critical in the high tech arena dominated by entrepreneurs that went from the garage to the Fortune 500 in a short period of time. Increasing access to this form of capital is critical for small businesses to move from a role in local economies to a more visible role in the national economy. While SBA's SBIC Participating Securities Program was developed to address this issue, the administration ceased providing funds to new investment companies in its FY 2006 budget. Since then, the program has been shut down for over a year and the administration has failed to make any attempt to restore or replace this vital source of venture seed capital. As a result, small businesses will face greater challenges in securing venture capital. In FY 2002 and FY 2003, the SBA approved nearly 50 SBIC Participating Securities firms to receive funding under this program. In 2004, firms in the SBIC Participating Securities Program made over 2,000 investments in small businesses totaling over $1.4 billion, with an average investment of almost $700,000. The decay, and eventual loss, of this program will create difficult challenges for transportation, manufacturing, information technology, and scientific research companies that often rely on this program for venture capital. The administration's failure to support this program comes at a time when the venture capital industry is struggling to stabilize its investment activities. Venture capital investment now averages approximately $5 billion per quarter, a far cry from investment levels in 2001 when it reached its high point of $28.5 billion in the first quarter of 2001. This decline has greatly limited the ability of small companies to secure equity financing, forcing them to look to other funding sources. The decay of the SBIC Participating Securities program will also make it more difficult for minority-owned firms to access venture capital. Minority-owned firms already face great obstacles in accessing venture capital, receiving only 2 percent of venture capital investment. In 2004, 11 percent of the total number of SBIC program financings totaling $148 million went to minority-owned firms. Further erosion to the SBIC Participating Securities program – which is responsible for nearly half of the SBIC program's investment – will likely lead to further decline in the investment in minority-owned firms.

ENTREPRENUERIAL ASSISTANCE

AGRICULTURAL MARKETING SERVICES (AMS) (U.S. DEPARTMENT OF AGRICULTURE)

Knowledge of the marketplace in which they are competing is vital to the success of the small family farmer. However, many small farmers lack the resources to determine the best method for marketing their product or what additional markets are available. The Agricultural Marketing Services (AMS) oversees six commodity areas – cotton, dairy, fruit and vegetable, livestock and seed, poultry, and tobacco. Through the expertise of specialists, AMS is able to detect the farming trends and market conditions that small farmers would otherwise be unable to determine on their own. By working to identify market conditions and improving market access for growers within small-to medium-sized farms, the AMS program works to ensure consumers are receiving the best quality products at a reasonable cost. While enhancing the overall effectiveness of the food marketing system, AMS in turn helps to promote regional economic development through the sale and marketing of locally grown food and farm products. As the global agricultural marketplace grows, small farmers need to be able to maximize the opportunities provided by increased markets in order to remain competitive in the face of increased global competition. While AMS received $115.3 million in funding for FY 2006, the administration has proposed a 26.3 percent cut to the program for FY 2007. These cuts to AMS in the president's budget will only increase the difficulty that small farming businesses face in effectively marketing their products to consumers on a local and national level.

AMERICA'S JOB BANK (AJB) (U.S. DEPARTMENT OF LABOR)

Small businesses – which are responsible for creating three out of every four new jobs – historically have been responsible for turning the economy around during tough economic times. A key factor in business owners' ability to spur economic growth is their ability to access the skilled, trained, and dependable workforce needed to keep their operations up and running on a daily basis. Over the years, this growing demand for qualified skilled workers has been steadily increasing. America's Job Bank (AJB) – administered by the U.S. Department of Labor (DOL), in partnership with local State Employment Services – is an Internet-based computerized system created to assist business owners in seeking out the qualified employees they need to staff their firms. The site collects and continuously updates some 2 million national, state and local job listings offered by employment service offices, private companies, and small firms. AJB includes specialized functions to search for job opportunities in a variety of professional industries and service sectors. Businesses with job availabilities have the capability to list openings directly on the job bank, search resumes, and create customized job orders in order to find the qualified employees they need. In turn, users are able to connect directly with the system to search available job listings, post their resume, and contact potential employers in an effort to find employment. AJB also operates a business resource center, which provides an online library of information for small business owners regarding entrepreneurship development, business start-up assistance, human resource issues, tax compliance, patent and trademark compliance, workplace safety, and information technology concerns. The administration has proposed terminating funding for AJB in FY 2007 – despite the fact that the initiative received $15 million in operating funds for FY 2006 and has helped thousands of small businesses to connect with job seekers who possess the training and skills that match their recruitment needs. As our nation continues its work to sustain an economic recovery, it is clear that these business owners cannot afford to have a shortage of qualified, trained workers. As one of DOL's most requested Web sites, AJB has provided a great service that has helped to advance the success of small business owners and America's workforce.

BUREAU OF APPRENTICESHIP AND TRAINING (BAT) (U.S. DEPARTMENT OF LABOR)
In recent years, the service, technical, contracting, automobile, and manufacturing industries have experienced a serious shortage of qualified workers. With the retirement of the baby boom generation in the coming years, it is expected that this will lead to an increased shortage of workers with the skills necessary to compete in today's high-tech global economy. Despite these challenges, small businesses – the innovators of new ideas and technologies – continue the search to strengthen their ranks. One way to achieve this amid skilled worker shortages is through the benefit of apprentices, which have the potential to provide small business owners with a cost-effective solution for staffing their operations. The Bureau of Apprenticeship and Training (BAT) guides entrepreneurs in these vulnerable industries through the development of apprenticeships and other programs to train the skilled workers needed to compete in today's global economy. BAT registers apprenticeship programs and apprentices in 23 states. Additionally, it assists and oversees State Apprenticeship Councils (SACs) that perform these functions in another 27 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. For these small business owners, apprentices make up a loyal and skillful employee base and help to increase productivity through their practical skills and know-how. Apprentices also have lower turnover rates and reduced compensation claims than traditional employees – providing small businesses with the well-trained, reliable, and dependable workers they need to succeed. The administration's decision to cut funding for BAT initiatives in the FY 2007 budget will inevitably impact the ability of small businesses to take advantage of the benefits that come with hiring apprentices and incorporating these workers into their ranks.

BUSINESS INFORMATION CENTERS (BICS) (U.S. SMALL BUSINESS ADMINISTRATION)
SBA's Business Information Centers (BICs) provide a one-stop location where small businesses can receive assistance and advice through the latest computer technology, hardware and software, an extensive small business reference library, and current management videotapes. BICs provide information, education and training designed to help entrepreneurs start, operate and grow their businesses. Generally, BICs operate under the direction of local SBA district offices, and are run in all 50 states. Private-sector cosponsors, SCORE volunteers, and representatives from local Small Business Development Centers (SBDCs), chambers of commerce and other educational- or business-related organizations help in the operation of the centers and in assisting clients. Many of the individuals who visit BICs are self-employed and lack basic business skills, but have the initiative to start a company. BICs also serve to point people in the right direction for those seeking start up capital, business plan assistance, and advice on meeting regulatory and tax requirements. In the administration's budget, no funding for BICs has been requested, leaving far fewer outlets for disadvantaged entrepreneurs to turn to start or expand their businesses in poverty-stricken rural and urban areas of the United States.

BUSINESSLINC (U.S. SMALL BUSINESS ADMINISTRATION)

SBA's BusinessLINC (Learning, Information, Networking, and Collaboration) program was designed to promote business-to-business relationships that build the competitive strengths of small firms - particularly those located in economically disadvantaged rural and urban areas. In times of economic upswings, these locations are the last to recover, and during downturns they are the first to be impacted. BusinessLINC expands the capabilities of companies in these locations through mentor-protégé relationships with large businesses, supplemented by the technical assistance that mentors are unable to provide. Through the business-to-business relationships facilitated by BusinessLINC - which include information-sharing, networking, and training - small companies have shown higher rates of success as markets become opened to them that would normally be closed. Not only do small businesses reap the benefits from these relationships by obtaining technical advice, leveraging core strengths, and increasing marketplace credibility, but large firms are also able to create stronger ties with the community, and partner with agile companies that otherwise would be overlooked as potential suppliers. By giving these large firms an incentive to partner with already established local small businesses in distressed areas, BusinessLINC serves as a key component in economic development and job creation. The continued failure to request funding for this valuable program in every budget during the Bush administration – including FY 2007 – threatens the future of the program by leaving many small firms without the business expertise and networking opportunities that would allow them to access national supplier networks to allow them to grow and expand their business.

FUNDING FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE) (U.S. DEPARTMENT OF EDUCATION)

The challenges affecting small businesses are an area often overlooked by academia. Small businesses typically do not have the resources necessary to finance studies of challenges they face and possible solutions to these challenges. The Funding for the Improvement of Postsecondary Education (FIPSE) competition is designed to support innovative projects that hold promise as models for the resolution of important issues and problems facing small business. FIPSE funds have been used to create a consortium of schools to focus on the creation and operation of small- and medium-size enterprises (SMEs). The goal of the project is to provide a broad theme that can integrate the full range of academic disciplines associated with building and operating a successful global small to medium-sized enterprise. FIPSE has also funded case studies that are relevant to the needs of small business owners. Projects like these are vital for future entrepreneurs – allowing innovative research to be done on practices that will enable small businesses to become even more efficient, and result in better performance within the small business sector. The president’s funding request for FIPSE has been reduced by more than half since FY 2002. This means that the economy will not be able to benefit from the possible research that has allowed Corporate America to excel, and could also allow small businesses – the main job creators – to boost their chances of success.

