

1 [Laughter].

2 Chairman Risch. But in any event, Senator Blumenthal,
3 the floor is yours, and thank you so much for gracing us
4 with your presence.

1 STATEMENT OF HONORABLE RICHARD BLUMENTHAL, A
2 UNITED STATES SENATOR FROM THE STATE OF
3 CONNECTICUT

4 Senator Blumenthal. Thanks, Mr. Chairman. Thanks to
5 you and Ranking Member Senator Shaheen. I am pleased to
6 join my colleague in introducing our fellow resident of
7 Connecticut, Linda McMahon. We know her as a fellow citizen
8 of Connecticut, but also as a successful business leader, as
9 the co-founder and former CEO of the WWE, and also as a
10 contributor very generously to many significant
11 philanthropic and charitable causes and educational
12 institutions in Connecticut, including, for example, Sacred
13 Heart University near where we live.

14 In my view, Mr. Chairman, I recommend her because I
15 think she would be an excellent fit for this agency based on
16 her experience and expertise as a business leader. She
17 knows, as I do, that small businesses are the backbone of
18 our economy. They are the most vibrant and vital job
19 creators. They not only innovate by fostering new jobs, but
20 they also invent new products. They are the startups in
21 every sense, and they embody the American dream. Having
22 visited many of them in Connecticut, I know how they create
23 jobs and new products and opportunities for others. And the
24 SBA plays an integral role, as this Committee well knows, in
25 supporting small businesses financially but also encouraging

1 them with expertise and experience.

2 And Linda McMahon has that kind of expertise and
3 experience. She is a tireless leader and a tenacious
4 fighter. Her professional life has been about building
5 businesses. She has started and struggled in the
6 entrepreneurial trenches, meeting payrolls, hiring and
7 firing, working hard for a vision. And we have known our
8 share of differences, but I have never questioned her
9 unwavering drive and focus.

10 She has used her business to help veterans and women
11 realize their own dreams and opportunities, and I am hopeful
12 that under her leadership the Small Business Administration
13 will continue its focus on veterans and women. She has
14 played an integral role in spearheading opportunities and
15 dreams for women, and that has been the focus of her life,
16 professional life, most recently.

17 So I am pleased to be here to introduce her and
18 recommend her to the Committee. She understands the needs
19 of states like Connecticut who are still working hard to
20 recover from the economic recession, who need new jobs, and
21 I hope that she will continue to have Connecticut at the top
22 of her mind as she assumes this new role, and I look forward
23 to working with her, and I know the other members of the
24 Committee will as well.

25 Thank you very much

1 Chairman Risch. Thank you, Senator Blumenthal. I was
2 hoping she was going to have Idaho at the top of her mind,
3 but--

4 [Laughter.]

5 Senator Blumenthal. I will let her say that.

6 Chairman Risch. I do not think she will.

7 Senator Murphy, thank you for coming. We are all busy
8 these days, I know, and it is tough to push things aside to
9 get here. But thank you so much. The floor is yours.

1 STATEMENT OF HONORABLE CHRISTOPHER MURPHY, A
2 UNITED STATES SENATOR FROM THE STATE OF
3 CONNECTICUT

4 Senator Murphy. Well, thank you very much, Chairman
5 Risch, Ranking Member Shaheen, members of the Committee. It
6 also gives me great pleasure to help introduce our fellow
7 Nutmegger, Linda McMahon, as the President's nominee to
8 serve as the next Administrator of the Small Business
9 Administration.

10 As you said, Mr. Chairman, this visual is going to be a
11 little amusing and surprising to folks in Connecticut who
12 watched the three of us duke it out over two long Senate
13 campaigns. But you know what? Politics cannot work if
14 political grudges never die, and political adversaries have
15 to find a way to work together after the fight is over. And
16 I am here today to support Linda not because we have
17 magically become of one mind on how we approach every
18 problem that this country faces, but because I have
19 confidence that she is going to give good, sound counsel to
20 President Trump when it comes to policy affecting small
21 businesses. And I believe that she has the passion for this
22 job that is vital.

23 At its core, the SBA's mission is simple: to help
24 Americans start, build, and grow businesses. And virtually
25 every owner and starter of a small business wants to one day

1 be the owner of a big business. And before you today sits a
2 very talented and experienced businessperson who did just
3 that. Over the past several decades, Linda has shepherded
4 her small business from a small one-desk operation to an
5 incredibly profitable enterprise with hundreds of employees
6 throughout the world. And she also understands the unique
7 challenges, as Senator Blumenthal said, facing women
8 business owners. She co-founded the Women's Leadership LIVE
9 organization that helps equip women to become successful
10 business leaders. Her work there assures me that she is
11 going to build on the significant momentum of her
12 predecessor in the Obama administration.

13 The Federal Government has just recently surpassed its
14 5-percent contracting goal for women-owned small businesses
15 for the first time in history, and I have confidence that
16 Linda McMahon is going to further empower women to create
17 and foster thriving businesses with the help of partner
18 organizations like the Women's Business Development Council,
19 which has had success in Connecticut mentoring and nurturing
20 women-owned small businesses.

21 Listen, I saw firsthand the fight that Linda brings to
22 any endeavor that she takes on, and I am sure we will have
23 disagreements, but I will never question whether she has the
24 experience and the determination necessary to lead this
25 great agency. And I would really urge the members of this

1 Committee to support her nomination. I am very pleased to
2 join with Senator Blumenthal to introduce her to you today.

3 Chairman Risch. Well, Senator Murphy, thank you so
4 much. Senator Blumenthal and Senator Murphy, we will advise
5 the Guinness World Book of Records about this event and get
6 it duly noted. You are certainly welcome to stay, but
7 knowing that we are all drinking out of a fire hose these
8 days, you certainly can be excused. And I am sure you will
9 see this when you need to see it. So thanks so much. Thank
10 you for coming.

11 Senator Blumenthal. Thank you, Mr. Chairman. Thanks
12 for this opportunity.

13 OPENING STATEMENT OF CHAIRMAN RISCH

14 Chairman Risch. Thank you.

15 Linda, so you know where we are headed here and for
16 everyone else, I am going to make a very briefly opening
17 statement. I am going to yield to Senator Shaheen to do
18 likewise. And at that point, we will administer the oath,
19 which is required. And by Committee rules, I will do that.
20 And then the floor will be yours to make an opening
21 statement, and then as you can see, you have a list of
22 people with deep, probing questions who will then take turns
23 at you from each side.

24 In any event, first of all, thank you for coming to
25 meet with me and spending the time that you did, and thank

1 you for being willing to take on this important appointment.
2 The Small Business Administration is not a large Federal
3 agency as Federal agencies go, but to a businessperson, a
4 small businessperson, it can be one of the most important
5 and critical endeavors that the Government undertakes.

6 You and I had the opportunity to talk about a couple of
7 endeavors that the SBA does. The SBA, of course, is known
8 for its loaning to small businesses, and you will find, I
9 think, when you drill down, that there is a very robust
10 fleet of lenders out there who service the small business
11 community through the Small Business Administration. And I
12 think you will be well satisfied with how they operate, what
13 they do, and the work they do for small business.

14 Of more importance to me, actually, because that part
15 of the operation is doing so well, is the efforts that the
16 SBA undertakes to try to level the playing field for small
17 businesses. When we talk with every business these days--it
18 used to be, when I started in politics, the most hated
19 organization of any government was the IRS. The IRS has
20 fallen way back, and the other agencies that do the
21 regulatory things that the Government does have really risen
22 to the top. In my state, in our dealing, the EPA is way up
23 there. And after that, there are others that come in
24 behind. But if you ask any businessman today, be it a small
25 businessman or a big businessman, but particularly small

1 business, what is the biggest challenge that you face today?
2 And, invariably, they will not say, well, it is access to
3 capital, or taxes are too high, or what have you. They will
4 tell you the regulatory structure of the Government in
5 America today is strangling businesses. And you will find
6 that--everybody at this table can tell stories about
7 Government agencies coming into small businesses and causing
8 them a great deal of difficulty.

9 We have an operation within the SBA called the Office
10 of Advocacy. They are supposed to be independent. They
11 have not been. They are supposed to stand up and complain
12 loudly every time the Federal Government does something that
13 affects small businesses. There is a process in place for
14 them to actually formally do this. It has not worked very
15 well. I am hoping as we go forward that we are going to be
16 able to make it work better. The poster child for that was
17 the rule that was proposed regarding Waters of the United
18 States, and there the finding--and so the Office of Advocacy
19 rightly complained and said, look, this is a big problem,
20 especially for small businesses, especially for small
21 businesses in agriculture, and others, too. And the agency
22 said, oh, no, we are making a finding that this will not
23 have a significant impact on businesses. You have got to be
24 brain dead to reach that kind of a conclusion.

25 So, in any event, I know that you share my concern with

1 that, and I hope we will be able to work together to try to
2 do more for small businesses. We all know, when the
3 Government puts out a regulation, if you are General
4 Electric corporate, and it comes in, they had it to an army
5 of lawyers and compliance officers and what have you to take
6 care of it. If this comes to a guy that is fixing lawn
7 mowers in his garage and he gets a multi-page inquiry from
8 the Federal Government, it becomes a big problem for him and
9 cuts into his work dramatically.

10 So we will work on that as we go forward, and I look
11 forward to hearing your thoughts on that.

12 And with that, I would like to yield to my
13 distinguished colleague, Senator Shaheen.

14 OPENING STATEMENT OF SENATOR SHAHEEN

15 Senator Shaheen. Thank you very much, Mr. Chairman.
16 Thank you for holding today's hearing, and congratulations
17 on taking over the gavel as Chairman of this Committee. We
18 have had the opportunity to work together in the past very
19 well.

20 Chairman Risch. We have.

21 Senator Shaheen. And I look forward to working with
22 you over this coming session to address the needs of small
23 businesses.

24 I also want to recognize the new members of the
25 Committee: Senator Duckworth on the Democratic side, and on

1 the Republican side Senators Inhofe, Young, and Rounds.

2 Welcome to this Committee. I think you will find that this
3 is a Committee that works in a very strong bipartisan way to
4 address the concerns of small businesses. So I look forward
5 to continuing to do that.

6 I am also very pleased to welcome Linda McMahon, who is
7 President Trump's nominee to head the Small Business
8 Administration. I appreciated the opportunity to meet with
9 you and to hear your passion for the work that small
10 businesses do.

11 I got on this Committee in 2008 after I got elected to
12 the Senate because small business is such a concern for New
13 Hampshire. Ninety-six percent of our employers in New
14 Hampshire are considered small businesses, and they are not
15 just important to New Hampshire and to so many of the states
16 represented on this Committee. But they are the engine of
17 the economy that drives this nation. Two out of every three
18 jobs that are created are created from small businesses.
19 They are also leaders when it comes to innovation. They
20 produce--and this is a statistic that is one of my
21 favorites. They produce 14 times more patents than large
22 businesses. I am not sure that most people appreciate the
23 innovation that occurs in our small businesses. But,
24 unfortunately, unlike big business, our small businesses
25 have not yet fully recovered from the Great Recession.

1 For example, according to a Harvard Business School
2 analysis, small businesses loans have dropped by 20 percent
3 since the financial crisis while lending to large firms has
4 increased by 4 percent. That is why SBA and its programs
5 are so critical. Last year alone, the SBA backed more than
6 70,000 loans to small businesses, supporting \$29 billion in
7 lending and nearly 700,000 jobs. The SBA also helped small
8 businesses win more than \$90 billion in Federal contracts
9 and provided counseling to more than a million
10 entrepreneurs.

11 But, of course, there is more work to be done, and that
12 is why you are here, Mrs. McMahon. So I know that you share
13 those goals and values for what we need to support small
14 business in this economy, and I look forward to hearing your
15 statement today and your response to questions. Thank you.

16 Thank you, Mr. Chairman.

17 Chairman Risch. Thank you, Senator.

18 I will warn you that--Senator Shaheen referred to the
19 new members of this Committee. They may be new members to
20 this Committee, but these people have been around awhile, so
21 do not think you are going to get softball questions from
22 them.

23 [Laughter.]

24 Chairman Risch. So, with that, I would ask you to
25 stand and be sworn. If you would raise your right hand,

1 please? Do you solemnly swear to tell the truth, the whole
2 truth, and nothing but the truth, so help you God?

