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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

March 31, 2008

The Honorable Steven C. Preston
Administrator
US Small Business Administration
409 Third St., SW
Washington, D.C. 20416

Dear Administrator Preston:

I am writing in regard to the Emerging 200 initiative that was proposed as part of the President's FY2009 budget for the Small Business Administration. Although Fiscal Year 2009 doesn't start until October 1, 2008, the SBA is already moving forward and has expanded the proposal. In addition to the event in Boston yesterday in which the pilot was publicly unveiled, the SBA has issued a Request for Proposal, seeking a contractor to deliver the intensive training classes to the companies selected for the program, with an option to renew for four years and increasing the contract amount from \$250,000 to \$400,000. Furthermore, the SBA has selected the 11 cities to participate in this pilot.

I am very pleased that SBA's Boston office competed and has been selected for the program because there are many small businesses there that need this investment. For years I have been pushing for similar targeted efforts, including the SBA's New Markets Venture Capital program that I helped get enacted in 1999. It is frustrating that the Administration has side-lined and zero-funded that existing program for the past eight years, and it is hard to understand how the Administration can justify its two positions on similar initiatives. For example, the SBA has financed visits of senior officials to cities where it is launching the Emerging 200, but has never visited any of the small businesses supported by the New Markets Venture Capital program -- a program which is ahead in performance expectations.

Although I am supportive of the objectives of the Emerging 200 initiative, as Chairman of the SBA's oversight committee I have concerns about the implementation and expansion of this pilot program. In order to address some of the concerns brought to the attention of the Committee, I request clarification on the following:

- It has been reported that the \$400,000 in funding for this initiative will come from existing 7(j) funds appropriated for Fiscal Year 2008. The 7(j) program is designed to provide technical assistance and business training to small disadvantaged 8(a) firms across the country. By shifting funding from the 7(j) program to this pilot there would be a reduction in assistance to these 8(a) firms by more than 17 percent. This reallocation of funds underscores my repeatedly

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expressed concern about the Administration's attempts to remove the 7(j) program from a line item in the budget. Please explain SBA's rationale and authority for using 7(j) funding for this pilot program. I'd also like to know what steps have been taken to ensure services are not reduced for firms already participating in the 7(j) Technical Assistance Program.

- It is my understanding that the SBA has issued a Request for Proposal with the intention to secure one organization or company to provide the training for all 11 cities. I am concerned about this approach and whether it is the most effective way to provide this training, especially given that there are already resource partners with experienced trainers located in these cities. Small businesses often develop long-term relationships with trainers, and they may be interested in being mentored more often than once or twice a month as the sessions are currently planned. It will also be essential that the provider know and understand the local economy, the community and the participants. Why do you plan to seek just one provider for all 11 cities? Has the SBA considered having 11 separate providers or having regional providers? Please provide detailed justification for your decision.
- Last, I am concerned about the implications for SBA's existing resource partners – Small Business Development Centers, Women's Business Centers, and SCORE. The Massachusetts Small Business Development Center, the Center for Women & Enterprise, and SCORE all serve the Boston area and have local knowledge and networks. SBA has level-funded these programs for eight years, citing concerns about duplication and the need to do more with less, yet SBA is swiftly acting to pay \$400,000 to a contractor to provide over-lapping expertise and assistance. Why isn't the SBA using the existing partners to carry-out this pilot?

I appreciate you taking the time to respond to my questions, and I ask that the Agency respond to the Committee's questions by Friday, April 18, 2008. Thank you.

Sincerely,



John F. Kerry
Chairman