



## Senate Democrats Are Committed to America's Small Businesses

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America's 27 million small businesses serve as the engine of the American economy, helping to get our country back on track by creating new jobs and new ideas. Small firms pump almost a trillion dollars into the economy each year. They have created more than 93 percent of all new jobs over the last 20 years and make up more than half of the U.S. workforce. They also employ 41 percent of the nation's high-tech workers, who generate about 13 times more patents per employee than large firms. At a time when more than 13 million Americans are out of work, we need our innovators and job creators more than ever.

But small businesses are in trouble. The economic recession has caused Americans to pinch their pennies just to pay the bills, while small business owners scramble to pay their own. At the same time, entrepreneurs are being turned away from all sources of capital financing, including loans and credit cards. When Main Street businesses can't get credit, stores close and Americans lose jobs. Eighty percent of the jobs lost since November has come from small firms.

As the country fights to move out of these uncertain economic times, small businesses cannot be left behind. The Democratic-led Senate, along with the Obama Administration, has made changes to get small businesses the assistance they need to lead America out of the economic recession. The *American Recovery and Reinvestment Act (P.L. 111-5)* took bold steps toward providing small businesses with needed support, dedicating \$780 million towards jumpstarting government lending. This included fee eliminations to make loans more affordable, higher loan guarantees to incentivize the private sector to lend, initiatives to unfreeze the secondary market and a new program to provide no-interest loans and a year's grace period to help small businesses pay their bills. There are signs these measures are working. Ten thousand small

businesses have received SBA loans since March, pumping about \$3 billion into our communities.

Through the *Omnibus Appropriations Act for Fiscal Year 2009 (P.L. 111-8)*, Congress built on the *Recovery Act* by increasing funding for loans, counseling and contracting assistance that small firms need to survive or grow. Additionally, the Senate confirmed Karen Gordon Mills as the Administrator for the Small Business Administration. As the Senate Committee on Small Business and Entrepreneurship celebrates its 50<sup>th</sup> anniversary, Senate Democrats are working to make sure small businesses have the tools they need.

## ***Creating Jobs and Restoring Economic Growth***

**The 111<sup>th</sup> Congress responded to the recession by passing a comprehensive recovery package.** On February 10, 2009, the Senate passed the *American Recovery and Reinvestment Act (P.L. 111-5)*. In quickly passing this legislation, the Democratic-led Congress kept its promise to effectively mitigate any further economic collapse. The measure, which President Obama signed into law on February 17, 2009, was an important first step toward increasing access to capital for struggling small businesses and creating and saving jobs. The *Recovery Act* included:

- *Loan Fee Relief:* Provided \$375 million to temporarily eliminate fees associated with 7(a) and 504 loans, which make up 40 percent of all long-term capital to small businesses and helped to create or retain more than 544,000 jobs last year. This change could stimulate as much as \$20 billion in new loans, creating or retaining as many as 300,000 jobs.
- *Incentives for the Risk-Weary:* Allows the SBA to temporarily raise the loan guarantee level to 90 percent for 7(a) loans, providing a higher level of protection for risk-weary small business lenders who have tightened their lending standards.
- *Help to Very Small Businesses:* Allotted \$6 million for loans to micro-businesses (typically businesses with fewer than 10 employees). This funding will leverage \$51 million in microloans, creating or retaining about 10,000 jobs.
- *Help to Small Businesses that Need to Refinance:* Changed the SBA's second largest loan program, 504, to allow refinancing of an existing business debt. The 504 program offers fixed interest rates for up to 20 years for fixed assets – such as real estate, buildings and equipment. This change will give small businesses access to affordable capital when they need better terms and allow them to access some of the capital in their business to survive the recession. The *Recovery Act* also updated the job creation

requirement, making it possible for more businesses to qualify for 504 financing.

