



**Opening Statement for Views and Estimates Markup
Committee on Small Business
Committee's Views and Estimates on the Small Business Administration FY 2014
Budget
February 27, 2013**

Good afternoon. I call this Small Business Committee meeting to order.

Today we are undertaking our responsibility to provide views and estimates on the Small Business Administration's budget for FY 2014. This job is made significantly more difficult because the President has not complied with his statutory responsibility to deliver a budget by the first week of February.

Given the absence of budgetary data from the President or the Administrator of the SBA, the views and estimates suggest methods by which the Budget Committee can allocate resources to improve the overall efficacy of SBA programs. This entails allocating more funds to critical core programs while eliminating funds for unproven and unauthorized SBA-initiated efforts.

The approach offered in the Committee's views and estimates is confirmed by Administrator Mills' recent letter to the Chair of the Senate Appropriations Committee on the potential effect of the sequester on SBA programs. Rather than use funds for statutorily-mandated initiatives that create jobs, such as the 7(a) and 504 programs, or to prevent fraud in small business government contracting programs, the Administrator wrote that she would continue to fund an unproven and unauthorized regional innovation clusters training program. The regional innovation cluster concept has never been explained to this Committee or demonstrated to create a single job at a small business.

But the example of the regional innovation clusters simply is symbolic of an agency that believes it, rather than Congress, is the best determinant of what will help small business. The SBA frequently creates pilot programs without any input from the public, so the agency is unable to determine what the benefits will be or whether they will even work.

This lack of transparency is not just bad for its own sake. It empowers the SBA to take risks with taxpayer funds and the public finds out only after the pilot program goes bad. One such program has cost the SBA \$8 million that it is still trying to recoup.

Similarly, the agency created a special type of small business investment company without public input; yet the SBA still lacks regulations or standard operating

procedures that specify the rules governing the issuance of licenses for someone seeking to operate a small business investment company.

The views and estimates letter calls for a reallocation of the SBA's budget to focus on its core programs – the ones authorized by Congress. By necessity, such a budget requires hard choices – choices that neither the President nor the Administrator have provided to this Committee.

The views and estimates letter recommends that inefficient and duplicative outreach and training programs either be terminated or transferred to agencies that have greater resources to operate them. Termination would include the regional clusters initiative – a program whose only mention is in a conference report and not in any public law signed by the President.

Furthermore, the views and estimates letter recommends the allocation of funds only for agency programs specifically enacted by Congress. This will ensure that the SBA focuses its scarce financial resources on programs that Congress has considered to be effective. Allocating funds to the SBA's capital access programs has proven to create jobs according to the agency's own, recently-released research. Devoting resources to small business contracting will open markets and prevent abuse of those programs. Limiting SBA's entrepreneurial development efforts to the largest and best-funded programs will allow entrepreneurs to obtain the necessary education to operate their businesses.

Another way for the agency to save federal dollars is to reduce appropriated funds that cover the costs of the capital access programs. Appropriated dollars are needed because fees and recoveries on defaulted loans do not cover the cost of the programs. One solution to this problem is increasing recoveries on defaulted loans. Yet the SBA has never broached this subject with the Committee – even during a time when the agency claims that its ability to deliver services to small businesses will be significantly curtailed. The views and estimates letter highlights this issue and the Committee will investigate legislative changes needed to increase recoveries on defaulted loans.

Despite the hard choices set forth in the views and estimates letter, the SBA still will be able to make capital available, provide advice, and increase utilization of small businesses as federal government contractors. Ultimately, these selective reductions in the SBA budget will reduce federal spending without undermining assistance to America's best job creators – small businesses.

Now I recognize the Ranking Member for her opening remarks.