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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

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October 14, 2011

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on
Deficit Reduction
United States House of Representatives
Washington, DC 20515

The Honorable Patty Murray
Co-Chair
Joint Select Committee on
Deficit Reduction
United States Senate
Washington, DC 20510

Re: Deficit Reduction Recommendations for the U.S. Small Business Administration

Dear Co-Chair Hensarling and Co-Chair Murray:

Pursuant to Sec. 401(b)(3)(A)(ii) of the *Budget Control Act of 2011*, as the Chair of the Senate Committee on Small Business and Entrepreneurship, which has jurisdiction over the U.S. Small Business Administration (the SBA or the Agency), I write to transmit my recommendations to you and the other members of the Joint Select Committee on Deficit Reduction (the JSC or the Super Committee) for your consideration as Members work together to find ways to address the debt and unemployment crisis.

As almost all of the 12 members of the JSC acknowledged in their opening statements during the Organizational Meeting of the Committee on September 8th, the challenge of deficit reduction is figuring out how to shrink the federal debt and grow the economy, and how to do so quickly enough to restore confidence in our economy, but not so fast that it frustrates an already slow pace of recovery and potentially hurt job creation or increase job losses.

I wholeheartedly share your sense of urgency and want to be helpful to you and the other members in finding constructive ways to meet the JSC's mandate to reduce the national debt by \$1.5 trillion over ten years and to avoid automatic, across-the-board cuts to all agencies and departments set to take effect in 2013 should Congress fail to enact deficit reduction legislation by January 15, 2012. Realistically, with an annual appropriation of less than \$1 billion, amounting to less than 0.026 percent of the total federal budget, the SBA's budget offers limited opportunity to significantly contribute to deficit reduction. In addition, the SBA's budget was cut more than any federal agency in the period from FY2002 through FY2008, and there is little room for more cuts without raising fees on small businesses and SBA's lending partners or disaster victims. To put the SBA's budget in context, the Agency's expected FY2012 funding is comparable to what it operated on more than a decade ago, in FY2001, and far less than that amount when adjusted for inflation. That noted, I believe that the Small Business Committee can be helpful to the JSC by leveraging the SBA and its programs to grow the economy and create jobs.

For example, many entrepreneurs and small business owners are still turning to the SBA for assistance in securing capital as traditional lenders continue to hold back on lending. This has driven demand for SBA's largest lending program, 7(a), to an all-time high in loan dollars. During FY2011, which ended September 30th, SBA loan approvals for 7(a) loans totaled \$17.3 billion. This is a significant increase from the FY2009 SBA loan approvals that supported \$10.3 billion and also from the FY2009 levels that supported \$8.2 billion.

In addition to filling a gap in the credit market, the SBA loans are cost-effective and a good return on the investment. In terms of cost to the taxpayer, the 7(a) loan program, and also the 504 loan guaranty program, cost a little more than \$1 for every \$100 loaned. Most importantly, the SBA loan programs create jobs: for the roughly \$580 million in budget authority provided to leverage the \$30.5 billion in SBA loan approvals in FY2011, more than 275,000 jobs were created, as reported by borrowers. Eliminating the funding for the SBA's two largest loan programs would require Congress to enact legislation to raise fees on the businesses and lenders in these programs. Some members might view these cuts as a savings of \$215 million, whereas others would consider elimination of the funding an effective tax increase of \$215 million on small businesses. I hope that the Committee will weigh carefully the pros and cons of eliminating this funding while the economy is so fragile, not only because of the increased cost to the small business community, but also because of the potential adverse impact on job creation and access to capital. The economy needs access to credit in order to grow.

