U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

February 19, 2013

The Honorable Barbara A. Mikulski
Chair
Committee on Appropriations
United States Senate
Washington, DC 20510

RE: Request concerning Sequester Impacts dated January 18, 2013

Dear Madam Chair:

Thank you for the opportunity to discuss the effects sequestration, if it occurs, would have on the small businesses throughout the country that receive services from the Small Business Administration (SBA). As you know, SBA's mission is to give small businesses the tools they need to grow and create jobs. We deliver these tools through our "3 C's"—capital, contracting, and counseling. Sequestration's indiscriminate cuts would limit our ability to deliver these vital services to small businesses at a time when they, and our nation's economy, can scarcely afford it.

Capital
To help small businesses across the nation access capital, SBA guarantees loans made by banks to small businesses who do not qualify for traditional loans. Sequestration would cut SBA loan subsidy by $16.68 million. While this may not sound like a significant figure relative to the federal government's overall budget, each subsidy dollar is used to guarantee an average of $51 worth of loans for small businesses. This means that sequestration would take away SBA's ability to make 1,928 small businesses loans—loans that could have helped small businesses access more than $902 million of capital. Additionally, these funds would have supported approximately 22,600 jobs in industries like manufacturing, food services and hospitality which are still struggling to recover.

Contracts
SBA works with Federal agencies to meet the statutory goal that 23 percent of the money the Federal government spends goes to small businesses. We also work with small businesses directly, through training and business development programs, to help small businesses compete for and win contracts. Under sequestration, there would be both fewer federal contracts for small businesses to win, and less technical assistance to help small businesses compete for those opportunities. This would put an additional burden on small business contractors who would see a decline in revenue of over $4 billion. Furthermore, our ability to identify and address fraud, waste, and abuse through 8(a) and HUBZone reviews would be compromised. In fact, the agency would be forced to do 350 fewer 8(a) reviews and 40 fewer HUBZone reviews.

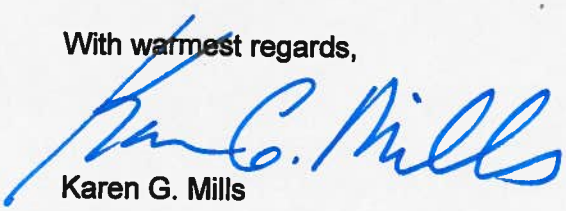
Counseling
SBA's nationwide counseling network of 68 district offices, nearly 900 Small Business Development Centers (SBDCs), 110 Women's Business Centers (WBCs) and 350 chapters of SCORE, would all lose significant funding due to sequestration. Examples of how the funding losses would negatively impact our resource partners are set forth below.

- **WBCs would be equipped to serve 12,000 fewer small businesses**. By extension, between 100 and 200 fewer women-owned businesses would start as a result of WBC assistance compared with FY 2012.
- **SBDCs would be able to help 2,000 fewer long-term counseling clients**. This would hit many SBDC programs in smaller states especially hard, since they rely more heavily on the leverage that federal funding provides.
- **SCORE would be prepared to counsel approximately 19,000 fewer small businesses than in 2012.** This would also affect SCORE's ability to recruit and sustain volunteers, which could have long-term impacts on the strength of their nationwide volunteer cadre.
- **SBA would be unable to continue funding the Advanced Manufacturing Clusters.** SBA would also not be able to participate in any new interagency cluster initiatives. SBA would continue funding the seven SBA Regional Innovation Clusters, but at a significantly reduced level.

The impacts listed above are illustrative, not exhaustive. They represent merely a sampling of the most significant impacts that would likely result from sequestration. Additionally, the indirect effects of reduced funding on SBA's business partners go beyond the impacts described above. For instance, most of SBA's resource partners rely on matching funds from other, non-federal sources. Historically, reductions in federal funding have led to reductions in matching contributions. Losing both federal funding and the state, local, or private funding it matches, could effectively double the negative budget impacts of sequestration for SBA's business partners.

Thank you for giving us the opportunity to describe the effects of sequestration on the small business community we serve. If you and your staff have additional questions about the matters discussed in this letter, please contact our Office of Congressional and Legislative Affairs at (202) 205-6700.

With warmest regards,



Karen G. Mills