



U.S. Small Business
Administration

**Statement of Linda E. McMahon
Administrator
U.S. Small Business Administration**

**before the
Senate Committee on Small Business and Entrepreneurship
Hearing on “Oversight of the U.S. Small Business Administration”
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Thank you, Chairman Rubio, Ranking Member Cardin, and members of the committee for inviting me to testify today. I appreciate the opportunity to visit with you again. It is also nice to see some new faces on the committee, and I look forward to working with you and getting to know you better.

Tomorrow, February 14, will be two years since I was sworn in as the Administrator at the U.S. Small Business Administration (SBA). The last time I appeared before the committee, I talked about my areas of focus within the agency, updated you on my district office travel, and shared with you my many small business interactions. In the time we have today, I want to look back on my two years of service, provide further updates on our agency's progress, and outline some areas where I hope we can work together this year.

Let me begin, though, by addressing something that I know is top of mind for all of us, the agency's resumption of operations following the lapse in appropriations, and specifically, our lending activity. As a result of the lapse, our business lending and surety programs were closed for a total of 20 full business lending days. During that time, SBA was unable to approve loans and was not able to accept new loan applications.

Throughout the lapse, our Capital Access Financial System contained a notice advising lenders and the public of the status of our lending programs. SBA's Office of Capital Access also communicated with external stakeholders, as necessary, and while most routine activity in the program office ceased to operate, we were able to sustain a few functions. Among them, we were able to close previously-approved and obligated 504 loans, and perform limited risk management of our loan portfolio, including certain time-sensitive lender reviews.

When agency funding was restored, our loan programs resumed operations on Monday, January 28 and our program office issued an Information Notice to notify lenders of items such as servicing actions, report filings, and expedited requests. Since lending activity has resumed, I have been proud of the work done by our Office of Capital Access and the significant progress they have made. In two weeks of lending, we have approved over 4,700 loans totaling over \$2 billion. We have processed all surety bond applications within five days for a total of \$188 million in bond guarantees. We also have cleared over 800 secondary market loans that are pending sales.

Over the last two years, I have placed a great deal of emphasis on process improvements, particularly in our Capital Access programs. By the end of 2018, through better procedures and electronic processing, we were able to reduce our loan processing times by half – small loans are being processed within 2-3 days, down from 6 days, and regular loans within 7 days, down from an average of 15 days. These improvements and efficiencies have certainly helped us following the lapse. In all lending categories but one, our application volume is back to pre-lapse levels. Where we are still experiencing a higher volume with 504 loan modifications, we have assigned

additional staff resources to review and process them, as these modifications typically require a longer evaluation time.

During the lapse in appropriations, the agency had close to 2,000 staff that were furloughed. As with our Office of Capital Access, we were able to perform limited functions in some of our other program offices. For example, staff within our Office of Government Contracting and Business Development (GCBD) were able to support contracting actions at agencies that were fully funded. While work had to cease on new or pending applications during the lapse, they were also able to preserve small business contract opportunities at agencies affected by the lapse and support ongoing 8(a) contracting award activity.

Turning to our Office of Disaster Assistance (ODA), the staff were exempt from furlough and were able to assist disaster survivors and service disaster loans throughout the lapse. This was particularly important given the ongoing disaster areas where SBA remains active. When I look back on the last two years, the agency's work in responding to natural disasters stands out as an area that has touched so many members and states.

Over the last three years, SBA has offered federal assistance to disaster survivors in every state represented on this committee. In the 19 committee member states, there have been 121 disaster declarations over that time, either presidentially declared or SBA agency declared disasters. Working with you, your Governors, and your state emergency management personnel, SBA has been on the ground to assess damage and ultimately provide access to home and business loans, enabling survivors to get back on their feet. While people might more readily identify with major disaster events, like the hurricanes of the last two seasons, many of you certainly know and identify with those localized events. From severe storms and flooding; to droughts; tornadoes; algal blooms and red tide; mudslides; wildfires; natural gas explosions; and volcanic eruptions, the agency continues to work closely with you and your states to help respond in a time of need.

Following the hurricanes in 2017 and 2018, I traveled to all of the disaster impacted regions. So that we are transparent in our activity and that we can also respond to any questions you may have, it is a priority for me that we regularly report to the committee on our disaster assistance efforts. Using numbers from a recent update we sent you last week, for the 2017 Hurricanes Harvey, Irma, and Maria, SBA has approved over 145,000 home and business loans totaling over \$7.37 billion. Even though we are over a year removed from the disaster event, SBA still has a presence on the ground in Puerto Rico and we are operating 31 community recovery centers with over 100 SBA disaster assistance staff.

Considering the hurricanes in 2018, for Hurricane Florence, we have approved close to 11,000 loans so far in North and South Carolina totaling \$439 million. In Florida and Georgia, for Hurricane Michael, we have approved over 14,000 loans totaling \$651 million. Lastly, as a result of the California wildfires, SBA has approved over 3,100 loans totaling \$356 million.

