SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
Senator Mary L. Landrieu, Chair

Remarks for
Markup of *"Small Business Recovery: Progress Report on Small Business Jobs Act of 2010 Implementation"*

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(As prepared for delivery)

Good Morning. I would like to call to order this hearing of the Senate Committee on Small Business and Entrepreneurship. I want to thank the witnesses for being here today, particularly our small business witnesses on the second panel.

As many of you know, this week is National Small Business Week. President John F. Kennedy started this tradition in 1963 to recognize the contributions of small businesses to the economic vitality of our country. The following year, President Johnson awarded the first "Small Businessman of the Year" Award to Mr. Berkley Bedell. Mr. Bedell, from Spirit Lake, Iowa, was President of Berkley & Co., a manufacturer of fishing lines. His business was started in a bedroom workshop while Mr. Bedell was still in high school. At the time, President Johnson pointed out that Mr. Bedell represented millions of American small businesses who, as Saint Paul wrote, were 'not slothful in business, but fervent in spirit.' [Romans 12:11]. While times have changed since then, I believe that it is still our responsibility as policymakers to lift up these entrepreneurs that are 'not slothful in business, but fervent in spirit.'

The purpose of our hearing during Small Business Week is to review the most important issue facing today's 27.2 million small businesses: recovery from the great recession. More specifically, we will review the Federal government's implementation of the Small Business Jobs Act passed last year and how it has benefitted small business owners. This legislation has been touted as the single most important piece of small business legislation in decades.

Last Congress, the 111th Congress, this Committee heard story after story from small business owners across the country struggling to keep the lights on at their stores or struggling to keep people on payroll. Some business owners could not get a conventional bank loan. Others had seen a reduction in their existing lines of credit. Still others had cutting-edge products, but did not have the resources to contract with the Federal government or export these products overseas. This was especially troubling because, since 2008, small firms had accounted for between 64 percent and 80 percent of net job losses.

To address these issues, I am proud to have led Senate efforts to enact the Small Business Jobs Act of 2010. This bill was signed into law by President Obama on September 27, 2010. The Jobs Act provided support to small businesses by: 1) providing $12 billion in immediate tax cuts for small firms; 2) increasing access to capital; and 3) strengthening the core programs of the Small Business Administration (SBA).

First, the Jobs Act included multiple small business tax cuts effective for 2010 that provided incentives for small businesses to make new investments in property and real estate and expand their operations. For example, for small business owners who bought new equipment in 2010, the Jobs Act included enhanced expensing provisions that allowed the immediate write off the first $500,000 of tangible personal property investments and up to $250,000 for certain investments in real estate. Also, for the first time ever, self-employed businesses owners could deduct 100 percent of the cost of health insurance for payroll tax purposes. In my home state of Louisiana alone, there are over 234,000 businesses owned and operated by self-employed individuals who stood to benefit from this tax deduction. For qualifying taxpayers, this deduction alone triggered a 15 percent reduction in their healthcare costs for 2010. That was just the start. All together, the bill included over $12 billion in tax cuts for small businesses at a time when we need them to hire workers or grow and expand their business.

Next, the Jobs Act focused on the major hurdle limiting small business growth: lack of access to capital. In particular, the Jobs Act continued vital programs from the American Recovery and Reinvestment Act which spurred lending to small businesses – the elimination of borrower fees and increasing the Federal guarantee on SBA loans to 90 percent. At the time our bill passed, these provisions had already supported $30 billion in lending to more than 70,000 small businesses since 2009. The extension of these Recovery Act provisions in our bill allowed an additional 1,500 businesses to receive $750 million in loans.

In addition, the Jobs Act allowed SBA to offer larger loans to support small businesses, enabling them to expand and create new jobs. The Act permanently raised the maximum loan size for the SBA's two largest loan programs, increasing the maximum 7(a) loan size from $2 million to $5 million and the maximum 504 loan size from $1.5 million to $5.5 million. It also permanently raised the maximum size for SBA microloans, increasing it from $35,000 to $50,000 and strengthening a critical tool for entrepreneurs in underserved markets to access start-up capital. These changes have helped lead to record SBA lending. The SBA has already supported over $16 billion in lending since October 1, 2010. In 2009, that number was only $13 billion. SBA has already surpassed that number in 7 months.

Additionally, the Treasury Department was tasked with implementing two (2) new programs designed to support private-sector lending to credit-worthy small businesses. The Small Business Lending Fund makes $30 billion in capital available to the roughly 7,000 healthy community banks in our country, with incentives to increase small business lending. This strategic public-private partnership could leverage up to $300 billion in lending to smaller firms – up to $1.1 billion in taxpayer net savings. Treasury has already received applications from 676 banks for roughly $9.5 billion. We need to make sure that we don't change the goalposts on these community banks. They have experienced enough frustration during the economic downturn. As a result, I oppose any additional changes to the Small

Business Lending Fund. What you see is what you get. Treasury also recently released the application for Subchapter S and Mutual Holding Company banks.

The State Small Business Credit Initiative could support at least $15 billion in new lending by strengthening state small business programs – many of them facing budget cuts. Treasury has approved programs in 6 states. In fact, one of those states, North Carolina, has started making loans as a result of this program, and is here to share their experience with us.

Under the Jobs Act, key enhancements were made to the core of the SBA - trade, contracting, and entrepreneurial development programs. Currently, only 1 percent of small businesses export. Also 95 percent of the world's customers are outside of the United States.

Our bill improved SBA export financing programs by significantly increasing the maximum size of export loans and by expanding the network of SBA export finance specialists that counsel exporters and help to underwrite the loans. It also created a State Trade and Export Program (STEP) which will provide $60 million in grants to states to bolster state-based small business exporting programs and will strengthen their coordination with federal exporting initiatives.

In addition to increasing export opportunities, the Jobs Act provided several enhancements to the small business contracting programs at SBA. First, we restored parity among all SBA small business contracting programs – 8(a), HUBZone, Women-Owned and Service-Disabled Veteran Owned programs. Next the bill established a new government-wide policy that limits contract bundling to no more than $2 million unless consolidation is necessary and justified. And finally, the Act requires the SBA to conduct a review of 1/3 of the small business size standards every 18 months, completing a comprehensive review of all size standards every 5 years.

Now that I have highlighted provisions in the bill, let me give you an example of one business that has benefitted from the Jobs Act. Baker Sales of Slidell, Louisiana is a small business that distributes imported steel tubing and fencing. When construction slumped during the recession, so did demand for steel products. If that wasn't bad enough, they saw their sales drop 20 percent last year when oil and gas contractors pulled orders after the Deepwater Horizon disaster. For 30 years, Baker Sales has imported steel products and sold them no farther than 200 miles of Slidell. For this steel tubing distributor, exports were a "pipe dream." They lacked the counseling and capital to take advantage of international opportunities.

Last March, they received assistance from Donald van de Werken (Regional Director) and his U.S. Commercial Service staff in New Orleans to travel to Panama to identify potential clients. However, Baker Sales lacked the capital to make these transactions a reality. This is because banks hesitate to make loans for small business deals where the collateral and paying customer are outside the U.S. As a result of the higher loan limits in the Jobs Act, Baker Sales received a $3 million 7(a) loan that will help them expand by facilitating export deals with buyers in Panama. They immediately hired 2 employees because of the loan and expect to hire more as sales increase to Panama.

Today, it is time to hear additional success stories, as well as to get an update from Federal officials on their implementation of these key programs.

I would now like to turn it over to our Ranking Member Olympia Snowe, for her opening statement.