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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

DONALD R. CRAVINS, DEMOCRATIC STAFF DIRECTOR AND CHIEF COUNSEL  
WALLACE K. HSUEH, REPUBLICAN STAFF DIRECTOR

March 30, 2011

The Honorable Karen G. Mills  
Administrator  
U.S. Small Business Administration  
409 Third Street, SW  
Washington, D.C. 20416

Dear Administrator Mills:

We write to you today regarding the Small Business Administration's (SBA) interpretation of the statute authorizing the State Trade and Export Promotion (STEP) pilot grant program. As you know, this program was created by Section 1207 of the *Small Business Jobs Act of 2010* (P.L. 111-240), and signed into law by the President on September 27, 2010. The STEP program is authorized to provide up to \$90 million in grants to states over the next three years to facilitate the creation or expansion of small businesses export promotion programs, as well as to support specified small business export activities.

While we are generally pleased by the Administration's efforts to get this program up and running in a timely manner, we are concerned by other aspects of the Agency's implementation efforts. Specifically, we are concerned that the SBA is only considering applications from states with international trade agencies. We believe that this interpretation is in error and does not reflect Congressional intent of this provision of the statute as enacted.

As the original sponsors and architects of the enacting legislation, we purposely did not limit or require that state agencies must submit applications to the STEP program on behalf of their respective states. The only limitations in the statute direct the SBA to restrict the number of applications submitted by a state per fiscal year and require the percentage of grant money awarded to states to be proportional to data made available by the Department of Commerce, or as determined by the Associate Administrator of the Office of International Trade.

Relying on language from our Committee Report (Senate Report 111-341) accompanying the underlying legislation—S. 2862 the "*Small Business Export Enhancement and International Trade Act of 2009*"—that was both considered and unanimously approved by the Committee, as well as the statutory language authorizing the program, it is clear that the program was not designed to permit certain states to be excluded as a result of how their trade functions are organized and administered. Additionally, we would note that the enacting legislation included language expressly delegating authority to the Associate Administrator of the Office of International Trade to establish what materials must be included in applications and to award grants through the program. Materials and required information are entirely different from excluding states with international trade offices that receive state funding—and operate in conjunction with the state—but are not considered to be a state agency.

As currently interpreted by the Agency, the guidelines for the program exclude states that operate their state international trade offices as 501(c)3 non-profits or quasi-public agencies, rather than pure state agencies. As a result, more than a fifth of the United States would be excluded from applying for funding, including states like Arkansas, Florida, Hawaii, Iowa, Maine, Massachusetts, Ohio, Vermont, Virginia, and Wisconsin. It was not Congressional intent that so many states be excluded from participating in the program.

For example, in Maine, the state legislature created the Maine International Trade Center (MITC), which is the only office within the state charged with promoting the state's business community internationally. The MITC's president is a state employee, appointed by Maine's Governor and confirmed by the State Senate. Despite this, the MITC is organized as a 501(c)3 non-profit, as the state intended to merge public with private non-profit resources and initiatives. If the MITC is not allowed to apply for the STEP program due to their quasi-agency status, the small businesses of Maine will be denied this opportunity.

Additionally, in Arkansas, the Arkansas World Trade Center is designated by the Governor of Arkansas and the Arkansas Economic Development Commission to direct and facilitate export trade activities for the State. Here again, Arkansas World Trade Center faces the same dilemma as MITC and several other states, and as the only organization in the state designated to oversee international trade, there is no other state entity who would be eligible to apply.

From the examples described above, it appears that the SBA's current interpretation affects states located in all geographic regions of the United States. The goal of the STEP program is to promote new-to-market export opportunities for eligible small business concerns located in all states and not just those who incorporate their international trade offices as state agencies. The SBA's current interpretation would counteract the exact effect which Congress intended the program to have. Accordingly, we respectfully request that the SBA act quickly to address this issue by revising the current program requirements and enable all states to be eligible to apply for STEP funding.

If you have any questions regarding this request, please contact John High from Senator Landrieu's staff or Meredith West from Senator Snowe's staff on the Committee at (202) 224-5175. We look forward to your prompt response and resolution of this important matter. Thank you again for your commitment to our nation's small businesses.

Sincerely,



Mary L. Landrieu  
Chair



Olympia J. Snowe  
Ranking Member