Congress of the United States

Washington, DC 20515

March 8, 2005

Honorable James Nussle
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Honorable John M. Spratt, Jr.
Ranking Democratic Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Nussle and Ranking Member Spratt:

As the Budget Committee prepares to mark up the administration's FY 2006 budget proposal, we are writing to express our concern over the impact this budget will have on this nation's small businesses.

After a record surplus of $236 billion in 2001, the federal government is facing a mounting deficit of $427 billion in 2005. The FY 2006 budget – for the third year in a row – projects near record-breaking deficits. These growing deficits have caused interest payments to be one of the fastest growing portions of the budget. Given the current fiscal path that this budget places our country on, we could see the federal debt surpass $10 trillion by the end of the decade. These continuing deficits and the need for restoring fiscal restraint to the federal budget will clearly curb the investments that can be made.

Our concern is that the administration's FY 2006 budget – if enacted as currently constituted – would significantly impact the economic drivers of our nation, small businesses. The importance of small firms in this country is highlighted by the fact that they are responsible for creating approximately 75 percent of all new jobs, represent 99 percent of all employers and make up more than half of our Gross Domestic Product (GDP). These businesses are this nation's leaders of new ideas, accounting for 55 percent of all innovations in this country. The cuts contained in the FY 2006 budget will severely limit this nation's entrepreneurs' ability to fill that role.

Numerous vital small business programs have been slated for cuts or eliminations. Of the approximately 100 programs government-wide that offer small business assistance, over 50 have been cut, with 35 slated for termination. The overall average cut is nearly 80 percent, well above the projected one percent cut for discretionary spending. We continue to be concerned over the administration's lack of funding for the Small Business Administration (SBA) – one of the agencies hardest hit – whose budget is nearly half of what it was just four years ago. Without the necessary investment in small business, our local communities will suffer the consequences – economic stagnation and lower employment levels.

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These programs provide millions of entrepreneurs nationwide with access to affordable capital, entrepreneurial development and technical assistance. A number of critical programs were significantly impacted in the FY 2006 budget proposal, including the Microloan program and the SBIC Participating Securities Program, which were terminated; the 7(a) loan program, which received no funding; and the Manufacturing Extension Program (MEP), which was severely cut. Fully funding these small business initiatives helps to stimulate job creation, spur economic growth, and increase receipts to the Treasury.

We acknowledge the difficulties the Budget Committee faces in balancing the needs of defense, homeland security and other domestic spending priorities. Unfortunately the savings realized from the cuts to these small business programs amounts to one quarter of one percent of the total $2.75 trillion budget request. Although these cuts will result in minimal deficit reduction, they will significantly impact the ability of these programs to adequately serve small business. While our nation's entrepreneurs are some of the most patriotic Americans in the country and are willing to do their part to balance the budget and reduce the deficit, we are concerned that the budget proposal under consideration will force them to disproportionately shoulder the brunt of these burdensome cuts.

As the Committee moves forward with the budget process and considers the administration's proposal, we ask that you take the necessary steps to ensure that the final proposal to be conceded by the House does not adversely affect this nation's small businesses. Thank you for your attention to this matter.

Sincerely,

Danny K. Davis

Ed Case

John Barrow

Tom Udall

Melissa L. Beane

Gwen Shaw

Shelley Berkley

Michael N. McNulty

Carolyn McCarthy

Hal Pin

Linda T. Sánchez

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