LANDOWNER INCENTIVE PROGRAM (U.S. DEPARTMENT OF THE INTERIOR)
Many federally listed endangered species are living on land that is privately owned, creating a unique situation for small business owners and farmers operating in these areas. As of May 2003, there were 1,263 U.S. species listed as endangered or threatened, 249 candidate species and 36 species proposed for listing. The U.S. Department of the Interior (DOI) has been committed to working with these private landowners and business owners – particularly farmers, ranchers, loggers, fishermen, and developers – in an attempt to protect and recover endangered species. DOI initiated the Landowner Incentive Program as a grant-based initiative to assist private landowners in conserving and restoring the habitat of endangered species and other at-risk plans and animals. These grants will enable state entities to work with landowners and small business owners to defray the costs of habitat improvements for imperiled species living on their land. However, the Bush administration has not made this program a priority for America's small landowners, as reflected in its request of only $24.4 million in FY 2007. This represents a cut of over 50 percent in funding to the Landowner Incentive Program in comparison to the president's FY 2005 budget proposal. As conservation costs can be a costly expense for small business owners, this program is a key factor in ensuring the continued protection of important ecosystems and species, while maintaining our nation's long-term economic prosperity.

MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA) (DEPARTMENT OF COMMERCE)
One of the fastest growing small business sectors are minority-owned firms. Minority-owned businesses are growing at a rate four times that of the national average for small businesses, employing 4.5 million workers, generating $591 billion in annual revenues, and accounting for 15 percent of all private U.S. firms in 2002. Established in 1969, the Minority Business Development Agency (MBDA) is the only federal agency created to solely focus on the establishment and growth of minority-owned businesses throughout the United States. MBDA promotes the growth and competitiveness of minority-owned businesses by providing access to public/private debt and equity financing, market opportunities and one-on-one training for minority entrepreneurs through its business centers. The agency also focuses on international trade, franchising, and minority supplier corporate development. Through its minority matchmaker program in international trade, it operates as a mentor-protégé program. Also operating as a mentor-protégé program is the Minority Supplier Corporate Development program, which involves the referral of firms in the middle- to upper-level of growth to Fortune 1000 corporations. Finally, MBDA also assists minority entrepreneurs interested in franchising by facilitating partnerships with fast food giants, including McDonald's and Burger King. Since FY 2005, the administration has consistently reduced funding for MBDA. Reducing funding for this program will unnecessarily weaken one of the fastest sectors in the United States' economy – minority-owned small businesses.

THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION
The National Veterans Business Development Corporation (Veteran's Corporation or Corporation) was established by the *Veteran's Entrepreneurship and Small Business Development Act of 1999* (PL 106-50) for the purpose of creating an independently chartered, agency-wide advocate for veteran-owned small businesses. The Veteran's Corporation operates as a quasi-private/public entity that has the ability to assist veteran entrepreneurs in a variety of ways. The administration has eliminated funding for the program for FY 2007.

OCCUPATIONAL AND EMPLOYMENT INFORMATION STATE GRANTS (U.S. DEPARTMENT OF EDUCATION)

Despite current economic uncertainty, an increasingly important concern for small businesses is the recruitment and training of workers. The U.S. Department of Education's Occupational and Employment Information State Grant programs are targeted at providing the labor force of the 21st century, with career guidance and counseling. These grants, which are awarded to local entities, including community colleges and universities, promote improved career and education decisions by individuals. Educational institutions that receive Occupational and Employment Information State Grants use their funds to create matchmaking networks of graduating students and potential employers – ultimately providing small businesses with steady access to a skilled employee pool. Working with small businesses to identify their employee needs, grant recipients prepare students for available jobs, which reduces the cost and time of small businesses in employee searches, provides them with a better skilled work force, and increases employee retention by fostering career-oriented individuals. Like previous budgets, the FY 2007 budget overlooks this critical program and once again requests no funding for it. Failing to provide such services to students diminishes the availability of next generation workers to be employed by small businesses and possibly become future entrepreneurs.

ONE-STOP CAREER CENTERS (U.S. DEPARTMENT OF LABOR)

Small businesses often do not have the resources their larger counterparts are able to utilize to recruit and interview prospective employees. Through One-Stop Career Centers, small business employers are provided with assistance during the entire hiring process. In addition to helping current small business owners, One-Stop Career Centers also assist potential small business owners. For those who decide that they would like to start their own business, training and assistance is also available to ensure that each fledgling business starts at a sound place. Additionally, these centers offer phone, fax and Internet services for start-up entrepreneurs who do not yet have office space. This program clearly helps our nation's entrepreneurs get up and running in their business ventures. In its FY 2007 budget, the administration has once again cut funding to One Stop Career Centers – this year by nearly $18.5 million. Given the critical role One-Stop Career Centers play in matching small employers with trained employees and helping new businesses get started, this lack of funding will only create additional recruitment and training burden for our nation's small firms.

OUTREACH AND ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS (U.S. DEPARTMENT OF AGRICULTURE)

The agriculture industry has long been an important factor in the promotion of economic growth and social welfare in rural areas of the U.S. In many rural areas of the country, agribusiness is a critical component of a state's economies. However, socially disadvantaged small farmers and landowners – who account for nearly 80,000 of American farm owners – realize less profit from their farms than other landowners, and face difficulty in operating a successful business. Their productivity is limited by the lack of technical assistance, knowledge, technical information and marketing network needed to generate additional farm income. The Small Farmer Outreach Training and Technical Assistance Program seeks to reverse the decline of the small traditional crop and livestock farmer, rancher and landowner by providing grants to non-profits that reach out to minority and socially disadvantaged farmers. The initiative is designed to encourage and assist these small, rural-based business owners to own and operate farms, participate in agricultural programs, and become an integral part of the agricultural community. In addition, the program supports a wide range of outreach and assistance activities, including farm management, financial management, marketing, and bidding procedures in order to increase the stability and profitability of these enterprises. As the only U.S. Department of Agriculture (USDA) program that specifically reaches out to minority farmers, the Small Farmer Outreach Training and Technical Assistance Program is critical to the future success of minority farmers operating in rural areas. The Bush administration has been consistent in its drastic underfunding of this initiative, cutting over 30 percent in funding since FY 2001. A lack of adequate funding for this program only solidifies the Bush administration's lack of commitment to America's small farmers.

PROJECTS WITH INDUSTRY PROGRAM (PWI) (U.S. DEPARTMENT OF EDUCATION)

Currently, there are approximately 54 million Americans with disabilities. The unemployment rate for this population is as high as 70 percent, a third of who live in a household with an annual income of $15,000 or less, and less than 10 percent of this population owns a home. The U.S. Department of Education's Projects with Industry (PWI) program is focused on creating and expanding job opportunities in the labor market to those individuals with disabilities by encouraging the involvement of business and industry in the rehabilitation process. PWI works with businesses of all sizes, including small firms that are the backbone of local economies, to identify jobs and careers while giving advice on job training and skills. Through this program, the hope is to allow individuals with disabilities to obtain meaningful employment, higher wages, and a better rate of job retention in a wide variety of small businesses and industries. A Department of Education study found that the change in earnings of individuals placed in the labor environment through PWI increased their earnings by an average of over $200 per week. Although the PWI had been funded at nearly $20 million in FY 2006, this year the Bush administration has requested no funding for it in FY 2007. Given that PWI is the primary federal vehicle for promoting greater participation of businesses in hiring individuals with disabilities, the proposed termination of it by this administration will shrink the labor pool and harm the job prospects of disabled Americans.

REGIONAL RURAL DEVELOPMENT CENTERS (U.S. DEPARTMENT OF AGRICULTURE)

One-quarter of the U.S. population lives in rural areas located across the country. Small businesses and farmers in these rural locations face many challenges in maintaining economic success. Some of these problems include dealing with high unemployment rates, operating costs, and energy prices that make it difficult to make a profit. However, entrepreneurial development in these isolated areas is viewed as an integral contribution to the future sustainability of these rural communities. The four Regional Rural Development Centers – located in North Central, Northeast, Southern, and Western regions of the U.S. – were established under the Rural Development Act of 1972 to support entrepreneurship throughout rural America by providing education and research opportunities. Operating in conjunction with land-grant universities in areas across the country, each center works to address the most pressing economic and social issues of rural communities by building partnerships with local entrepreneurs, decision makers, and organizations. Specific programming efforts include the promotion of value-added agriculture, investment capital, rural tourism, and retail and e-commerce as a means to ensuring the continued economic sustainability of these communities. Each Rural Development Center also offers a variety of publications, newsletters and report on rural development policy and implementation, and information on federal government training classes, funding opportunities, and rural development conferences. However, after proposing to flat fund the program from FY 2004 through FY 2006, the administration has now chosen to reduce its funding request for the program in FY 2007. By reducing funding for an initiative that encourages small business owners and entrepreneurs to become more active citizens – it is clear that the administration has chosen to turn its back on aiding the advancement of rural economies, the promotion of regional and national rural community development – and ultimately allowing these businesses a chance to give back to the communities that have supported them.

SMALL BUSINESS DEVELOPMENT CENTERS (U.S. SMALL BUSINESS ADMINISTRATION)

The Small Business Development Center (SBDC) program was created by Congress in 1980 to foster economic development by providing management, technical and research assistance to current and prospective small businesses. SBDCs offer one-stop assistance to small businesses by providing information and guidance in central and easily accessible branch locations. In addition, these centers provide information to help with expansion, stimulating lending results and assisting businesses in maneuvering through industry or sector downturns. The SBDC program is a cooperative effort of the private sector, the educational community and federal, state and local governments. The program has been experiencing a decline in client hours due to the fact that the administration has continually underfunded this program well below its authorized level.

