

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

April 3, 2013

Via Postal Service and Electronic Mail

The Honorable Karen Mills
Administrator
United States Small Business Administration
409 3rd Street, S.W., Suite 7000
Washington, DC 20416

Dear Administrator Mills:

In a letter to Senator Mikulski, Chair of the Committee on Appropriations (dated February 19, 2013), you explained the Budget Control Act of 2011's potential impact on the functions of the Small Business Administration (SBA) and its private sector partners. The letter was followed by an oral briefing to the staff of the Committee on Small Business on March 14, 2013. Both communications raise additional issues with respect to sequestration and, in particular, how the agency is planning to conduct its core functions in a time of limited budgetary resources.

A. Guaranteed Loan Programs

The guaranteed lending programs operated by the SBA – the 7(a) and Certified Development Company (CDC) loan programs – currently require an appropriation to cover their costs as the term “cost” is defined in the Federal Credit Reform Act. Congressionally-approved appropriations for the rest of FY 2013 incorporate cuts required by the Budget Control Act of 2011 and the ensuing sequestration procedures of § 251A of the Balanced Budget and Emergency Deficit Control Act of 1985. These cuts will reduce the amount of funding available in the business loan accounts that are needed to cover the costs of the guaranteed loan programs. Should demand for these guaranteed loan programs be sufficient through the rest of the 2013 fiscal year, the programs could face curtailment of lending as happened in 2003 and 2004.

The communication with Senator Mikulski and the briefing provided to my staff did not provide any detail on contingency plans that the SBA would implement should demand for guaranteed loans exceed the funds available in the business loan account. Given the potential consequences to small businesses seeking capital, the Committee believes that it is important for the SBA to have such contingency plans in place. To assist the Committee in its oversight of the guaranteed loan programs during this time of tight fiscal constraints, the Committee requests the following information:

1. Expected demand through September 30, 2013 for both the 7(a) and CDC loan programs.
2. Procedures that the SBA will use to allocate funds in the business loan account between 7(a) and CDC loans.
3. Any plans to cap the size of loans available in either program to ensure that sufficient funds are available to cover the costs of the programs through September 30, 2013. Should such plans exist, please provide details on how the SBA will implement any such cap. If no such plan exists, please explain why the SBA has no such contingency.
4. Any plans to establish a priority list (such as first-in, first-out system) to allocate loans to potential borrowers should expected loan demand exceed available funds. Please provide details on how such priority lists will be implemented, including instructions to borrowers and the agency's lending partners. If no such plan exists, please explain why the SBA has no such contingency.
5. Describe any expected reprogramming of funds (as authorized by Congress) from other SBA accounts to the business loan program account in order to cover any shortfalls in funds for the business loan program account. In providing this information, please specify the activity and amount that would be reprogrammed. If the agency does not expect to reprogram funds, please explain why it will not use such power in case of a shortfall in the business loan account.

A. Other SBA Operations

In addition to the aforementioned enumerated information, the Committee remains concerned that core functions of the agency may be curtailed by sequestration. This is particularly problematic if the SBA continues to fund activities not specified in the Small Business Act or Small Business Investment Act of 1958 or unnecessary travel by SBA employees. In order to assist the Committee in assessing how the agency will conduct its core functions during a time of fiscal constraint, the Committee requests the following information:

1. Expected cost of travel by SBA employees to conferences through September 30, 2013.
2. Expected travel and the costs for employees in the Office of International Trade. In providing this information, please provide the rationale for trips taken by such employees.
3. Costs borne by the SBA in conducting Small Business Week, including costs for personnel and expenses. In providing this information, please differentiate between costs absorbed by outside entities through the cosponsorship authority set out in the Small Business Act and those costs that will be absorbed through funds appropriated by Congress.
4. Explanation for continued funding of the Regional Innovation Clusters program given that such program is not authorized in the Small Business Act or appropriated through funds in an appropriations act signed into law by the President. In providing this information, please specify the amount of funds that are being denied to other entrepreneurial outreach efforts conducted by the SBA through public-private partnerships.

5. Costs for hosting the website <http://www.sbir.gov/news/sba-accepting-nominations-small-business-innovation-research-awards> associated with the Roland Tibbetts Award for small businesses participating in the Small Business Innovation Research program. In providing this data, please provide allocation of personnel and allocation of equipment or other non-personnel costs associated with this website. In addition, please provide the costs absorbed by the SBA using appropriated funds for the presentation of the Tibbetts Award.

The SBA should provide the information requested in this letter as soon as possible but no later than close of business on April 15, 2013. The responses should be directed in hard copy and electronic mail to the Committee's Chief Counsel, Barry Pineles.

The Administrator should be prepared to testify about the information requested by this Committee as well as other budgetary matters at a full Committee hearing on April 24, 2013. While the Committee normally schedules such hearings for 1:00 pm, the Committee is somewhat flexible to accommodate the Administrator's schedule that day.

If you have any questions about this request, please contact Barry Pineles, at 202-225-3983.

Sincerely,



Sam Graves
Chairman