- *Greater Access to Contracts:* Provided \$15 million for surety bonds, usually helpful to contractors in the construction industry, and raised the maximum amount of contracts backed by surety bonds from \$2 million to \$5 million, and in some cases up to \$10 million. This will help small businesses access another \$6.5 billion in federal contracts, creating or retaining about 61,000 jobs.
- *Relief for the Secondary Market:* Created a program to help thaw the secondary market by allowing the SBA to make loans to broker-dealers, who in turn would purchase additional 7(a) loans. The *Recovery Act* also allows the SBA to guarantee the first lien in 504 loans. This will unplug \$2 to \$3 billion for new loans, creating or retaining about 60,000 jobs.
- *Investments in the Future:* Stimulates the flow of venture capital in the SBA's Small Business Investment Company (SBIC) program, making it possible for SBIC funds to take about \$2.2 billion and invest in the most promising and fastest-growing small businesses, creating or retaining about 66,000 jobs.

The Obama Administration is working hard to implement all of these provisions.

## ***Investing in Small Businesses, Key to Recovery***

**Senate Democrats passed a budget for Fiscal Year 2010 with \$880 million for small businesses, the level requested by the Senate Committee on Small Business & Entrepreneurship.** The *Budget Resolution for Fiscal Year 2010 (S. Con. Res 13)* was passed by the Senate on April 29, 2009, after being approved by the Senate Budget Committee on March 26, 2009. The Democratic budget includes increased funding for the Small Business Administration to rebuild core small business programs after the Agency suffered a 28 percent cut in funding over the last eight years – the biggest cut of any federal agency.

The Democratic budget includes funding to support SBA's loan programs and would prevent fee increases to stabilize affordable capital for small businesses. The budget also increases small business access to federal contracts and provides support for disaster loans and microloans, Small Business Development Centers, Women's Business Centers, SCORE and counseling programs. These programs are needed now more than ever as businesses try to better manage their cash flow and inventories. The bill would modernize the SBA and increase lender oversight to protect taxpayers' investments in the SBA. Congressional Democrats have placed small businesses at the forefront of our agenda because we understand that supporting existing businesses and encouraging entrepreneurship are essential to America's economic recovery.

**Democrats provide \$63 million in additional funding for small businesses.** On March 10, 2009, the *Omnibus Appropriations Act for Fiscal Year 2009 (H.R. 1105)* was passed by the Senate and signed into law (**P. L. 111-8**). The Act appropriates \$546,626,000 for the Small Business Administration – a \$63 million increase from what former President Bush requested last year. The increase provides further funding for the programs small businesses need to survive and grow:

- \$2.5 million in funding to leverage more than \$21 million in microloans and \$20 million for microloan technical assistance.
- \$2 million in funding to leverage \$1 billion in surety bonds, helping the SBA to guarantee bonds for small contractors who have been squeezed out of conventional bonding markets because of the credit crunch. This will help to create or save about 9,400 jobs.
- \$110 million for Small Business Development Centers (SBDCs), necessary to address an increased demand for counseling services. Firms that receive SBDC assistance have job growth rates that are 17 times higher than non-SBDC clients, and the government's return on this investment is \$2.86 for every dollar.
- \$5 million for the SCORE Program, which provides one-on-one counseling to small business owners through the use of volunteers. These volunteers are former and current business owners who know how to manage a successful business.

Additionally, the Act gives the SBA the authority to back \$17.5 billion for 7(a) loans, \$7.5 billion for 504 loan and \$3 billion for the SBIC Program.

## ***Supporting our Veterans and Underserved Communities***

The *Omnibus Appropriations Act* took significant steps to help veteran, woman, minority and other underserved small business owners, with investments that include:

- \$1.2 million for veterans' programs, including an additional \$457,000 above President Bush's request to add three more veteran business outreach centers. This funding is critical to meeting the needs of returning veterans looking to open small businesses and reducing unemployment among veterans already at home.
- \$13.75 million for Women Business Centers and \$775,000 for the National Women's Business Council (increased from less than \$13 million for the two programs combined under President Bush).
- \$2.38 million for the 7(j) technical assistance program, which provides small disadvantaged businesses with training in financing, business development,

management, accounting and marketing (increased from \$1.5 million under President Bush).

- \$1.033 million for Native American Outreach (increased from \$730,000 under President Bush).
- \$2.15 million for the Historically Underutilized Business Zones program (HUBZones), which creates incentives for contracting with small firms to create jobs in underserved communities (increased from \$906,000 under President Bush).

