

OLYMPIA J. SNOWE, MAINE, CHAIR
JOHN F. KERRY, MASSACHUSETTS, RANKING MEMBER
CHRISTOPHER S. BOND, MISSOURI
CONRAD BURNS, MONTANA
ROBERT F. BENNETT, UTAH
MICHAEL ENZI, WYOMING
PETER G. FITZGERALD, ILLINOIS
MIKE CRAPO, IDAHO
GEORGE ALLEN, VIRGINIA
JOHN ENSIGN, NEVADA
NORM COLEMAN, MINNESOTA
CARL LEVIN, MICHIGAN
TOM HARKIN, IOWA
JOSEPH I. LIEBERMAN, CONNECTICUT
MARY LANDRIEU, LOUISIANA
JOHN EDWARDS, NORTH CAROLINA
MARIA CANTWELL, WASHINGTON
EVAN BAYH, INDIANA
MARK PRYOR, ARKANSAS
MARK E. WARREN, REPUBLICAN STAFF DIRECTOR AND CHIEF COUNSEL
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR AND CHIEF COUNSEL

United States Senate

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

July 23, 2004

VIA FACSIMILE
ORIGINAL BY STANDARD MAIL

The Honorable Hector V. Barreto
Administrator
Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

Re: Extension of Small Business Administration Programs

Dear Administrator Barreto:

This Tuesday, July 20, 2004, the Senate passed S.2700, a bill to authorize all of the Small Business Administration's programs for eight weeks. This approach was intended to provide time for Congress to complete work on the comprehensive SBA reauthorization bill, which the Senate passed in September of 2003. Passage of S.2700 was critical to the uninterrupted operation of many important SBA programs, including the Women's Business Centers and the 7(a) Loan Guarantee Program's secondary market. Unfortunately, the House of Representatives was unable to act in time to pass the legislation.

Additionally, on June 30, 2004, the Committee on Small Business and Entrepreneurship wrote a letter urging you to delay awarding new Women's Business Center (WBC) grants until Congress could update the program's outmoded funding formula as well as extend the program's authorization. We received a reply today from Ms. Cheryl Mills, Associate Deputy Administrator of the Office of Entrepreneurial Development, stating that the "Legislation for the program has expired and we are waiting for either a reauthorization of the program or an extension." We reiterate our request that the Agency refrain from funding new centers until Congress has a chance to act. As you are aware, the Senate has unanimously passed a solution to the reauthorization (S.1375), the extension (S.2700), and funding (S.2266) of the WBC program, yet the House has yet to act on any of these bills. We do, however, believe that such action may be forthcoming in September.

In recognition of the cash-flow difficulties that some of the most experienced WBCs may face between now and when Congress can act in September, we also ask that you use your discretion to make partial funding available, as needed, to those centers that the Agency would have funded had the House acted in a timely fashion.

Without SBA matching funding, many of these centers will be forced to reduce hours of operation, lay off staff, diminish community outreach, cut back services, and ultimately close their doors. At risk are 52 centers in the following locations:

Alabama, Alaska, Arizona, Arkansas, California (3), Colorado (2), Connecticut (2) D.C., Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan (2), Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New York, New Mexico (4), North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Tennessee, Texas (2), Utah, Virgin Islands, Washington, Wisconsin (3), and Wyoming.

It makes no sense that hundreds of women business-owners should be denied access to this invaluable resource due solely to a legislative timing problem. Therefore, we ask that you and your staff do everything possible to keep them operating until September.

Another important issue left unresolved is the statutory authority for the SBA's fiscal and transfer agent of the 7(a) Loan Guarantee program's secondary market to retain interest earned on fees as payment for its services. There is alarm in the business community that without this authority the Agency will take action that will be tantamount to shutting down the program for a second time this year. The secondary market is key to the success of the 7(a) program, and I ask that SBA not do anything that would adversely impact full operation of the program. This source of long-term capital is critical for our small businesses, and they cannot afford another interruption or restriction on access to SBA loans. As part of the Committee's oversight of the SBA, it is important to know what the Agency's position is on the need for this statutory change. Since January 2003, has the Agency written any legal opinion regarding or memo on the SBA's 7(a) Loan Guarantee Program secondary market or the compensation of its fiscal and transfer agent? In addition to answering that question, please provide us with any legal opinion or other document written by the Agency since June 2003.

Another concern is that the Agency not shut down or seriously debilitate other critical small business programs. Please provide us, by August 6, 2004, with a list of all the programs the SBA will not operate as they did on June 4, 2004, and provide a legal justification, including citations, for each program change.

Thank you for your prompt attention to this very important matter.

Sincerely,



Ranking Member






