



U.S SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

TESTIMONY of

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BEFORE THE

Senate Committee on Small Business and Entrepreneurship
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Chairwoman Cantwell, Ranking Member Risch and distinguished Members of this Committee, I'm delighted to have this opportunity to testify before you in my new capacity as SBA Administrator.

I want to thank Members of this Committee for all your guidance and support during my confirmation process. I have been struck by the passion and high level of policy engagement you and your staffs have displayed on critical issues affecting America's small businesses. I'm truly looking forward to working with you in the months ahead.

As you know, until last week, I was a small business owner whose small business was lending capital to other small businesses. I do believe this background gives me a keen understanding of the challenges faced by both entrepreneurs and the banks who lend to them.

It is my strong belief that supporting small business is the ultimate bipartisan issue, and I'm energized by this chance to work together to assist the entrepreneurs who often risk everything to create good jobs and a stronger economy in America.

Chairwoman Cantwell, I'd like to open by offering my thoughts and prayers to the families in Oso and Darrington. I want you to know that my first meeting on my first day at the SBA was with my disaster relief team to discuss our response to this tragedy.

Our team has been on the ground since last week coordinating closely with FEMA. The presidential disaster declaration means we are able to make all of our tools available, including business loans, economic injury loans and home loans. All of us at the SBA are committed to doing everything in our power to be a resource for those affected by this terrible natural disaster.

Disaster assistance continues to be a priority in our Fiscal Year 2015 budget. Last year, we assisted more than 46,000 businesses and individuals through \$2.8 billion in disaster loans. Once again, we're requesting full funding for disaster loan assistance as we continue to make process reforms to help ensure that homeowners, renters, and businesses have access to rapid SBA assistance when they need us the most.

For FY15, the SBA is requesting an appropriation of \$710 million, plus an additional \$155 million for our disaster assistance program. This funding level will allow the SBA to fulfill our core mission of helping

America's small businesses access capital, contracts, counseling and disaster aid.

It would enable us to support loans totaling \$36.5 billion over the next year and help us facilitate access to \$80 billion in federal contracts for small businesses, which are too often shortchanged in our procurement processes.

Additionally, it would allow us to work with our resource partners to counsel and train more than one million small business owners, so they can grow their companies and create more middle class jobs. To that end, we're seeking full funding for our Small Business Development Centers, our Women's Business Centers, our Veteran's Business Outreach Centers and our national network of SCORE chapters and volunteer mentors.

We've dramatically reduced our subsidy for the 504 loan program down to \$45 million, and for the second year in a row, the SBA is requesting no credit subsidy for the 7(a) loan program. Overall, our FY15 request represents a \$64 million reduction because of the subsidy decrease. This is due to an improving economy as well as the agency's diligence in ensuring that we are backing good loans to responsible borrowers.

Our borrowers report that these two lending programs – 7(a) and 504 – together have supported more than 650,000 jobs.

We're requesting \$4 billion in authority for our Small Business Investment Company Program. This streamlined program is operating as a model public-private partnership, with its fourth straight record-breaking year in FY2013. Our request would help our most successful SBIC fund managers grow this program from within and ensure more high-growth businesses have access to the capital they need.

We're also requesting authority to extend 504 Refinance lending. 504 Refi supported \$5.5 billion in lending over two years when it was originally authorized, but it expired at the end of FY12. This is a zero subsidy request, meaning we project no taxpayer cost to extend this very successful program.

Our budget also ensures that our transitioning military veterans come home to new opportunities to grow the American economy as entrepreneurs. I am committed to this cause. In fact, on my very first day at the SBA this week, I met with a group of these heroes who've started their own businesses.

Each year, more than 250,000 service members transition out of the armed forces. Our Boots to Business program allows them to continue to serve their country as job creators. We're requesting \$7 million to meet the Department of Defense's request to train transitioning service members at more than 200 installations worldwide. We're also making it easier for veterans to access capital by reducing or eliminating their fees on certain SBA loans.

We're prioritizing Entrepreneurial Education, so successful small businesses can become medium and large businesses that create more jobs. This initiative builds on the success of our Emerging Leaders program to teach the fundamentals of business, how to get into a supply chain, and how to compete for contracts. To date, two out of three companies that have been through this program have increased their revenue; three out of four have hired new employees; and nearly half have secured government contracts. We're requesting \$15 million to expand a program with proven results.

As someone whose family came to this country from Mexico at age 5 with few resources but an abundance of hope, I believe the SBA must redouble its efforts to ensure our customers represent the diversity of this great nation. That means getting more small-dollar loans out the door that can lift up entire underserved communities. So once again, the SBA is setting fees to zero for 7(a) loans under \$150,000.

Being a former lender, I also understand the transformative power of technology to simplify the lending process. We've already made great strides in this area in our disaster loan assistance. This budget will utilize technology to help us reform the process for working with our lenders. Our new SBA One program will roll out later this year. It will create a streamlined, online lending application that will make it much easier for banks to offer our products, make more SBA loans —particularly smaller loans — to Main Street businesses.

Finally, the SBA continues to focus on rooting out waste, fraud, and abuse in our contracting and lending programs. Since 2008, SBA has suspended and debarred more companies and individuals for abusing SBA programs than in the previous 10 years combined. Under my leadership, we will have a zero-tolerance policy for these types of abuses. I am personally committed to ensuring that federal dollars go to deserving small businesses that play by the rules.

Once again, thank you for this opportunity to testify. I look forward to working closely with members of this committee and your staffs to ensure that the SBA carries out our critical mission of helping small businesses grow their payrolls, their profits and, in turn, the American economy. I am happy to take your questions.