## ***Credit Card Abuse Protections***

**Amendment to Credit CARD Act expands protection to small businesses.** As part of the *Credit CARD Act of 2009* debate, Senators **Landrieu** and Snowe introduced a bipartisan amendment that would expand the protections of the **Dodd-Shelby substitute (SA 1058 to H.R. 627)** and the *Truth in Lending Act* to include small businesses with 50 or fewer employees.

Small business owners have steadily increased their reliance on credit cards over the past 16 years, a trend that's been exacerbated by the subprime lending crisis and the recession. According to some estimates, eighty-five percent of small business owners have one or more credit cards that they use for business purposes. In the past year, 63 percent of small businesses reported having their interest rates increased and 41 percent have said their credit limit was reduced – all while more and more small businesses turn to credit cards because they can't get loans.

The amendment is co-sponsored by Senators **Cardin, Brown, Shaheen, Cantwell**, and Collins and has the support of a coalition of 24 consumer and business groups, including: the Center for Responsible Lending, Consumer Federation of America, National Small Business Association, National Federation of Independent Businesses, Service Employees International Union, National Black Chamber of Commerce, U.S. Hispanic Chamber of Commerce, U.S. Women's Chamber of Commerce and the National Association for the Self-Employed, among others.

## ***Confirming New Leadership at the SBA***

**Democratic Senate confirms a strong role model to lead the Small Business Administration.** On April 3, 2009, the Senate confirmed Karen Gordon Mills to be the Administrator of the SBA. Mills was approved by the Senate Committee on Small Business and Entrepreneurship on April 1, 2009. Mills is an entrepreneur and a community leader who founded Solera Capital, a New York-based venture capital firm run largely by women. She has served on several boards, including nonprofit boards in her home state of Maine, where she has been instrumental in successful economic development. Mills has proven to be a true advocate

for small businesses and understands what is needed to help small firms survive and grow in difficult economic times.

### ***Exercising Unprecedented Level of Oversight***

In the first few months of the 111<sup>th</sup> Congress, the new Chair of the Senate Committee on Small Business and Entrepreneurship, Senator Mary **Landrieu**, held several hearings, primarily focused on the financial downturn and the effects it is having on small businesses.

- Hearing on “Small Business Financing: Progress Report on Recovery Act Implementation and Alternative Sources of Financing” (May 13, 2009)
- Field Hearing on the “Impact of Manufacturing Closures on Local Small Businesses” (April 14, 2009).
- Confirmation Hearing of Karen Gordon Mills as Administrator of the Small Business Administration (April 1, 2009).
- Hearing on the “Fiscal Year Budget Request for the SBA” (March 25, 2009).
- Hearing on “Perspectives from Main Street on Small Business Lending” (March 19, 2009).
- Hearing on “Investing in Small Business: Jumpstarting the Engines of Our Economy” (January 29, 2009).

Senator **Landrieu** also sent several letters to key Administration officials, urging action to help small firms:

- Letter to Treasury Secretary Geithner on Small Business Trade Opportunities in Cuba (May 11, 2009).
- Letter to the Department of Defense, Energy, Health & Human Services and National Science Foundation on Using Recovery Funds for SBIR/STTR Projects (May 7, 2009).
- Letter to Senators **Levin** and McCain on Small Business Defense Contracts (April 2, 2009).
- Letter to Treasury Secretary Geithner on Stabilizing Small Business Credit Lines (March 30, 2009).
- Letter to U.S. Trade Representative Requesting a Small Business Trade Advocate (March 24, 2009).
- Letter to Health and Human Services to restore Recovery Act funding to SBIR/STTR (March 10, 2009).
- Letter to SBA and Departments of Labor and Commerce asking for a more coordinated approach to helping struggling small businesses (March 4, 2009).
- Letter to President Obama Renewing the Call to Elevate the SBA Administrator to Cabinet-Level Status (January 28, 2009).

To ensure taxpayer money is being used to help the people who need it the most, the *Recovery Act* appropriated \$10 million for the SBA Inspector General's oversight of SBA stimulus funds and \$15 million for increased lender oversight.