SUSAN HARWOOD WORKER TRAINING GRANT PROGRAM (OCCPATIONAL SAFETY & HEALTH ADMINISTRAION (OSHA)/U.S. DEPARTMENT OF LABOR)

Regulatory and paperwork burdens are one of the greatest challenges confronting this nation's small businesses. Firms that employ fewer than 20 workers face an annual regulatory burden of almost $7,000 per employee – a burden nearly 60 percent greater than that of corporate America. These burdens include complying with Occupational Safety and Health Administration (OSHA) safety records and health regulations that small businesses are required to follow. However, many small business owners are forced to operate with restricted budgets and limited resources that make it difficult to offer employees with a full range of workplace safety and health programs in order to comply with OSHA guidelines. The Susan Harwood Worker Training Grant Program was designed to provide small business employers and workers with access to the necsessary training programs and educational materials. These programs guide small businesses in recognizing, avoiding and preventing safety and health hazards in the workplace, in an effort to assist business owners in complying with OSHA regulations. This innovative program has been a key factor in the development of industry-wide training programs and materials that small businesses across the country have been able to utilize – ensuring businesses owners are able to provide a safe workplace for their employees. In its FY 2007 budget proposal, the Bush administration proposed eliminating the $10.2 million worker training grant program in its entirety – creating a disproportionate burden for small businesses struggling to comply with OSHA safety and health regulations.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) (U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES)

While it is critical to progress from welfare to work, the benefits of moving individuals to self-sufficiency through business ownership are often overlooked. One of the many services provided through the Temporary Assistance for Needy Families (TANF) initiative is support for microenterprise development – a small business development model for welfare recipients. TANF recipients that participate in the microenterprise development programs have found that owning a small business enables them to strike an even balance between home and work requirements, build on services they already informally provide to their communities, and create jobs for other low-income residents. Approximately 7 percent of TANF recipients choose self-employment and are able to successfully start and operate a business, which creates an average 1.5 jobs for other low-income community members. Unfortunately, the great potential of microenterprise will not be attained under the FY 2007 budget due to the administration's repeated cuts to and flat-funding of this program. The administration's failure to adequately fund TANF, coupled with individual states' inability to allocate additional funding sources, will result in the loss of potential small business ownership or employment opportunities for TANF recipients. TANF is a proven vehicle for reducing welfare dependency – however, this budget request of $17 million only hinders the ability of TANF recipients to use entrepreneurship as a way to improve their economic outlook.

TRADE ADJUSTMENT ASSISTANCE (TAA) PROGRAM (U.S. DEPARTMENT OF LABOR)

With the rapid globalization of the American economy, many small companies in the U.S. often look to overseas markets to expand sales, increase revenues, and boost incomes. Making up 96 percent of all exporters, many small business exporters face difficulty in remaining competitive in the international arena dominated by large companies due to a combination of high production costs and little flexibility in lowering their prices. Many large firms are able to outsource their products or services at a lower cost; however, small businesses often lack a share of this market – which in turn threatens the future success of many small business owners and their employees. The Trade Adjustment Assistance (TAA) program provides aid to those 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, including income support, relocation allowances, job search capabilities, and health care coverage tax credits. TAA protects the interests of small exporters while creating opportunities for displaced workers to re-train, create new products, and continue to support their local communities. Although the program has supported small business growth and job creation here in the U.S. and in international markets, the administration has proposed cutting funding for the program this year by $27.4 million. This is unfortunate for a program that has worked to assist those small business owners and their employees who have suffered trade-related job losses and helped to place them back into the labor force.

U.S. TRAVEL AND TOURISM PROMOTION ADVISORY BOARD (U.S. DEPARTMENT OF COMMERCE)

Travel is an essential part of the American lifestyle. In fact, current statistics show that spending by U.S. and international travelers in this country averaged $1.6 billion per day. Travel and tourism is big business in the U.S. – generating $100 billion in tax revenue for local, state and federal governments each year – but it is small businesses that dominate this industry. Most travel agents, bus tour operators, restaurants and lodging accommodations are family-run. In fact, 95 percent of all travel agencies, 85 percent of the tour operating businesses, 96 percent of hotels/motels, 99 percent of restaurants, 99 percent of souvenir shops, and 93 percent of sightseeing bus companies are defined as small entities. But in the years following the September 11 terrorist attacks, it seems that many sectors of the travel industry have been struggling to make a profit. While the major airlines have sought and received federal assistance, small businesses have been consistently overlooked. The U.S. Travel and Tourism Promotion Advisory Board was created in 2002 to create an international travel and tourism marketing campaign with the goal of reviving international travel, attracting more visitors to this country, and boosting sales receipts for this industry. The campaign includes public relations, market research, and consumer and trade advertising, as well as a matching grants program to support regional promotion efforts. Thousands of small travel agents and tourism operators – key economic generators in this industry – have been able to benefit from the travel and tourism promotion program in the form of higher demand for travel to and from the U.S. This has resulted in the creation of thousands of new jobs, community-based tourism development, small business growth, and export generation. However, since its creation in 2002 funding for the program has been on a steady decline from its original $50 million appropriation. This year, the administration has proposed total elimination of the Promotion Advisory Board, which reduces the opportunity to boost the U.S. travel and tourism industry – which has the potential to cost small businesses in these industries billions of dollars each year.

VETERANS WORKFORCE INVESTMENT PROGRAM (VWIP) (U.S. DEPARTMENT OF LABOR)

Having a skilled workforce is vital to America's small businesses. Corporate America has an advantage over small business, as they are able to provide more costly training for their employees and typically pay their employees higher wages, thus attracting more skilled workers. The Veterans Workforce Investment Program (VWIP) is an example of a program that provides small businesses with skilled employees. VWIP uses grants and contracts to provide technical training and employment services to veterans who are recently separated from the military, are service disabled, served in active duty, or face significant barriers to employment. By focusing on these populations, VWIP gives tools to a specific population which otherwise may have fallen through the cracks. In addition to providing veterans with skills, VWIP also has a job placement component through which newly trained veterans can be matched with small businesses where their skills are most needed. The decision to again reduce funding in the current budget request will only continue to negatively impact two of the most deserving constituencies in the country – veterans and small business owners. By denying training and job placement to veterans, the administration is ungratefully ignoring their service. Additionally, the administration is denying American small businesses a group of highly skilled workers who have the talents they need for their successful business venture.

WOMEN'S BUSINESS CENTERS (WBC) (U.S. SMALL BUSINESS ADMINISTRATION)

Today, women own nearly half of all privately-owned firms – totaling 10.6 million enterprises. In 1988, the Small Business Administration (SBA) established the Women's Business Center (WBC) Program in response to women's business organizations that insisted more needed to be done to help women overcome the barriers to success. Each WBC provides assistance and/or training in finance, management, marketing, procurement and the Internet, and addresses specialized topics such as home-based businesses, corporate executive downsizing, and welfare-to-work. All centers provide individual business counseling and access to SBA programs and services. Each WBC tailors its programs to the needs of its constituency, many offer programs and counseling in two or more languages. The administration has submitted a budget request for this program that again reduces funding for this vital entrepreneurial development program. This means that the SBA will not be able to open new centers to assist aspiring female entrepreneurs in many underserved areas across the country.

WOMEN IN APPRENTICESHIP AND NONTRADITIONAL OCCUPATIONS (WANTO) GRANT PROGRAM (U.S. DEPARTMENT OF LABOR)

Women business owners are a dominant force in today's economy. Since 1997, women-owned firms have grown at nearly twice the rate of all businesses, employing 19.1 million workers and generating 18 percent of all sales. Growth in employment by women-owned businesses has been even more dramatic at 24 percent versus 12 percent for all other firms. To that end, the Department of Labor's (DOL) Women in Apprenticeship and Nontraditional Occupations (WANTO) grant program was designed to increase the participation of women in apprenticeships and nontraditional careers – defined as jobs where women comprise less than 25 percent of the workforce. Many small businesses across the country, from auto repair shops to construction companies, and chefs to truck drivers, have typically been dominated by men. Responding to the unique employment needs of women, WANTO provides employers and labor unions with technical assistance grants to increase the number of women working and owning businesses in these sectors of the economy. This initiative received close to $1 million in funding in FY 2006, yet the administration has proposed eliminating the program entirely for FY 2007. By providing business development, career training, and apprenticeships in these fields, women are able to make inroads in these nontraditional careers, earn more money, and develop their entrepreneurial skills. As a result of the grants provided through WANTO, women have been able to break into the workforce, hold jobs, and even own their own businesses.

ECONOMIC DEVELOPMENT

APPALACHIAN REGIONAL COMMISSION (ARC) (U.S. DEPARTMENT OF AGRICULTURE)
Appalachia – home to more than 23 million people living in the region stretching from Mississippi to New York – continues to struggle to increase its economic health and stability. While the region showed strong growth in the early 1990s, its economy began to slip between 1995 and 1999, leaving Appalachia with a per capita income of only 81.9 percent of the U.S. average. The small homegrown businesses play an integral role in creating and sustaining local economies and improving the quality of life in Appalachia. Through programs like its Entrepreneurship Initiative and Business Development Revolving Loan Fund, the Appalachian Regional Commission (ARC) creates opportunities for self-sustaining economic development. Each year, ARC provides funding for several hundred projects throughout the 13 Appalachian states that support economic and human development, bringing more of Appalachia's people into America's economic mainstream. ARC's Entrepreneurship Initiative provides communities with the tools needed to assist entrepreneurs in starting and expanding local businesses, such as greater access to capital, education and training opportunities, encouraging sector-based strategies to maximize the economic strengths of local communities, and strategic support for business incubators. Through its Business Development Revolving Loan Fund, ARC addresses the problem of credit availability that so often impedes small business development. ARC programs create thousands of new jobs and provide technical, managerial, and marketing assistance to emerging new businesses. With a funding cut in FY 2007, ARC will be unable to fully serve millions of individuals in one of our nation's most economically distressed areas – the Appalachian Mountain region – which relies heavily on the type of assistance provided by this valuable program.

BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE (BEDI) (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)
In the U.S. today, the Environmental Protection Agency (EPA) estimates there are between 500,000 to one million brownfields draining the life out of communities. By definition, brownfields are properties in which redevelopment, expansion, or reuse may be complicated by the occurrence of pollutants. Brownfield locations often times have desirable locations, but the high cost of their decontamination makes their development unfeasible. Brownfields are found in all parts of the country from Maine to California. The goal of the U.S. Department of Housing and Urban Development's (HUD) Brownfields Economic Development Initiative (BEDI) is to stimulate economic growth by helping cities to clean-up and redevelop brownfields sites. On their own, small businesses are unable to undertake or reap the rewards of such projects. BEDI funds are used to help remove environmental hazards from communities, while revitalizing them through job creation and the reintegration of productive property. Small businesses have a clear role to play in helping to turn brownfields into safe, vibrant commercial areas – bringing employment opportunity to distressed areas that need these most. In 2004, HUD awarded $24.6 million in grants to redevelop brownfields – creating approximately 7,000 jobs in 17 communities throughout the U.S. However, in the FY 2007 budget, the administration requests no funding for the program. In scrapping the BEDI, many small firms will be denied the opportunity to participate in the economic development and job creation effects of the program, and brownfields sites across the country will continue to tarnish the landscapes of our communities.

COMMUNITY DEVELOPMENT FUND (CDF)/COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)

Over the past 30 years, cities and counties have used HUD's Community Development Block Grant (CDBG) program to rebuild and revitalize communities through the flexible funding of important local projects. The CDBG program has become an increasingly important catalyst for economic development and small business opportunity in low-income neighborhoods. CDBG funds are used to develop projects that impact local communities, and can be used for an array of small business ventures. For example, the funds can be used for the development and operation of business incubators, which provide assistance to developing small businesses and increase the likelihood that a start-up will be successful. CDBG grants are also used to assist for-profit businesses through special economic development activities, including microenterprise loans to low-income entrepreneurs, assembling land to attract new industry, or business expansion loans to help retain existing small businesses that employ low-income workers. Within the CDBG program there are set-asides, which have been established to insure that some of the neediest communities are targeted for assistance – enabling economic development to be fostered through these small business set-asides. CDBG funds have been used to operate revolving loan programs to help small businesses start-up. Overall, the flexibility offered by the CDBG program has helped to meet the needs of small businesses across the country. The FY 2007 budget has proposed funding the CDBG program at $3 billion, despite the fact that this program received over $4.2 billion in funding in FY 2006 – representing a cut of 28 percent in CDBG funding. Such a significant reduction in funding is guaranteed to have a devastating impact on small businesses in every community across the nation.

COMMUNITY ECONOMIC DEVELOPMENT (CED) GRANTS PROGRAM (U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES)

Today, entrepreneurs in rural and urban areas are facing hardships. They face a weakening labor pool, as a younger and more productive population decides to leave and look for opportunities elsewhere. Through business, physical or commercial development in economically distressed areas of the country, the Urban and Rural Community Economic Development (CED) Grants Program focuses on creating projects that will provide employment and business ownership opportunities for low-income people. The emphasis of this program is on self-help and mobilization of the community-at-large. CED funded projects may include business startups, business expansions, development of new products and services, and other commercial activities – all with the goal of creating full-time permanent jobs and enterprise development for low-income residents and their communities. This program works to harness the entrepreneurial power that exists in economically depressed cities and towns, through relationships between community-based organizations and local small businesses. By creating these long-term partnerships between the private sector and government, this program works to open up a new marketplace for American businesses in rural and urban communities. This initiative will rebuild these communities by providing the necessary anchors that will lead to real growth and opportunity. As a key driver of our economy, small businesses require a working climate conducive to providing jobs to those living in rural and urban areas – yet the administration has eliminated funding for the program in its FY 2007 request. This lack of funding for CED will only harm communities that rely on small firms, the backbones of their local economies.

DELTA REGIONAL AUTHORITY (DRA) (U.S. DEPARTMENT OF AGRICULTURE)
The Delta Regional Authority (DRA) is a federal-state partnership serving a 240-county/parish area throughout Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri and Tennessee. Based on efforts included in the Marshall Plan and the Appalachian Regional Commission (ARC), DRA provides states and non-profit organizations with workforce and business development grants, helping low-income communities with access to critical job training and entrepreneurship services. DRA's long-term goals are to decrease levels of unemployment and underemployment – which have skyrocketed throughout the region in the wake of the August 2005 destruction of Hurricanes Katrina, Rita, and Wilma – by providing the necessary infrastructure to support economic growth. For FY 2003-2004, DRA awarded nearly $6.16 million in grants to the states within the Delta region. This program has witnessed a substantial decline in federal funding, with the Bush administration requesting a mere $5.9 million in FY 2005 – a 51 percent decrease from the $12 million the program received in FY 2006. With cuts to the small business and job training services offered by DRA, these states would lack the meaningful projects undertaken by regional planning commissions, local governments, non-profit organizations, and universities to address chronic problems, which have led to depressed economic conditions and higher poverty rates for many residents.

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) (U.S. DEPARTMENT OF COMMERCE)
Small businesses have the power to breathe new life into our most vulnerable communities. The Economic Development Administration (EDA), at the U.S. Department of Commerce, stimulates industrial and commercial growth by generating new jobs as well as by helping to retain existing jobs in economically distressed areas. The basic guiding principle at EDA is that distressed communities must be empowered to implement their own economic development strategies. EDA helps such communities address challenges relating to chronic economic distress and severe economic dislocations due to closure of federal facilities, natural disasters, or rapidly changing trade patterns. These investments support a variety of specific economic development strategies including business incubators, redevelopment of brownfields sites, and business/industrial development. EDA provides small business grants to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term private jobs. One such undertaking EDA supports is entrepreneurial training and development. This serves the purpose of letting a community increase its say in its economic future rather than have external factors determine a community's economic condition. Since 1965, EDA has invested more than $16 billion in grants, and has generated more than $36 billion in private investment. It is through the launching of successful initiatives, the creation of jobs, and the expansion of local economies when the demand decreases for government expenditures. However, the administration's FY 2007 budget proposes slashing the EDA budget by 89.5 percent. This drastic cut for EDA will remove the skills and experience it has provided to economic developments for the last 40 years. Communities that are in need will no longer benefit from the economic development functions provided by EDA initiatives.

ECONOMIC DEVELOPMENT INITIATIVE (EDI) (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)

A way to help low and moderate-income communities is to provide them with a steady infusion of capital for economic development purposes. The Economic Development Initiative (EDI) provides grants to local governments that can be used for the enhancement of loan guarantees and feasibility studies of large economic development and revitalization projects proposals. Since local governments pledge against potential repayment shortfalls with these loans, the EDI program offers communities a way to decrease their risk. The EDI program has benefited many small businesses as the funds have been used to create a revolving loan fund to provide access to capital for small and micro-enterprises. Increasing access to capital for entrepreneurs and small businesses has emerged as a key component of the job growth and investment strategy powered by the EDI grant program. It does this by enabling communities to obtain long-term, low-interest HUD loans for up to ten times the amount of their EDI grants for a wide range of economic and community development projects. Since 1994, HUD has awarded $500 million in EDI grants and has committed more than $4 billion in guaranteed loans, generating an estimated 300,000 jobs – yet the FY 2007 budget terminates a program that has proven effective over the years. This will severely impact the ability of small businesses across the country to access capital by hindering job growth and community initiatives relating to economic development.

EMPOWERMENT ZONES (EZS) (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)

Opportunities for entrepreneurial initiatives, small business expansion, and job training that offer upward mobility are critical to providing economic opportunity and direction for underserved areas and distressed neighborhoods. Through the creation of Empowerment Zones (EZs) in some of the nation's most distressed urban communities, economic development is encouraged through public-private partnerships. Urban EZs receive regulatory relief and tax breaks to help local small businesses provide jobs and promote community revitalization. EZs encourage small business development through substantial tax benefits, which help individual businesses to start and expand their enterprises. EZs are authorized to reward eligible employers – who in many cases are small businesses – with tax credits for hiring employees from certain populations. These tax credits, worth up to $5,000 per employee, provide an incentive for small businesses to expand their workforce and take on employees from some of the country's most vulnerable populations. Small businesses in EZs receive additional benefits, some of which come in the form of deductions. For example, EZs allow for the increased expensing of equipment and machinery. The creation of jobs by small businesses in EZ communities provides the foundation for residents to become economically self-sufficient while spurring community development. The particular details of each EZ are tailored to the needs of the targeted community and businesses located there. The administration's FY 2007 budget requests no funding for the program. Removing funding for EZs will not only thwart additional economic progress in underserved areas of this country, but will unravel some of the work accomplished by EZs, much of which has been accomplished by our nation's small businesses.

JOB CORPS (U.S. DEPARTMENT OF LABOR)

One of the most important resources for a small business is its employees. Small firms provide nearly 70 percent of American workers with their first job. However, many small business owners face difficulty in retaining the skilled, capable, and dependable workforce needed to keep their business operations up and running – making it all the more challenging for this important sector of the economy to meet their growing labor needs. Job Corps, a national vocational and employment training program overseen by the Department of Labor (DOL), was designed to fill this niche by providing disadvantaged youth between the ages of 16 to 24 with the education and support they need to secure long-term employment. Operating in 122 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. In turn, Job Corps is able to match small business owners with the well-trained, entry-level employees needed to fill their workforce needs. On an annual basis, Job Corps serves more than 60,000 new program participants. In addition, Job Corps has benefited many entrepreneurs – including minority-owned businesses, women-owned businesses, veteran-owned businesses, and HubZone businesses – seeking procurement opportunities with the federal government. The Job Corps Acquisition program assists small businesses interested in selling their products and services to Job Corps Centers across the country. Funding for this valuable employment training program is integral as the American economy continues to create a diverse array of jobs that require a variety of skill levels and abilities to perform – yet the Bush administration has proposed cutting funding in FY 2007 for the initiative by $71.4 million.

