

Statement of Karen Mills
Small Business Administrator-Designate
Committee on Small Business
United States Senate
April 1, 2009

Chair Landrieu, Ranking Member Snowe, and Members of the Committee, I am honored to be under consideration to become the Administrator of the Small Business Administration. I would like to thank Senator Collins and Ranking Member Snowe for their kind introductions. I would also like to express my appreciation to President Obama for this opportunity to join his economic team at this time of historic challenge.

Building and growing a small business has been a defining tradition in America. Many of us are the children and grandchildren of hard-working immigrants — men and women who were able to start and grow their own businesses. This is a legacy I am proud to be part of and want to promote for our future.

Small business is the heart of the American economy. There are over twenty-six million small businesses in this country and they create 70 percent of the new jobs. This means that to find our way out of the current economic crisis, we have to find ways to help small businesses stay in operation and even expand.

There are at least two kinds of small businesses that are served by the Small Business Administration. The first are the small businesses on Main Street – the restaurants, the drycleaners, and the car repair operations –that are a part of our daily lives. These businesses depend on credit from the SBA’s 7a and 504 programs and advice from more than 14,000 SBA affiliated counseling centers.

The second type are the high growth, high impact businesses which have the potential to grow into the next American giants.

Did you know that Federal Express, Apple and Intel all were at one time supported by the SBA? Others include AOL, Ben and Jerry’s Ice Cream and UnderArmor – a company that makes high-performance sports clothing which my family purchases a great quantity of this time of year during lacrosse season – it was started not far from here in a basement in Georgetown.

These businesses all started out getting an SBA loan, a government contract or an SBIC investment.

For all of these enterprises, from Main Street shops to the next potential Intel, we know one thing: if the SBA can help these small businesses grow and prosper, jobs will be created, and America will be able to compete anywhere in the world.

Today, however, small businesses face an uncertain future.

The recession has reduced demand for their goods and services. With the credit crisis, it is increasingly difficult for them to find financing for normal business activities and expansions.

Currently, loan guarantees from the SBA are down by over 50% from their levels a year ago. There are several causes of this decline—and they are inter-related: lower creditworthiness of borrowers, tighter lending standards, lack of liquidity in bank balance sheets, and a frozen secondary market for SBA guaranteed loans.

The Congress and this Committee deserve great praise for recognizing these problems and for incorporating important proactive measures for small business in the Recovery Act. This Act reduces fees to both borrowers and lenders, increases the guarantee percentage on SBA loans and works to unfreeze the secondary markets. In addition, many viable but struggling businesses will get a \$35,000 lifeline to bridge them for 6 months of interest and principal payments—which the SBA will fully guarantee.

As you all know, on March 16th, the President committed \$15 billion from the Troubled Asset Relief Program to be available to purchase SBA guaranteed paper in the secondary markets. This effort in conjunction with the SBA 90% guarantees and the fee reductions will go a long way to unlocking the credit small businesses need.

If confirmed, I pledge to work as a partner with this Committee to fully implement these important recovery programs.

Senators, today small businesses are suffering and the SBA has lacked the leadership and the resources to help them. These are problems we can fix.

If confirmed I will work on three important fronts:

First, the SBA must continue executing the plans in the Recovery Act and get capital flowing again through the core SBA loan programs.

Second, we must reinvigorate the Agency by attracting a strong and passionate leadership team and investing in the information technology the agency needs to operate.

Finally, we must – and I will – act as an advocate for small business across the administration. As Chair Landrieu and Ranking Member Snowe have suggested, I will coordinate with other Agencies, including Commerce, Labor and Energy, whose programs also affect small businesses.

I have a long history of being deeply involved in small businesses. In the mid 1980s, I was responsible for a number of traditional manufacturing businesses -- from plastic injection molders in Ohio – to a sub-fractional motor company in Arkansas.

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I was there on the factory floor when we had to weather the recession of the early '90s. Those experiences give me a deep understanding of what our small businesses need today to survive this downturn and to prosper in the years ahead.

Since then I have helped grow companies in organic food, and women's media, and spent time in rural Maine helping our boat builders use composite technology to help them compete throughout the globe.

The sum of my experience is this: I am a believer in American small business. I am a believer in America's ability to manufacture goods and services that are world class, and I am a believer in America's spirit of entrepreneurship. This spirit is one of our country's greatest assets and we need to cultivate it today, more than ever.

Thank you for considering my nomination to head this crucial agency during these difficult times. If confirmed I pledge to pursue these tasks with the utmost energy, and to be your partner in giving small businesses the help they need to thrive , to grow and put Americans back to work.

Before taking your questions I would like to introduce to the Committee my family. My husband Barry is the president of Bowdoin College and is here with me today. We have 3 boys. George is 16 and is home at Brunswick High School. Henry is 20 and is at Williams College. William – our eldest and a graduate of Columbia University is home recovering from an operation as some of you know and is doing quite well. We would like thank everyone for your kind thoughts and prayers on his behalf.

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