United States Senate
WASHINGTON, DC 20510

November 16, 2004

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Robert C. Byrd
Ranking Member
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Judd Gregg
Chairman
Appropriations Subcommittee on
Commerce, Justice State and the Judiciary
United States Senate
Washington, DC 20510

The Honorable Fritz F. Hollings
Ranking Member
Appropriations Subcommittee on
Commerce, Justice State and the Judiciary
United States Senate
Washington, DC 20510

Dear Senators Stevens, Byrd, Gregg and Hollings:

We are writing to request you include a provision in the fiscal year 2005 Omnibus Appropriations Conference Report to make heating oil distributors and other small businesses harmed by substantial increases in energy price eligible for Small Business Administration (SBA) disaster loans. Many small businesses are being adversely affected by the substantial increases in the prices of heating oil, propane, kerosene and natural gas. The recent volatile and substantial increases in the cost of these fuels is placing a tremendous burden on the financial resources of small businesses, which typically have small cash flows and narrow operating margins.

Heating oil and propane distributors, in particular, are being impacted. Heating oil and propane distributors purchase oil through wholesalers. Typically, the distributor has 10 days to pay for the oil. The money is pulled directly from a line of credit either at a bank or with the wholesaler. Given the high cost of heating oil, distributors' purchasing power is much lower this year compared to previous years. In addition, the distributors often do not receive payments from customers until 30 days or more after delivery; therefore, their financial resources for purchasing oil for customers and running their business are limited. Heating oil and propane dealers need to borrow money on a short-term basis to maintain economic viability. Commercial lenders typically will not make loans to these small businesses because they usually do not have the increased cash flows to demonstrate the ability to repay the loan. Without sufficient credit, these small businesses will struggle to purchase the heating fuels they need to supply residential customers, businesses and public facilities, such as schools. These loans would provide affected small businesses with the working capital needed until normal operations resume or until they can restructure to address the market changes.

SBA's disaster loans are appropriate source of funding to address this problem. The hurricanes that caused significant damage to the Gulf Coast along with the current instability in Iraq, Nigeria and Russia caused a surge in the price for oil and important refined products, especially heating fuels. The conditions restricting these small businesses' access to capital are beyond their control and SBA loans can fill this gap when the private sector does not meet the credit needs of small businesses.

A similar provision passed the Small Business Committee and Senate with broad bipartisan support during the 107th Congress when these small businesses faced substantial increase in energy prices. In addition, there is precedence for this proposal as a similar provision was enacted in the 104th Congress to help commercial fisheries failures.

Thank you for your consideration. Please find enclosed suggested draft language for the proposal. If your staff has questions about the proposal or the impacts of the current energy price increases on small businesses, please ask them to contact Kris Sarri at 224-0606.

Sincerely,

Jack Reed

Susan M. Collins

John F. Kerry

Jeff Bingaman

Arlen Specter

Patrick J. Leahy

Christopher J. Dodd

Lincoln D. Chafee

Edward M. Kennedy

Frank Lautenberg

James M. Jeffords

Joseph I. Lieberman

Evan Bayh

Charles E. Schumer

Paul S. Sarbanes

Barbara A. Mikulski

Hillary Rodham Clinton

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