LAND AND WATER CONSERVATION FUND (LWCF) STATE ASSISTANCE (U.S. DEPARTMENT OF AGRICULTURE)

Private landowners and small farmers face many challenges in maintaining the sustainability of their business, while protecting wildlife habitats. If these business owners are unable to remain profitable, they are often forced to sell their land for some other use. This land is then converted for industrial uses that can threaten the natural ecosystems of these areas. Recent studies by the American Farmland Trust have found that every minute of every day, America loses two more acres of rural farmland to alternative operations. There are many tools available to help farmers, ranchers and loggers conserve and restore the habitat of endangered species and other at-risk plants and animals, including the Land and Water Conservation Fund (LWCF). This initiative authorizes federal, state or local governments to purchase land, water and other wilderness areas for conservation purposes, which will be converted into national forests, parks, wildlife refuges and other public areas. LWCF provides these landowners with the opportunity to work in a positive partnership to preserve their land without having to sell to commercial developers. However, the President's FY 2007 budget proposes cutting funding for LWCF state grants by nearly 95 percent, making it more difficult for private landowners to protect their land and achieve significant conservation results on a national scale.

NATIONAL COMMUNITY DEVELOPMENT INITIATIVE (NCDI) (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)

For many years a number of cities throughout the U.S. have not received the resources and attention that they need in order to thrive. In some cases, cities have been allowed to significantly deteriorate – having a negative effect on small businesses located in these urban areas. The National Community Development Initiative (NCDI) works to revive this country's cities and breathe new hope into them. NCDI is a public/private initiative which provides millions of dollars in grants and loans to nonprofit organizations and community development corporations. Community Development Corporations (CDCs) borrow money, invest it in the physical and social infrastructure of their neighborhoods, and repay their debts. NCDI works with leading national community development support organizations that serve as intermediaries with local foundations banks, corporations and state and local governments to bolster the efforts of more than 300 CDCs in 23 cities. The NCDI through its private partners is able to leverage federal funds into a wider impact than could be accomplished if there was not a private component to the program. The mission of the NCDI is very broad – in order to meet its goal of overall inner city development it has funded the construction of affordable housing, creation of small business incubators and the funding of small business development. The current budget submission proposes to eliminate funding for the NCDI altogether. Given that the federal government funds only a piece of NCDI, the other participating partners will question the government's commitment and will be less likely to commit resources, which are fully available to them, thus depriving urban small businesses of an opportunity to help revitalize their neighborhood.

NATIVE AMERICAN OUTREACH (U.S. SMALL BUSINESS ADMINISTRATION)

As a group, Native Americans face tremendous economic hardships, and have many unique impediments to economic development. The economic conditions in many native communities are not inline with the overall sustainability of the U.S. economy. This fact is underscored by the 2000 Census, which found that the average unemployment rate on reservations in 1999 was 43 percent. Small businesses offer a tool for economic development and serve as a way to help boost job creation and employment for entire communities. Recognizing the severe need for economic development in native communities, the SBA undertook its Native American Outreach program as a means to bring economic development to some of the country's neediest communities. The Native American Outreach Program is an initiative to establish partnerships with tribes engaged in economic development activity. The goal of the program is to ensure that all Native Americans who seek to create, develop and expand their own small business have full access to the necessary business development and expansion tools available through SBA. This program is a comprehensive initiative designed to meet specific cultural needs and result in job creation through small business development. The FY 2007 budget requests a paltry $793,000 million in funding for the Native American Outreach Program, which hinders the ability of small businesses to create the jobs and employment opportunities that these communities so desperately need.

NORTHERN GREAT PLAINS REGIONAL AUTHORITY (NGPA) (U.S. DEPARTMENT OF AGRICULTURE)

There are certain regions of the country where distressed communities struggle with poverty, unemployment and an overall lack of economic growth. Just as countries establish trading blocks, there are states and regions that join together to address common economic interests. The Northern Great Plains Regional Authority (NGPA) was designed to help communities in Iowa, Minnesota, Nebraska, North Dakota and South Dakota improve their basic transportation and telecommunication infrastructures, and provide business development and job training at the local level. Authorized at $30 million per year, it would provide grants to states, public and nonprofit entities for business development and entrepreneurship, job training, support for local development districts, enhancing local private investment, and setting regional economic development priorities. Like the Delta Regional Authority (DRA) and the Appalachian Regional Commission (ARC), this program would provide much-needed economic assistance and business development opportunities to rural, distressed communities by funding regional, state and local initiatives. Unfortunately, the president's budget provides no funding for this program, an initiative that plays a vital role in the economic renewal of the Great Plains region and has the ability to provide countless entrepreneurs with access to business development services.

RURAL INITIATIVES

FARM SERVICE AGENCY (FSA) (U.S. DEPARTMENT OF AGRICULTURE)

There are 1.4 million small farms across America, all of which play an important role in contributing to the framework of their local community and the fiber of the national economy. However, farmers face a great deal of uncertainty due to the high volatility of agriculture as a business – from unstable farm prices, to unpredictable crop yields, and changing weather patterns. The Farm Service Agency (FSA), dedicated to keeping our nation's farmers and ranchers on their land and helping those who wish to break into the agricultural arena, administers a myriad of programs to make these goals a reality. With its roots tracing back to the Great Depression era, FSA underwent reorganization in 1994, but continues to operate with the same mission of assisting small, local farmers, and preserving and promoting American agriculture for future generations. Today, FSA administers farm commodity and conservation programs for farmers, and makes and guarantees farm emergency, ownership, and operating loans that guarantee the continued sustainability of American agriculture. As small farms continue to compete against large agribusiness for a share of the market, the $248 million reduction in funding as proposed in the President's budget will only push small farmers closer to the edge of extinction.

MIGRANT AND SEASONAL FARMWORKER PROGRAMS (U.S. DEPARTMENT OF LABOR)

Across the country, rural communities, and the small businesses that anchor them, depend on seasonal and migrant farm workers to fulfill their labor needs. These workers are often some of the most economically disadvantaged members of a community, and in many cases lack the education and assistance to better their situation. In addition to much-needed job training, the Migrant and Seasonal Farmworker Programs also offer an opportunity to those workers who desire to become self-sufficient through entrepreneurial development. These programs are aimed to create entrepreneurial and microenterprise development opportunities for farm workers, giving them the training they need to actually start a small business. Without these opportunities, farm workers are increasingly likely to be stuck in low paying jobs, rather than working toward economic independence through entrepreneurship. While this initiative received an $80 million appropriation in FY 2006, the administration again failed to request any funding in its FY 2007 budget. Given this program's repeated termination, the budget submission is passing up the opportunity to provide some of the neediest communities with an opportunity to better their situation through entrepreneurship.

PARTNERS FOR FISH AND WILDLIFE (U.S. DEPARTMENT OF THE INTERIOR)
Many small businesses located in coastal regions of the U.S. – particularly those in the tourism, recreation, travel and transportation industries – face increasing pressure in keeping these areas healthy and thriving. Population growth in coastal communities, coupled with a rise in visitors throughout the year, is an immense cause of concern for the continued viability of naturally occurring species in critical habitats throughout these regions. While these industries help to boost job creation and stimulate economic growth, it is important for business owners to find ways to assist in controlling unintended negative consequences these opportunities may bring – including decreased water quality, loss of fish and wildlife habitats and adverse health risks, to name a few. The Partners for Fish and Wildlife Program is a voluntary incentive program designed to assist private business and landowners with technical and financial backing for the protection of critical habitats that occur on their private land. Specifically, the program seeks to guide business owners in restoring degraded wetlands, native grasslands, streams, riparian areas, and other habitats that are in need of protection. The Fish and Wildlife Service reports that demand for the program has been strong since its inception in 1987, with funds helping 33,000 landowners to restore nearly 1.3 million acres of prairie and grasslands, 677,000 acres of wetlands, and 5,560 miles of riparian and in-stream habitats. By providing business owners in coastal areas with the tools they need to improve water quality, assist in fish and wildlife management, and protect natural habitats on their land, the Partners for Fish and Wildlife Program has spawned a new generation of Americans dedicated to conservation. However, in FY 2007 the Bush administration has requested reduced funding for the program, which will limit the ability of small business owners in these areas to participate fully and effectively in conservation efforts on their properties.

RURAL BUSINESS ENTERPRISE GRANTS PROGRAM (RBEG) (U.S. DEPARTMENT OF AGRICULTURE)
Rural communities in the U.S. typically have higher rates of unemployment than the national average. Small businesses offer a successful way to bring rural unemployment inline with the national average. The U.S. Department of Agriculture's Rural Business Enterprise Grants (RBEG) program reaches out to local businesses and cooperatives in rural communities to help preserve and develop new job opportunities. Under the program, RBEG funds are awarded to eligible organizations to finance the development of small and emerging firms with less than 50 new employees and less than $1 million in gross annual revenue. These grants can be used for a variety of purposes relating to small business including the development of land; construction of buildings for an incubator or small company; technical assistance, such as marketing and feasibility studies; business plans or training; start-up operating costs and working capital; and the development of distance learning networks. In 2005, this program provided funding for at least one project in all 50 states. This program is of particular importance today as many companies that formerly looked to rural communities to meet their labor needs are now moving these same jobs offshore. Although the program has supported small business growth and job creation across the nation, the administration has terminated the RBEG program in its FY07 budget submission. Given that such sources of federal financing can contribute to lowering unemployment and counteract job flight through small business creation, the failure of the administration to adequately fund RBEG will cause hardship in rural communities in every state across the country.

RURAL BUSINESS OPPORTUNITY GRANTS (U.S. DEPARTMENT OF AGRICULTURE)

The lack of economic opportunities available in some of this nation's rural areas is threatening the viability of local communities across the country. Rural communities face a variety of impediments to economic opportunity that non-rural communities do not. Small businesses in rural communities also face a unique set of challenges. Successful small business formation can truly be the economic backbone of a rural community, and helps to ensure that it is able to thrive. In recognition of the special need that rural communities have for small business development, the USDA created the Rural Business Opportunity Grants (RBOG) Program. This program makes grants to public bodies, nonprofit organizations, Indian tribes and cooperatives for the purposes of providing training and technical assistance to rural businesses, economic planning for rural communities, or training for rural entrepreneurs and economic development officials. The RBOG program has identified a specific need among rural communities for economic development through small business development and expansion. The current budget terminates funding for the RBOG program. Without the opportunities RBOG provides for small business expansion, the future viability of rural communities could become undermined as their economic basis continues to fall behind the pace of the rest of the country.