3 Ms. McMahon. I do.

4 Chairman Risch. Thank you very much. Now, I
5 understand you might have some introductions of your own.

6 Ms. McMahon. Yes, I certainly do. I am very proud to
7 introduce this morning my daughter, Stephanie, and her
8 husband, Paul Levesque. Yes, please stand up.

9 Chairman Risch. All right. Thank you. Welcome.

10 [Applause.]

11 Ms. McMahon. And I have wonderful friends who have
12 traveled from around the country to be here today, so I am
13 very appreciative of their presence as well. So thank you.

14 Chairman Risch. Thank you very much. Well, at this
15 time, the floor is yours for an opening statement.

1 TESTIMONY OF LINDA E. MCMAHON, OF CONNECTICUT, TO
2 BE ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

3 Ms. McMahon. Thank you very much.

4 Thank you, Chairman Risch, Ranking Member Shaheen, and
5 distinguished members of the Committee. I am honored to
6 have your consideration to serve as the head of the U.S.
7 Small Business Administration. I would like to thank
8 Senators Blumenthal and Murphy for their kind introductions,
9 and it was nice to be on a really even playing field today.
10 I would also like to express my gratitude to President Trump
11 for this opportunity to join his administration and his
12 confidence in me.

13 As an entrepreneur myself, I have shared the
14 experiences of our nation's small business owners. We are
15 more than our products and services. We are people. We are
16 families. The small businesses that are the engine of our
17 national economy are driven in part by people working to put
18 food on the table, pay for kids' braces and swimming
19 lessons, save for college, and prepare for their own
20 retirement. Whether it is an organic farmer or an app
21 developer, with one employee or a hundred, we can never
22 forget that small businesses are people with goals and
23 values that cannot be calculated just on a profit-and-loss
24 statement. If I have the honor of being confirmed as the
25 head of the SBA, I will do my best to advocate on their

1 behalf.

2 My husband and I built our business from scratch. We
3 started out sharing a desk. Over decades of hard work and
4 strategic growth, we built it into a publicly traded global
5 enterprise with more than 800 employees. I am proud of our
6 success. I know every bit of the hard work that it took to
7 create that success. I remember the early days when every
8 month I had to decide whether I should continue to lease a
9 typewriter or if I could finally afford to buy it. Yes,
10 believe it or not, that \$12 a month at that time made a
11 difference in our budget.

12 Like all small business owners, I know what it is like
13 to take a risk on an idea, manage cash flow, navigate
14 regulations and tax laws, and create jobs. Since stepping
15 down as CEO of WWE in 2009, I have worked to help more
16 people have the opportunity to pursue those goals.

17 In my travels throughout Connecticut in 2010 and 2012,
18 when I was campaigning, I met with more than 500 small
19 business owners--touring their shops, restaurants, offices,
20 factories, and sharing ideas during roundtable discussions.
21 Job growth was a pillar of my campaign, and because small
22 businesses are responsible for half of all private sector
23 jobs and the majority of new jobs, they were my focus.

24 And for the past 2 years, I have promoted women in
25 entrepreneurship as co-founder and CEO of a startup called

1 Women's Leadership LIVE. I wanted to share my vast
2 experience with others who are launching startups or looking
3 to scale their businesses. Through live events and
4 webinars, we educate entrepreneurs about things like
5 applying for a loan and developing a business plan. We also
6 work to build their confidence. I always say that even
7 entrepreneurs with the best ideas sometimes need a little
8 wind beneath their wings. Women's Leadership LIVE hopes
9 that by sharing our stories of success and failure, our
10 networks of contacts and resources, and our strategies for
11 addressing challenges, we can give small business owners the
12 confidence that will help propel them forward.

13 Small business owners do not just need confidence in
14 themselves; in order to take a risk, they need confidence in
15 the economy. Should I have the honor of being confirmed to
16 lead the SBA, I will work to revitalize a spirit of
17 entrepreneurship in America. Small businesses want to feel
18 they can take a risk on an expansion or a new hire without
19 fearing onerous new regulations or unexpected taxes, fees,
20 and fines that will make such growth unaffordable. We want
21 to renew optimism in our economy.

22 Small businesses have had some tough blows in the past
23 decade. I know what it is like to take a hit, and I have
24 learned it is not how you fall, but it is how you get up
25 that truly matters. Early in my career, when we were very

1 young, my husband and I declared bankruptcy. We invested in
2 a company we did not understand and trusted people we should
3 not have. When that company went under, we were left
4 holding the bag. We worked really hard to pay off those
5 debts until we realized we just could not. Bankruptcy was a
6 really hard decision and a very tough time in our lives. We
7 lost our home. My car was repossessed in our driveway. We
8 had a young son and a baby on the way. We had no choice but
9 to work hard and start building again so we could support
10 our family. When our daughter Stephanie was born--a perfect
11 little baby so full of promise and potential--I took it as
12 an omen that things were going to be okay. We owed it to
13 her and to our son that we would make it okay. And,
14 fortunately, we did.

15 As I visited small businesses all over the country
16 through Women's Leadership LIVE, I have seen that same
17 resiliency over and over again. Entrepreneurs are fighters.
18 They work hard, and when they get knocked down by a
19 recession or a natural disaster or simply a change in
20 consumer demand, they turn to their creativity to make it
21 better. But sometimes they need a helping hand. If I am
22 honored to be confirmed, I will work to guide SBA as that
23 helping hand in the most efficient and effective way
24 possible.

25 I believe in leadership by example. As a CEO, I never

1 expected employees to do anything I was not willing to do
2 myself. I believe in setting expectations and holding
3 people accountable, but trusting them to do the job for
4 which they were hired. If confirmed, I look forward to
5 working with the SBA staff. I am eager to learn from their
6 experience and their expertise. I will listen, and their
7 ideas, concerns, and recommendations will be taken
8 seriously. I know there will be new challenges in a
9 Government setting, but I will commit myself with the same
10 responsibility to deliver value to the taxpayers of America
11 as I did to shareholders of my company.

12 Over the past 2 weeks, I have had the pleasure of
13 meeting with many members of the Committee, and I appreciate
14 the kind words of encouragement I have received. Thank you
15 very much for the opportunity to speak with you today, and I
16 would be very happy to answer your questions.

17 [The prepared statement of Ms. McMahon follows:]

1 Chairman Risch. Thank you very much. We appreciate
2 that.

3 The way we are going to do this is we are going to use
4 what they call the early-bird method or first-come/first-
5 served method. We are going to go back and forth between
6 Republicans and Democrats. I will go first, but I am going
7 to reserve my time to interject as I see appropriate as we
8 go down the pike. And, with that, I will yield the floor to
9 my friend Senator Shaheen.

10 Senator Shaheen. Thank you, Mr. Chairman, and thank
11 you for your statement, Mrs. McMahon. I know we discussed
12 this issue when you came to visit me, but I think it is
13 important to give you an opportunity to address it in the
14 Committee because you have been quoted as saying that you
15 supported merging the SBA into the Department of Commerce.
16 That proposal has been a major concern for businesses in my
17 home state who believe their voice in Washington is already
18 not loud enough. And so I wonder if you could clarify your
19 position and whether you believe SBA should continue as a
20 stand-alone agency or whether you think it should be merged
21 into another agency.

22 Ms. McMahon. Thank you very much, Ranking Member
23 Shaheen, for the question and the opportunity to clarify.
24 When I was running for the Senate in Connecticut, I was a
25 strong advocate for reducing duplicative programs, and as

1 part of my campaign, I talked about the list every year that
2 the GAO puts out of duplicative programs.

3 During that time, President Obama had indicated that he
4 was looking to merging some of the agencies. When I was
5 asked if I supported merging SBA into Commerce, I really was
6 not focused on SBA or Commerce; I was focused on the concept
7 of merging agencies or reducing duplicative programs so that
8 we could reduce those costs.

9 I am a firm believer that SBA needs to be a stand-alone
10 agency. I am very proud that President Trump has kept it as
11 a Cabinet post, and I intend to serve my full term and
12 execute as well as I can to advocate on behalf of small
13 businesses.

14 Senator Shaheen. Well, thank you very much for
15 clarifying that. In New Hampshire, SBA has made significant
16 progress over the past 4 years, and we have seen growth in
17 both lending and Government contracting. And to some
18 extent, this has been because of the work of so many of
19 SBA's resource partners, so the Small Business Development
20 Centers, the Women's Business Center, SCORE, volunteer
21 mentors, Veterans Business Outreach Centers, and district
22 offices. And I think these partners are really critical to
23 the mission of SBA and helping small businesses.

24 So as Administrator, how would you identify
25 opportunities to maximize SBA's resource partners and

1 provide adequate funding for their staffing and programs?

2 Ms. McMahon. Well, first of all, I look forward to
3 going to our different districts and our different regions
4 and meeting with those SBA members, A, the leaders and the
5 managers in those offices to hear about what programs are
6 working, what programs are not. I do not have a working
7 knowledge today of how successful those programs have been
8 except to know that, from you, you have seen that success,
9 and many of the other members that I have talked to. So I
10 would want to continue to encourage our outreach.

11 My former company, WWE, we were always concerned about
12 veterans and the returning veterans and how to have jobs,
13 and WWE is part of Hire a Veteran program, so that veteran
14 aspect of helping them create jobs.

15 As I have already stated, I have been very forthcoming
16 in wanting women entrepreneurship to grow and continue to
17 support that. It is very near and dear to my heart. So I
18 will continue that outreach with all of our different
19 organizations and continue to mentor through the Women's
20 Centers as well.

21 Senator Shaheen. Thank you. I am pleased to hear
22 that, and I know the resource partners in New Hampshire and
23 across the country will be very pleased to hear that as
24 well.

25 As we discussed in our meeting, one of the most

1 important ways SBA can help small businesses is by making
2 sure they have access to Federal contracting, and Senator
3 Murphy mentioned in his introduction that we saw for the
4 first time last year that women small business owners had
5 reached 5 percent in terms of access to Federal contracts,
6 so it is a milestone, but a very slow start to what we need
7 to do more of.

8 And so I wonder if you could talk about how you plan to
9 work with Federal agencies to increase small business
10 opportunities for Federal contracts.

11 Ms. McMahon. I would first like to fully understand,
12 you know, what those projects are and how we can best fit
13 the businesses to those contracts. You know, I think that
14 in terms of the prime contracts and the subcontracts, we
15 need to make sure that we have got that adequate
16 representation for that growth. So I would want to make
17 sure that our businesses have the right outreach, the right
18 advocates in those markets, and that is what I would focus
19 on, is trying to make sure we have those right advocates.

20 Senator Shaheen. Thank you. My time is up, but I just
21 wanted to make a point, Mr. Chairman, of announcing that I
22 am going to enter a question into the record on behalf of
23 Congresswoman Nydia Velazquez, who is the Ranking Member of
24 the House Small Business Committee, and it relates to the
25 ongoing situation in Puerto Rico. It is something, again,

1 that you and I discussed when we met, Mrs. McMahon. So I
2 will be submitting that for the record.

3 Chairman Risch. Thank you very much.

4 [The information follows:]

5 / COMMITTEE INSERT

1 Chairman Risch. Senator Paul.

2 Senator Paul. Congratulations and welcome.

3 Ms. McMahon. Thank you.

4 Senator Paul. I think the Chairman put it very well
5 when he said that small businesses are worried about
6 regulation. The cost of regulation is a big deal to small
7 businesses, particularly when you just imagine, you know, if
8 you have a thousand banks or you have one bank, your
9 compliance cost is much greater, obviously, if you have one
10 bank than if you can spread it through a thousand banks or
11 10,000 employees. This goes on across America.

12 In addition, we have another problem. We actually have
13 big businesses that come to Washington and actually are in
14 favor of regulation because they see it as an impediment to
15 smaller competition. So I think small business does need a
16 voice, and I hope you will be a good voice for small
17 business.

18 I guess what I would like to ask is: In your opinion,
19 do you think we are overregulated? Underregulated? Do you
20 think regulations are a problem? Do you have any ideas
21 about how the Small Business Administration might be run to
22 help with the regulatory burden?

