



STATEMENT OF SENATOR JOHN F. KERRY REGARDING THE SBA
EMERGENCY AUTHORIZATION EXTENSION ACT OF 2004

Mr. KERRY. Mr. President, today I introduce legislation that keeps the Small Business Administration and its financing and counseling assistance available to small businesses. Small businesses need us to act now to keep critical assistance available to our nation's biggest job creators.

There should not be any objections to this bill. It has broad support in the small business and the lending communities. The lending provisions of the bill have the support of small borrowers that testified before Congress over the past few weeks and the support of a coalition of small business trade associations, including the trade associations of 504 lenders and of 7(a) lenders, the American Bankers Association and the Independent Community Bankers Association, as well as the National Small Business Alliance and the U.S. Chamber of Commerce, and the women's business center provisions have the support of women's trade associations such as Women Impacting Public Policy and the Association of Women's Business Centers.

This bill authorizes the SBA and most of its programs through the May 15, 2004, which will allow time for the House to complete its work on the SBA's three-year reauthorization bill, passed by the Senate in September 2003. In addition, this bill addresses several urgent issues that are critical to keep SBA programs operating and helping small businesses across the country.

Let me outline these for you. The first provision authorizes the continued operation of the SBA's 504 loan guarantee program for the rest of fiscal year 2004. Unless we act, the authority to operate this program will expire on March 15, next Monday, and small businesses in need of financing for fixed assets will be turned away. These loans are for growing small businesses that need loans with long repayment terms and fixed interest rates to afford a new building or perhaps land to expand their business and their workforce, or equipment to improve or increase production. The lenders who make these loans serve a unique role in our economy -- they develop economic opportunities where conventional lenders are not willing to take a risk. They are not a shy group, and care deeply about the communities where they live. I am sure most, if not all, Senators have received numerous calls and communications from them over the past few weeks. It is my hope that extending authorization will provide some stability to the industry so that they continue to fund our growing businesses, and then in the near future, the House will consider our more comprehensive SBA reauthorization legislation, bill number S. 1375, that we passed in September, to enact other important 504 program improvements that are supported by the small business community. This loan program requires no appropriations because it is funded entirely by fees that borrowers and lenders pay.

The second provision keeps open the doors of our most experienced and successful Women's Business Centers, again without added cost to the Treasury. This bill contains a small adjustment to the Women's Business Center program that updates the current funding formula. The adjustment changes the portion of funding allowed for women's business centers in the sustainability part of the program to

keep up with the increasing number of centers that will need funding this fiscal year. In short, this change directs the SBA to reserve 48 percent of the appropriated funds for the sustainability centers, instead of 30 percent, which will give the most experienced centers the greatest opportunity to receive sustainability funding, while still allowing for new centers and protecting existing ones.

Currently there are 88 women's business centers. Of these, 35 are in the initial grant program and 53 will have graduated to the sustainability part of the program. These sustainability centers make up more than half of the total women's business centers, but under the current funding formula are only allotted 30 percent of the funds. Without the change to 48 percent, all grants to sustainability centers could be cut in half -- or worse, 23 experienced centers could lose funding completely. Cutting funding for these, our most efficient and successful centers, would not only be detrimental to the centers themselves, but also to the women they serve, to their local communities, to their states, and to the national economy.

As the author of the Women's Business Centers Sustainability Act of 1999, I can tell you that when the bill was signed into law, it was Congress's intent to protect the established and successful infrastructure of worthy, performing centers. The law was designed to allow all graduating Women's Business Centers that meet certain performance standards to receive continued funding under sustainability grants. This approach allows for new centers to be established -- but not by penalizing those that have already demonstrated their worth. It was our intention to continue helping the most productive and well-equipped women's business centers, knowing that demand for such services was rapidly growing.

Today, with women-owned businesses opening at one-and-a-half times the rate of all privately held firms, the demand and need for women's business centers is even greater. Until Congress makes permanent the Women's Business Center Sustainability Pilot program, as intended in Senate-passed legislation, an extension of authority and increase in sustainability funds is vital -- not only to the centers themselves, but to the women's business community and to the millions of workers employed by women-owned businesses around the country.

The importance of the women's business centers to small business owners in communities across this country cannot be overstated. Take for instance the story of Melanie Marsden and Shannon Lawler, who recently opened A Better Place to Be Day Spa in Charlestown, MA. While working on a business plan last summer, the two hopeful entrepreneurs happened across the website of the Center for Women and Enterprise (CWE), a women's business center in Boston. Having just signed a lease and with a target opening for their spa quickly approaching, Melanie and Shannon were looking for help, and quick. At first, the process seemed overwhelming, but the experts at CWE were able to guide Melanie and Shannon through the complicated process -- from business plan to long-term financing and management. CWE helped Melanie and Shannon secure a loan of \$60,000 and a \$40,000 line of credit. In November, Melanie and Shannon opened A Better Place to Be Day Spa and already see a steady stream of clients pass through their doors. Without CWE, Melanie and Shannon believe that they would not have opened their business on time, or at all. Last year alone, women's business centers like CWE helped over 100,000 entrepreneurs just like Melanie and Shannon with their small business needs. The majority of these women have few resources and little access to business development assistance, and without the women's business centers, they might have none.