In addition to the SBA's mission of providing assistance to small businesses through capital and counseling, and helping small businesses compete for some of the more than \$425 billion in federal contracts, the Agency also provides recovery assistance to homeowners, renters, businesses, and nonprofit organizations in the wake of disasters. Just this year, the SBA's disaster loans have been vital to nearly 14,000 homeowners and business owners whose homes and businesses were damaged or destroyed by Tropical Storm Lee and Hurricane Irene, among other natural disasters, injecting \$740 million into local communities to help them rebuild and get back on their feet. To reduce the funding needed for the SBA's disaster program, there have been proposals over the years to increase the interest rate on borrowers or reduce the term of the loans and make borrowers pay back the loans faster. This would exacerbate the hardship on victims, and I respectfully ask the JSC to reject any such change in law.

While there are limits to the cuts that should be considered with respect to the SBA's budget, because of its mission and years of reductions, there are redundant and obsolete programs that, as Senator Toomey has noted, can serve as a source of savings. Over the past year, I have worked with Senator Snowe, our Committee's Ranking Member, Senator Coburn, Congressman Graves and Congresswoman Velazquez, and the SBA, to develop the following list of 10 authorized programs that can be eliminated.

1. Pollution Control Loans through the 7(a) and 504 Loan Programs
2. The Small Business Institute Grants
3. Drug-Free Workplace Grants
4. The Central European Small Business Development Commission
5. The Coverdell Drug-Free Workplace Program
6. The Pilot Technology Access Program
7. The National Veterans Business Development Corporation
8. Lease Guarantees

9. The Small Business Telecommuting Pilot Program
10. BusinessLINC

If Congress would repeal these 11 programs as part of the Super Committee's legislation, we could reduce the SBA's FY2012 outlays by a few million dollars and reduce SBA authorizations by \$99 million. To that end, attached is legislative language for your review.

In closing, I acknowledge that you have difficult decisions to make, and I appreciate your consideration of my request for the SBA. I will also submit a separate letter outside of my capacity as the Chair of the Small Business Committee with ideas to help the SJC reach its objective.

With kind regards, I am

Sincerely,



Mary L. Landrieu
Chair

CC: Sen. Max Baucus
Rep. Xavier Becerra
Rep. Dave Camp
Rep. James Clyburn
Sen. John Kerry
Sen. Jon Kyl
Sen. Rob Portman
Sen. Pat Toomey
Rep. Fred Upton
Rep. Chris Van Hollen

Enclosure: 5 Pages

1 **SEC. ____ . REPEALS AND OTHER TERMINATIONS.**

2 (a) **GENERAL PROVISIONS.—**

3 (1) **EFFECTIVE DATE.—**A repeal or other ter-
4 mination of a provision of law made by this section
5 shall take effect on **【_____】**.

6 (2) **RULE.—**Nothing in this section shall affect
7 any grant or assistance provided, contract or cooper-
8 ative agreement entered into, or loan made or guar-
9 anteed before **【_____】** under a provision of law re-
10 pealed or otherwise terminated by this section and
11 any such grant, assistance, contract, cooperative
12 agreement, or loan shall be subject to the applicable
13 repealed or otherwise terminated provision, as in ef-
14 fect on **【the day before _____】**.

15 (b) **POLLUTION CONTROL LOANS.—**Paragraph (12)
16 of section 7(a) of the Small Business Act (15 U.S.C.
17 636(a)) is amended—

18 (1) by striking “(A) The Administration” and
19 inserting “The Administration”; and

20 (2) by striking “research and development” and
21 all that follows and inserting “research and develop-
22 ment.”.

1 (c) SMALL BUSINESS INSTITUTE.—Section 8(b)(1) of
2 the Small Business Act (15 U.S.C. 637(b)(1)) is amend-
3 ed—

4 (1) by striking subparagraph (E); and

5 (2) by redesignating subparagraphs (F) and
6 (G) as subparagraphs (E) and (F), respectively.

7 (d) BUSINESS LINC PROGRAM.—Section 8(n) of the
8 Small Business Act (15 U.S.C. 637(n)) is amended—

9 (1) in paragraph (1), by striking “entities—”
10 and all that follows and inserting “entities to expand
11 business-to-business relationships between large and
12 small businesses.”; and

13 (2) in paragraph (2)—

14 (A) by striking “Subject to subparagraph
15 (B), the” and inserting “The”; and

16 (B) by striking “paragraph (1)(A) or
17 (1)(B)” and inserting “paragraph (1)”.

