



News Release

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Fiscally Responsible SBA FY 2007 Budget Provides For Record Capital for Small Businesses

WASHINGTON - The U.S. Small Business Administration today announced a fiscal year 2007 budget request of \$624 million that provides a record \$28 billion in loan and venture capital authority for the agency's flagship small business financing programs.

On the technical assistance side, the budget requests approximately \$87 million for Small Business Development Centers, \$12 million for Women's Business Centers and \$5 million for SCORE, Counselors to America's Small Businesses.

"The SBA's fiscally responsible FY 2007 request provides for record authority for small business lending and provides for the other key resources we offer to small businesses," said SBA Administrator Hector V. Barreto. "From a lending perspective, this builds on our successes over the last four years, when we reached more small businesses, including more women and minority entrepreneurs. As we have in the past, we also continue to strive to be efficient and innovative in our use of technology as we deliver financing, technical assistance, education and counseling and contracting programs to millions of small business owners."

As in FY 2005 and FY 2006, the 7(a) loan guarantee program will be sustained by modest fees paid by lenders and borrowers and will not be subsidized by an appropriation. This has resulted in an annual savings to the taxpayer of about \$100 million. The program has operated on that basis since the start of FY 2005, and set all-time loan volume and dollar records last year.

The budget proposes a fee on loans greater than \$1 million made to small businesses to offset loan-making administrative costs. The fee will have no effect on the vast majority of borrowers.

It also proposes to continue providing preferential loan terms to victims of disaster. However, in order to contain the escalating costs of the program, it proposes keeping the current deeply subsidized rates for the first five years after origination, during the critical rebuilding phase. Afterward, rates would graduate to the rates on Treasury instruments of similar maturity. The proposal is expected to save \$41 million in FY 2007.

"These changes are necessary fiscal restraints that strike a balance between the needs of the SBA's customers and clients with the needs of all American taxpayers," said Barreto. "They will allow us to continue to operate more efficiently and effectively to meet the record demands of small businesses for financing, and of disaster victims for federal help over the long-term."

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Highlights of the proposed FY 2007 SBA budget include:

- A record \$17.5 billion in lending authority for the 7(a) loan guarantee program;
- A record \$7.5 billion in lending authority for the 504 Certified Development Company program with a zero subsidy;
- \$3 billion program level for the SBIC debenture program with a zero subsidy (same as current year);
- \$900 million in lending authority for the Disaster Loan Program (five-year average);
- \$743,000 for the National Women's Business Council (up from \$741,000 this year);
- \$743,000 for Veteran's Outreach (up from \$741,000 this year);
- \$990,000 for the Drug Free Workplace Program (up from \$987,000 this year).

“We look forward to working with our oversight committees in Congress as the budget process moves forward to make sure the SBA continues to be America's small business resource,” added Administrator Barreto.

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