



Linda E. McMahon

Administrator

U.S. Small Business Administration

Senate Committee on Small Business and Entrepreneurship

The State of Small Business in America: An Update from  
the U.S. Small Business Administration

May 15, 2018

Thank you, Chairman Risch, Ranking Member Cardin, and members of the Committee. I appreciate the opportunity to testify about the state of America's small business entrepreneurs. I welcome the chance to talk about my many interactions with small business owners over the past year, and also to share some of our Agency's highlights and successes.

A year ago, I set out on a goal to visit all 68 of SBA's district offices. Our field staff comprise close to half the agency's workforce, so the purpose of my travel has been twofold. One, I want to provide leadership and direction to SBA's workforce and visit with them in their offices, on their turf. Two, I want to see the frontline of where our SBA programs and services interact with America's small business owners.

To date, this Ignite Tour has taken me to 44 district offices across 38 states. I've met our directors and regional leadership, our district staff and specialists, and our resource and community partners. I have solicited and listened to their input on how we can be more effective, and how our district offices and headquarters can be better coordinated. I have taken this feedback and initiated a project where we hope to better align the field with our program offices, and better deliver our services.

I have also had the opportunity to engage over 700 small business owners through roundtable discussions and site visits. These businesses primarily are ones that have SBA guaranteed loans and were assisted by our SBA district offices. I have been to candy emporiums, breweries, coffee shops, metal fabricators, rock climbing centers, and motorcycle shops, to name a few.

Along the way, I have been honored to make these visits with several of you. Last fall, I enjoyed visiting several businesses in Boise with you, Mr. Chairman. In November, Senator Shaheen and I hosted a roundtable discussion in Manchester with fifteen New Hampshire small business owners. And in January, Senator Coons and I toured a Wilmington area business that manufactures gloves for the military.

These visits have reinforced to me the valuable and critical role small businesses play in our economy and in our communities across the country. My travel has given me great perspective on the needs and challenges of those looking to start or

sustain a business, much of which I have also experienced in my life. The cross-section of America that I've seen has been fascinating: retirees fulfilling a life-long dream to start a business; young entrepreneurs exploring start-up opportunities; and family owned and generational businesses looking to continue in the future.

My travel has also highlighted the important role that SBA plays in helping these men and women succeed. The advice and direction provided by our district staff, along with our resource and lending partners, is all part of a very critical ecosystem. Every day, this collective effort helps entrepreneurs navigate the complexities of business ownership.

My tour has also allowed me to hear about regulatory and policy challenges and to bring that input back to the Agency, the Administration, and to Congress. Among the frequent themes I hear are the burdens of federal and state regulations; the hope for more affordable health care; the desire for tax certainty; and recently, workforce and labor challenges. As I continue to gather feedback, I welcome and look forward to working with this committee on these issues.

Last week, we all celebrated National Small Business Week, my second as Administrator. I want to thank the members of the committee for your Senate resolution. I know that many of you participated in events and also helped promote the week over social media, highlighting small businesses in your state.

We began the week by launching a redesign of the Agency's website, modernizing our site functions, and refreshing our Agency logo. Next, I was honored to recognize state small business award winners and the national small business person of the year. That distinction was given to one of Senator Duckworth's constituents, Rebecca Fyffe, the owner of a pest management business in Schaumburg, Illinois. Following the awards celebration, I was off on a bus tour that started in Jacksonville, Florida and took us to Savannah, Georgia; Columbia, South Carolina; and finished in Raleigh, North Carolina. It was a fun week, and much like my Ignite Tour, I enjoyed being with so many small business men and women and hearing their inspiring stories.

When I look back on last year, in addition to my travel and small business engagements, I reflect on the Agency's response to Hurricanes Harvey, Irma, and Maria. A focal point of my early leadership at the Agency was working with our

Office of Disaster Assistance to stress test our program in advance of the 2017 hurricane season. Little did we know then the magnitude of what would occur a few months later.

From the arrival of Hurricane Harvey in Texas to our continued work today, I am incredibly proud of our staff and our disaster assistance response. Since late last summer, SBA deployed over 5,000 personnel at the peak of our activity, with over 3,000 still engaged today. We have staffed 402 disaster centers across multiple states and territories. We fielded over 1 million calls for assistance, and we approved 130,000 home and business loans, totaling \$6.7 billion in lending.

We also have applied lessons learned from previous disasters and now utilize modern technology in various aspects of our disaster program. This has helped the Agency cut our application processing rate significantly, compared to previous major natural disasters.

Soon after the hurricanes, I was on the ground in Texas, Florida, and Puerto Rico to visit staff and assess our response efforts. I toured the FEMA command center in Washington, DC, where SBA staff was co-located with FEMA personnel. We also began frequent communication with this committee and congressional offices detailing our activity, updates that we continue to send several times a week.

We still have a significant presence on the ground in Puerto Rico and the US Virgin Islands. In Puerto Rico, where the application deadline has been extended to mid-June, we continue to staff over 70 recovery centers. Currently, our application approvals for Hurricane Maria have now surpassed the individual numbers for both Hurricane Harvey and Hurricane Irma. With much more work to be done, we will remain in Puerto Rico as long as is necessary to continue to help disaster survivors.

Elsewhere across the Agency, our Office of Capital Access (OCA) has seen record lending in our 7(a) program. OCA created a franchise directory and made it available to the public on our website, which has resulted in loan growth among franchisees. Within our 504 program, we established a 25 year debenture option. We launched a Lender Match program which has been successful in connecting potential borrowers with local lenders. We also implemented process reforms that have improved our loan application approval time.

In addition, our Chief Information Officer and her team have modernized SBA's information technology capabilities and significantly improved our cybersecurity posture. Lastly, our Government Contracting and Business Development Office has worked to simplify and streamline the application process for federal contracting through our Certify.gov system.

To highlight some of my activity within the Administration, I have been working with Secretary Perdue and the Department of Agriculture, exploring ways we can partner and work together. Last month, I joined him as part of his travel, where we signed a Memorandum of Understanding on how to better serve rural communities through our programs. Also, I have been engaged with Secretary Acosta, and the Department of Labor, to examine the workforce and labor challenges that small businesses face. There are other areas of focus – like our Veterans programs, minority and women lending, and outreach – that I look forward to updating you on as our agency collaboration develops.

Let me close, Mr. Chairman, by expressing my thanks to you and members of the committee for your ongoing support of the Agency. You worked with us on numerous legislative priorities and received our input on committee legislation. You ensured the continuity of our programs within numerous continuing resolutions. You helped to vet, review, and approve our nominees. And you made sure the Agency had adequate funds for disaster assistance through supplemental appropriations. I appreciate all your help on these issues and many other areas of interaction, and I look forward to our continued work together.

Thank you for the opportunity to testify today.