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Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I am today signing S., 2498, an omnibus bill which affects a number of Small Business Administration (SBA) programs. I strongly favor many provisions of this bill which will immediately help small businesses. For example, increases in the maximum loan limit per borrower for certain SBA business loan programs are needed to compensate for the higher cost of capital plant and equipment.

While, on balance, I favor this bill, three parts of this legislation trouble me.

First, section 102 would authorize the SBA to guarantee small business leases of pollution control facilities from State or local public bodies. To finance these facilities, State or local authorities would issue tax-exempt obligations secured by the SBA-guaranteed lease.

I have consistently opposed the combination of a Federal guarantee and a tax-exempt security. And Congress over the past six years has also recognized this problem by enacting at least twelve separate statutes which preclude guarantees of tax-exempt securities. The combination of Federal guarantees with tax-exempt bonds increases the revenues loss to the U.S. Government while primarily benefiting the high-income purchasers of these bonds rather than small businesses.

In addition, the provision of a Federal guarantee of tax-exempt bonds creates a security which would be more attractive in the capital markets than direct obligations of the U.S. Treasury. Also, Federal guarantees of tax-exempt obligations add to the pressures on the municipal bond market by creating a security which is superior to all other tax-exempt securities issued by States and local governments. The result could be higher borrowing costs for States and local governmental units which must finance schools, roads, hospitals, and other essential public facilities.

I share the Congressional concern that small business needs Federal assistance to comply with pollution control requirements. But this is not the best way to do it. A better way to provide small business with access to financing for pollution control facilities is through the SBA's water and air pollution control loan programs. Although these relatively new programs have been adequately funded in fiscal years 1976 and 1977, small business has not yet had the opportunity to use them fully. I am therefore directing the SBA to take prompt and vigorous action to insure that these loan programs are made fully accessible to the small business community by working with the Environmental Protection Agency (EPA). They will work to reduce the loan processing and certification time, clarify and promote the purpose of the program, and to provide necessary technical assistance.

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I am also requesting that the EPA devote special attention to pollution regulations which the small business community believes excessively burdensome or inequitable. The EPA has already promulgated less stringent effluent guidelines for small plants in several industries including dairies, electroplating, leather, seafoods, textiles, meat processing and rendering.

These actions should help to alleviate the adverse impact of pollution regulations on small business finances. I hope that the Congress will recognize that this problem can be corrected without resort to the extraordinary authorization of Federal guarantees for tax-exempt pollution control bonds. I urge the Congress to review this guarantee program promptly along with an examination of the growth of industrial revenue financing -- an issue which is of much concern to municipal finance experts.

My second concern is with Section 112, which makes all small agricultural enterprises eligible for financing and management assistance from the SBA. Despite widespread Congressional concern about overlapping and conflicting Federal programs, this new SBA program is quite similar to that of the Department of Agriculture. The Department of Agriculture, through the Farmers Home Administration, and the Farm Credit Administration have ample legal authority to extend financial assistance to small agricultural enterprises. I am directing the SBA and the Department of Agriculture to insure that the overlap inherent in their credit programs is minimized.

The legislative history of S. 2498 indicates that Congress is concerned with the difficulty which small agricultural enterprises often have in obtaining loans from the Farmers Home Administration. I share this concern. However, I believe that small agricultural enterprises can be assisted better through needed amendments to the Consolidated Farm and Rural Development Act which would:

- provide Federal credit assistance for meeting pollution control requirements and
- double the loan limits for farm operating and ownership loans.

I urge the Congress to enact H.R. 10078 and S. 3114 which would make these required changes in the Consolidated Farm and Rural Development Act and to reconsider the necessity for expanding SBA authority to finance small farms and ranches.

Finally, I question the provision of S. 2498 which requires Presidential appointment with Senate confirmation of the Chief Counsel for Advocacy, redirects the role of the Chief Counsel from small business advocate to that of director of special studies of small and minority business and requires the Counsel to transmit reports to the President and Congress without prior review by other Federal agencies.

With these reservations, I am signing S. 2498. While the Congress and I share a deep concern for the health of small business and small farms, this commitment should not result in unnecessary or inappropriate changes in SBA programs. Therefore, I ask the Congress to join with my Administration in reexamining the parts of S. 2498 which concern me and take appropriate action to correct the problems I have outlined.

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