



**U.S. Small Business Administration
Washington, D.C. 20416**

TESTIMONY of

**MARIA CONTRERAS-SWEET
Administrator, U.S. Small Business Administration**

**U.S. Senate Committee on Appropriations
Financial Services and General Government Subcommittee**

Wednesday, May 21, 2014

Chairman Udall, Ranking Member Johanns, and distinguished members of this Subcommittee, thank you for this opportunity to testify today.

We appreciate your ongoing support for SBA as we work to assist the entrepreneurs who are so critical to economic growth and local job creation.

I've been on the job for six weeks now. I've traveled across the country to meet with our core constituencies: small business owners, veteran entrepreneurs, SBA lenders, CDCs, procurement officials, exporters, and victims of the devastating mudslide in Washington state.

At every stop, I've heard powerful testimonials about how SBA has been a critical force in helping our small businesses succeed. We're a small agency with a big mission. We call it "3 Cs and a D" – providing access to capital, counseling, contracts and disaster assistance. Our FY15 budget will help us fulfill that mission and support the entrepreneurs who are creating most of the new jobs in America.

Last year was the third straight year that the SBA supported over \$29 billion in lending to more than 47,000 small businesses. We also assisted more than 46,000 businesses and individuals through \$2.8 billion in disaster loans.

For FY15, the SBA is requesting an appropriation of \$710 million, plus an additional \$155 million for our disaster assistance program.

This request would enable us to guarantee loans totaling \$36.5 billion over the next year and help us facilitate access to \$80 billion in federal contracts for small businesses.

This budget request gives me the tools I need as Administrator to pursue three core goals: expand access to capital to create more quality jobs; embrace an inclusive vision for the SBA in which our borrowers better reflect the geographic and socioeconomic diversity of America; and ensure our programs are giving taxpayers a strong return on their investment – real bang for their buck.

It would allow us to work with our resource partners to counsel and train more than one million small business owners. To that end, we're seeking full funding for our Small Business Development Centers, Women's Business Centers, Veteran's Business Outreach Centers and our national network of SCORE chapters and volunteer mentors.

We're also requesting full funding for disaster loan assistance as we continue to make process reforms to ensure that homeowners, renters, and businesses have access to rapid SBA assistance when they need us the most.

We've dramatically reduced our subsidy for the 504 loan program down to \$45 million, and for the second year in a row, the SBA is requesting no credit subsidy for the 7(a) loan program. Overall, our FY15 request represents a \$64 million reduction because of the subsidy decrease.

Our borrowers report that these two lending programs – 7(a) and 504 – together have supported more than 650,000 jobs.

This budget seeks authority to extend 504 Refinance lending. 504 Refi helps entrepreneurs unlock equity they already own in their businesses. Restructuring a loan under 504 Refi means better rates on long-term debt, allowing owners to use their equity to create jobs and grow.

504 Refi supported \$5.5 billion in lending over two years when it was originally authorized, but it expired at the end of FY12. This is a zero subsidy request. The tremendous benefits of reinstating this program would come at zero subsidy cost to the taxpayers.

Each year, more than 250,000 service members transition out of the armed forces. Our Boots to Business program allows them to continue to serve their country as job creators. In fact, on my very first day at the SBA this week, I met with a group of these heroes who've started their own businesses.

We're requesting \$7 million to meet the Department of Defense's request to train transitioning service members at more than 200 installations worldwide. We're also making it easier for veterans to access capital by reducing or eliminating their fees on certain SBA loans.

This budget will help SBA get more loans into the hands of entrepreneurs from diverse backgrounds. Toward that end, the SBA is once again setting fees to zero to encourage our lending partners to approve more 7(a) loans under \$150,000.

We're also investing more in our Native American programs, working in 84 communities across America to facilitate new business opportunities for this underserved population. Through our 8(a) program, we helped Native entrepreneurs and tribal businesses secure more than \$10 billion in government contracts in FY12.

Finally, the SBA continues to focus on rooting out waste, fraud, and abuse in our contracting and lending programs.

Since 2008, SBA has suspended and debarred more companies and individuals for abusing SBA programs than in the previous 10 years combined. I have a zero-tolerance policy for these and am committed to ensuring that federal dollars go to deserving small businesses that play by the rules.

At the same time, we've tightened our belts within our own operations. The SBA is saving \$600,000 in rent by moving our D.C. office into our SBA national headquarters. We've reduced our fleet management expenses by more than 9 percent through reductions in our fleet. We've invested in new equipment that will save us a half-million dollars in copying expenses over the next five years. And we've reduced SBA travel by 25 percent over FY12 levels.

In closing, I would like to share something Federal Reserve Chair Janet Yellen said last Thursday when she addressed small business leaders from all 50 states during National Small Business Week: "America has come a long way since the dark days of the financial crisis, and small businesses deserve a considerable share of the credit for the investment and hiring that have brought that progress. Although we have come far, it is also true that we have further to go to achieve a healthy economy, and I am certain that small businesses will continue to play a critical role in reaching that objective."

Our fy15 budget ensures that America's small business have the resources, tools and training to realize their potential and strengthen our economy. With that, I want to thank this committee for its leadership and support of small businesses, and I am happy to take your questions.