

**FULL COMMITTEE MARKUP OF VIEWS
AND ESTIMATES OF THE SMALL
BUSINESS ADMINISTRATION'S PROPOSED
BUDGET FOR FISCAL YEAR 2009**

**COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF
REPRESENTATIVES**

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

FEBRUARY 27, 2008

Serial Number 110-74

Printed for the use of the Committee on Small Business



Available via the World Wide Web: <http://www.access.gpo.gov/congress/house>

U.S. GOVERNMENT PRINTING OFFICE

40-234 PDF

WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
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CONTENTS

OPENING STATEMENTS

	Page
Velázquez, Hon. Nydia M.	1
Chabot, Hon. Steve	2

APPENDIX

Prepared Statements:	
Velázquez, Hon. Nydia M.	5
Chabot, Hon. Steve	7
Altmire, Hon. Jason	8

**FULL COMMITTEE MARKUP OF VIEWS
AND ESTIMATES OF THE SMALL
BUSINESS ADMINISTRATION'S PROPOSED
BUDGET FOR FISCAL YEAR 2009**

Wednesday, February 27, 2008

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velaquez [chairwoman of the Committee] presiding.

Present: Representatives Velaquez, Grijalva, Lipinski, Altmire, Clarke, Ellsworth, Johnson, Hirono, Chabot, Bartlett, Musgrave, Davis and Buchanan.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

Chairwoman VELAQUEZ. I am pleased to call this morning's markup to order.

Today the Committee will consider its views and estimates of the Small Business Administration's FY 2009 budget. The task comes before us at a time when our nation is in dire need of the job creation and growth that are hallmarks of the small business economy.

Across America consumers are spending less on goods and services. Credit markets are tightening. And in the wake of the prime mortgage crisis, people are losing their homes. The situation calls for prompt action, and small businesses are ready to do their part to get the economy back on track.

Unfortunately, the Administration's budget for FY 2009 is little different from those of the past eight years. It lacks new ideas, and instead chooses to continue the systematic eradication of the Small Business Administration. During the 1990s, the agency had a seat at the President's elbow and a budget of \$1 billion. The Small Business Administration expanded essential services to entrepreneurs and helped them lead one of our nation's greatest periods of economic prosperity.

Today, the agency is a shell of its former self, as evidenced by the low morale of its employees. And its budget has been cut by more than 50 percent. For FY 2009 alone, 18 out of 26 core programs have been cut, flat-funded, or terminated all together. For instance, despite a demonstrated need for expanded technical assistance, the Administration cut the Small Business Development Centers and the Women's Business Centers. Funding is also

slashed for the 7(a) loan program, and its lender fees are increased to the highest allowable level.

These would be questionable decisions in an average year, but they are especially troubling when 80 percent of banks are tightening lending standards, and the economy has called out for an immediate infusion of capital.

A wrong-headed approach is taken where the Microloan program is concerned. Whereas entrepreneurs of the past, including women and minorities in low-income areas, could look to this initiative for capital, the Administration's budget turns its back on them. In fact, instead of fostering the growth of small entrepreneurs, it raises interest rates on those who can least afford to pay them.

It is all remarkably short-sighted, considering that many of these programs have been shown to put \$2 into the Federal Treasury for every dollar invested. In other words, investing in small businesses is not only good for the economy, it helps reduce the deficit. Clearly, small businesses and the American people, as a whole, deserve far better than the President's budget.

I, for one, believe it is time for the Small Business Administration to step up to the plate and draw on its lending, entrepreneurial development, and contracting programs to spur the economy. The views and estimates we have before us today take needed steps to remedy eight years of shortfalls and focus on fostering the type of growth that will bring us back from the brink of this looming recession.

Our recommendations include \$150 million for the 7(a) program, which will allow the agency to do over \$20 billion in lending. We also encourage fully funding the SBDCs and WBCs, bringing small firms the professional support they require to succeed.

We have an important opportunity to do the right thing for small businesses and the country this morning. In light of that, I urge each of you to support the Committee's views and estimates.

I will now yield to Mr. Chabot for any comments he may have.

OPENING STATEMENT OF MR. CHABOT

Mr. CHABOT. Thank you. Good morning, and I would like to thank the Chairwoman for holding this markup today on the Committee's views and estimates of the President's proposed Small Business Administration budget for Fiscal Year 2009.

The budget submission for 2009 is not substantially different from the submission for the last fiscal year. The Chairwoman's views make some salient criticisms, and I concur with those. One of the most important things we can do as a Committee is to ensure that the SBA has the tools it needs to fulfill its mission to help small businesses—the backbone of our country's fundamental economic strength. Despite agreements with the Chairwoman, I cannot fully concur with her views and estimates and will be filing separate views with the Budget Committee.