As I have said on more than one occasion, women business owners do not get the recognition they deserve for their contribution to our economy: Eighteen million Americans would be without jobs

today if it weren't for these entrepreneurs who had the courage and the vision to strike out on their own. For 19 years, as a member of the Senate Committee on Small Business and Entrepreneurship, I have worked to increase the opportunities for these enterprising women, leading to greater earning power, financial independence and asset accumulation. For these women, in addition to the challenge and experience of running their own business, it means having a bank account, buying a home, sending their children to college, and being in control of their own future.

I want to again express my sincere and continuing support for the growing community of women entrepreneurs across the nation and for the invaluable programs through which the SBA provides women business owners with the tools they need to succeed. For years, I have fought for increased funding for SBA assistance that helps women entrepreneurs, including measures that have sustained and expanded the Women's Business Centers, and given women entrepreneurs their deserved representation within the federal procurement process.

The third provision makes temporary changes to the SBA's largest loan program, the so-called 7(a) program, in order to compensate for the Administration's budget gimmicks and program mismanagement that caused a substantial shortage in funding. This shortage led to a temporary shutdown of the program in January, followed by lending restrictions that created serious financial hardships for small businesses and reduced access to affordable capital for small businesses in general. For the remainder of fiscal year 2004, a coalition of 7(a) lenders and small business groups have worked with Congress to come up with some limited fees, paid by lenders and not borrowers, that will increase the amount of lending available. That extra funding will increase from \$9.5 billion to more than \$11 billion the amount of loan guarantees available to small businesses. With more funding, Congress expects the SBA to lift the loan cap size of \$750,000 and other restrictions, give priority in processing and approval to eligible small businesses that have been shut out this year, and require the SBA to renew export working capital loans to eligible small businesses.

Of course, these changes would not be necessary if the Administration had either requested adequate funding in its budget or used its authority to reprogram money to compensate for the shortfall. It also could have sent up a request for supplemental funding. On three different occasions, I wrote to the Administration urging these actions, with the support of Senators Levin, Harkin, Lieberman, Landrieu, Edwards, Cantwell, Bayh, Pryor, urging any of these solutions, but the Administration refused to act. Instead, the insufficient funding was compounded by mismanagement and the program was completely shutdown from January 6 to January 14. When the Administration reopened the program, it was with extreme restrictions. The restrictions were aimed at keeping the demand for the loans down without regard to their effect on the small businesses the Agency is intended to serve. Small businesses appealed to the Administration and our Committees for help because they were caught in the middle. For example, one company in Pennsylvania has an \$1 million export working capital loan that needs to be renewed, but it can't because one of SBA's restrictions does not allow loans of more than \$750,000. At risk is the home of one of the owners because it is part of the collateral securing the existing loan. This company is qualified; it's just trapped by the SBA's restrictions. With your help in passing this bill immediately, we can do the right thing for these small business owners and others who played by the rules. There is no cost to the Treasury in enacting these provisions.

Last, the fourth provision, addresses an urgent need for some firms in New York needing disaster loan assistance. Many have said we should wait until we address other SBA legislation in the next 60 days. However, hundreds of jobs are at stake and these businesses do not have two months.

This language is included at the bipartisan request of the House Small Business Committee leadership. Their staffs worked closely with the SBA to develop this language, which is acceptable to all of them. In addition to the support of House Committee Chairman Don Manzullo and Ranking Member Nydia Velazquez, this provision is also supported by Congresswoman Sue Kelly and Senator Charles Schumer.

All four provisions address circumstances that require immediate action. Let me remind everyone: Without this legislation, the SBA's loan program for growing businesses, commonly referred to as the 504 Loan Guarantee Program, would shut down next Monday, March 15, 2004. Without this legislation, the future of counseling and training for women starting and growing their businesses, through the most established SBA's Women's Business Centers, would be compromised. Without this legislation, small businesses with their homes and life savings at stake may face financial and personal devastation because of program mismanagement. Without this legislation, small business disaster victims may go out of business.

Mr. President, I ask unanimous consent that my statement and the full text of this bill be printed in the Record, along with two letters relating to programs affected by this legislation. I thank my colleagues for their support of small businesses and for considering immediate passage of this important small business bill.