

**Senator Olympia J. Snowe**  
**Senate Committee on Small Business and Entrepreneurship**  
**“The President’s FY2008 Budget Request for the**  
**Small Business Administration”**  
**February 28, 2007**

**Opening Statement**

**Thank you Senator Kerry. And thank you, Administrator Preston, for being here today. I appreciate you traveling to Maine last week to attend the small business manufacturing forum I held in Lewiston, especially in the middle of February. Indeed, you are “fair weather friend” when it comes to Maine!**

**The purpose of this hearing is to analyze the SBA’s FY2008 budget request – all the more critical as it has systematically declined over the last 6 years. Indeed, we have an obligation to not only *maintain*, but to *strengthen* the SBA’s proven and *job generating* core loan and assistance programs. So I regret that after 7 months in your job, you are in a position of having to come before this Committee to defend the indefensible.**

**In fact, while on the surface it may appear to be an increase as the Administration calls for a FY2008 budget of \$814 million, the SBA’s true budget request is only \$464 million – a 28 percent decrease from the SBA proposed FY2007 budget. And what’s most troubling is that this budget represents a 31 percent decrease since 2001! Now, I know you have your instructions from OMB to sell this short-sighted budget...but I have to be honest in saying it won’t be sold to this Committee.**

**It is frankly beyond me why the Administration continues to shrink the resources that actually help our nation’s job creators. The spirit of our nation’s entrepreneurs is translated through the tremendous and often overlooked contributions – creating nearly 75 percent of all net new jobs, and employing 51 percent of the private-sector workforce. Yet, it is counter-intuitive how shrinking**

**the SBA budget will help – in fact, this budget handcuffs the very programs that have allowed our businesses and economy to expand.**

**Just last week, we heard firsthand from over 90 Maine small business manufacturers about the barriers that hinder their success and the programs that have helped manufacturers grow and expand their business like the SBA’s 504, 7(a), SBDC and HUBZone programs. So why does this budget fall short of providing the very programs that have helped revitalize Maine’s and our nation’s communities devastated by over 20,700 manufacturing job losses since 2000?**

**The Administration’s budget proposal also has *misplaced priorities* for the SBA’s Microloan program. It proposes to eliminate the subsidy for Microloans and transfers the technical assistance duties to the entrepreneurial development programs. This relatively inexpensive program provides loans of up to \$35,000 for our next generation of entrepreneurs looking start or grow a business. In fact, in my own State of Maine, the Microloan program has made 94 loans over the last two years, for a total of \$1.7 million. The elimination of this subsidy will increase interest rates for our nation’s microlenders and micro-entrepreneurs located in rural and underserved communities that have no other resource for financing.**

**Additionally, I continue to oppose the Administration's *cuts* to fund programs such as the Small Business Development Centers, SCORE and Women’s Business Centers which served over 1.2 million clients in 2006. Not only has funding for these programs decreased over the last 5 years, but the SBA proposes to increase their responsibility to take on Microloan technical assistance. These critical programs need, and, quite frankly deserve, the resources to reach and assist more small businesses.**

**Moreover, our small businesses deserve fair access to prime contracting and subcontracting opportunities. Yet, the SBA has failed to fix regulatory loopholes identified by the GAO that allows large contractors to keep small business set-asides. To address a contracting market that has increased to nearly \$400 billion a**

**year, the SBA budget needs to increase its resources and have proper oversight.**

**Administrator Preston, I appreciate your efforts to innovate the SBA in order to respond to the evolving needs of our nation's 25.8 million small businesses such as: reforming the disaster loan program, creating a New Market Tax Credit pilot program, and holding management conferences throughout the country to build employee morale.**

**Under your leadership, the SBA has taken great strides to disburse or partially disburse 98 percent of the approved loans totaling over \$5.1 billion to help rebuild businesses and homes in the Gulf region. However, the agency still needs to address the management and future planning issues within the program. The SBA must move beyond past criticism of abdicated its responsibilities following the 2005 Gulf Coast hurricanes and implement solutions that exhibit the same passion for excellence found in the entrepreneurs it serves.**

**Small businesses yearn to grow, flourish and thrive, and the SBA has the experience and the resources to be their bridge to success. However, a steady decline in the SBA's budget could jeopardize its ability to provide this positive economic stimulus in the future. More importantly, if we fail to provide sufficient support to SBA's core lending and business development programs, we threaten to reduce small businesses' ability to compete. The American economy needs a strong and vibrant Small Business Administration. This Committee is here to help you, Administrator Preston, to improve the SBA in any way possible and ensure the success of tomorrow's entrepreneurs.**

**Thank you.**