23 Ms. McMahon. Thank you very much, Senator, for your
24 question. What I heard constantly when I was campaigning
25 through the State of Connecticut from small businesses was

1 the overregulation environment which is costing them time,
2 effort, and money that they could not focus of their
3 business. I think we forget sometimes that in small
4 businesses, especially mom-and-pop companies that are
5 starting up--and I have a special place in my heart for
6 them--that, you know, they are the chief cook and bottle
7 washer. You know, they are the CEO, the CFO, they are the
8 janitor. They are every other thing. So when they get a
9 packet of regulation forms that they have to fill out in
10 order to comply with regulations, A, they do not know what
11 to do with it; B, they cannot afford to hire lawyers to get
12 them through the regulatory environment. So either they
13 become more at fault and not in compliance, or they have
14 taken time away from their business to do it.

15 And so it is really difficult for small businesses to
16 have to suffer under, I think, that kind of burden of the
17 regulatory environment.

18 Senator Paul. One of the other burdens or costs of
19 small business is taxes, and I probably would not discount
20 it from regulations. I would probably say it is about
21 equal. You know, a lot of small businesses pass through
22 their income LLCs as individual income, so a moderately
23 successful small business might be paying 39.6, you know,
24 income tax, but then in addition you have got an Obamacare
25 tax, so you are like 43, 44, before you--God forbid you live

1 in the Northeast and have a 12-percent state income tax on
2 top of that. So I think there is a great burden. You will
3 not get to necessarily address tax policy directly unless
4 there are ways you can as the Small Business Administration.
5 But you also will be a voice in the Cabinet, and I would
6 just like to hear your thought on, I guess, in general the
7 same question. Are we overtaxed or undertaxed? Is our tax
8 structure currently an impediment to the formation of small
9 businesses?

10 Ms. McMahon. Well, thank you, and having first started
11 out as a Sub. S Corp., and then Women's Leadership LIVE that
12 I started as an LLC, I fully understand how the pass-through
13 aspect of that income works. And I do think that if we are
14 involved in tax reform, we do need to consider how to also
15 make it a level playing field for those pass-through
16 companies. So I would be a strong advocate for that.

17 Senator Paul. Thank you. Good luck.

18 Ms. McMahon. Thank you.

19 Chairman Risch. Thank you very much, Senator.

20 Senator Cardin?

21 Senator Cardin. Mrs. McMahon, first of all, thank you
22 very much for being willing to serve in this public
23 position. And we also thank your family because this will
24 be a family sacrifice. If you think you have traveled
25 before, this is a big country, so we thank you for your

1 willingness to serve.

2 Ms. McMahon. Thank you.

3 Senator Cardin. You have already heard the numbers. I
4 could go over the half a million small businesses in
5 Maryland, over a million jobs. But I will focus a little
6 bit on the individual companies that I have visited where I
7 see a small business developing a way to deal with
8 diagnosing student athletes on head injuries, or I see new
9 drugs being developed along the I-270 corridor that are
10 going to help quality of life, or I see a small business
11 developing a better way to help other businesses deal with
12 their administrative costs. I see it in our national
13 defense. So many of these small companies are figuring out
14 better weapons systems or ways that we can test our weapons
15 systems for efficiency. All of that is the creativity of
16 small business.

17 They all had one thing in common. They all used the
18 services of the Small Business Administration. They used it
19 for mentoring and developing a business plan because at
20 times it is difficult to know exactly what a bank needs in
21 order to be able to get a loan. They used the services of
22 SBA for capital because that is very challenging for small
23 businesses to get particularly venture capital to be able to
24 take those risks. They used the Small Business
25 Administration as an advocate to make sure that they got

1 fair Government procurement, and particularly in this
2 region, Government procurement is a very important part of
3 opportunities for small business.

4 So as you and I talked in the office--and I thank you
5 very much for our personal visit--we need an advocate as the
6 Small Business Administrator in that dealing with other
7 agencies. We talked about the procurement issues. We
8 talked about the 5 percent for the women. There is also a
9 set-aside for small businesses. We have minority
10 businesses, veteran-owned businesses. One thing is in
11 common. When an agency, a big agency, is doing their
12 procurement, they at times like as few contractors as
13 possible because they have to evaluate every contract that
14 is there, and they tend to bundle into large contracts that
15 make it virtually impossible for small businesses to be a
16 prime contractor. We have attempted to pass anti-bundling
17 legislation so that that is not done.

18 Can you just share with me how you intend to advocate
19 on behalf of small businesses, particularly among the other
20 Government agencies, to make sure that procurement is fair
21 to help small businesses grow?

22 Ms. McMahon. Thank you very much for mentioning that
23 again because we did have a good conversation about that. I
24 have found that, you know, the best way to obfuscate what it
25 is you are really trying to do is to bundle things or just

1 stack stuff on top of it. So I would really like to peel
2 back some of that bundling and take a look at it so that we
3 have the opportunity for our small businesses to really have
4 that fair shot. They should not just continue to get
5 squeezed out. And I would want to be their advocate. I
6 would want to hear from them. I would want to find out,
7 well, how did this happen? How can we get around this?
8 Whom do we need to speak to? How can I advocate more
9 strongly on your behalf? What avenues have you gone down or
10 what other avenues do you need to go down so that we can
11 reach in and make this more about you? And I would be
12 working very hard to advocate for our small businesses.

13 Senator Cardin. I appreciate that. I also appreciate
14 your response in regards to what you have done for veterans,
15 returning warriors. To me, that is an extremely important
16 part of our commitment to help veterans and returning
17 warriors in regards to small business.

18 I shared with you the initiative that was developed by
19 the private sector in my state. The Montgomery County
20 Chamber of Commerce instituted a Veteran Institute for
21 Procurement. It was a national effort to bring its
22 returning warriors to help mentor them into starting small
23 businesses and leadership. And as a result, over 700
24 veteran-owned businesses have been helped by this program in
25 Maryland. It received help from the Small Business

1 Administration to make this a national program, and I would
2 just urge you to look at these types of programs because
3 they really do help the entrepreneur spirit for our
4 returning warriors, and we must do whatever we can to help
5 them in coming back to our country.

6 Ms. McMahon. Thank you very much. Just one quick
7 comment is that I serve on the board of a company called
8 American Corporate Partners, and it is a mentoring company
9 for returning veterans to help them make the transition
10 between the military and the private sector. And so the
11 outreach is to companies and corporations that then mentor
12 these men and women who are returning and guide them and
13 often have them come into that company and spend days with
14 different members of the executive or whatever branch that
15 they want to be in, and it has been very successful.

16 Senator Cardin. Thank you. The last point I would
17 make is that, in regards to access to capital, it is
18 particularly difficult for minority businesses. I hope that
19 we can work together to find ways that we can do more
20 outreach to help access to capital for particularly minority
21 businesses.

22 Thank you, Mr. Chairman.

23 Chairman Risch. Thank you very much.

24 And we will go to Senator Inhofe.

25 Senator Inhofe. Thank you, Mr. Chairman. Well, Linda,

1 I figured if Chairman Risch can call you Linda, I can, too,
2 and I will.

3 Ms. McMahon. Thank you.

4 Senator Inhofe. And I want to tell you how much I
5 appreciate your taking the time that you did. If you spent
6 as much time with everyone as you did with me, you have been
7 pretty busy. You are taking this very seriously.

8 Ms. McMahon. Yes.

9 Senator Inhofe. And I particularly enjoyed our visit
10 because I have been there. You know, we have very similar
11 backgrounds. You were a lot bigger than I was. I did not
12 get up to the numbers that you did, 800 employees, but I can
13 remember spending 20 years getting beat up by the
14 bureaucracy, so I understand a little bit about it, and I
15 think that the office that you have has the opportunity to
16 do so much more than it has done in the past.

17 We have a guy names Tom Buchanan who is the head of the
18 Oklahoma Farm Bureau, and when I talked to him about the
19 problems that the farmers are having, not just in my State
20 of Oklahoma, which is a farm state, but throughout America,
21 he said, "It is nothing that is in the agriculture bill. It
22 is the overregulation of the EPA." Now, those are his
23 words, and my words, too.

24 And so we watched this happen. He said, "Of all the
25 problems that we had, of all the overregulation, the one

1 that scared us the most was WOTUS," the water bill. And as
2 you know, there are a lot of people, a lot of liberals, who
3 would prefer to take that jurisdiction away from the states
4 and give it to the Federal Government. And there was quite
5 an effort there.

6 Now, I bring that up as an example, because you have,
7 as you and I discussed, in your department that you are
8 going to be responsible for the Office of Advocacy. Now,
9 the Office of Advocacy is where--it is an independent
10 office, and its purpose is to advocate on behalf of small
11 businesses to other agencies and weigh in on their
12 rulemaking. And during the last administration, the office
13 has been pretty much ignored. And so you are going to have
14 to start from a zero base. Have you given a lot of thought
15 to how you are going to have this Office of Advocacy there
16 and available for people who it was designed for originally?

17 Ms. McMahon. Thank you very much. Well, if I have the
18 privilege of being confirmed, I would really like to
19 strengthen that office, because I have always been a
20 defender of the little guy, and we need someone who is going
21 to go to bat for our small businesses. And I am just the
22 girl to do that.

23 Senator Inhofe. And why do you think it was not done
24 before? Why do you think it was not done during the last
25 administration? We had many--you know, I have 300,000 small

1 businesses in my State of Oklahoma. I did not hear from all
2 of them, but almost all of them, on the problem. So how are
3 you going to revive that?

4 Ms. McMahon. I think I have to first find out why it
5 did not work. I have heard that comment from more than one,
6 that the Office of Advocacy really needs to be strengthened
7 and to be able to have some teeth when it goes to the other
8 agencies to say, you know, you are not complying, and why
9 are you not complying. And as of right now, those teeth are
10 not there. And I need to find out why, and I do not know
11 why. But I will get back to you, and I look forward to
12 working with you on that.

13 Senator Inhofe. Well, that is good, and I would assume
14 that the number of people who are working, there are a lot
15 of people who have not been as responsible and responsive to
16 small businesses, and you will have a chance to determine
17 who they are and, if necessary, make changes. I would
18 assume that would be an accurate statement.

19 Ms. McMahon. Thank you very much.

20 Senator Inhofe. All right. They have within there the
21 Small Business Innovation Research program that provides
22 funding for the small businesses to develop and
23 commercialize new, innovative technologies, and companies
24 receiving the SBIR funding stand a much better chance of
25 bringing their ideas to market than those not receiving the

1 funding. In recent years, many rural states, including
2 Oklahoma, have underperformed in this funding.

3 Can you tell me what changes the SBA can make to
4 improve this?

5 Ms. McMahon. Well, again, thank you. It is a little
6 bit difficult to say exactly what you are going to do when
7 you do not really understand what has been done here to
8 date. I do understand SBIR has been so helpful with the
9 research and development aspect and providing that kind of
10 research for startups, and I would like to understand what
11 those startups need, how we can continue with SBIR funding.

12 Senator Inhofe. Have you been able to get the benefits
13 of SBIR and what they are doing in your company? Or do you
14 know people personally who have?

15 Ms. McMahon. I do not.

16 Senator Inhofe. I see. Okay. Well, I look forward to
17 working with you.

18 Ms. McMahon. Thank you.

19 Chairman Risch. Thank you, Senator.

20 Senator Heitkamp?

21 Senator Heitkamp. Thank you, Mr. Chairman, and thank
22 you for attending our Committee hearing last week on the
23 Subcommittee on Regulatory Affairs and Federal Management.
24 It was all about small business and all about the small
25 business advocacy role that SBA should be playing that we

1 were disappointed that may not have been as aggressive as
2 what they should have been in the last several years, and I
3 look forward to continuing to work with Senator Inhofe on a
4 legislative solution to a lot of our problems.

5 Chairman Risch. I noticed when I left that
6 Subcommittee, no one's hair was on fire, so--

7 Senator Heitkamp. No. Mr. Chairman, it was a great
8 discussion, and we welcome you at any point, Linda, to our
9 Subcommittee. I think it is a great place for gathering,
10 for talking about the cross-section between small business
11 interests and regulatory reform.

12 I wish just for a minute that you had been able to turn
13 around when you were speaking about the challenges you had
14 and had seen the pride and affection in your daughter's
15 face. It was quite lovely. It is clear you have a great
16 relationship, and my mother's heart just got a little warmed
17 by that affection. And I think it is what so many small
18 businesses are about. They are about families. And they
19 are about working together and learning how to overcome
20 struggles.