RURAL COMMUNITY DEVELOPMENT INITIATIVE (RCDI) (U.S. DEPARTMENT OF AGRICULTURE)

There are many distinctive assets of rural communities that lend themselves to economic development. Rural and agricultural communities tend to have higher rates of self-employment, increasing the opportunity for entrepreneurial activities. However, there are also challenges to promoting small business growth in rural areas, such as lower wages, the cyclical nature of seasonal work, and the lack of basic infrastructure. To help overcome these barriers, the Rural Community Development Initiative (RCDI) was created to provide grants to organizations and low-income communities located in rural areas with populations of 50,000 or less. These grants, ranging from $50,000 to $500,000, are a way to help bring about rural economic development. By providing technical assistance in the form of support to microenterprises, cooperatives and sustainable development, the RCDI allows communities to undertake projects that encourage entrepreneurship at the local level. It is through such microenteprise development that these areas are able to create and sustain jobs, leading to overall economic expansion. In some farm and ranch counties, it is said that some 70 percent of net job growth comes from people creating their own jobs. In fact, entrepreneurship in rural areas, supported by the RCDI, has been proven to work in agricultural areas that are unable to attract manufacturing or other large employers. This initiative was funded at $6.4 million in FY 2006, yet the administration's latest budget proposal does not request any money for RCDI. This will ultimately cause a gap in much-needed technical assistance to small businesses and microentrepreneurs in our nation's most distressed rural communities, stifling job creation.

RURAL COOPERATIVE DEVELOPMENT GRANT (RCDG) PROGRAM (U.S. DEPARTMENT OF AGRICULTURE)

Small farm and ranch owners face many unique challenges in maintaining the day to day operations of their business, from purchasing tools and equipment to selling their products in the marketplace. Often times, these entrepreneurs are forced to pay high costs and receive only marginal profits in return for the product they produce and sell. For this reason, Congress established the Capper-Volstead Act in 1922 to allow farmers and ranchers to join together in cooperative partnerships for their mutual benefit. Today, there are nearly 3,000 farmer cooperatives in the U.S., with a membership that includes a majority of our nation's 2 million farmers and ranchers. The Rural Cooperative Development Grant (RCDG) program was created to invest in projects that assist small cooperative producers, particularly those that are minority-owned, through rural operating centers. These centers are used to conduct feasibility analyses, outreach, and other forms of technical assistance and business development services for new and existing farming cooperatives in rural areas across America. Although RCDG has helped to provide small farms in rural communities with the tools they need to spur economic growth, job creation, and business development, the administration has proposed cutting funding by nearly 8 percent for FY 2007, down from the $29.5 million the program received for FY 2006.

RURAL ECONOMIC AREA PARTERNSHIP (REAP) ZONES (U.S. DEPARTMENT OF AGRICULTURE)

Small businesses form the backbone of our local communities and the national economy – and no where is this truer than in rural America. From family farms to local restaurants and manufacturers – small businesses make up the bulk of the rural economy. Ninety percent of all businesses in rural areas are small firms. However, business owners in these regions face many hardships due to geographic isolation, and continue to struggle in their ability to succeed due to less access to available capital, fewer government loan programs, and reduced economic opportunity. As a result, many communities face intense poverty, population loss, unemployment and overall economic distress. The Rural Economic Area Partnership (REAP) Zones were created to address these critical problems by providing these regions with financial and technical assistance that will result in rural revitalization and community development. Through the designation of targeted rural zones, the program is able to promote regional economic activity and growth, create employment opportunities, and encourage redevelopment of these disadvantaged and isolated communities. The REAP initiative strives to achieve this by providing rural small firms with the development resources, education, and support they need to grow their businesses and ultimately thrive. The ultimate goal of the REAP program is to develop a model for redeveloping the rural economy of other areas that have struggled under the weight of similar issues. To date, businesses in regions of North Dakota, upstate New York, and Vermont have benefited from these revitalization efforts. Last year, the program was funded at $11.2 million, yet this year the administration has requested no funding for the program. REAP has been vital in providing businesses and residents of these areas with the tools needed to build a stronger, more promising economic outlook for their communities, and a bright future for rural America.

RURAL ECONOMIC DEVELOPMENT GRANT (REDG) PROGRAM (U.S. DEPARTMENT OF AGRICULTURE)

Providing financial support for rural entrepreneurial and small business development is an important strategy in promoting the advancement of America's rural communities. Many entrepreneurs in these areas lack sufficient access to affordable utilities and energy services needed to keep their businesses up and running. Often, these small businesses are forced to compete with larger firms that are able to deal with the high costs of energy consumption, telephone services, and Internet connectivity. The Rural Economic Development Grant (REDG) program helps to bridge this gap by providing loans to electric and telephone utility companies that are then disbursed to local business incubators for the promotion of regional economic growth and job creation projects in rural areas. These grants, to be offered as a revolving loan fund, help to defer the high cost of the electric, energy, and telephone services that are integral to the success of rural-based entrepreneurs. In turn, REDG has given small firms in isolated areas the ability to increase their business productivity, accessibility and services, and encourage overall community development. Despite this, the Bush administration has proposed the elimination of REDG for FY 2007.

RURAL EMPOWERMENT ZONES/ ENTERPRISE COMMUNITY INITIATIVE (EZ/EC) (U.S. DEPARTMENT OF AGRICULTURE)

In rural areas, oftentimes large segments of their population live below the poverty line and have unemployment rates far below the national average. In these communities small businesses play a particularly important role. Without sufficient assistance, the positive role small businesses play in economically revitalizing these communities is lost. The Rural Empowerment Zone/Enterprise Community Initiative (EZ/EC) was created in recognition of the unique difficulties facing severely distressed rural communities. The program identifies communities that are most in need of assistance, and makes them eligible for tax credits and grants. The tax credits and grants provided by Rural EZ/EC allow small business to become competitive and focus on becoming agents of economic change in their communities. Rural EZ/ECs have been credited with saving nearly 20,000 jobs and have raised an aggregate of more than $10 for every dollar spent. Just like urban empowerment zones, Rural EZ/ECs use tax credits to encourage economic development in places where it is most needed. The administration's decision to eliminate the Rural EZ/EC program will have the effect of making those already economically distressed communities fall even further behind – leaving small businesses less likely to do what they do best, creating the jobs so desperately needed in these areas.

RURAL HOUSING AND ECONOMIC DEVELOPMENT (RHED) PROGRAM (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)

The need for capacity building in rural communities is great as local residents face a number of barriers in accessing economic opportunities. Recognizing the unique needs of rural communities, the Rural Housing and Economic Development (RHED) program was created to focus on helping rural areas support innovative economic development activities through federal grants. Funds can be used for a variety of economic activities and are provided to local organizations, such as rural non-profits, Community Development Corporations (CDCs) and economic development agencies. Recognizing the importance of catering economic development initiatives to the needs of a local community, the RHED program allows for great flexibility in how its funds can be used. RHED funding can be used for the acquisition of land and buildings, job training, financial assistance to businesses, and the establishment of loan funds, lines of credit, microenterprises and small business incubators. The projects funded by RHED work to level the playing field for rural small businesses and their communities. Each year since its inception, the program has awarded grant funding to approximately 100 organizations across the U.S. This year, the budget proposal eliminates funding for this popular program, leaving many rural entrepreneurs without the assistance they require to help spur economic growth in their communities.

RURAL UTILITIES SERVICE (RUS) BROADBAND LOAN PROGRAM (U.S. DEPARTMENT OF AGRICULTURE)

The deployment of broadband services, or high-speed Internet, in small rural towns trails that in large cities across the nation. Lack of broadband can be especially frustrating for small businesses since the Internet is becoming a major avenue of commercial activity. In fact, in a recent survey of small businesses, the majority of DSL subscribers said the productivity benefits of their services exceeded their expectations. In an effort to give small firms more readily available and affordable access to broadband services, the U.S. Department of Agriculture's Rural Utilities Service (RUS) broadband loan program was created – the only federal initiative designed to encourage broadband investment in our nation's rural communities. In order for small businesses to be utilized as engines of economic development, it is imperative in today's fast-paced global marketplace that they have access to the World Wide Web. Technology has allowed people to start a microenterprise with a high-speed connection and an idea – and home-based businesses have flourished in large part due to this. In 2003, USDA funds allowed for $1.3 billion to be used to increase broadband access to rural communities and the entrepreneurs who live there. By attempting to bridge the digital divide in this country, especially for small businesses in rural areas of the U.S., the RUS broadband loan program gives small companies access to important technology to better compete in the 21st century. This program is critical today as the U.S. continues to lag behind other technologically-savvy countries, such those located in Asia and Europe. The FY 2007 budget submission proposes to reduce RUS funding by 28.5 percent, at a time when the economy is becoming increasingly dependent on technology. Rural small businesses will lose out on maximizing their full job creation potential as they get cut off by the digital divide.

