



News Release

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Proposed SBA '09 Budget Boosts Small Business Financing to \$28 Billion, Supports Outreach to Underserved Markets

WASHINGTON – President Bush today announced a proposed FY 2009 budget for the U.S. Small Business Administration that increases small business lending capacity by 37 percent, increases funding for SBA's ongoing operational reforms and supports a steady staff of more than 2,100 full-time employees.

The President proposes \$657 million in new budget authority for SBA in FY 2009, a 15.5 percent increase over the FY 2008 enacted level and a 6 percent increase in core operating budget over FY 2008. Including anticipated carryover funds for disaster lending and other revenues, the total spending package for the year would be \$819 million.

That budget level provides funding for more than \$1 billion in loans in the agency's improved disaster assistance program, which underwent major changes since the 2005 Gulf Coast hurricanes. As a result, SBA eliminated a backlog of more than 100,000 Katrina loan applications and put more than \$6 billion into the hands of disaster victims rebuilding their lives and communities along the Gulf.

"This is a fiscally responsible budget proposal which supports SBA's mission to foster small business growth and assist home and business owners affected by a major disaster," said SBA Administrator Steve Preston. "The increased lending capacity will also allow us to provide more capital to small business, enhancing our ability to boost the economy."

"In addition, this proposal enables us to build on initiatives to improve operational efficiency, further strengthen our disaster assistance program and increase outreach to underserved markets in inner cities and rural communities. We also have several initiatives planned to improve federal contract opportunities, and training and counseling to women, veteran and minority entrepreneurs, which advances this budget proposal.

"We are enthusiastic about the year ahead and look forward to working with our congressional oversight committees throughout the budget process to ensure America's small businesses have SBA resources to enable their success."

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The budget would authorize more than \$28 billion in its primary small business financing programs, including a level of \$17.5 billion for the 7(a) Guaranteed Loan program, \$7.5 billion for the Certified Development Company, or 504, loan program, and \$3 billion for venture capital support under the Small Business Investment company program.

The agency also proposes a zero-subsidy Microloan program, allowing the agency to greatly expand its support to Microlenders across the country. In FY 2007 it cost the government more than 85 cents for each dollar loaned to a Microloan intermediary. This high cost limits the number of intermediaries which can be supported under the program, ultimately limiting the impact of the program itself. By raising the very preferential rate at which intermediaries borrow from as low as 2 percent below the five-year Treasury rate to 1.3 percent above the FY 2009 five-year Treasury rate, the agency can eliminate the subsidy cost of this program and greatly expand funding for Microloan intermediaries.

SBA would also discontinue technical assistance funding for Microlenders, and work with existing technical assistance providers, including the agency's Small Business Development Centers, SCORE counselors, and Women's Business Centers, to arrange technical help for Microloan clients.

On the technical assistance side, the budget requests more than \$87 million for Small Business Development Centers, almost \$12 million for grants to Women's Business Centers and nearly \$5 million for SCORE.

The proposed FY 2009 Budget also supports:

- Continued investment in employees through the successful "SBA University" training program, mentoring programs, succession planning, and proactive recruitment of highly qualified staff;
- Continued modernization of the loan management and accounting system;
- Assisting federal agencies as they target a total of \$85 billion in prime federal contracting dollars to be awarded to small businesses in FY 2009;
- \$250,000 for a competitive grant program to support innovative entrepreneurial development in inner-city and rural geographies;
- Management of *Business Gateway* to provide a single site resource connecting government to small businesses and entrepreneurs and;
- Strengthening and upgrading the agency's information technology infrastructure to provide an effective, secure, and highly available information system.

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