21 But I want to talk about two groups of entrepreneurs
22 that I think are looking for a different level of engagement
23 and involvement--we have talked a lot about programs--and
24 the first is young entrepreneurs and the second are native
25 entrepreneurs. And thank you so much for coming to my

1 office. We had a great discussion. But I am concerned that
2 young entrepreneurs frequently may be able to write the best
3 app or write the best program, but they somehow do not know
4 how to translate that into business.

5 I personally believe that we are experiencing a
6 computer failure in financial literacy in America. That is
7 finding its way into the business community. And I am
8 interested in your thoughts, and I am going to just throw in
9 the native piece, and then you can have the rest of my time.

10 Native Americans have experienced a lot of economic
11 challenges, really from the initial engagement in this
12 country. The challenges that SBA has in Indian country are
13 exacerbated by the challenges we have with jurisdiction and
14 the challenges that we have with making sure that there is a
15 commercial code that people can rely on. And so I think I
16 am interested in how you can work with both these groups of
17 entrepreneurs to engage a future for small business in
18 America, especially in Indian country, but among young
19 entrepreneurs.

20 Ms. McMahon. Obviously, I have more experience with
21 young entrepreneurs than I do in Indian country, and I would
22 look forward to working with you in understanding more of
23 the situations that are in your state relative to how the
24 Small Business Administration can be beneficial to our
25 Indian small business developers. So I look forward to

1 that, so thank you.

2 Young entrepreneurs, I have found, are great with
3 ideas. Some of them have a great business savvy. Some of
4 them have no clue what to do. They are in their garage or
5 they are in their dorm room, or wherever it is they are,
6 they have developed this unbelievable app, they have got all
7 kinds of stuff and all, suddenly, boy, if somebody is going
8 to buy me and I am going to be a millionaire. But it does
9 not always work that way. And I think there is a discipline
10 that needs to be shown more to our young entrepreneurs. I
11 sit on the Board of Trustees of Sacred Heart University in
12 Connecticut, and one of the things we do is incubate small
13 business development there, and as we strive to sort of walk
14 these young entrepreneurs through the steps of business, but
15 they are actually creating businesses. They have developed
16 T-shirts and hats with logos, understanding intellectual
17 property, and all of that and how that is managed, so that
18 whole educational process is like, "Wow, this is how it
19 works." But they are making a success of it, and they are
20 running successful businesses. And we need to continue
21 that, not just in our universities, but I have kids, you
22 know, in high school, they do not know how to balance a
23 checkbook, and, you know, it is like, really, we need to
24 have that fundamental understanding, I think, of basics of
25 economics as we move forward to develop this next generation

1 of our young business people.

2 Senator Heitkamp. I do not think there is any dispute
3 here that we need to grow the financial literacy in order
4 for people to be successful. I saw it when I was tax
5 commissioner. People with great ideas, great ability, did
6 not know how to file even the simplest of tax forms, and so-
7 -not that we should not have fewer tax forms, but there is
8 going to be a need for some tax forms to be filed, and so I
9 look forward to continuing our discussion, especially about
10 the challenges of Native Americans and entrepreneurship.

11 Ms. McMahon. Thank you very much.

12 Chairman Risch. Thank you, Senator Heitkamp.

13 Senator Ernst?

14 Senator Ernst. Thank you, Mr. Chair, and thank you,
15 Mrs. McMahon, for being here today. And I appreciate the
16 time you took to sit down with me and many other members of
17 this Committee. And I want to say a special thank you as
18 well to Senators Blumenthal and Murphy for being here today,
19 because I think so many times we get caught up in
20 partisanship that we forget that there are many issues that
21 we are very, very passionate about that share a bipartisan
22 nature. So I want to thank them as well for being here to
23 support you today, and I know that many members of this
24 Committee love to work on things together, especially when
25 it comes to regulatory reform, tax reform, and others. So I

1 want to thank them for that.

2 Now, we sat down in my office and talked about a number
3 of issues, and one of the issues that I brought up as we sat
4 down was a project that I have been working on over the last
5 year, and it is legislation that gives small businesses a
6 stronger voice in the regulatory process, and it is called
7 the "Prove It Act." And the legislation did pass out of
8 this Committee last year, and we worked really hard with the
9 folks at SBA in the Obama administration to get their input
10 and feedback, because the goal is to make sure that the bill
11 is bipartisan and that it is a success.

12 So we did talk about it, and the purpose of the Prove
13 It Act is to strengthen the voice of small business owners
14 and provide incentives to agencies to improve the quality of
15 their certifications and analysis when they are actually
16 writing a rule. And, simply put, the Prove It Act says if
17 there is a battle of analysis between different agencies on
18 the economic impacts of a rule, then there should be a third
19 party that will step in, review the facts, and then issue an
20 objective assessment. And as you know, the Small Business
21 Office of Advocacy testified in front of this Committee last
22 year because they were in disagreement about the analysis
23 that EPA and the Corps, the Corps of Engineers, had
24 completed on the WOTUS rule and believed that the rule would
25 have significant economic impact on small business.

1 And as well, with this Prove It Act, there were a
2 number of organizations that supported it. The NFIB, the
3 Chamber, and the Women Impacting Public Policy, all of those
4 organizations supported it.

5 Can I get a commitment from you to work with me on this
6 legislation and help implement it, especially given the
7 desire by our President to make sure that we are reducing
8 regulatory reform, especially on small businesses?

9 Ms. McMahon. Senator Ernst, thank you very much, and I
10 did enjoy our meeting. And when you talked to me about this
11 legislation, I thought, "Wow, isn't that just a really
12 common-sense thing?" And I think we just need more common
13 sense in Government. If you have got two sides and cannot
14 agree, you have a referee; you have a third party that comes
15 in. And I liked also what you were telling me about the
16 bill, which is that it actually would make the agencies work
17 together before it had to become like a public event and
18 help with drafting the legislation. So I think that it is a
19 very good piece of legislation that I would like to learn
20 more about and would look forward to working with you to
21 make sure that we can support our small businesses.

22 Senator Ernst. Great. Thank you. I appreciate that
23 so much.

24 Then on a related topic, too, what are your goals just
25 in the first few months, should you be confirmed? What are

1 your goals in the first few months at the SBA?

2 Ms. McMahon. There are so many things to look at, and,
3 obviously, we want to be mentors to our entrepreneurs. We
4 want to grow and create jobs. But if I had to walk in the
5 first day and someone were to say to me, "You know, what is
6 the first thing you really want to look at today?" I would
7 say I want to take a look at our disaster relief program,
8 because disasters do not pick a time. They happen. And we
9 need to be prepared for those disasters.

10 I do not know how effective they have been. I know
11 that when Sandy hit a few years ago, Hurricane Sandy, you
12 know, the devastation up the east coast and in my State of
13 Connecticut and New Jersey--and I am sure Senator Booker can
14 speak to that--there was a delay in time of response from
15 SBA. I do not know if that is because it was a massive
16 storm, it went so far, resources were not there. But we
17 need to get ready for that. Just two nights ago, tornadoes
18 in Georgia that killed 19 people. So we have to be ready
19 for disaster relief.

20 When our small businesses are put out of business for a
21 while, you know, the economy suffers because they are out of
22 business. We need to get those funds to them if they are
23 out of their homes, to make those direct loans to them and
24 their homes so they can get back and functioning and be
25 families. So that is a real passion that I think we really

1 need to take a strong look at.

2 Senator Ernst. That is really great. Iowa is not
3 immune to those natural disasters, and in Iowa, 97 percent
4 of our jobs come from small businesses. So thank you very
5 much, Mrs. McMahon.

6 Thank you, Mr. Chairman.

7 Ms. McMahon. Thank you. Thank you, Senator.

8 Chairman Risch. Thank you, Senator Ernst.

9 Senator Duckworth?

10 Senator Duckworth. Thank you, Mr. Chairman. And, Mrs.
11 McMahon, thank you so much for spending so much time with me
12 yesterday, and I especially appreciated your candor and
13 willingness to address my concerns that have to do with
14 WWE's use of 1099 employees, especially as it pertains to
15 the health of your performers, as well as the potential, you
16 know, as someone who is going to head SBA and promoting
17 small businesses, that I do not want that to become the
18 standard that small businesses uses 1099 employees to avoid
19 paying and providing the health benefits and the protections
20 for small businesses employees just like anyone else. And,
21 also, I appreciated you addressing my concerns about
22 potential monopolistic practices at WWE as well. So thank
23 you for that time.

24 I do want to focus on one of the goals of the SBA. You
25 know, Congress created the SBA to achieve two goals: to

1 help American small businesses and to make sure these firms
2 win a fair amount of Government contracts. I want to focus
3 on that second goal.

4 As a Member of Congress committed to making Government
5 work better, I am concerned that our Federal procurement
6 system is not meeting the needs of American small
7 businesses. And in Illinois, 98 percent of our businesses
8 are small businesses, and they employ 46 percent of the
9 people living in Illinois. So they are a significant
10 portion of our economy.

11 I often hear from Illinois small businesses who are
12 frustrated by jargon-filled, clunky, and complex Federal
13 websites, things like FedBizOpps and SAM.gov, and they are
14 very confusing online tools. And these tools may be fine
15 for large corporations who have teams of accountants and
16 lawyers to weed through them and figure out what they mean,
17 but you and I talked a little bit about how a CEO at the
18 very beginning--you also--you know, chief cook and bottle
19 washer and janitor of the enterprise. But, you know, I
20 think these Federal tools are failing small businesses who
21 want to do business with the Government but just do not know
22 where to start.

23 Simply put, the Federal Government is falling short in
24 tapping the full potential of the millions of American small
25 businesses who are ready to help agencies achieve their

1 mission with the innovative products and services that they
2 can provide.

3 So, if confirmed, will you commit to working with me to
4 streamline and modernize these vital online Federal
5 contracting tools?

6 Ms. McMahon. Thank you very much, Senator. Well, as
7 someone who herself is technologically challenged, I can
8 certainly understand the frustration of many small business
9 owners who are trying to break through the morass of looking
10 at confusing websites. I think it is very important that we
11 make our tools the simplest and most direct way they can be
12 so that they are easy to use. If you just make things too
13 complicated, there are many who will give up before they can
14 even try to get through, and they do not have the resources
15 to have it explained.

16 So I would look forward to working with you, if I am
17 confirmed, so that we could sort through this and say, okay,
18 let us bring someone else in, let us hear from these people,
19 what is it they really need so that when those websites get
20 developed and refined, they actually do become a very useful
21 tool.

22 Senator Duckworth. Thank you. And once companies have
23 used those tools to try to get some of these contracts of
24 the Government, will you commit also to working with me to
25 improve the small business prime contracting and

1 subcontracting goals for each agency? We spoke a little bit
2 yesterday about this, that small businesses have a hard time
3 competing for some of these goals, veteran-owned businesses,
4 women-owned businesses. I spoke a little bit about the
5 frustrations at VA, for example, a major bureaucracy. I am
6 hoping that you will focus on working with me to improve
7 those goals across Federal Government and to also hold
8 agencies accountable for providing minority-owned, women-
9 owned, and veteran-owned small businesses with a real fair
10 portion of the Federal contracts.

11 Ms. McMahon. I am very happy that we have gotten to 5
12 percent. I would like to see that go up. So, yes, I would
13 look very forward, should I be honored to be confirmed, to
14 working with you and all the members of the Committee. And
15 I have been invited to several of your states to come and
16 visit with the SBA offices, and I really look forward to
17 that. As a matter of fact, I would be very happy to sign
18 right up to visit many of the states that are here. Thank
19 you.

20 Senator Duckworth. I will not make you come to Chicago
21 in the winter.

22 [Laughter.]

23 Senator Duckworth. And just finally, I want to address
24 the prospect of the President's potential \$1 trillion
25 infrastructure program which he spoke about on the campaign

1 trail as a candidate. He seemed to be recommitting himself
2 to a significant, much needed investment in our
3 infrastructure across this country. Again, this goes back
4 to making sure that small businesses have a shot at those
5 contracts because small businesses are operating in our home
6 towns all across the country. They are not just clustered
7 in large cities, and they can really bring jobs and
8 development to the local area.