I believe that the President's budget request proposes realistic funding levels, given the budgetary constraints facing the country. I think that the budget accomplishes a good deal by providing additional resources to train SBA employees, hire more workers that can provide assistance to small businesses seeking Federal Government contracts, and increase outreach to America's veterans. How-

ever, not everything in the SBA budget request comports with my stated objective that the agency have the resources available to meet the needs of small businesses and prospective entrepreneurs.

For example, when inflation is taken into account, the ability of the SBA's entrepreneurial development partners to meet the needs of their clients could be called into question. Similarly, an increase in the number of procurement center representatives is a start, but an insufficient one in my estimation. The SBA needs to allocate more personnel for this vital role in increasing small business participation in the federal procurement system.

Finally, the SBA, yet again, requested a zero subsidy for the Microloan Program. As a supporter of microlending and the benefits that accrue to low-income areas, I believe that the small amount in the budget devoted to microloans is well worth it. That being said, I must respectfully disagree with the concept that simply having more money thrown at a problem will solve it.

Administrator Preston has tackled a number of problems from disaster loan backlogs to employee morale. He has done so within severe budget constraints. Sometimes all it takes is asking the right question and someone who wants to find a solution to the problem. Developing those solutions takes brainpower—something that federal budgetary resources cannot buy.

It is my firm belief that Administrator Preston will continue to strive to make the agency the best it can be before he leaves it to the next Administrator. I certainly respect the Chairwoman's passion and devotion to the interests of small businesses. However, if it is true that the SBA remains a troubled agency, pouring more money into it may not be the optimal solution for America's small businesses and budding entrepreneurs.

And I yield back, Madam Chair.

Chairwoman VELAQUEZ. Thank you, Mr. Chabot.

Are there any other members that wish to be recognized on the views and estimates?

[No response.]

The Committee now moves to consideration of the views and estimates of the Small Business Administration's FY2009 budget. The Clerk will report the title of the document.

The CLERK. A letter to the House Committee on the budget, expressing the Small Business Committee's views and estimates on the Fiscal Year 2009 budget for the U.S. Small Business Administration.

Chairwoman VELAQUEZ. I ask unanimous consent that the views and estimates document, in its entirety, be open for amendments at this time. Does any member seek recognition for the purpose of offering an amendment?

[No response.]

Seeing no amendments, the question is on agreeing to the views and estimates. All those in favor, say aye.

[Ayes.]

All those opposed, no.

[Nos.]

The ayes have it, and the views and estimates are agreed to.

Yes, sir.

Mr. CHABOT. Madam Chair, just for the record, I wanted to note that we will be filing Republican views on the budget.

Chairwoman VELAQUEZ. Without objection.

I ask unanimous consent that the Committee be authorized to correct punctuation and to make other necessary technical corrections on the document considered today. Without objection, so ordered.

This markup is now adjourned.

[Whereupon, at 10:22 a.m., the Committee was adjourned.]

NYDIA M. VELAZQUEZ, NEW YORK
Chairwoman

STEVE CHABOT, OHIO
Ranking Member

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

STATEMENT
of the
Honorable Nydia M. Velázquez, Chair
House Committee on Small Business
Markup of Views and Estimates on SBA's FY 2009 Budget Submission

Today, the Committee will consider its Views and Estimates of the Small Business Administration's FY 2009 budget. The task comes before us at a time when our nation is in dire need of the job creation and growth that are hallmarks of a small business economy.

Across America, consumers are spending less on goods and services, credit markets are tightening, and—in the wake of the sub-prime mortgage crisis—people are losing their homes. The situation calls for prompt action, and small businesses are ready to do their part to get the economy back on track.

Unfortunately, the Administration's budget for FY 2009 is little different from those of the past eight years. It lacks new ideas and, instead, chooses to continue the systematic eradication of the SBA.

During the 1990's, the agency had a seat at the President's elbow and a budget of one billion dollars. The SBA expanded essential services to entrepreneurs and helped them lead one of our nation's greatest periods of economic prosperity. Today, the agency is a shell of its former self—as evidenced by the low morale of its employees—and its budget has been cut by more than 50%.

For FY 2009 alone, 18 out of 26 core programs have been cut, flat-funded or terminated altogether. For instance, despite a demonstrated need for expanded technical assistance, the Administration cuts the Small Business Development Centers and the Women's Business Centers.

Funding is also slashed for the 7(a) loan program, and its lender fees are increased to the highest allowable level. These would be questionable decisions on an average year, but they are especially troubling when 80% of banks are tightening lending standards and the economy calls out for an immediate infusion of capital.

