



Legislation Text

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Res. No. 867

Resolution calling upon President George W. Bush and the United States Congress to maintain funding in the proposed 2006 fiscal year federal budget for the Microloan program administered by the United States Small Business Administration.

By Council Members Nelson, Gennaro, Sanders Jr., Seabrook and Weprin

Whereas, The 2006 fiscal year federal budget proposed by President George W. Bush completely eliminates the Microloan program administered by the United States Small Business Administration (SBA); and

Whereas, The Microloan program is a funding stream made available by the federal government to the smallest of small businesses, with a loan cap of \$35,000 for businesses with five or fewer employees, commonly known as microenterprises; and

Whereas, Funding supplied through the Microloan program is critical for low and moderate income small entrepreneurs and represents the source of essential start-up capital and ensures the receipt of business training; and

Whereas, According to the Association for Enterprise Opportunity based in Virginia, the Microloan program is the nation's largest funder - public or private - of microenterprise capital and technical assistance; and

Whereas, there are approximately 21 million microenterprises across the country, which account for 17% of all private employment nationally, many of which would not have been possible without loans from the Microloan program; and

Whereas, The number of loans and total monetary loan amounts disbursed through the federal Microloan program have steadily risen over the last five years from 2,147 loans in 2000 for a total loan amount of \$23,168,440 to 2,405 loans in 2004 for a total loan amount of \$32,710,970, a clear sign of the success of the program and its impact upon microenterprise growth nationwide; and

Whereas, In 2003, out of a total of 2,400 Microloan program loans, 31% went to African-Americans and 14% went to Latinos; and

Whereas, Prospective minority microenterprise-owners in New York would be especially adversely impacted by the elimination of the Microloan program by virtue of New York City's population demographics and the relative high cost of living and doing business in New York City compared with other large cities in the United States; and

Whereas, The Presidential Administration has proposed to eliminate the Microloan program in favor of the Community Express Program in the federal 7(a) program (name derived from section 7(a) of the Small Business Act), SBA's primary business

loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels; and

Whereas, The 7(a) program would not provide the same opportunities for prospective minority microenterprise-owners that the Microloan program has supplied, in large part because 7(a) loans are made by banks with the assistance of the federal government rather than by the federal government itself through use of carefully selected intermediaries; and

Whereas, Microloan program loans are funds that are disbursed by the federal government without the assistance of banks, and, in most cases, the loans that are proffered are ones that would be declined by banks; and

Whereas, The Presidential Administration had proposed terminating the Microloan program in Fiscal Year 2005, but the program funding was restored by Congress; and

Whereas, The loss of the Microloan program would deal a crippling blow to microenterprises across the United States that rely heavily on this funding stream to make their businesses viable; now, therefore, be it

Resolved, That the Council of the City of New York calls upon President George W. Bush and the United States Congress to maintain funding in the proposed 2006 fiscal year federal budget for the Microloan program administered by the United States Small Business Administration.