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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

May 10, 2000

The Honorable Judd Gregg
Chairman
Subcommittee on Commerce, Justice & State
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On March 21, 2000, the Committee on Small Business conducted a mark-up of the Small Business Reauthorization Act of 2000, which re-authorizes most of the credit and management assistance programs at the Small Business Administration (SBA), and H.R. 2392, to re-authorize the Small Business Innovation Research (SBIR) program. Both bills were approved by 18-0 votes.

SBIR Program

The Senate version of H.R. 2392 directs the Small Business Administration (SBA) to establish the Federal and State Technology Partnership (FAST) Program, which is a competitive matching-grant program to encourage all states to assist in the development of high-tech small businesses. To establish this program, \$10 million is needed in fiscal year 2001. I anticipate that the FAST program will be included in the final SBIR legislation passed by both the Senate and House. Therefore, I request that \$10 million be earmarked specifically for the FAST program.

Congress established in 1997 a program to increase the participation of small business concerns located in the 25 states that receive the fewest SBIR awards, authorizing \$2 million per year through FY 2001. The program is targeted at only those states that receive the fewest SBIR awards and is limited to funding activities to encourage small firms in those states to participate in the SBIR program. To encourage greater participation by the smaller states, I recommend a \$2 million earmark for the SBIR outreach program.

The FY 2001 budget request for the SBA includes \$15 million in fiscal year 2001 to establish a new program to provide grants to SBIR awardees to commercialize technology. There is little likelihood this program will be authorized by Congress, and I suggest that this funding request not be approved prior to enactment of legislation authorizing this initiative.

HUBZone Program

The Administration's budget request for FY 2001 includes \$5 million for the HUBZone program. Although the Small Business Reauthorization Act of 2000 includes \$7.5 million for the HUBZone program, I urge you to include the amount sought by SBA - \$5 million. This substantial increase over FY 2000 reflects two considerations that demand higher levels of funding. First, the program must expand substantially in order to meet the Government-wide contracting goals set for the program in the HUBZone Act of 1997. Without substantial new resources, this valuable opportunity to deliver real economic opportunity to our Nation's most distressed areas could be lost. Second, as the program expands, additional resources must be available for enforcement. With the \$5 million requested by the President, SBA has pledged to begin the random examinations authorized by the HUBZone Act. This enforcement effort will help agencies avoid embarrassing instances of fraud by ineligible firms submitting false applications, as well as the costly delays in awarding contracts that could result.

Office of the Inspector General

The President has requested \$14.3 million to fund the SBA Inspector General, an increase of \$3.3 million over the amount approved by Congress for FY 2000. Last year, you approved my request to increase the OIG's budget by \$2.3 million. Unfortunately, this increase was dropped during the Conference Committee. I believe the amount requested for FY 2001 is a fair representation of funds needed to allow the Inspector General to undertake the necessary investigations and oversight required to complete her mission, and I recommend that you approve the full budget request.

Management Assistance Programs

The following summarizes my recommendations for some of SBA's non-credit or management assistance programs:

SBDC Grants	\$95 million
SBDC - Native Americans	\$ 3 million
SCORE	\$ 5 million
Women's Business Center Grants	\$12 million
Veteran's Outreach	\$ 4 million

I do not support the 300% increase for the One Stop Capital Shop program and recommend funding at the current level - \$3.1 million.

Credit Programs

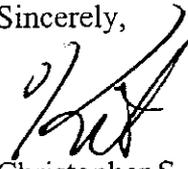
I recommend funding the full amount requested for the 7(a) guaranteed business loan program (\$142.6 million) and the SBIC program (\$26.2 million requested). However, I do not support funding the PRIME Technical Assistance program (\$15 million requested). I recommend funding the Microloan Technical Assistance at the same level funded in FY 2000 (\$45 million requested). The Committee on Small Business has scheduled a mark-up of legislation to authorize the New Markets Venture Capital Program for May 16, 2000. It is unlikely that legislation authorizing this program will become law before the adjournment of the 106th Congress; therefore, I suggest that no funds be appropriated for this program (\$30 million requested) until authorizing legislation has been enacted.

Summary

Overall, I have recommended increases over the President's budget request totaling \$22 million; however, I have recommended reductions totaling \$66.5 million.

As always, I appreciate the leadership you have demonstrated on behalf of our Nation's small business community. Please feel free to call me if you need any further information about my suggestions.

Sincerely,



Christopher S. Bond
Chairman