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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

January 8, 2008

The Honorable Jim Nussle  
Director  
Office of Management and Budget  
725 17<sup>th</sup> Street, NW  
Washington, DC 20503

Dear Director Nussle:

As Chairman and Ranking Member of the Senate Committee on Small Business and Entrepreneurship, we would like to express our strong and continued support for the U.S. Small Business Administration (SBA). Congress sent a signal with the increase provided over the President's request for SBA in the Fiscal Year 2008 Consolidated Appropriations Act that the budgets the Administration has submitted in previous years have not been sufficient. The Congress is doing all it can to repair the damage caused by those inadequate budgets, but can only do so much when the Administration sets the base number so low. We urge you to include sufficient funding for SBA's vital lending and business development programs in the President's Fiscal Year 2009 Budget request.

America's small businesses are the backbone of our nation's economy, having created 60 to 80 percent of net new jobs annually over the last decade and generating more than half of the nation's non-farm private Gross Domestic Product. Given the credit crunch caused by the subprime mortgage crisis, the government loans backed by the SBA are more important than ever. They provide capital to small firms that can't access credit through normal channels and provide an incentive for banks to offer loans to minorities, women, and veterans, as well as in distressed areas of our country. Therefore, we are hopeful that the budget will reflect a realistic level, avoiding underfunding of the Agency's vital programs and services.

The SBA is a tremendous resource and has achieved a lot with little. Even with a budget that reflects less than 2/100ths of a percent of the total Federal budget, the agency continues to significantly contribute to our economic growth and job creation. The SBA's programs and services have time and again proven their value, having helped to create or retain more than 5.3 million jobs in the United States since 1999.

However, instead of supporting this important resource, the Administration's proposed budget of \$464 million for Fiscal Year 2008 represented an astounding 31 percent reduction in SBA's overall budget since 2001. That was a step in the wrong direction. We cannot, on one hand, cite how important small businesses are to our country and our economy, and, on the other hand, refuse to support the SBA with the resources required to meet its missions.

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In order for the SBA to meet the evolving needs of 21<sup>st</sup> century small businesses, the Fiscal Year 2009 budget request must provide essential support for the SBA's core programs and services that continue to prove their success and economic importance, including Small Business Development Centers, the Microloan program, Women's Business Centers, the HUBZone program, Procurement Center Representatives, the 7(j) Technical Assistance Program, Veterans Business Development and SCORE, among others.

Additionally, the Fiscal Year 2009 budget request must provide essential funding to increase and improve lender oversight. According to the SBA, about \$67 billion of 7(a) and 504 loans are in the marketplace, and at risk is about \$53 billion in SBA guarantees. Many members of the Committee are concerned that the SBA does not have the resources or staff to protect the public's interest in these loans. Over the past five years, the SBA's Office of Inspector General (OIG) has issued more than 60 reports on general lender oversight issues, including a lender fraud scheme that uncovered \$76 million in fraudulent SBA loans. The Committee has serious concerns about the effectiveness and appropriateness of SBA's current oversight, how it is conducted, and the reasonableness of fees being charged. The Committee urges the Administration to include adequate funding to ensure proper and adequate oversight of SBA lenders, including providing more oversight staff and funding to offset the costs of meaningful onsite and offsite lender reviews of lenders participating in the SBA's 7(a) and 504 lending programs.

For more than 50 years, the SBA has been a vital resource to small businesses, helping millions of Americans start, grow, and expand their businesses. We respectfully ask that you provide the Small Business Administration with sufficient funding to fully meet the agency's mission in the President's Fiscal Year 2009 Budget.

Sincerely,



John F. Kerry  
Chairman



Olympia J. Snowe  
Ranking Member