



**Testimony of Manny Mencia
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On behalf of the State International Development Organizations (SIDO)**

**Senate Committee on Small Business and Entrepreneurship
“Reauthorization of SBA’s International Trade Programs”**

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2:30 p.m. EST

Chairman Rubio, Ranking Member Cardin, and Members of the Committee, thank you for the opportunity to testify before you today.

My name is Manny Mencia; I am the Senior Vice President of International Trade and Development for Enterprise Florida. I am responsible for directing Florida’s international trade programs and strategy; and work to help small businesses in our state to start or increase their exports. I am also the past president of the State International Development Organizations, or SIDO, and I am here in that capacity today.

SIDO is the only national organization focused on supporting our Governors international trade agendas and representing the state trade agencies. SIDO works in partnership with National Governors Association and The Council of State Governments.

SIDO helps state international trade agencies better serve American exporters by sharing innovative ideas, resources, and developing policies that help more small businesses export. SIDO works closely with our federal trade partners, including the Trade Promotion Coordinating Committee, the International Trade Administration, and the U.S. Small Business Administration.

On behalf of SIDO and our state trade directors throughout the country, I want to thank you for your commitment to small business exporters. We appreciate the Committee’s strong support of the State Trade Expansion Program – or STEP – and look forward to working with you on the reauthorization.

For today’s hearing, I want to discuss the role and importance of international trade for small businesses in Florida, and our states overall; and then talk specifically about the STEP program and why it’s important to our joint mission; and provide recommendations on how to improve the program to best assist small business exporters.

As you know, international trade plays a key role in creating and supporting good jobs in our states. According to the U.S. Department of Commerce, in 2018, exports accounted for nearly 12 percent of the U.S. gross domestic product and supported over 11.5 million jobs.

With 80 percent of the purchasing power outside of the United States, there is a tremendous opportunity to expand our economy and help more small businesses reach the global marketplace.

According to the International Round Table, 2.4 million jobs in Florida are supported by international trade. That is one out of every 5 jobs in our state. These are jobs that pay 17 percent higher than the state average wages.

We have the second largest concentration of exporters in the United States with more than 58,000 and our state is among the very top in terms of Manufacturing Export Intensity, the percentage of our production that is exported overseas.

However more than 95% of Florida exporters are small companies and is well documented that small companies need much more support from larger ones to be successful. That is where the SBA and STEP play a key role.

STEP is a key component for our shared mission to help more small businesses export. STEP provides small firms with the incentive and resource to start to export – or expand into new markets.

In addition, the STEP grant program has been an important bridge to increase the coordination and communication between state and federal trade agencies – specifically with the Small Business Administration and the International Trade Administration.

And on that note, I want to highlight our other federal partners—specifically the U.S. Department of Commerce’s Commercial Service. They play an important role in identifying international buyers and investors, assisting our businesses and supporting our state programs.

In Florida, we were regular participants in the STEP grant program during the start of the program in 2011 until 2015. With the assistance of STEP, EFI was able to launch an export diversification program that helped nearly 400 small companies enter new markets and diversify their exports. These exports helped create and support thousands of good paying jobs in Florida.

However, in the recent years the administrative burden of managing the grant has become too onerous and was simply not worth the time and investment. We have not applied for the STEP grant program for the past 4 years.

In Florida, we have been fortunate to have the resources to continue to help small firms with exporting, but most states – especially smaller states – do not have that luxury. And I fear if we do not make some key changes to reduce the administrative burden, then more states will not apply and therefore jeopardize the overall mission and objective that Congress envisioned with the STEP grant.

At SIDO, we are committed to working closely with the SBA and Congress on continuing to improve the STEP program. Before I provide my recommendations on how to improve the STEP grant, I want to complement the SBA STEP team for their increased communication and partnership with

our states. They have been a regular participant at our SIDO conferences and that face-to-face time has dramatically helped our relationship and overall execution of the grant.

In concluding, I want to provide a few recommendations to improve the STEP grant in the reauthorization:

- 1) **Reduce the administrative burden:** This includes the application, the regular and quarterly reporting requirements, and the auditing. The SBA requires an extensive amount of reporting requirements – many of which are not required by Congress – that requires a large quantity of time. This creates an unnecessary cost burden on SBA and states – especially smaller states.

Most important, this takes away the time and resources that states can use to assist small businesses with their exports – the primary goal of the program. I have included several letters from states outlining specific administrative issues.

- 2) **Establish a consistent partnership and funding with all states:** The application and allocation of the grant monies has been widely inconsistent and confusing for many states. In recent years, states that were not awarded did not receive feedback on why they were not selected. Moreover, last year states were awarded an amount, and then asked to revise their grant to a lower amount. There was no clarification or justification for the how the revisions were calculated.

Moving to a formula grant and matching component will help establish a more transparent grant process and allow states to better prepare.

- 3) **Increase the funding to \$30 million or more:** To make the program effective for both states and businesses, we need to increase the funding to make it worth it. This is especially true if we maintain the current administrative requirements. If not, we'll see more states decide not to apply for the grant.
- 4) **Allow more flexibility for states to allocate and repurpose funds:** States need to have the flexibility to adjust their STEP programming to address the market needs of small businesses and pursue new opportunities based on market conditions. Currently, states must get approval from SBA on any changes in their programming. The process has been inconsistent and burdensome for many states. Increased flexibility will reduce the administrative burden and allow states to adjust their programming to fit the best market.

I want to thank the Committee again for your support and leadership on this issue. We strongly support the reauthorization and full funding of the STEP grant program and look forward to working with you.

Thank you and the Committee for the opportunity to appear before you today, and I look forward to your questions.