VALUE-ADDED GRANTS (U.S. DEPARTMENT OF AGRICULTURE)

One way for businesses in agricultural-dependent areas is through the development of new products and markets for their goods and services. Value-added grants, provided through the U.S. Department of Agriculture (USDA), promote activities that will help improve the customer base for the commodity or product, helping the producer to keep a greater portion of the revenue. Such activities could include changing the physical state of a product, using an agricultural product for renewable energy on farms or ranches, and making and marketing a product that enhances its value, such as being organically produced. These grants of up to $500,000 can take two forms – working capital grants or planning grants – and are awarded to independent producers, farmer and rancher cooperatives, agricultural producer groups and producer-based business ventures. Planning grants allow producers to examine the feasibility of a value-added project, while working capital grants fund the actual implementation of a value-added initiative. Small agricultural-based businesses have used value-added grants as working capital for the operation of their plants, to conduct feasibility studies and business plans, and to package, market, and survey new product lines. While these grants can help small firms add value to their products, expand their operations, and hire new employees, the administration has proposed to cut the program below its previous levels. By cutting funding for this program, many small companies focused on staying competitive in the agricultural marketplace will find the federal assistance dedicated to helping them maintain an edge over their competitors more difficult to obtain in.

TECHNOLOGY

ADVANCED TECHNOLOGY PROGRAM (ATP) (U.S. DEPARTMENT OF COMMERCE)

Small businesses are this nation's leaders of new ideas, generating five times the innovation per dollar of investment compared to large companies. In an effort to support this leadership, the Advanced Technology Program (ATP) works to bridge the gap between the research lab and the marketplace, stimulating prosperity through innovation. This unique government-industry partnership stimulates the U.S. economy by accelerating the development of emerging or enabling technologies for the creation of revolutionary new products, industrial processes and services that can compete in today's rapidly changing world markets. ATP challenges industries to take on higher-risk projects with commensurately higher potential payoff and provides multi-year funding to single companies and industry-led joint ventures. To date, approximately 65 percent of these awards have gone to small businesses or joint ventures led by a small business. ATP award winners have included many small start-up companies, and can mean the difference between their success and failure. ATP projects in small firms have led to radical new designs in the semiconductor industry, and new techniques in the pharmaceutical and chemical industries. Even though the ATP program scored high in planning, management and accountability in an Office of Management and Budget (OMB) analysis of government program, the administration has repeatedly proposed terminating this program since FY 2004. While the program received $80 million in FY 2006, the White House again requested zero funding for ATP in the FY 2007 budget. By doing this, many small companies will lack the financial support they need to develop and expand their ideas, which lead to the creation of new industries, jobs and increased global competitiveness.

COMMUNITY TECHNOLOGY CENTERS (CTC) PROGRAM (U.S. DEPARTMENT OF EDUCATION)

Access to technology, including a Web site and interactive e-commerce, is key to small business growth in this country. These tools give entrepreneurs a way to enhance their products and services, access new markets at a low cost, and compete with larger operations. Yet those entrepreneurs living in underserved urban and rural communities often find it difficult to gain access to the technology they need for their business ventures. The U.S. Department of Education's Community Technology Centers (CTCs) program is able to help bridge the digital divide by demonstrating the educational and economical benefits of technology. While the CTC program exists to provide more access to technology in distressed communities, it also serves as a building block for technological advancement and training in these areas. As the Community Technology Centers take root in neighborhoods across the country, entrepreneurs are able to learn the technological skills for starting-up and developing a small business. By helping to provide computer access to many who simply do not have it at their fingertips, CTCs serve a vital purpose in helping to bring economic support to small businesses – yet in every budget since FY 2002, the administration has proposed eliminating the program. The current budget proposal again requests no funding for CTCs. By failing to fund a program that supplies information technology tools and training to local businesses, this administration is undermining the potential, competitiveness, and profitability of these firms in the future.

ENERGY STAR PROGRAM (ENVIRONMENTAL PROTECTION AGENCY)

Small business across the country now account for more than half of all energy consumption in North America. Their growth and development depends on an affordable and reliable energy supply. The Energy Star Program was introduced by the U.S. Environmental Protection Agency (EPA) in 1992 as a voluntary labeling program designed to identify energy-efficient products that have the capability to reduce carbon dioxide emissions. EPA partnered with the U.S. Department of Energy (DOE) in 1996 to promote the Energy Star label, with each agency taking responsibility for particular product categories. Energy Star has since expanded its endeavors to cover new homes in the building sector, residential heating and cooling equipment, major appliances, office equipment, lighting, consumer electronics, and other product areas. It helps businesses by establishing an energy performance target for new building design and providing a benchmarking tool for buildings, which allow businesses to compare their energy costs to those of similar organizations. It also measures building energy consumption to help small businesses improve their bottom line through increased energy and environmental performance. Despite his states efforts to promote energy efficiency and research programs, the President has actually proposed reducing funding for Energy Star in FY 2007. Without the crucial services of the Energy Star program, many small businesses would suffer losses due to wasteful energy systems and prohibitively high energy costs.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP) U.S. DEPARTMENT OF AGRICULTURE)

A successful national agricultural policy requires the preservation of farmland for future use. The need to protect the future viability of agricultural lands often is at odds with a farmer's bottom line. Family farmers are faced with the problem of trying to balance current productivity with future sustainability. Technological gains and improved farming techniques have made it easier to align current productivity with future sustainability. Increasing conservation is costly and many small farms cannot afford the initial high costs required to purchase the necessary equipment or the initial lost income resulting from the transition to a new method of cultivation. The Environmental Quality Incentives Program (EQIP) offers both financial and technical assistance in order to conserve valuable farmland. The technical assistance typically takes the form of general management processes, and the design and installation of conservation practices. The financial assistance allows farmers and ranchers to purchase new equipment, which they otherwise could not afford, and will allow them to preserve the family farm for generations to come. The administration has requested $17 million less in funding in its FY 2007 budget for EQIP. By reducing funding for this important initiative, the administration is increasing the likelihood that farms will not be able to preserve the family farms, as they will give into production pressures at the expense of conservation.

ENVIRONMENTAL TECHNOLOGY VERIFICATION (ETV) (ENVIRONMENTAL PROTECTION AGENCY)

The Environmental Protection Agency's (EPA) independent Science Advisory Board stated in a recent report, "The scarcity of impendent and credible technology information is one critical barrier to the use of innovative environmental technologies." For small businesses, this barrier is even greater because they often lack the resources larger firms use to test and verify the effectiveness of new technologies. EPA's Environmental Technology Verification (ETV) fills this gap by trialing new technologies for private companies. ETV gives small environmental firms the opportunity to test and develop new technologies that they otherwise would not have access to, due to the high costs associated with testing and certifying. This testing is needed to demonstrate the effectiveness of a new product and to get the proper certifications. ETV allows small businesses to take risks in product development. The high cost of product testing is a large impediment for small businesses and is typically a very timely process. ETV assists small businesses in the process by accelerating the entrance of new environmental technologies into the domestic and international marketplace, thus reducing the time from product development to product delivery. The speed with which a product is delivered to the marketplace is a key determinant in a business' profitability and success. However, for FY 2007, the President has requested no funding for ETV despite the fact that the program received $3.2 billion in funding for FY 2006. The elimination of the ETV program will increase small businesses' aversion to taking risks, and will put a halt to the fostering of potential technologies developed by small firms.

INVENTIONS AND INNOVATIONS (I&I) (U.S. DEPARTMENT OF ENERGY)

In today's fast-paced global marketplace, the U.S. continues to be a leader in the development of new and emerging technologies – particularly those related to energy-saving inventions. The main reason for this is because of the highly developed skills of our nation's small businesses and entrepreneurs, who continue to be dominant players in the field of technology. In fact, small firms have become a leading employer of high tech innovators – producing 55 percent of all new technological advancements. Despite this, it is often too difficult and too expensive for small businesses to devote the necessary resources, time, and attention to focusing solely on the development of energy-saving inventions. The U.S. Department of Energy's Inventions and Innovations (I&I) program was created to provide small businesses with forms of financial, technical, and commercialization assistance in the development of energy saving inventions. In particular, the I&I program focuses on providing support for projects that have the potential for significant energy savings and future commercial market success. Funding is offered at two levels – up to $40,000 or up to $100,000 in grants and technical assistance, depending on the stage of development – for those firms that are establishing technical performance and conducting early development of these ideas and inventions. To date, I&I financial support has funded more than 500 inventions – 35 percent of which have reached the marketplace, yielded over $1 billion in cumulative sales, and produced energy savings in excess of 1 quad – which is enough energy to light 10 million homes for one year. Despite his touted commitment to fostering energy conservation and developing new capabilities in this field, President Bush has proposed the entire elimination of the I&I program for FY 2007. Given the recent unprecedented increase in energy prices – since 2002, crude oil prices have doubled in the last year alone – it is important that small businesses, the innovators of new ideas, are given the federal funding for research and development that they deserve. By denying these small business innovators of the funding they need to bring their technologies from the drawing board to the marketplace, the administration has turned its back on the concerns of consumers and the overall energy needs of this nation.

MANUFACTURING EXTENSION PROGRAM (MEP) (U.S. DEPARTMENT OF COMMERCE)
In the last four years 2.7 million manufacturing jobs have been lost, severely eroding the manufacturing capabilities of the United States. These job losses are a result of the crisis that has struck the domestic manufacturing sector. As manufacturing jobs leave the U.S., the global competitiveness of the sector also falls behind. Small manufacturers are particularly vulnerable because they do not have the resources to weather sustained periods of economic downturn. The Manufacturing Extension Program (MEP) at the U.S. Department of Commerce is a network of not-for-profit centers in over 400 locations nationwide, which are focused on improving the overall competitiveness of the manufacturing sector. MEP helps improve the competitiveness of small manufacturers by providing technical and business solutions, and aids these businesses with process improvement, quality management systems, market development, materials engineering, product development, energy audits, financial planning, and electronic commerce, among others. Operating in all 50 states and Puerto Rico, MEP has made it possible for approximately 150,000 of our nation's smallest firms to utilize the expertise of knowledgeable manufacturing and business specialists all over the United States. To date, participating manufacturers have completed over 310,000 customer engagements. The information that small manufacturers receive through MEP helps to ensure they are able to remain globally competitive despite an unfavorable economic environment. According to a recent survey of MEP clients, the program has been able to create 12,753 new jobs, increase or retain over $4.5 billion in sales, have $721 million in cost savings, and serve 16,448 small manufacturers in FY 2005 as a result of MEP services. Given the loss of manufacturing jobs in recent years, MEP is needed now more than ever to assist in the stabilization of the manufacturing sector, yet reduced funding is hindering the ability of MEP participants to achieve these important economic benefits. Previously, significant cuts have been made to the MEP budget, which is reflected in the fact that for FY 2003, MEP clients created or retained only 43,000 jobs and served 18,422 clients as a result of MEP services. The FY 2007 budget has proposed an additional 56.3 percent cut in funding over last years funding level, which will result in even fewer manufacturers getting the assistance they need to survive in a difficult environment and more MEP centers closing down as a result of these budgetary decisions.

