



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

**TESTIMONY OF
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**SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY
COMMITTEE
HOMELAND SECURITY AND GOVERNMENT AFFAIRS**

APRIL 6, 2006

Chairman Coburn, Ranking Member Carper, Members of the Subcommittee, thank you for inviting me to testify about the U.S. Small Business Administration (SBA) and its programs.

At the risk of repeating information you already have, let me mention some facts about small business:

- The U.S. Census Bureau reports that 98% of businesses in the U.S. have less than 100 employees.
- Economists from the SBA's Office of Advocacy report that America's more than 24 million small businesses employ over half of all Americans and that they create more than 50% of the American non-farm private gross domestic product (GDP).
- The most recent report from the Bureau of Labor Statistics states that "from September 1992 through March 2005, firms with fewer than 500 employees [small businesses] accounted, on average, for 65 percent of quarterly net employment growth, representing 13.5 million out of 20.6 million net jobs created by the total private sector."

Nobody is more supportive of small business than President George W. Bush. When the President asked me to do this job because, having been involved with small business since an early age, I knew from personal experience the challenges they face, as well as the opportunities they create and contributions they make. My task was, and is, to make SBA more relevant to more of those businesses. Making the SBA the most productive, efficient and effective organization has been our mission. One we are proud to tell you about today.

The role of the SBA is to counsel and assist nascent entrepreneurs and existing small businesses by providing tools to help them survive and thrive. The objective is to provide the resources for small businesses to grow, prosper and create jobs.

When I came to SBA in 2001 the Agency guaranteed roughly \$14 billion in loans to 42,000 small businesses at a cost of over \$110 million in government credit subsidy. At that time small businesses were awarded only \$50 billion in Federal contracts.

Four years later, in FY 2005, SBA guaranteed over \$19 billion dollars at no subsidy cost to the taxpayers, and over 98,000 small businesses received financing at terms they could not have otherwise found. In addition, for two consecutive years government agencies met their 23% goal for small business contracting, with nearly \$70 billion in Federal contract awards, an increase of 40%. Finally, our technical assistance partners have trained or counseled over 1.1 million small businesses in FY 2005.

Improved methods to assist small businesses in gaining access to government contracting opportunities have been implemented. By restructuring key Agency operations and reengineering the Agency's largest loan programs, the SBA has achieved record program growth while operating more efficiently. SBA's FY 2007 budget request is more than 30% less than its FY 2001 appropriation, adjusted for FY 2001 supplemental Disaster funding. The SBA has improved the effectiveness of the taxpayers' dollars supporting small business development.

The FY 2007 budget request allows us to offer up to \$28 billion dollars in financial assistance while retaining a zero subsidy, and our goal is to continue to increase assistance to small business in reaching and exceeding the statutory goal of 23% of government contract awards.

Financial Assistance Programs

As I stated before, SBA has significantly increased our loan volume since 2001, more than doubling the number of 7(a) and 504 loans funded. Each year we are reaching more small businesses at an extraordinary rate and doing so at no subsidy cost to the taxpayer. In FY 2001, the loan programs served about 42,000 small business borrowers. In FY 2005, this number jumped to 98,000 small business borrowers in the 7(a) and 504 loan programs. The President's FY 2007 proposal provides \$28 billion in SBA financing for small businesses. The proposal requests authorizations of \$17.5 billion for the 7(a) program, \$7.5 billion for the 504 program, and \$3.0 billion for the SBIC debenture program.

The 7(a), 504 and SBIC program levels build on the success SBA has achieved in its loan programs over the past four years. In FY 2005, we served more small businesses than ever before. In our two major loan programs, we increased the numbers of loans funded by 22% in one year, from 80,000 in FY 2004 to nearly 98,000 loans in FY 2005. Lending to minorities increased by 23% and to women-owned businesses by 39%, in terms of the number of loans funded during the same period. These record level lending numbers are possible because of the zero subsidy policy that was adopted at the beginning of FY 2005 for the 7(a) program.

As previously mentioned, our main financial programs operate at zero subsidy. Moving to zero subsidy allowed the Agency to continue to meet the financing demands of small businesses without the need for taxpayer subsidy. For the first time in several years, the SBA was able to stabilize the 7(a) loan program and provide financing without the need for loan caps or temporary suspensions of program availability. With zero

subsidy, adequate loan levels are established to meet the demands of the lending and small business communities. In addition, it focuses Agency resources on enhanced oversight of the portfolio in order to maintain a zero subsidy rate.

Government Contracting

Government contracting dollars going to small businesses has grown steadily since FY 2000. There were \$20 billion more in small business contracts in FY 2004 than in FY 2000. That amount supported an estimated 156,000 jobs. With improved efficiencies in FY 2007, SBA will be able to serve record numbers of small businesses with a total budget request of \$74 million for Government Contracting and Business Development assistance.