18 (e) DRUG-FREE WORKPLACE GRANTS.—Paragraph
19 (3) of section 21(c) of the Small Business Act (15 U.S.C.
20 648(c)) is amended—

21 (1) in subparagraph (R) by adding “and” at
22 the end;

23 (2) in subparagraph (S) by striking “; and”
24 and inserting a period; and

25 (3) by striking subparagraph (T).

1 (f) CENTRAL EUROPEAN SMALL BUSINESS ENTER-
2 PRISE DEVELOPMENT COMMISSION.—Section 25 of the
3 Small Business Act (15 U.S.C. 652) is repealed.

4 (g) PAUL D. COVERDELL DRUG-FREE WORKPLACE
5 PROGRAM.—Section 27 of the Small Business Act (15
6 U.S.C. 654) is repealed.

7 (h) PILOT TECHNOLOGY ACCESS PROGRAM.—Sec-
8 tion 28 of the Small Business Act (15 U.S.C. 655) is re-
9 pealed.

10 (i) NATIONAL VETERANS BUSINESS DEVELOPMENT
11 CORPORATION.—

12 (1) IN GENERAL.—Section 33 of the Small
13 Business Act (15 U.S.C. 657c) is repealed.

14 (2) CORPORATION.—Beginning on the date of
15 enactment of this Act, the National Veterans Busi-
16 ness Development Corporation and any successor
17 thereto may not represent that the corporation is
18 federally chartered or in any other manner author-
19 ized by the Federal Government.

20 (j) LEASE GUARANTEES AND POLLUTION CON-
21 TROL.—Part A of title IV of the Small Business Invest-
22 ment Act of 1958 (15 U.S.C. 692 et seq.) is repealed.

23 (k) SMALL BUSINESS TELECOMMUTING PILOT PRO-
24 GRAM.—Subsection (d) of section 1203 of the Energy

1 Independence and Security Act of 2007 (15 U.S.C. 657h)
2 is repealed.

3 (1) TECHNICAL AND CONFORMING AMENDMENTS.—

4 (1) SMALL BUSINESS INVESTMENT ACT OF
5 1958.—Section 411(i) of the Small Business Invest-
6 ment Act of 1958 (15 U.S.C. 694b(i)) is amended
7 to read as follows:

8 “(i) Without limiting the authority conferred upon
9 the Administrator and the Administration by section 201
10 of this Act, the Administrator and the Administration
11 shall have, in the performance of and with respect to the
12 functions, powers, and duties conferred by this section, all
13 the authority and be subject to the same conditions pre-
14 scribed in section 5(b) of the Small Business Act with re-
15 spect to bonds.”.

16 (2) TITLE 10.—Section 1142(b)(13) of title 10,
17 United States Code, is amended by striking “and
18 the National Veterans Business Development Cor-
19 poration”.

20 (3) TITLE 38.—Subsection (h) of section 3452
21 of title 38, United States Code, is amended by strik-
22 ing “any of the” and all that follows and inserting
23 “any small business development center described in
24 section 21 of the Small Business Act (15 U.S.C.
25 648), insofar as such center offers, sponsors, or co-

1 sponsors an entrepreneurship course, as that term is
2 defined in section 3675(c)(2).”.

3 (4) VETERANS ENTREPRENEURSHIP AND
4 SMALL BUSINESS DEVELOPMENT ACT OF 1999.—Sec-
5 tion 203(c)(5) of the Veterans Entrepreneurship and
6 Small Business Development Act of 1999 (15 U.S.C.
7 657b note) is amended by striking “In cooperation
8 with the National Veterans Business Development
9 Corporation, develop” and inserting “Develop”.