United States Senate

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

July 12, 2004

VIA FACSIMILE
ORIGINAL BY U.S. MAIL

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Dear Hector:

On June 25, 2004, we sent a letter to you requesting a scoring analysis of draft legislation, including your views about whether or not the draft legislation complies with the requirements of the Federal Credit Reform Act of 1990. This draft legislation contained amendments to the Small Business Investment Company program administered by the Small Business Administration.

We received a letter dated July 8, 2004, from Ronald E. Bew, the SBA's Associate Deputy Administrator for Capital Access, stating that, in the SBA's view, the draft legislation does not satisfy the requirements of the Credit Reform Act and, if scored as debt, would have a subsidy rate of approximately 21%.

Please explain in more detail the SBA's conclusion that the draft legislation does not satisfy the Credit Reform Act of 1990, and how, in contrast, the current law governing the program does satisfy that Act.

Please provide us with a section-by-section analysis of the draft legislation, including each section's compliance with the Credit Reform Act of 1990.

In addition, please identify what aspect of the proposed draft legislation "shifts" a budgetary cost from the U.S. Treasury to the SBA, as stated in the letter.

Please also explain in greater detail the manner in which the SBA calculated that the draft legislation, if scored under the credit reform standards as debt, would still have an estimated subsidy rate of 21%. If the draft legislation provides that the SBA will receive a return equal to 100% of its pro rata investment in an SBIC (as the SBA noted in the second paragraph of its letter), is the SBA contending that any investment in an SBIC (including investments made by private investors) would have a loss of 21% or more?

Please provide your answers to us by July 16, 2004.

Sincerely,

Olympia Snowe

OLYMPIA J. SNOWE
Chair

John F. Kerry

JOHN F. KERRY
Ranking Member