

# *Fact Sheet*

## **PRESS OFFICE**

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**Contact:** Christine Mangi (202-205-6948)  
**Internet Address:** <http://www.sba.gov/news>

## **SBA Responds to CAPAF's Analysis**

**WASHINGTON** – The U.S. Small Business Administration welcomes the Center for American Progress Action Fund to the debate regarding supporting American small businesses. However, as the new Administration prepares to lead on these critical economic matters, it is important that everyone grounds the discussion on the facts. Unfortunately, the recent Center for American Progress Action Fund (CAPAF) [article](#) by Fred P. Hochberg contained numerous inaccurate, outdated and misleading facts and assumptions.

CAPAF's analysis is inaccurate in the following areas:

### ***Budget***

- A fair assessment of SBA's budget will exclude A) disaster assistance funds which swing annually depending on emergencies, and B) congressional earmarks. With these adjustments, in FY 2000 SBA's budget was \$591 million and in FY 2008 it was \$537 million, a drop of about 9 percent.
- But that's not the whole story. Until 2005 Congress subsidized SBA's 7(a) lending program by about \$120 million per year. In 2005, SBA worked with Congress to eliminate that subsidy and made the program self-funding. Thus, if one adjusts for the subsidy, in 2008 SBA's budget would be \$657 million, an 11 percent increase over 2000. In addition to the savings to taxpayers, SBA loan volume increased as a result of this self-funding model.
- Funds for the Agency's most important resource – its people – have increased during the Bush Administration. In FY 2000, SBA spent \$281 million for salaries and operations; in FY 2008 it spent \$366 million, an increase of more than 30 percent.
- One example of savings achieved for the taxpayer is consolidation of the Agency's loan processing centers. From a decentralized system of 68 sites to 6 sites today, this efficiency improved service to small businesses and lending partners and saved money for taxpayers. Processing times for new applications were reduced by more than 50 percent through one centralization effort, allowing the Agency to answer lenders more quickly and consistently even as loan volume has increased.
- The Bush Administration believes in measuring a program's success based on output and accomplishments, not on dollars expended. Government has the responsibility, just like the private sector, to simultaneously seek improved services with lower costs.

## ***Loan Volume***

- Loan program changes under the Bush Administration have made SBA loans more widely available than ever before. In each year from 2002 through 2007, the SBA backed more loans for small businesses than in the previous year, setting annual records that dwarfed output during the previous administration.
- Despite the current credit crunch and economic headwinds in 2008, SBA backed more than 78,000 small business loans worth almost \$18 billion. It was SBA's fifth largest year ever for number of loans and the fourth largest for dollar volume. This represents 30 percent more loans and 42 percent more dollars than the previous administration's best year.
- These records are particularly remarkable as the Bush Administration – with Congress's approval – eliminated the 7(a) loan program's \$120 million annual subsidy and funded the program through modest user fees. This system freed the program from the volume limitations which had caused temporary program shutdowns in 2002 and 2004. As a result, today banks market the product more aggressively and don't worry about the program being shut down late in the year. The fees charged for the program are minimal, especially in light of record low interest rates currently offered, and guarantee the program's reliability.

## ***Microloans***

- The Bush Administration supports microloan programs and believes they can be a useful tool in underserved markets. Microloan programs supported by this Administration have had much success in developing countries. The SBA microloan program, however, costs more than 85 cents for each new dollar loaned as a result of interest rate subsidies provided to the microloan intermediaries, as well as a costly technical assistance model. Continuing such a program in its current form is fiscally irresponsible and a disservice to the taxpayers. SBA has proposed new options to develop a microloan program that both addresses legitimate needs and is responsible with taxpayer dollars.

## ***Government Contracting***

- Two years ago, SBA conducted a thorough review of government contracting programs followed by aggressive steps to ensure these programs worked effectively. Until then, there had never been a comprehensive examination of federal procurement despite the federal marketplace's massive growth, from \$182 billion in 1998 to nearly \$400 billion today.
- To hold agencies publicly accountable for their small business contracting achievements, SBA launched an innovative federal procurement scorecard, for the first time clearly and publicly holding all federal agencies accountable for their performance in meeting small business contracting goals.
- SBA also improved the quality and integrity of small business data in the government's contracting information system. As part of a review of over 11 million contract actions, SBA found instances of non-profits, state or local governments, and large companies being recorded erroneously as small businesses. To correct this, SBA, in conjunction with the Office of Federal Procurement Policy, ordered the federal contracting database

to be scrubbed in 2006. In addition, SBA also tightened the definition of small business. Approximately \$10 billion in incorrectly coded small business contracts – out of \$80 billion – will be cut from federal roles as a result of these actions, opening new opportunities to small businesses.

### ***Office of Advocacy***

- The Center for American Progress Action Fund calls for a national listening tour with small businesses and suggest SBA's Office of Advocacy analyzes the ideas. First, current SBA leadership has been engaged in exactly this type of listening tour. Further, the suggestion seems to misunderstand the Office of Advocacy's mission and how it operates. While the office does compile general economic data, its primary purpose is to represent small businesses within the federal government's legislative and rule-making processes. The Office of Advocacy is a totally separate entity led by an independently Senate confirmed appointee and is not directed by the SBA Administrator.

### ***Fees***

- Small businesses today face an access to capital crises, not a cost of capital crisis. With record low interest rates, loans are about as affordable as they have been in a long time. However, businesses are unable to access these loans due to the liquidity crisis and tightening credit standards. Suggestions regarding lower fees do not address the fundamental challenge facing small businesses today – access to capital. Lowering fees does nothing to address the liquidity or credit standards issues.

### ***Loan Size Limits***

- Current SBA leadership supports increasing loan size limits.

### ***Size Standards***

- The Bush Administration is currently engaged in the most comprehensive review and overhaul of size standards in the Agency's history. This effort is underway, and is an example of the type of focus on basic management this Administration has engaged in.

### ***Disaster Program***

- While it is true SBA's disaster response operation broke down following the 2005 Gulf Coast hurricanes, since then the agency has completely rebuilt the program, upgraded its technology, reformed its processes, and leveraged personnel to create a system far better able to handle major disasters and serve survivors quickly and compassionately.
- After this summer's Midwest floods for example, SBA processed applications in an average of 10 days and approved nearly \$354.3 million in disaster loans. And in the aftermath of the 2008 Hurricanes – Ike and Gustav – SBA processed applications in an average of 5 days and approved nearly \$525 million in disaster loans. By all accounts, SBA's disaster response since the 2005 hurricanes has been swift and effective.

- CAPAF's reliance on old news and failure to reflect the Agency's current processes and performance is a disservice to the dedicated SBA professionals in headquarters and the field who have completely revamped the Agency's disaster response.

***Better Integration of Assistance Programs***

- SBA leadership agrees completely with CAPAF on the need for better integration of SBA's service delivery.

SBA will continue to welcome Mr. Hochberg as a member of the president-elect's transition team and looks forward to working productively with him and his colleagues. However, while improvements can be made to SBA – and all federal agencies – Mr. Hochberg's analysis is largely inaccurate, outdated, and misleading and does not advance the cause of informed debate on the future of the Agency.

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