9 So I hope that you will commit to working with me to
10 make sure that special attention is paid to providing small
11 businesses with a fair opportunity to compete for work,
12 particularly disadvantaged small businesses enterprise, when
13 it comes to that infrastructure program.

14 Ms. McMahon. I would look very forward to doing that,
15 and I faced some of those same issues when I ran for the
16 Senate in Connecticut, that small business often talked
17 about they were shuttled over and they did not get their
18 fair share. So I would look very forward to doing that.

19 Senator Duckworth. Thank you so much.

20 Ms. McMahon. Thank you.

21 Senator Duckworth. I yield back, Mr. Chairman.

22 Chairman Risch. Thank you, Senator Duckworth.

23 Senator Rounds?

24 Senator Rounds. Thank you, Mr. Chairman.

25 Mrs. McMahon, I most certainly appreciated the time

1 that you spent with me in my office as well, and a lot of
2 our discussion had to do with the size of the Federal
3 Government with regard to the amount of regulatory overreach
4 that I personally feel has been involved, not just over the
5 previous administration but over a series of
6 administrations.

7 As you may have heard, since 2008, though, more than
8 25,000 new regulations have been issued for American
9 businesses under the Obama administration. Some estimates
10 find that the economic impact of these new regulations has
11 reached nearly \$727 billion and requires 460 million new
12 hours of paperwork. That is on top of compliance costs of
13 nearly \$2 trillion for all Federal regulations, or more than
14 11 percent of our GDP.

15 The SBA's independent Office of Advocacy is, I believe,
16 a truly important voice in standing up for small businesses
17 against these regulations and the burdens that they would
18 impose on small businesses. The Office of Advocacy
19 intervenes in the regulatory process when possible, and it
20 really helps to inform other regulators about the impacts on
21 small businesses.

22 Some of the other members here have already indicated
23 their concern with the capabilities of this particular
24 Office of Advocacy. I would like to go specifically to what
25 happened in the last year where the Office of Advocacy

1 stepped in on behalf of many small businesses in the United
2 States. In fact, many family farms and ranches that would
3 have been impacted by the EPA's Waters of the U.S., the
4 WOTUS rule, that Senator Inhofe and Senator Ernst have both
5 identified earlier,. As you may recall from our meeting in
6 the office, the Small Business Administration's Office of
7 Advocacy sent a letter, which I would like, Mr. Chairman, to
8 submit for the record today.

9 [The letter follows:]

10 / COMMITTEE INSERT

1 Senator Rounds. They sent this letter on October 1,
2 2014, to the EPA's Administrator, Gina McCarthy, and Major
3 General John Peabody of the U.S. Army Corps of Engineers
4 criticizing the WOTUS rule and its impact on small business.
5 And, in fact, they actually recommended that the entire rule
6 be withdrawn.

7 Now, that was apparently ignored. The rule continued
8 forward. I would like to know, if you are confirmed as the
9 Administrator of the SBA, would you be willing to write a
10 similar letter recommending that this rule be withdrawn once
11 again and reminding our new Administrator of the EPA of the
12 damage that it has done to small businesses, farmers, and
13 ranchers alike?

14 Ms. McMahon. Thank you very much, Senator, for that
15 question. I would look very forward to working with you and
16 the other Senators that--Senator Ernst and others who have
17 brought up especially the issue of WOTUS. In fact, I think
18 it was Senator Ernst, when I met with her, who told me that
19 if a small business in her state wanted to expand, it would
20 have to get approval from the Federal Government in order to
21 do that. I clearly think that is overreach, and I would
22 look forward to working with you and other members of the
23 Committee to make sure that we have the right regulations in
24 place and not overburdensome ones.

25 Senator Rounds. Just to put it a little bit more

1 directly, would you consider, if necessary, if WOTUS is not
2 withdrawn, would you consider reissuing that letter once
3 again through the office, similar to the way that it was
4 done last time, but this time addressing it to the new
5 Director or the new Administrator of the Environmental
6 Protection Agency under the new administration?

7 Ms. McMahon. I would like to find the most effective
8 way to put teeth in that Office of Advocacy, and if that is
9 one of the ways to do that, I would like to work with you to
10 see if we could make that happen.

11 Senator Rounds. So I can take that as an "almost yes"?

12 Ms. McMahon. I am looking forward to working with you
13 on that.

14 [Laughter.]

15 Senator Rounds. All right. Let me move on. Mrs.
16 McMahon, under the Obama administration, fees were waived
17 for a number of qualifying 7(a) loans, including the up-
18 front one-time loan guarantee fees and ongoing servicing
19 fees for 7(a) loans of \$150,000 or less for fiscal years
20 2014, 2015, and 2016.

21 If you are confirmed as the Administrator, would you
22 consider looking at the continuation of these waivers?

23 Ms. McMahon. I would like to make sure that we are
24 making it as easy as possible to get these loans and to help
25 our small businesses. And I would like to take a really

1 strong look at: What did we accomplish by that? How long
2 was it in effect? Did we get real feedback from small
3 businesses that this was beneficial? So when I have those
4 answers, I certainly would want to see what the merits of
5 that are.

6 Senator Rounds. Very good. Thank you.

7 Ms. McMahon. Thank you.

8 Senator Rounds. Thank you, Mr. Chairman.

9 Chairman Risch. Thank you very much, Senator Rounds.

10 Senator Hirono?

11 Senator Hirono. Thank you, Mr. Chairman.

12 It is good to see you. Thank you for the time that we
13 spent together. I first of all want to commend you of the
14 comments that you made regarding President Trump's comments
15 about women, and I asked you to be a strong voice for women?
16 And should you be the confirmed Administrator, will you
17 commit to preserving the programs and funding that exist to
18 promote women and minority entrepreneurship and work with
19 this Committee to improve these programs?

20 Ms. McMahon. I definitely want to be a strong advocate
21 for women, for our small businesses, and, yes, for our
22 minorities in business, our veterans. I want to work with
23 the Committee and with Members of Congress to make sure that
24 we have the right regulations to help our businesses grow.

25 Senator Hirono. I think that you have an understanding

1 of the special challenges that are faced by women
2 entrepreneurs, having been one yourself, and minority-owned
3 businesses and veterans. And so those are groups that I
4 particularly am also focused on to make sure that they have
5 the kind of support from SBA that they should get.

6 We have heard a lot about access to capital. That is
7 something that you mentioned hearing about when you were
8 running for office. Have you identified the specific
9 factors that lead to difficulty in accessing capital?
10 Because unless you know what the causes are, we cannot make
11 the appropriate changes. So since access to capital has
12 been mentioned by you a number of times, have you identified
13 those causes and what you would do about them as SBA
14 Administrator?

15 Ms. McMahon. Thank you for your question. Let me
16 share a story with you. When I was running for the Senate
17 in Connecticut, there was a company that was in the rural
18 area up in the northeastern corner of Connecticut. We call
19 it "quiet country." And it was an entrepreneur who made
20 grips that looked kind of like springs, and they are made by
21 hand. And in his company he had probably eight to ten; they
22 were mostly women who were making these particular grips and
23 springs. And he had built his business from two or three
24 people and added people. He had gotten loans from his
25 community bank before, bridge loans, when it was time for

1 him to expand a bit or he was a little bit cash shy. He
2 knew his community banker. And now he had work orders and
3 more business coming in. He wanted to hire new workers, but
4 in order to do that, he needed to add on to his facility.

5 And so he went to see his same community banker, and
6 the banker told him, he said, "Well, the problem is you are
7 asset rich but you are cash poor." And he said, "Well, I
8 totally get that, because if I had the cash, I would not
9 need to be here to get through this time."

10 And what his banker told him was, "In the past, I have
11 been able to loan you this money, but today, under the new
12 regulatory environment that we find ourselves in, you no
13 longer qualify as you did before, and you would have to
14 overcollateralize this loan in order for me now to make the
15 loan to you." That meant that he had to put up all of his
16 assets--his house and other assets--in order to
17 collateralize a much smaller loan.

18 And while entrepreneurs are very happy to take managed
19 risks, that was just simply too much. So he did not expand,
20 and he did not grow his business. He did not hire those
21 next people. And that is an example of a regulatory
22 environment, I think, that does not allow our small
23 businesses to grow.

24 Senator Hirono. Well, let me note that. I have heard
25 those comments also from small businesses in my state, and I

1 visit with a lot of them. But some of those resulted from
2 the financial collapse and the underregulation of the
3 financial services industry on Wall Street. So there is
4 usually a cause and effect. And I am with you in trying to
5 resolve some of those issues for our small businesses, but
6 there was a reason that the collateral rules changed,
7 because there were all these uncollateralized loans which
8 led to the economic collapse.

9 I want to make the point that we hear a lot about
10 overregulation. When I talk with my small businesses and
11 they say that, it is easy enough to say we are in an
12 overregulated environment, but I always ask them, "What
13 specific regulation is it that is causing you trouble?"
14 Because unless we identify them appropriately, we can sit
15 here and talk about overregulation and not really get to the
16 heart of it.

17 I will give you an example. There was an orchid
18 farmer, if I recollect correctly, and he could ship his cut
19 flowers, but for some various reasons, he could not ship the
20 whole flowers. And these were all clean flowers, all of
21 that. And so we worked with, I think it was, USDA to change
22 that.

23 So I would like to ask you whether--when we actually
24 move to improve the regulatory environment, that you would
25 ask those very specific kinds of questions so that we get to

1 the heart of whatever the regulation is that is causing them
2 problems as opposed to some kind of, you know, "Oh, yeah, we
3 are overregulated." That does not take us very far, in my
4 opinion.

5 Ms. McMahon. Thank you for that comment, too. I do
6 not know how you change regulations if you cannot identify
7 them.

8 Senator Hirono. Good.

9 Ms. McMahon. Just exactly what you said. We have to
10 know their negative and positive impact so that we can
11 change them or enhance them. And I am committed to doing
12 that for sure.

13 Senator Hirono. Thank you. I know that my time is up,
14 but I am really glad that you mentioned one of the first
15 things you would do is look at disaster relief, because SBA,
16 being on the ground when disaster strikes--and all of our
17 states have experienced that--that is really important. I
18 was surprised, pleasantly surprised by your response to that
19 question.

20 Thank you.

21 Ms. McMahon. Thank you.

22 Chairman Risch. Thank you, Senator Hirono.

23 Senator Scott?

24 Senator Scott. Thank you, Mr. Chairman.

25 Good to see you again. Thank you for being here, and

1 thank you for your willingness to serve.

2 According to the 2016 NFIB survey of problems and
3 priorities that small business owners listed, they listed
4 things like cost of health insurance, unreasonable
5 regulations, Federal taxes, tax complexity, economic
6 uncertainty, and locating qualified employees as some of
7 their top concerns.

8 As a business owner, I know that you can identify with
9 many of these concerns, and if you are confirmed, how will
10 your experience play a role when determining if the SBA
11 could alleviate some of the concerns of small business
12 owners?

13 Ms. McMahon. Thank you very much, Senator. Having
14 walked in the shoes of small business owners, I understand
15 how difficult it is when you are in a cash flow business and
16 not a brick-and-mortar business. It is very difficult to
17 have access to capital and get loans when you really have no
18 collateral against that except your own cash flow. So I
19 know that there are a lot of startups that face those kinds
20 of issues in getting capital. So I know how to talk to them
21 a little bit about that. I know how to talk about their
22 cash management, and this is what you need to do, and I
23 advise all startup companies, once you start making a little
24 profit and you can put it away, get a line of credit,
25 because when you need it, you cannot get it. And I think

1 that it is really important advice to small companies. But
2 to manage your cash very, very carefully, because cash flow
3 is really a great part of the success, and
4 undercapitalization is one of the reasons that a lot of
5 small companies fail. So having walked in those shoes, I
6 absolutely understand that.

7 Senator Scott. Absolutely. One of the things that you
8 mentioned, the cash flow, and certainly looking for
9 qualified local employees, I assume that you have had some
10 success with local qualified employees like Triple H and The
11 Rock and other folks, but--I thought that was funny as well.

12 [Laughter.]

13 Senator Scott. I was looking for a way to throw in my
14 WWE, you know--

15 Chairman Risch. Good job.

16 Senator Scott. I am enamored with the concept. I grew
17 up in the South, so we went and watched NWA, now WWE, and
18 WWF and the whole 9 yards. So that is just my plug. God
19 bless you. He turned pretty red over there.