From just these six major events over the last eighteen months, the five hurricanes and the California wildfires, SBA has helped over 173,000 disaster survivors with home and business loans totaling \$8.8 billion in federal assistance. I am very proud of our agency's work and of our

disaster assistance staff, and you can continue to count on us to respond to survivors in their time of need.

At the previous hearing, we discussed my Ignite Tour and a goal that I had set to visit all 68 of SBA's district offices. The purpose of my listening tour was to meet directly with our field staff, see how our SBA programs and services are delivered to our customers, understand how we can deliver our service more effectively, and visit directly with small business owners and entrepreneurs through site visits and roundtable discussions. In addition, I conducted many local media interviews to continue to educate the public about the many resources of SBA. In December, I completed the last of those visits, in Hawaii, at our District Office in Honolulu. At the time of my trip, the Senate was in session, and while Senator Hirono was unable to join me, I enjoyed visiting her afterwards to share details of my time in Hawaii.

On my Ignite Tour, over the course of twenty months, I was in every state as well as Puerto Rico, visited all 68 district offices, and interacted with over 800 small businesses. The experience was invaluable to me in seeing firsthand how SBA operates from headquarters to the field, in aligning and ensuring the consistent delivery of our services, and in hearing directly from small business men and women.

I mentioned at the last hearing my appreciation that several of you were able to participate with me along the way. I was in New Hampshire with Senator Shaheen; in Iowa with Senator Ernst; in Delaware with Senator Coons; in Idaho with Senator Risch; in North Dakota with former Senator Heitkamp; and with others not on the committee, such as Senator Portman in Ohio and Senators Blumenthal and Murphy in Connecticut. SBA plays such a key role in our economy and the lives of our nation's small business owners, and it was good to see and experience that with so many of you.

Let me turn next to some other highlights and accomplishments from 2018 and then cover areas of focus for 2019. Our lending programs remained strong, providing loan guarantees to small businesses. In the last two fiscal years, we have provided more than \$60 billion in loan guarantees supporting more than 1.2 million jobs. The agency has also made significant strides with the most serious Management Challenges as outlined by SBA's Inspector General (IG). We were able to resolve more than 25% of outstanding items while making positive progress on 10 remaining items. We also have been able to greatly reduce our outstanding audit recommendations, so far in Fiscal Year 2019, closing three Government Accountability Office (GAO) and 27 IG recommendations. Maintaining a constructive relationship with GAO and the IG is important to me and we have dedicated significant staff resources to managing those engagements.

I have also been pleased with our work with the committee on bills that were passed into law in 2018. I appreciate the opportunity we had to provide technical assistance and offer agency perspective on various pieces of legislation. Among those was the lender oversight bill that Senator Risch, Senator Shaheen, and Senator Cardin worked so hard on; the surplus property bill from Senator Duckworth; the military reserve loan bill from Senator Shaheen; legislation dealing with the duplication of federal disaster benefits by Senator Rubio; and a bill to renew and extend a critical disaster provision by Senator Kennedy, to name a few.

As you may know from my previous testimony, the agency has and continues to improve the application process for federal contracting through our Certify.sba.gov system. We have several related initiatives this year that will utilize this system for the certification of Women Owned Small Businesses, and potentially, for Service Disabled Veteran Owned Small Businesses (SDVOSB). We have been in extended conversations with the Department of Veterans Affairs (VA) for several months about possibly taking over the SDVOSB certification process. I know some of you have a specific interest in this, and I welcome the chance to work with you on it.

Some other focus areas for 2019 include plans this spring to launch an innovative interactive digital platform to provide learning resources for women entrepreneurs, who are the fastest growing segment of small businesses. This platform will significantly enhance our outreach capabilities from 150,000 to one million users and will be used in conjunction with Women's Business Centers, Small Business Development Centers, and SCORE chapters. We also are launching a leadership program for Veteran entrepreneurs, in conjunction with the VA. The pilot funding was made possible through the donation to SBA of the President's quarterly salary.

With respect to our lending programs, we will continue to expand our outreach to and lending in rural areas, as well as to minority populations, with a specific focus on under-served communities. We continue to implement our memorandum of understanding with the U.S. Department of Agriculture, to increase awareness of SBA's loan offerings and contracting opportunities. In the area of risk management, throughout 2018, I visited with my counterparts at the Federal Deposit Insurance Corporation, the Federal Trade Commission, and the Office of the Comptroller of the Currency, to learn about and bring in best practices to our SBA operations in 2019. Also, I continue to work with my fellow Cabinet members on workforce challenges, an issue I heard so much about during my small business interactions. Lastly, we are reviewing our international trade initiatives to better enable small businesses to take advantage of emerging opportunities presented by digital trade.

In closing, I have shared with many of you in conversation, and I want to reiterate, how much I appreciate the bipartisan approach of this committee, as well as the support you have given to me and the agency. Two years ago, I was sworn in as the SBA Administrator, and every day I have valued the work of the SBA on behalf of America's small business men and women. I look forward to a productive 2019 and to our continued work together.

Thank you again, Mr. Chairman, Ranking Member Cardin, and members of the committee, for the opportunity to testify today.