NATIONAL RENEWABLE ENERGY LABORATORY (NREL) (U.S. DEPARTMENT OF ENERGY)

Some of the nation's fastest-growing and most successful small businesses are responsible for developing many of America's newest high-tech products – including wireless technology, genetic engineering, prescription drug development and bioterrorism products. The economic benefits of these small firms are undeniable – as they employ almost 40 percent of the country's high-tech workforce. The National Renewable Energy Laboratory (NREL) works with this industry to support research and development, and to move NREL-developed technologies into commercially viable products and businesses. The Laboratory's Enterprise Development program links investors and entrepreneurs, provides avenues to financial services, and connects small businesses with its Incubator Alliance to provide business and financial services to the clean-energy community. Technological innovation is key to the success of the American economy as this nation makes its way into the early years of the 21st century. However, research and development in the technology industry is incredibly expensive, often reaching millions upon millions of dollars. Despite his commitment to fostering advancement and innovation in the field of renewable energy technologies, the President has proposed a cut in funding for NREL over what was provided in the FY 2006 appropriation. While NREL fills an important niche for small technology companies by providing compensation for the work they do, the laboratory cannot meet the needs of these innovators without a substantial funding commitment from the federal government.

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) (U.S. DEPARTMENT OF COMMERCE)

Affordable access to telecommunications is a basic necessity in all sectors of our economy, including the growing small business sector. As more small businesses take advantage of electronic commerce, the National Telecommunications and Information Administration (NTIA) provides the vital support they need by resolving privacy, content regulation, copyright protection, taxation and other technology-related issues. NTIA works to spur innovation, encourage competition, and create jobs while providing consumers with more choices and better quality telecommunications products and services at lower prices. Small businesses are increasingly taking advantage of technology and support services such as personal computers, fax machines, laser printers, high-speed Internet access, scanners, cell phones, and other telecommunication services that provide powerful and inexpensive ways to work independently, yet stay connected to the outside world from a home office or small company. The common availability of sophisticated technology that was previously only affordable in a corporate environment has leveled the playing field between big and small firms. NTIA has played a vital role in helping to bridge this gap by providing entrepreneurs with access to affordable telecommunications technologies – which in turn, has encouraged innovation, increased productivity, and dramatic growth among technology users in the small business community. In 2000, small businesses spent approximately $88 billion for telecommunications products, enhanced services, and Internet access, and that figure will likely increase to upwards of $120 billion through 2005. In the administration's FY 2007 budget proposal, funding to NTIA has been cut by over half from $40 million to a request of just $17.8 million for the program. With the severe under-funding of NTIA, our nation's entrepreneurs will undoubtedly find it hard to continue to thrive and grow their businesses using technology.

RENEWABLE ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS PROGRAM (RES AND EEI) (U.S. DEPARTMENT OF AGRICULTURE)

It is our rural small business owners, ranchers and farmers who are the lifeblood of a successful effort to develop a meaningful renewable energy policy in America. Currently, the United States is overly dependant on foreign sources of energy and as a result, this nation's economy and its small businesses are vulnerable to high energy costs. These costs are particularly high for small farmers who are often located a great distance from distribution points, and are forced to pay higher energy costs accordingly. Fortunately, America's farmers and ranchers have the potential to produce renewable, environmentally friendly, domestic sources of energy. The mission of the Renewable Energy Systems and Energy Efficiency Improvements (RES and EEI) program is to provide loans and grants to small businesses and farmers in rural areas to reduce energy costs and consumption in an effort to better meet the energy needs of our nation. Many times the initial costs of implementing a new energy system are prohibitive. This program helps to finance such projects. Projects which have been funded include producing energy from wind, solar or geothermal energy sources. This program allows farmers to produce their own energy, in turn lowering their usage of foreign energy sources. Thus, RES & EEI help small businesses begin the process of becoming energy producers, which will drive down energy prices for all small businesses. This year the administration has proposed eliminating the RES and EEI programs. By eliminating funding for these energy programs, which are tapped by small enterprise, this administration is shortchanging the ability of these firms to develop renewable energy sources – while at the same time decreasing the overall likelihood that the country will be able to produce enough energy to meet its needs.

SMALL BUSINESS INNOVATION RESEARCH (SBIR) FAST AND TECHNICAL ASSISTANCE PROGRAM (U.S. SMALL BUSINESS ADMINISTRATION)

Small businesses account for more than 55 percent of all innovations in this country, yet it is often cost-prohibitive for them to participate in research and development (R&D) efforts. The SBA's Small Business Innovation Research (SBIR) program is a highly competitive initiative that encourages small business participation in the area of government research. Federal agencies administer the SBIR program, allowing small businesses to assist in conducting innovative research for commercialization or public benefit. The SBIR program helps to fund the critical start up and development stages, and encourages the commercialization of the resulting product or service. The goals of the SBIR program include using small firms to stimulate technological innovation, strengthening the role of small businesses in meeting federal R&D needs, and fostering participation of rural, low-income and women-owned small businesses in federal R&D initiatives. Currently, there are eleven government agencies participating in the program, including the Department of Defense (DOD), the Department of Energy (DOE), The Department of Homeland Security (DHS) and the National Aeronautics and Space Administration (NASA). Since the start of the SBIR program, more than $12 billion has been awarded to various small businesses. After being severely under-funded in the past, the FY 2007 budget request by this administration has once again cut funding altogether within the SBIR program to provide outreach to small businesses in low-income and rural areas of the nation. Such a move will lead to a concentration of SBIR awards to small firms in certain geographic areas, precluding worthy and capable small firms in economically-distressed parts of the country from fully developing their R&D potential.

TECHNOLOGY OPPORTUNITIES PROGRAM (TOP) (U.S. DEPARTMENT OF COMMERCE)

Technology and digital networks can support learning initiatives for all Americans, and ensure health services and economic development reach rural and urban communities. The U.S. Department of Commerce's Technology Opportunities Program (TOP) seeks to promote the innovative use of digital network technology in both the private and public sectors by providing matching grants to state, local and tribal governments, schools, libraries, police departments, health care and other community based organizations. A component of TOP uses the application of digital networks to support economic development in areas by connecting entrepreneurs with small business assistance. Since small businesses require extra support, have thin profit margins, and lack a safety net, TOP can bridge this assistance gap electronically, creating an extensive support network online. An example of this type of network is happening in Delaware, where TOP funds have been used to start a non-profit initiative aimed at promoting small business procurement and networking opportunities. To date, TOP has awarded approximately 555 grants in every state, Puerto Rico, the District of Columbia, and the Virgin Islands, totaling almost $205 million and garnering $282 million in local matching funds. TOP projects serve as models for communities across the country, and the initiative is specifically targeted toward minority and women-owned businesses. This year, the administration has requested no funding for TOP – following the trend of eliminating the program since FY 2004. Since funding will no longer be available, a significant number of entrepreneurs will not be able to take advantage of the technological tools used for economic development that TOP would have provided.

CONCLUSION

For small business owners, the plethora of federal programs that exists government-wide provide entrepreneurs with some very important tools to start, grow their business and even respond to ever changing market conditions. In today's economy with the increasingly volatile global conditions and the competitive challenges that exist for small businesses, having a network of incentives at the federal level is more important than ever.

Unfortunately the need for, and the role these programs play in the current economy, seem to be lost on many policy makers. As has been the growing trend over the past three years by any measurement – whether it be amount, percentage or program numbers – the level of cuts to small business program continues to rise. With the release of the FY 07 budget this now stands at an all time high of 75 programs slated to be cut or outright eliminated – representing a 200 percent cut over the last 4 years.

These cuts in and of themselves are very harmful to the overall goal of supporting entrepreneurship in this country. Without access to these services the fall out will be significant. In many industries the programs outlined in the report help to close the gap between small businesses and their corporate counterparts on a number of fronts. The absence of these programs will only encourage the divide between large and small business, erecting even more barriers in the already difficult economic environment for small businesses today.

What is most disturbing is how the administration's current spending plan appears to be so out of sync with their stated national goals – such as rebuilding areas impacted by Hurricanes Katrina and Rita, energy efficiency, and technology and innovation. In the end, if this projected spending plan is implemented it is highly unlikely that any of these objectives will ever be accomplished.

The stated rationale for the proposed cuts is the need for deficit reduction. In fact the current administration is presiding over one of the largest deficits in this nation's history turning a 10 year 5.6 trillion surplus into a 3.3 trillion dollar deficit. However, an examination of the level of deficit reduction that these cuts would yield indicates that the benefits are very questionable. While the programs that assist small businesses represent just 1 percent of the administration's spending, on average their funding is being cut by over 60 percent cut, which will yield a mere 1.5 percent of deficit reduction. When one considers factors such as the job creation and economic growth these programs enable, or the fact that many of these programs return 3 dollars to the Treasury for every one invested, deficit reduction does not appear to be a very strong justification for such cuts.

Given these factors, the administration's budget as it is currently constituted represents the wrong policy direction for an economy which seeks to promote innovation and entrepreneurship. By investing resources to spur economic growth in industries and local economies, the budget can begin to generate revenues and improve the financial outlook of the country.