Small Business Contracting Awards

	Small Business	Total SDB	8(a)	Women	HubZone	Service Disabled Vets
Year						
2004	23.08% (\$69.2B)	6.18% (\$18.5B)	2.81% (\$8.4 B)	3.03% (\$9.1B)	1.59% (\$4.8B)	0.38% (\$1.2B)
2003	23.61% (\$65.6B)	7.01% (\$19.5B)	3.64% (\$10.1B)	2.98% (\$8.3B)	1.23% (\$3.4B)	0.20% (\$549M)
2002	22.62% (\$53.3B)	6.75% (\$15.9B)	2.39% (\$5.7B)	2.50% (\$6.8B)	0.71% (\$1.7B)	0.13% (\$298M)
2001	22.81% (\$50.1B)	7.12% (\$15.6B)	2.86% (\$6.3B)	2.49% (\$5.5B)	0.72% (\$1.6B)	0.25% (\$554M)
2000	22.26% (\$44.7B)	3.61% (\$7.3B)	2.88% (\$5.7B)	2.28% (\$4.6B)	0.33% (\$663M)	N/A

SBA’s Office of Government Contracting and Business Development (G CBD) has increased the number of Procurement Center Representatives (PCRs) assisting small business with Federal procurement issues from 35 to 58 since FY 2000. For non-salary

direct operating budget items specifically addressing Government Contracting and Business Development assistance, the request is for \$4.9 million in FY 2007. This includes \$2 million in direct costs for 7(j), \$1.1 million for HUBZone administrative costs such as travel, office supplies and contract support (in addition to over \$1.4 million in compensation and benefits). GCBD has 177 employees, of which 103 are located around the country providing small business contracting assistance. Their salaries and benefits are included in SBA's overall request for compensation and benefits.

In FY 2004, small businesses received contract awards totaling a little over \$69 billion of the approximately \$300 billion in total Federal prime contract awards. Additionally, there were an estimated \$45 billion in government related subcontracts awarded to small businesses.

SBA's Office of Government Contracting and Business Development also instituted enhanced practices and technological improvements. The Office is working with other agencies to help them meet their missions, as well as helping small businesses to identify contracting opportunities through these technological improvements. Systems such as the e-PCR system create increased efficiencies concerning government contracting opportunities and monitoring.

Strides have been made to maximize staff resources and monitor contracting activities, as well as to improve communication and interaction with the small business community through the automation of many basic systems. These systems include the Electronic Subcontracting Reporting System, the electronic 8(a) application, the HUBZone Procurement Query and Reporting System, as well as the Central Contractor Registration, and Tech-Net among others. As technology is ever changing and improving, so are the efficiencies enhanced by using these E-gov systems.

The added benefit of these technological advances is apparent in the business matchmaking efforts following the Gulf Coast Hurricane disasters. More than 500 small businesses were registered and assisted by PCRs. Approximately \$30 million in contract support has already been awarded to many of these firms. In other Katrina-

related contracting, approximately \$1.24 billion in contracts listed in Federal Procurement Data System-Next Generation (FPDS-NG) were awarded to small business. An additional \$1.5 billion in FEMA small business awards are pending.

Entrepreneurial Development Programs

SBA's Office of Entrepreneurial Development manages a strong distribution channel of service centers for small businesses across the country. The services offered include assistance in preparing business plans, loan applications, GSA procurement requests, strategic plans, marketing plans, export advice, pricing plans and competitive assessments.

We serve these small businesses through our three resource partners: Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE (formerly called Service Corps of Retired Executives). In FY 2005, our resource partners trained and counseled over 1.1 million clients. In addition, 311,000 clients registered for our 23 courses online through our Small Business Training Network and 1.04 million accessed the SBA website.

This past year definitions for reporting various types of counseling services performed were synchronized for all types counseling partners. Now, all types of counseling partners are reporting services rendered in a more consistent manner.

Paul D. Coverdell Drug Free Workplace Program

In 2005, SBA provided almost \$1 million in grants under the Drug Free Workplace program. As a result of previous legislation, there are a wider variety of grantees now eligible. We have also established a data collection and evaluation reporting system that will help us assess program effectiveness. The Agency will continue to promote these grants through our partners.

CONCLUSION

Chairman Coburn, Ranking Member Carper, Senators, SBA today is assisting more small businesses than ever before and at less cost to the taxpayer than ever before. Through technology, solid management and by pursuing a course designed to improve Agency and program performance, we are being more efficient and effective in the delivery of our programs and services. While there is still work to do, we re committed to a path of delivering greater results for the American taxpayer . I am proud of our achievements and proud of the efforts by SBA's employees to make this possible.

However, I do not believe that SBA's programs alone can drive small business growth. As consistently championed by President Bush through his small business agenda, keeping enacted tax cuts permanent, eliminating unnecessary regulation, passing an association health plan bill and opening additional international markets to American goods and services are also needed.

Mr. Chairman, I thank you again for the opportunity to testify and look forward to your questions.