The same wrong-headed approach is taken where Microloan are concerned. Whereas entrepreneurs of the past—including women and minorities in low-income areas—could look to this initiative for capital, the Administration's budget turns it back on them. In fact, instead of fostering the growth of these small businesses, it raises interest rates on those who can least afford to pay them.

It is all remarkably shortsighted, considering that many of these programs have been shown to put two dollars into the Federal Treasury for every dollar invested. In other words, investing in small businesses is not only good for the economy, it helps reduce the deficit.

Clearly, small businesses—and the American people as a whole—deserve far better than the President's Budget.

I for one believe it is time for the SBA to step up to the plate, and draw on its lending, entrepreneurial development, and contracting programs to spur the economy.

The Views and Estimates we have before us today take needed steps to remedy eight years of shortfalls, and focus on fostering the type of growth that will bring us back from the brink of this looming recession. Our recommendations include \$150 million for the 7(a) program, which will allow the agency to do over \$20 billion in lending. They also fully fund the SBDCs and WBCs, bringing small firms the professional support they require to succeed.

We have an important opportunity to do right thing for small businesses and the country this morning. In light of that, I urge each of you to support of the Committee's Views and Estimates.

U.S. House of Representatives

SMALL BUSINESS COMMITTEE

Representative Steve Chabot, Republican Leader

Wednesday,
February 27, 2008

Opening Statement of Ranking Member Steve Chabot

Markup of Budget Views and Estimates: SBA Budget for FY 2009

Good morning and I would like to thank the Chairwoman for holding this markup today on the Committee's views and estimates of the President's proposed Small Business Administration budget for FY 2009.

The budget submission for FY 2009 is not substantially different than the submission for the last fiscal year. The Chairwoman's views make some salient criticisms and I concur with those. One of the most important things we can do as a Committee is to ensure that the SBA has the tools it needs to fulfill its mission to help small businesses – the backbone of country's fundamental economic strength. Despite agreements with the Chairwoman, I cannot fully concur with her views and estimates and will be filing separate views with the Budget Committee. I believe that the President's budget request proposes realistic funding levels given the budgetary constraints facing the country. I think that the budget accomplishes a good deal by providing additional resources to train SBA employees, hire more workers that can provide assistance to small businesses seeking federal government contracts, and increase outreach to America's veterans.

However, not everything in the SBA budget request comports with my stated objective that the agency have the resources available to meet the needs of small businesses and prospective entrepreneurs.

For example, when inflation is taken into account, the ability of the SBA's entrepreneurial development partners to meet the needs of their clients could be called into question. Similarly, an increase in the number of procurement center representatives is a start but an insufficient one in my estimation. The SBA needs to allocate more personnel for this vital role in increasing small business participation in the federal procurement system. Finally, the SBA yet again requested a zero subsidy for the microloan program. As a supporter of microlending and the benefits that accrue to low-income areas, I believe that the small amount in the budget devoted to microloans is well worth it.

That being said, I must respectfully disagree with the concept that simply having more money thrown at a problem will solve it. Administrator Preston has tackled a number of problems from disaster loan backlogs to employee morale. He has done so within severe budget constraints; sometimes all it takes is asking the right question and someone who wants to find a solution to the problem. Developing those solutions takes brain power something that federal budgetary resources cannot buy. It is my firm belief that Administrator Preston will continue to strive to make the agency the best it can be before he leaves it to the next Administrator.

I certainly respect the Chairwoman's passion and devotion to the interests of small businesses. However, if it is true that the SBA remains a troubled agency, pouring more money into it may not be the optimal solution for America's small businesses and budding entrepreneurs.

With that I yield back.

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Statement of Rep. Jason Altmire
Committee on Small Business Hearing
“Hearing on the Small Business Administration’s
Budget for Fiscal Year 2009”
February 27, 2008

Thank you, Madam Chairwoman, for holding today’s hearing to examine the Small Business Administration’s (SBA) budget for fiscal year 2009. This country’s small businesses and entrepreneurs drive the American economy, accounting for 99 percent of our nation’s employers and 65 percent of new jobs. As economists forecast a slow down in our economy, it is vital that the SBA be ready to assist our small businesses at this critical time.

The Bush Administration’s budget proposal does not give me confidence that the Administration is serious about helping entrepreneurs or their small businesses. The Administration’s budget cuts funding for the SBA by 15 percent and I believe fails to adequately provide for critical programs that have been proven to effectively serve entrepreneurs at a time when banks are tightening their lending practices and available capital is becoming harder for small businesses to secure.

As our country faces a potential recession, it is imperative that we work together to keep our small businesses up and running so that they can continue to fuel our economy. I look forward to working with the Committee and Administrator Preston to resolve the differences we have and agree on a budget that will effectively serve small businesses and our economy.

Madam Chair, thank you again for holding this important hearing today. I yield back the balance of my time.

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