



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

February 14, 2007

THE DIRECTOR

The Honorable John Kerry
United States Senate
Washington, D.C. 20510

Dear John,

Thank you for your letter of January 21, 2007, regarding funding for the Small Business Administration (SBA). I appreciate your input.

The President's FY 2008 request for SBA provides necessary funding to ensure proper stewardship of the agency's important responsibilities for its loan, procurement, and technical assistance programs. For SBA's non-disaster administrative funds, the President's Budget includes a \$33 million increase compared to the 2006 enacted level and a \$44 million increase relative to the P.L. 109-289 Continuing Resolution level, so that SBA can make the necessary investments in technology and staff to ensure sound management of the agency's \$71 billion business loan portfolio and other important activities.

In addition, for the 2008 Budget, the Administration has implemented a new method to estimate disaster loan needs. Rather than using a five-year nominal dollar average to predict loan demand, the new methodology is based upon the historical 10-year, inflation-adjusted demand for these loans. For FY 2008, the supportable loan level is \$1.064 billion, significantly higher than prior Budget estimates. The corresponding budget authority is provided from large carryover balances from the hurricane supplementals enacted in 2005 and 2006. While it is not possible to predict future disaster costs with precision, we believe that our new estimating methodology will better reflect expected disaster requirements.

As you know, the President transmitted his FY 2008 Budget to Congress on February 5, 2007. The Budget reflects our nation's highest priorities, including combating terrorism and protecting the homeland, keeping the economy strong with low taxes, and spending taxpayer dollars wisely while holding non-security spending growth to one percent. The President's pro-growth economic policies, coupled with greater spending restraint, put us on path to reduce deficits every year and achieve a balanced budget by 2012.

Thank you again for your interest in the FY 2008 Budget. We look forward to working with you throughout the appropriations process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rob Portman".

Rob Portman

Identical Letter Sent to The Honorable Olympia Snowe