

The CHAIRMAN. Thank you, gentlemen. Our colleague Representative Herbert Tenzer has submitted a statement to the committee on the loan program and asked that it be placed on the record. Without objection his statement with exhibits will be received into the record at this point.

(Representative Tenzer's statement follows:)

STATEMENT OF HERBERT TENZER, A MEMBER OF CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I appreciate this opportunity to appear before the members of the House Select Committee on Small Business this morning and to testify on the business loan program of the Small Business Administration.

Last year, in a letter to the distinguished Chairman of this Committee, I expressed my concern with the alarming decline in the number of small business loans approved by the SBA. I have attached copies of my letter of September 5, 1967 to my testimony (Exhibit A).

This Committee has made several recommendations which I believe would strengthen the Small Business Administration and provide more realistic assistance to the small businessmen of America—the backbone of our economy.

The first proposal concerns the so-called priority system of SBA. While the priorities of SBA may not be formal, they are observed in a manner which has discriminated against the small businessman in the literal sense—the man who operates a small store located in an average community and who does not hire disadvantaged persons.

The priorities which give a preference to defense-oriented industries, to loans which result in a substantial increase in employment, loans to businesses contributing to reductions in our balance of payments, to reduction of air and water pollution and loans in areas of high unemployment, may be desirable, but should not be exclusive.

The intent of Congress in establishing the Small Business Administration was not to single out particular industries for favoritism but to foster competition in general.

The priority system has violated the intent of Congress and should be modified or eliminated. As SBA has attempted to implement their existing authority, it has become crystal-clear that the limited eligibility has hampered the development of a sound program and private company participation.

An example of how the priority system has affected SBA's loan policies can be seen by comparing the allocation of loan funds among the 50 States.

New York State with 9 percent of the population of United States and contributing 19 percent of the total federal tax revenue, received only 225 of the 8,086 business loans approved during fiscal year 1967. New York State also received only \$13.7 million of the \$383 million in loan funds allocated by SBA during this same period.

The following States received more loans:

[Dollar amounts in millions]

State	Loans	Amount
1. California.....	305	\$12.0
2. Colorado.....	227	9.3
3. Florida.....	443	21.4
4. Kansas.....	257	12.3
5. Massachusetts.....	309	16.7
6. Mississippi.....	282	12.4
7. Missouri.....	322	16.9
8. South Carolina.....	225	11.1
9. Texas.....	407	17.7
10. Puerto Rico.....	457	10.4

I do not question the need for SBA assistance to small business in these and every State, but I do question the authority under which the Small Business Administration establishes priorities and allocates its funds. While I recognize the need for economic guidelines in connection with determining which loan application to approve, those guidelines should not result in the inequitable distribution of loan funds among the 50 States.