20 [Laughter.]

21 Senator Scott. He does not do that on TV.

22 I do think that one of the challenges that small
23 businesses face is how to align the jobs in the marketplace
24 with the skills in the marketplace. I was a small business
25 owner for 20 years or so, and I will tell you that

1 attracting the right talent to the right market is a very
2 difficult task. I think it is like 64 percent of new jobs
3 are being created in small businesses. So the reality of it
4 is, in places like Colorado, they will need one type of
5 employee with a skill set that matches what is available in
6 Colorado. In South Carolina, the number one tourist
7 destination in the world, where you should come visit very
8 soon, the reality of it is tourism drives a lot of our
9 entrepreneurship. How do we align the opportunities and
10 access to jobs with those folks looking for those jobs in
11 that marketplace?

12 Ms. McMahon. Thank you, and maybe a little bit
13 different twist on that as well. I continue to say "when I
14 was campaigning." However, that was like a 4-year period
15 when I really did learn a lot about what was going on in my
16 state. And what I found out was that in many instances
17 there were not as much a shortage of jobs as there were
18 trained people for those jobs. And I think we have to like
19 refocus how we are looking at the jobs market. Sitting on
20 the Board of Trustees at Sacred Heart, I took a look at some
21 of the educational programs that we have and asked: Are we
22 reaching out to our corporations and our companies that are
23 surrounding our university to understand what kind of shifts
24 or changes do we need to make in order to fulfill that
25 employment stream?

1 And I think we are starting to be a little bit more
2 successful in that, but we have a long ways to go. But that
3 is one of the things that I have sort of really committed
4 to, just even before I was asked to do this, but I would
5 like to continue to make sure we are training our folks for
6 the jobs that are there.

7 Senator Scott. I have just about 30 seconds left, Mr.
8 Chairman. I will just close with a comment. I hope that as
9 our new head of the SBA you will look for ways to create
10 synergy within government, perhaps our technical schools on
11 the local level--it does not matter what level of
12 government--that you will look for ways to create that
13 synergy that will provide really an alignment of those jobs
14 and skills in the marketplace where those jobs are
15 available. I think that is a great place for SBA perhaps to
16 take a unique perspective on their mission and find ways to
17 improve the outcome of the average person who starts in a
18 very difficult place and finds entrepreneurship as a path
19 forward. It would be wonderful for us to see that happen
20 under your leadership.

21 Ms. McMahon. Thank you very much.

22 Senator Scott. Thank you, ma'am.

23 Chairman Risch. Thank you, Senator Scott. The Chamber
24 of Commerce back home will be delighted with your line of
25 questioning.

1 Senator Scott. Thank you, sir.

2 Chairman Risch. I appreciate it.

3 Senator Coons?

4 Senator Coons. Thank you, Chairman Risch, Ranking
5 Member Shaheen. Welcome, Mrs. McMahon. I thought we had a
6 very constructive and formative meeting last week, and I
7 really appreciate the chance to sort of share stories of
8 entrepreneurship and job growth. And I am thrilled to have
9 the opportunity to continue that conversation.

10 It was mostly about the key role the SBA can play in
11 helping small businesses grow great jobs and the importance
12 of accessibility of capital, strength of IP, the value of
13 mentoring programs like SCORE, the value of other areas of
14 the Federal Government like the Manufacturing Extension
15 Partnership which can help small businesses to grow.

16 My own home State of Delaware, which I have invited you
17 to visit, not to be outdone by Senator Scott, we also have a
18 great beach community which we hope you will come visit.
19 There are a number of iconic businesses at the Delaware
20 beaches--Grotto's Pizza and Dogfish Head--that started with
21 SBA loans, that helped them grow--in their early stages, I
22 should say. And so I think you will see on both sides of
23 the aisle here a knowledge of and enthusiasm for the real
24 impact that SBA has had in our home states, and the folks
25 who lead SBA in Delaware have done a terrific job and worked

1 very well with my office. And I love doing small town
2 visits where we will go up and down the main street and see,
3 whether it is 7(a) or 504 or SCORE, the impact that SBA
4 programs can have.

5 When we met, we talked about your knowledge of and
6 experience with intellectual property using trademarks and
7 licensing to protect some of the key innovations that your
8 business engaged in. And I talked about my passion for
9 patents and for making sure that small businesses know how
10 to protect what they have got and what they can bring to the
11 market.

12 Do you agree it is important to educate small
13 businesses about how they can protect what they invent or
14 innovate, whether it is through patents or trademarks or
15 other IP? And is that something you think we could work on
16 together?

17 Ms. McMahon. It is something that was such a large
18 part of WWE, and from the very beginning, we wanted to make
19 sure at WWE when I was there--and I started the program.
20 Sometimes you bring a little bit of knowledge, and you can
21 be dangerous. Or you have enough knowledge to know you have
22 to go further and ask somebody with expertise. And it was
23 very important that as the company developed intellectual
24 property, that we protected it, that we copyrighted the
25 television shows or our music programs or our magazine

1 works. It was very important that we registered trademarks,
2 you know, in the particular classifications to protect. You
3 have invested so much money to grow and develop that product
4 or that intellectual property. But if you do not protect it
5 and then someone else takes it away from you, you do not
6 have a leg to stand on because you did not defend your own
7 property.

8 So it is really important to make sure that young
9 businesses understand the value of what they create and that
10 they need to protect that. And you have to expend some
11 money to do it, but in the long run, you are protecting your
12 investment.

13 Senator Coons. I look forward to working with you on
14 that. As the lead Democratic appropriator on the
15 subcommittee that funds the SBA, we also talked about how
16 this is an area of general broad agreement on a bipartisan
17 basis in what is often an otherwise contentious
18 subcommittee. And I think the fact that you are introduced
19 positively by two gentlemen you ran against recently was a
20 moment of agreement about the skills and the value that you
21 bring that is worth remarking on.

22 In Appropriations, it is my hope that we will also work
23 together on the 7(a) program to make sure we are finding the
24 right balance between promoting needed loan programs while
25 avoiding a return to subsidy.

1 Let me just mention two other things before my time
2 runs out. I have had the joy of working with Senators Enzi
3 and Roberts on extending the R&D tax credit in a way that
4 can help innovative startups, companies that use technology
5 and innovation in order to grow quickly. And I would be
6 grateful for any help you could offer in our working
7 together to inform more small businesses that are technology
8 centered about that opportunity.

9 And then, last, Senator Risch and I worked together in
10 the last Congress to advocate for the SCORE program,
11 something that was launched in Delaware by DuPont retirees--

12 Ms. McMahon. Yes, I remember we talked about that.

13 Senator Coons. --a mentoring program that helps small
14 businesses that really need to get their first business plan
15 together or that need someone with relevant sectoral-
16 specific skills. So I would be interested in hearing
17 whether you could see your way toward supporting SCORE and
18 seeing this as a critical program for your time as SBA
19 Administrator, if you are confirmed.

20 Ms. McMahon. Thank you very much. You know,
21 statistics show, whether it is women-owned businesses or
22 whatever business there is, that you are more successful
23 with mentors because it is someone that you can talk to, who
24 can give you advice, and especially underscore when we have
25 had these executives who have come in and taken it upon

1 themselves-these are very seasoned and accomplished
2 professionals, and to be able have that as a resource I
3 think is fantastic. I would really like to see more and
4 more mentoring because we will have more businesses be
5 successful.

6 Senator Coons. Well, it is a strikingly low-cost and
7 high-impact Federal program. I would love to work with you
8 on that in more detail in the future. Thank you for a
9 chance to be with you again today, and I am grateful that
10 you have stepped up and are willing to take on this
11 important role in the Trump administration. Thank you.

12 Ms. McMahon. Thank you very much.

13 Senator Coons. Thank you, Mr. Chairman.

14 Chairman Risch. Thank you, Senator Coons.

15 Senator Young?

16 Senator Young. Thank you, Chairman, Ranking Member.

17 It is so good to be with you, Mrs. McMahon, to have someone
18 of your caliber and experience--

19 Senator McMahon. Thank you.

20 Senator Young. --willing to put yourself forward and
21 serve in this capacity.

22 One of the advantages to being lower on the proverbial
23 totem pole here is I get to hear all the brilliant questions
24 of my colleagues. One of the disadvantages is I have to
25 rework my questions when those brilliant questions are ones

1 I intended to ask, so I will attempt to ask you some things
2 that have not yet been addressed.

3 But by way of background, I come from a small business
4 family as well. My dad has grown a commercial HVAC
5 distributorship over the years, and now my brother has taken
6 over that business, and I understand the unique challenges,
7 unique opportunities that are associated with small
8 businesses. This town tends to be rigged oftentimes against
9 the little guy or woman, as it were, on account of
10 regulatory burdens, sometimes foisted with great
11 deliberation by larger businesses to crowd out competition
12 from upstarts. Our Tax Code is another example.

13 The Small Business Administration--and it has been
14 mentioned many times here--I think has an opportunity,
15 perhaps unrealized to its full extent, to advocate on behalf
16 of small businesses in each of the different Federal
17 agencies across the Federal Government through the Office of
18 Advocacy. And you have already indicated that is going to
19 be a real point of emphasis on your part.

20 The Regulatory Flexibility Act of 1980 tasks this
21 Office of Advocacy with monitoring Federal agency compliance
22 with the act and assisting regulatory agencies during all
23 stages of rulemaking development to mitigate the potential
24 adverse impact of rules on small entities, blah, blah, blah.

25 So that seems like a lot of work. This is,

1 comparatively speaking, a small department when you compare
2 it to, say, the Department of Defense and whatnot. So I
3 would be very interested, say 180 days into your service, to
4 get feedback to this Committee, to my office in particular,
5 about what you have learned with respect to the Office of
6 Advocacy, how its operations might be improved, if there are
7 additional authorities or resources required to advocate on
8 behalf of our nation's small businesses and young firms.
9 That would be instructive, I think, to all of us. Do I have
10 your commitment to provide that report, should you become
11 our next head of the department?

12 Ms. McMahon. I look very forward to reporting back to
13 all the members of the Committee the things that I have
14 found I think throughout SBA, where I have found issues or
15 problems that I need your help and guidance, and I hope that
16 you would not hesitate to reach out to me to say, "Look,
17 these are some things I really want you to take a look at,"
18 because I am going to be drinking from a fire hose for a
19 while, continuing to, and it is going to be a lot for me to
20 absorb, and I would like to be the most effective at it that
21 I can.

22 Senator Young. So will you make every effort--

23 Ms. McMahon. Yes, I will.

24 Senator Young. --within 180 days to provide a report
25 with respect to the Office of Advocacy and the things I

1 mentioned?

2 Ms. McMahon. I will get back to you as soon as I can
3 with that in that time period.

4 Senator Young. All right. That is fair enough. Thank
5 you.

6 Ms. McMahon. Thank you.

7 Senator Young. The second question just pertains to
8 basic Government efficiency and effectiveness and avoiding
9 duplication, something you indicated earlier is important to
10 you. Can I get a commitment from you that you will work
11 with me to find efficiencies and ways to streamline the work
12 at the SBA?

13 Ms. McMahon. I definitely want to streamline where we
14 need to streamline, and where we need to add, we need to
15 add. And, yes, I look forward to working with you and
16 everyone on the Committee to do that.

17 Senator Young. And, lastly, I know back in my great
18 State of Indiana, we have stumbled upon some unique
19 approaches to assisting our small businesses, some which
20 might be replicated by other states. No doubt other states
21 have their own examples to put forward. So I think there
22 might be an opportunity for the Small Business
23 Administration to be an effective clearinghouse for best
24 practices emerging from the local level or state level,
25 perhaps even best practices that we have seen in other

1 countries. So with your commitment to work with me on that
2 effort, perhaps we will be able to assist our small
3 businesses.

4 Can I get your commitment to explore those
5 opportunities as well?

6 Ms. McMahon. Yes. I am a firm believer in best
7 practices. And I think as we look across all of what is
8 going on relative to SBA, we will identify some areas that
9 need to be shored up and others that need to be changed or
10 some that need to be removed. So, yes, I like best
11 practices.

