

November 15, 2007

The Honorable Mitch McConnell
Minority Leader
(Address)
Washington, D.C. 20515

Dear Minority Leader McConnell:

I wish to be consulted before any unanimous consent agreement is made regarding either S. 1784, the "Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2007," or H.R. 2366, the "SBA Veterans' Programs Act of 2007." I appreciate you protecting my rights on this legislation.

Before laying out my concerns with this specific piece of legislation, I want to emphasize my deep sense of gratitude for all veterans of the United States military. These brave men and women have each made sacrifices for their country that can never truly be repaid, and in doing so they have made this country a better and safer place. It is understandable that Congress would seek ways to honor our veterans through the legislative process, and yet I must object to the specific provisions currently under consideration by the Senate.

Since the Senate is currently considering the text of S. 1784, I will direct my comments at the concerns I have with that bill.

First, while I appreciate that provisions were added to the bill addressing the importance of finding offsets for the authorizations contained in the bill, I am concerned that the provisions may not have their intended effect. The means by which the bill attempts to offset the approximately \$27 million in new spending is through reductions related to the microloan program. The fiscal year 2008 Financial Services and General Government Appropriations bill as passed by the Senate only provides approximately \$2 million for the microloan program, while the bill passed by the House of Representatives only contains \$2.53 million. Clearly, this is not enough to cover the full cost of the authorizations contained in this bill. In addition, it appears that the offset provisions would reduce the total amount in loans that the government could make under the microloan program rather than the amount that the government would spend to make those loans.

In addition to these funding concerns, I believe that any new funding for programs at the Small Business Administration should come out of the more than \$30 million in earmarks that have been put into the bill for this current fiscal year. Eliminating just the earmarks that have been added by the sponsors of the bill would free up nearly \$2 million in fiscal year 2008, which would cover the authorization for the Office of Veterans Business Development in that year. Additional earmarks that are contained within the SBA budget in the coming year are the following:

- \$1.5 million for the Illinois Department of Commerce and Economic Opportunity for statewide broadband infrastructure and connectivity, Springfield, IL.

- \$1.25 million for the Arrowhead Center at New Mexico State University
- \$2 million to renovate the Haddad Riverfront Park, Charleston, WV

I think that if we were to redirect the money that we are spending on special interests to our veterans then we would have more than enough for these programs.

Second, I am concerned that S. 1784 would create new federal programs without eliminating old, inefficient or outdated programs. The bill would do the following: create a new interagency task force related to veteran small business owners, create a new grant program for reservist enterprise transition and sustainability, expand the reservist disaster loan program, create an outreach and technical assistance program, and permanently authorize the SBA Advisory Committee on Veterans Business Affairs. While each one of these new programs may be well-intended, this type of legislating simply leads to the unbounded growth of government.

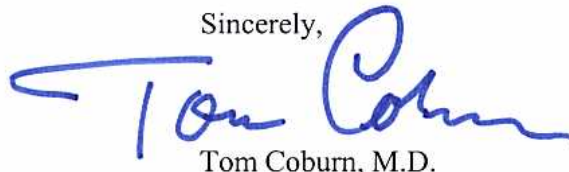
Third, I am concerned that this bill would create a new program that would likely help only a very small number of veterans at the expense of the many, raising questions of equity. The Reservist Enterprise Transition and Sustainability Grant Program authorizes \$20 million over a four year period, but allows each grant recipient to receive grants worth up to \$300,000 per year. If each grant recipient were to receive the maximum amount each year, the entire program would only provide assistance to 17 reservist small business owners. Even if the grant money were spread out and given to more reservists, it would not be available to assist even a small fraction of the nearly 1,000,000 reservists currently serving. While I don't believe that this should be cause to *expand* the program, it raises questions about the need for federal action in an area that would likely benefit so few.

Fourth, I would like to express my concerns about expanding loan programs run by the SBA more generally. At a hearing held by the Subcommittee on Federal Financial Management on November 1, 2007, it was found by the Government Accountability Office that the SBA does not have meaningful performance measures in place for its business loan programs. I suspect that this might be the case for disaster loans, even those for veterans. In addition, I have larger management-related concerns over how well even the current programs are administered by the SBA. Just this week the Inspector General at the SBA uncovered what some are calling the biggest scandal in the history of the agency, with allegations that a major lender has been faking the creditworthiness of borrowers to make a profit off of the program. I applaud the efforts of Sen. Kerry and Sen. Snowe in working to investigate this situation, but am hesitant to expand existing loan programs until this problem is resolved.

Finally, I understand that the current unanimous consent request is that S. 1784 would be sent to conference with H.R. 2366. I am concerned that this bill was estimated to cost \$34 million over five years by the Congressional Budget Office, and yet contains no offset for the cost.

America's veterans and reservists deserve the very best from a grateful nation. An increased welfare state, crushing debt and unfunded liabilities on the backs of their grandchildren is surely not our best. They deserve better.

Sincerely,

A handwritten signature in blue ink that reads "Tom Coburn". The signature is stylized with a large, sweeping "T" and a cursive "Coburn".

Tom Coburn, M.D.