



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

November 28, 2005

The Honorable John F. Kerry
United States Senate
Washington, DC 20510-6350

Dear Senator Kerry:

Thank you for your letter of October 14, 2005, requesting that the Administration redirect \$720 million from the Department of Homeland Security to the Small Business Administration (SBA) to promote recovery from Hurricanes Katrina and Rita. We appreciate your recommendation, including your proposal for additional authorities for SBA, and share your desire to assist affected businesses located in the Gulf Coast.

As you know, the President on October 28, 2005, submitted a request to the Congress to reallocate \$17.1 billion for hurricane relief efforts, including \$466 million for SBA's Disaster Loan Program. This funding will provide support for an additional \$2 billion of disaster loans for small businesses, homeowners, and renters affected by Hurricanes Katrina and Rita.

The President has also proposed to establish a Gulf Opportunity Zone ("GOZone") to make businesses eligible for additional benefits. The proposal would:

- Double small business expensing from \$100,000 to \$200,000 for investments in new equipment, provide a 50 percent bonus depreciation for all businesses, and extend tax relief to the building of new structures.
- Increase GOZone-specific 7(a) and 504 loan levels in FY 2006.
- Increase the maximum size of SBA business-related disaster loans from \$1.5 million to \$10 million.
- Increase the availability of disaster mitigation loans.
- Increase the maximum size of SBA Surety Bonds from \$2 million to \$5 million.
- Provide 7(a) and 504 SBA loan borrowers with options for deferring their principal and interest payments for a 12-month period.

Lastly, the Administration announced a Gulf Opportunities Loan or "GO Loan" pilot project under the SBA 7(a) program that will help catalyze lending to small businesses in the disaster area. The pilot program offers an 85 percent loan guarantee and significantly streamlined paperwork and processing.

Coupled with the requested \$466 million of additional funding for Disaster Loans, the GO Loans pilot and GOZone proposal provide needed benefits for businesses affected by the Gulf hurricanes.

We appreciate your support and recommendations regarding disaster assistance to small businesses and look forward to working with you through the legislative process on the President's proposals. Thank you for taking the time to communicate your views to us.

Sincerely,

A handwritten signature in black ink, appearing to be 'JB Bolten', with a long horizontal flourish extending to the right.

Joshua B. Bolten
Director

Identical Letters Sent to The Honorable Olympia Snowe, The Honorable David Vitter,
The Honorable Mary L. Landrieu, and The Honorable John Cornyn