12 Senator Young. Thanks so much.

13 Chairman Risch. Thank you very much, Senator Young,
14 and we will go to Senator Markey.

15 Senator Markey. Thank you, Mr. Chairman, very much.

16 Mrs. McMahon, we talked in my office. I raised this
17 issue of net neutrality with you, and the reason I did was
18 that it is not really well understood that 68 percent of all
19 venture capital goes to software and Internet startups, and
20 they are small businesses, just beginning.

21 One of your counterparts over at the Federal
22 Communications Commission, the new Chairman-designate, is
23 talking about repealing those rules, which really does make
24 it possible for new startups to be able to reach all 320
25 million people in America, which is the business model that

1 venture capital and other investment money flows that way.

2 And, again, we have the next generation of startups.

3 Are you familiar with that net neutrality issue? And
4 what is your kind of general philosophy towards those areas
5 of economic development in the small business area in our
6 country?

7 Ms. McMahon. Thank you very much, Senator. I think
8 yesterday when you and I spoke about it, I said thank you
9 for informing me of this and educating me more about this.
10 I have not dealt with net neutrality in any of the
11 businesses that I have been involved in. I understand your
12 concern from yesterday that we do not want any restrictions
13 on access to the Internet because it can impede small
14 businesses. So I would like to continue to learn more about
15 that and to learn more from you about that and how it can be
16 used most effectively.

17 Senator Markey. And I thank you.

18 SBIR, some staggering numbers from Massachusetts since
19 the program was created in 1982. Massachusetts small
20 companies have received 20,000 small business grants, and
21 2,300 new firms were created out of those grants, creating
22 tens of thousands of new jobs in our state. And we very
23 much rely upon SBIR grants as part of our long-term business
24 planning.

25 Senator Shaheen and I and others, we have been

1 advocating to make this a permanent program. Have you had a
2 chance to look at SBIR? And what would you think about the
3 prospect of your support for making it a permanent program?

4 Ms. McMahon. I have just begun to familiarize myself
5 with it, and I have talked with many of the Senators who are
6 on the Committee who have said how important SBIR has been
7 to their constituents, especially in the world, as you and I
8 talked about yesterday in small businesses, of technology
9 and startups and what a large proportion they are now of
10 small businesses, especially in your state. So I want to
11 delve more into that and to see how we can best utilize SBIR
12 to make sure if we need to enhance it, let us do that. If
13 we need to make it permanent, I want to know why that is
14 beneficial, so I would like to continue to learn from you
15 and Ranking Member Shaheen and others about that.

16 Senator Markey. Okay. Thank you. And climate change:
17 Climate change is real, it is happening. We see it along
18 the coastlines especially of our country. And over and over
19 again, FEMA and the SBA have had to respond in order to give
20 help to Louisiana, affected by historic flooding, or along
21 the Northeast, with historic storms that hit our coastlines.
22 And in each instance, FEMA and the SBA have responded to
23 these natural disasters. Climate change is only going to
24 get worse.

25 Have you looked at that issue of what that impact is

1 and what planning SBA might have to make in order to deal
2 with these changing conditions, especially its impact on
3 small businesses?

4 Ms. McMahon. I have learned from you yesterday about
5 the warming of the waters, Massachusetts up to Maine and
6 around through the Cape Cod area.

7 Senator Markey. The fastest warming body of water in
8 the world.

9 Ms. McMahon. And I found that a fascinating statistic.
10 And you indicated to me how it is driving the cod north,
11 lobsters north, and so the fishing, the fishery industry
12 there, is really being impacted by that climate change.
13 Those are very real statistics that I want to learn more
14 about and to know not only as it relates to Massachusetts
15 but where else in our country where small business, I think,
16 can be affected and we should take a more active role.

17 Senator Markey. And I would just say in conclusion
18 that after the Tsarnaev brothers attacked Boston on Memorial
19 Day in 2013, the SBA stepped up to help all the small
20 businesses in that area so that they could recover. And I
21 think that is just another great function of the SBA that is
22 not fully understood. Whether it be natural disaster or
23 manmade, the SBA has been there, and hopefully under your
24 leadership we can see a continuation of that great
25 tradition. Thank you.

1 Ms. McMahon. Thank you very, very much.

2 Chairman Risch. Thank you, Senator Markey.

3 Senator Booker?

4 Senator Booker. Thank you very much, Mr. Chairman.

5 Mrs. McMahon, I want to thank you for being here. It
6 means a lot to serve your country and to step forward and be
7 willing to make the kind of sacrifices you are going to have
8 to make in this position, so I am grateful for your
9 patriotism.

10 Ms. McMahon. Thank you.

11 Senator Booker. I want to also just say, when your
12 daughter and son-in-law stood up, I just want to say for the
13 record that your daughter is far more fierce and
14 intimidating than your son-in-law.

15 [Laughter.]

16 Senator Booker. He and I are about the same age,
17 almost exactly the same age, and Paul is letting himself
18 slip a little bit. So after this, maybe we should go to the
19 Senate gym so I can give Triple H some triple help in
20 getting back in shape.

21 Ms. McMahon. I am not sure, but Stephanie could give
22 you a mean hip toss.

23 [Laughter.]

24 Senator Booker. I believe that.

25 Real quick, New Jersey had some good years. In fiscal

1 year 2015, we received about \$750 million in SBA loans with
2 over \$500 million of that going to underserved communities.
3 As mayor of Newark, New Jersey, I was blown away by how
4 minority women in particular are doing such an extraordinary
5 job in our country of starting businesses.

6 I am proud to support a lot of the programs that are
7 focused on them, and I am wondering if you believe or
8 support a higher cap for the SBA to be able to make
9 additional loans in fiscal year 2017 and 2018?

10 Ms. McMahon. Well, what I would first like to see is:
11 Are all of our loans being made effectively? Are the loans
12 that we are making going where we think they are going and
13 have the results that we want to see? I do not have a
14 handle yet on whether or not that metric is in place for
15 that accountability. I want to make sure we are serving
16 more and more minority small business owners, our veterans,
17 our Native Americans. But I need to know, first of all, are
18 the loans we are making effective.

19 Senator Booker. Right.

20 Ms. McMahon. And if they are, then let us increase it.

21 Senator Booker. I really appreciate that response, and
22 the stimulative effect of these loans is in many ways far
23 more powerful than other uses of Government dollars. The
24 traditional indices that banks use to evaluate the loans,
25 something I learned from Kiva, which I am sure you are aware

1 of, that is doing incredible micro-loan work, by using other
2 indices that are untraditional, they have loan repayment
3 rates that beat traditional loans. That is something that I
4 think the SBA should be looking at to try to figure out
5 other ways to get capital into the system.

6 Something else that your predecessor did that I think
7 is great, trying to correct for really bad policy coming out
8 of the 1990s, was that a lot of folks who were in prison for
9 nonviolent drug use, many of them for doing the things that
10 two of our last three Presidents admitted to doing, would
11 come out of prison and have paid their debt to society, but
12 would not be able to get Pell grants, would not be able to
13 get food stamps, would not be able to get public housing,
14 stripped in many ways of their ability to compete
15 economically.

16 What your predecessor did was to make changes to help
17 formerly incarcerated citizens, many of whom are approaching
18 parole, be available to get loans from the SBA. It was a
19 remarkable change, and some of our great entrepreneurs are
20 people who made mistakes in the past. I just want your
21 commitment that that is something that you are going to look
22 to continue as a practice.

23 Ms. McMahon. Well, I certainly would like to know more
24 about it, and it sounds like something that has been
25 effective, and I would like to be able to see if it has

1 been.

2 Senator Booker. I appreciate you looking into that.
3 Again, most Americans, one out of ten is violating drug
4 laws, and, unfortunately, those drug laws are enforced
5 disproportionately on poor people and minorities at rates
6 that are astonishing if you are African American in this
7 country. No difference between blacks and whites for using
8 drugs or dealing drugs, but you are arrested almost four
9 times more likely, which means four times more likely to be
10 stripped of opportunities to compete economically. And your
11 attention to continuing that program is something that would
12 be really helpful.

13 Ms. McMahon. Thank you.

14 Senator Booker. There has been a lot of talk about the
15 SBA and transparency. I just want to make sure that you are
16 committed to helping us to have transparency when it comes
17 to loans so we could have better metrics about how your
18 loans are doing and being directed towards different
19 populations that have been mentioned here. I really
20 appreciate that.

21 Really quickly, I have a lot of problems with the
22 regulations as well. That is something I think there is a
23 lot of opportunities for people to work on both sides of the
24 aisle. Take, for example, the fact that the number one
25 employer in America, if you include contractors with the

1 Federal Government, is the Federal Government. It creates
2 tremendous jobs. But as we have heard from others,
3 navigating that Byzantine labyrinth of complicated rules and
4 regulations is difficult.

5 Take, for example, just the people who manage our
6 pension funds, which has been given to one major--hundreds
7 of billions of dollars in pension funds, management given to
8 one major outlet, while emerging managers, which states use
9 to manage their pension funds, often women-run businesses,
10 often minority businesses, actually outperform the big
11 folks. But because of the way these regulations are, it is
12 very hard for those smaller businesses to complete. In the
13 technology field, this is really difficult because small
14 tech firms, which often provide greater service, cannot even
15 compete for Government grants because the way it is
16 promulgated is just too difficult to navigate.

17 And so I just want your commitment that, as you look at
18 small businesses in general, looking here inward at the way
19 we do our processes is really critical to empowering small
20 businesses, and if we can help to lower these regulations,
21 make space for smaller businesses to compete for larger
22 contracts or to break down those large contracts into
23 smaller, bite-size opportunities, we will help to fuel our
24 economy in a significant way. It is something that as a
25 member of the Cabinet, with all these other Cabinet members

1 who push billions of dollars out into the private market,
2 for you to be a voice for someone who says let us look at a
3 way to empower small businesses, it can make a majorly
4 impactful difference and actually get Government better
5 service for their dollars. Is that something that you will
6 be focused on?

7 Ms. McMahon. I absolutely want to advocate for our
8 small businesses and having that access to compete.

9 Senator Booker. Thank you very much.

10 Chairman Risch. Thank you very much, Senator Booker.
11 Senator Kennedy?

12 Senator Kennedy. Thank you, Mr. Chairman.

13 Mrs. McMahon, I enjoyed our visit in my office. I
14 appreciate your time. I think you will be a great addition
15 to Mr. Trump's team.

16 Ms. McMahon. Thank you.

17 Senator Kennedy. I have just got a couple of
18 questions. Do you understand how hard it is to start or
19 expand a small business in America today?

20 Ms. McMahon. Yes, sir. I have had that experience. I
21 know very well what it takes.

22 Senator Kennedy. I mean, Senator Booker talked about
23 this, but let us just start with the regulation. Here is
24 what small business people tell me every day. They do not
25 complain about specific rules or paying their fair share.

1 This is what they tell me. They tell me, "We need simpler
2 rules. We need fewer rules. We need quicker decisions by
3 the bureaucracy. We need Government workers who will answer
4 the phone. We need Government websites that a normal person
5 can navigate." That is all they are asking for.

6 Now, it has been my experience--and I have been in
7 America longer than I have been in Washington. I have been
8 a Senator for 3 weeks. You cannot be for jobs if you are
9 against business. And businesswomen and businessmen need
10 five things: they need low taxes, they need reasonable
11 regulation, they need capital, they need decent
12 infrastructure, and they need a skilled workforce.

13 Now, I realize SBA cannot provide all of those, but
14 tell me how at SBA you are going to help small businesswomen
15 and small businessmen get those things.

16 Ms. McMahon. Well, for one thing--and thank you very
17 much, Senator Kennedy, and I, too, enjoyed our visit. I
18 think a lot of what you have talked about, if I were
19 fortunate enough to be confirmed--

20 Senator Kennedy. You will be.

21 Ms. McMahon. --I would like--thank you. Did you hear
22 that?

23 I think it is really important that we do mentor these
24 small businesses. You know, a lot of times, if someone has
25 a wonderful idea, this is my business, this is what I want

1 to do, I am going to come in and I am going to show you, and
2 they come in with sort of an abstract business plan. And
3 even if you help them sort of get that business plan right
4 and get all the t's crossed and the i's dotted, sometimes
5 you have to look at them and say, "This is not a good idea.
6 This business really does not look as though it has the legs
7 to succeed." And I think often there is not enough of that
8 kind of mentoring.

9 But I think that, you know, all of the other things
10 that you have identified, it is like a blueprint for
11 success--you know, lower taxes, fewer regulations, and all
12 of that. But sometimes you do not have the basic
13 understanding of what it is going to take to have a
14 successful business. And there needs to be that aspect of
15 mentoring as well, and I think that will help us grow more
16 quality businesses that do have the opportunity to succeed.

17 Senator Kennedy. Well, lots of small businesses fail.
18 I understand that. But what I think is happening in our
19 country is that a lot of really smart people are just afraid
20 to try. They are afraid of their chances of success. They
21 just think there are none. They just start looking at the
22 different permits and regulations and rules, and on top of
23 that you have got to have the capital, and many people have
24 to put a second mortgage on their home. You know, it is
25 just insurmountable.

1 And here is what I hope you will do, Mrs. McMahon,
2 because I do believe you will be confirmed. I think you are
3 very qualified for this position.

4 Ms. McMahon. Thank you.

5 Senator Kennedy. And I think the President has chosen
6 well. But I am familiar with what SBA does, and I know you
7 are, too. But I hope you will go beyond just SBA. I hope
8 you will be the advocate for small business in this
9 administration, because in my state, 90 percent of our jobs
10 are created by small businesswomen and small businessmen who
11 are taking a risk. And it is risky. And sometimes they
12 fail. But when they stop trying, at least in my part of
13 America, we are in real trouble.

14 So I hope you will take on that role. If there is
15 something I can do to help you, let me know. Good luck.

16 Ms. McMahon. Thank you. I do not think that I could
17 be an advocate for SBA if I were not an advocate for small
18 business. I think they are one and the same.

19 Senator Kennedy. Thank you. I yield back my full 24
20 seconds, Mr. Chairman.

21 Chairman Risch. Thank you, Senator Kennedy. We
22 appreciate it.

23 And, Senator Shaheen, we are back to you.

24 Senator Shaheen. Thank you, Mr. Chairman. And I only
25 have two questions, and I know that we may be waiting on one

1 or two more other people. But as you are aware, the Small
2 Business Administration is a relatively small investment in
3 this economy. If you look at how it compares to many other
4 agencies within the Federal Government, their budget is not
5 one of the largest. Let us just put it that way. And yet
6 as we have heard from all the members of this Committee,
7 small businesses are very important to this country's
8 economy, to job growth, and we need to do what we can to
9 support them.

10 It is particularly true in rural America, I think. New
11 Hampshire does not have very many large cities. We are
12 mostly a rural state, and much of America is also. And when
13 there are cuts to the SBA, that has an inordinate impact on
14 rural America because one of the places that they can get
15 support, as you have heard, is from the SBA, for mentoring,
16 for guidance on issues that come up with their business, for
17 loans. So it is very significant.

18 I want to hear from you that you will be an advocate
19 for the budget of the Small Business Administration, because
20 what we saw in the last Republican administration is that
21 they cut SBA's budget by about 32 percent. So can you
22 reassure me that you will do everything you can to advocate
23 for SBA in the current administration?

24 Ms. McMahon. Absolutely. I want to make sure that we
25 have the right budget to accomplish what we need to

1 accomplish. And it may be that, if I have an opportunity
2 and I am confirmed, if I am looking at one aspect of
3 expenditure, to say, you know, I think we can best take some
4 of these dollars and move it over here.

5 Senator Shaheen. Sure.

6 Ms. McMahon. I think those are the right ways to look
7 at our budget and then to make sure that we are asking for
8 the right kind of appropriation, but let us lay out our
9 programs. Here is really what we want to accomplish, and
10 here is what it is going to take.

11 When I was a CEO, I often--when it was budget time, we
12 went back to zero-based budgeting. You had to justify your
13 department and your expenditures. And it is funny. That is
14 a pretty sobering experience. And so while I am not
15 advocating that necessarily at SBA, I do think there is a
16 peeling back of my understanding of the budget and where
17 those dollars are being spent and if they are being spent
18 effectively.

19 My commitment to this Committee will be that I will be
20 an advocate to make sure that SBA runs effectively and
21 efficiently.

22 Senator Shaheen. Thank you. I appreciate that. And
23 effectiveness, obviously, is a goal that we all share.

24 With that in mind, I just wanted to call your attention
25 to what was reported this week, that the new administration

1 is preparing budget cuts based on a blueprint that was
2 published by the Heritage Foundation--you may have seen
3 this--because the blueprint endorsed cutting funding for
4 several programs that I think are very important to small
5 business. One is the SBIR program, the Small Business
6 Innovation Research program, and we have heard from a
7 variety of members attesting to the importance of that
8 program. We have seen it in New Hampshire in terms of job
9 creation and providing innovation to the Department of
10 Defense. In fact, at a hearing before the Armed Services
11 Committee, we heard from experts that the most effective
12 existing program to help our military get the innovation
13 they need is the Small Business Innovation Research program.
14 So I would urge you to look at that very carefully as there
15 are discussions about cutting that program.

16 The other area that the Heritage Foundation blueprint
17 talks about cutting is SBA's role in disaster assistance.
18 And given your interest in that--you have expressed it at
19 the hearing; you expressed it when we discussed it. It has
20 been raised by a number of members. I would have severe
21 reservations about cutting SBA's role in disaster
22 assistance.

23 And just finally, in support for international trade,
24 which, again, for so many small businesses, having access to
25 those international markets can make the difference between

1 growing and succeeding and failing, especially when times
2 are tough.

3 So I would just urge you to take a hard look at some of
4 those issues and advocate for what is in the best interests
5 of our small businesses. Thank you.

6 Ms. McMahon. Thank you.

7 Chairman Risch. Thank you very much, Senator Shaheen.

8 And, finally, we are going to turn to Senator Rubio,
9 and Senator Rubio will be the last, and this is a momentous
10 occasion because, I will tell you, it is not very often you
11 get questioned by every single member of the Committee.
12 They have all shown up.

13 [Laughter.]

14 Ms. McMahon. I am honored today then.

15 Senator Rubio. Well, thank you, Mr. Chairman, and I
16 appreciate it. Mrs. McMahon and I have known each other for
17 a while. I know a lot about her background, had some
18 opportunity to spend some time with her in our office
19 talking through some of these issues. And in the interest
20 of time, I will just focus my questions on one issue that is
21 of particular importance to the State of Florida.

22 As we had discussed, you know, the Zika virus had an
23 impact on small business, and I know there has been a number
24 of questions asked about disaster relief for communities
25 impacted by storms and other events. But what I think has

1 become a new disaster, something we had never quite seen
2 before, is the impact of a pandemic or the designation of a
3 community as being a place that people should avoid. This
4 happened during the Zika outbreak this summer in South
5 Florida, where the CDC was basically telling people do not
6 visit if you are pregnant certain geographic areas in a
7 community. I do not need to tell you that was not good for
8 business.

9 And while a lot of people think it impacts the big
10 hotels and the big restaurants and the night clubs, it does,
11 but it impacts all sorts of small businesses down the chain,
12 from, quite frankly, the Uber drivers all the way to the
13 florists at the wedding that got canceled.

14 And so one of the things that we discussed was an
15 effort I made last year that the previous administration was
16 open to, to opening up or redefining the use of the disaster
17 loan program to address hardships that small businesses face
18 during a public health crisis.

19 So I would just ask: Is that something that you would
20 be open to exploring and looking at? I know you need to
21 look at what the costs of that would be, and, obviously,
22 there needs to be some predictability--although in disaster
23 relief, it is hard to predict, right? But I hope that that
24 is something that I can encourage you to be open-minded
25 about because while I do not think we are going to have many

1 of these, there is nothing to say it could not happen again.
2 And our ability to help some of these small businesses who
3 are impacted by the outbreak of a pandemic or what have you
4 like Zika in the future is a new dynamic, particularly in
5 communities that are involved in a lot of international
6 travel.

7 So I do not know if you have had a chance to explore
8 that issue a little further, but I hope that you will be
9 open-minded and work with us on achieving it, because I do
10 think that moving forward we could unfortunately see that
11 play out in a number of different places in the future.

12 Ms. McMahon. I have not had a chance to look at it
13 more than our discussion, but certainly I will have an open
14 mind and look forward to working with you on that.

15 Senator Rubio. Thank you. And the last point I would
16 make is I would encourage you, at the appropriate time I
17 would love to have you come to Florida and visit some of
18 our--I know everybody wants you to get everywhere, right?
19 But Florida is a big--

20 Ms. McMahon. Could it be during the winter?

21 [Laughter.]

22 Senator Rubio. Yes. We would try to schedule it
23 sometime between November and March. But there is some real
24 dynamism in our small business community, and, in
25 particular, I have always pointed people to how dynamic

1 first-generation Americans are in terms of entrepreneurship.
2 As I commented to you in our meeting, in some of the keys
3 like where I live in South Florida, in Miami, the people
4 know it as Calle Ocho. It is Eighth Street. It is kind of
5 a traditional area where the Cuban exile communities
6 congregate. Of course, there is a Walmart and all the other
7 big chains, but literally eight out of ten of the
8 storefronts and businesses are family owned and operated
9 businesses. And for me, that--and people always say it all
10 the time. That truly is the backbone of our country and of
11 our business class, and they do not get the headlines. And
12 a lot of these businesses face challenges. You could have
13 the greatest product in the world, but when--and these
14 things that we do not think about in terms of challenges to
15 a small business, but one of the things that has happened,
16 when they decide to expand the road in that area and go into
17 construction, it is great for the future. But for the next
18 year and a half, customers just think it is a hassle to get
19 in and out, and it is devastating for some of these small
20 businesses.

21 And I think not just--the people focus on the loan
22 programs and the other financial assistance that the SBA
23 provides, but to be an advocate for the challenges of small
24 businesses, whether it is regulations, taxes, or things of
25 this nature, I believe small business in America needs

1 advocates within the Federal Government who are constantly
2 watchdogs for any public policy at any level of Government
3 that has a disproportionate impact on a smaller business.

4 And so I hope that--I know you are going to be very
5 busy getting around to everywhere, but at some point,
6 particularly when it is cold and snowing everywhere else, I
7 encourage you to come, and we will find the right place,
8 whether it is in central Florida--we have got small business
9 success everywhere in our state, and we are excited to host
10 you there, and we would love to interact with you.

11 Again, I thank you for your willingness to serve our
12 country. I really am grateful for the opportunity that we
13 have had to talk. And the nomination process is not always
14 a pleasant experience, so I am glad that it sounds like this
15 meeting has gone well, and I look forward to working with
16 you, and I anticipate you will be confirmed here fairly
17 soon.

18 So thank you. Thank you for being here today.

19 Ms. McMahon. Thank you very, very much. I appreciate
20 it.

21 Chairman Risch. Senator Rubio, Senator Hirono had an
22 equally attractive offer.

23 Senator Rubio. Hawaii? Yeah, that is good one, too.

24 [Laughter.]

25 Ms. McMahon. However, I was invited to Alaska and

1 North Dakota, and I said, "Could we do that in the warm
2 months?"

3 Chairman Risch. Alaska is great when the salmon are
4 running.

5 Senator Rubio. We have got great places everywhere.

6 Chairman Risch. Thank you, Senator Rubio.

7 Well, with that we are going to conclude the hearing,
8 and, Mrs. McMahon, thank you so much for your willingness to
9 serve. And Senator Shaheen had another meeting to go to and
10 wanted me to express her appreciation for your willingness
11 to serve and for your appearance at this hearing and for
12 being as open as you are.

13 This has really been a good hearing. As you can see,
14 we have a very diverse group of Senators with different
15 ideas about things, but that is what makes America great.
16 Senator Shaheen and I have been talking about trying to move
17 this as quickly as possible. We feel very good about being
18 able to get you confirmed, but, obviously, it is not over
19 until it is over. And so we are going to try to move this
20 next week. We are booked up this week, but we are going to
21 do our best to try to move it next week.

22 We are going to leave the record open until close of
23 business tomorrow, Wednesday, January 25th, and we will keep
24 the record open for 2 weeks to edit statements and submit
25 letters and any other relevant materials.

1 So, with that, thank you.

2 Ms. McMahon. Thank you very much.

3 Chairman Risch. Thank you to your family for being so
4 supportive and being here with us today. With that our
5 Committee is adjourned.

6 [Whereupon, at 12:28 p.m., the Committee was
7 adjourned.]