



U.S. Small Business Administration

Washington, D.C. 20416

TESTIMONY of

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House Small Business Committee

The SBA Budget for FY 2016:

Does it meet the needs of America's Small Businesses?

Wednesday, February 25, 2015

Chairman Chabot, Ranking Member Velazquez, and distinguished members of the Committee, thank you for this opportunity to testify about SBA's FY 2016 budget. Chairman Chabot, welcome back to the leadership of this committee. Your track record and bipartisan commitment is an asset to this country's small businesses.

I see a number of new faces on the committee. I've already had productive conversations with many of you. I look forward to working with all of you and visiting your districts in the months ahead.

Entrepreneurs are the backbone of our economy. They exude courage and character. The programs in this budget request have one thing in common: They seek to maximize opportunities for small business owners to create jobs and contribute their talents to our economy.

That's the agency's mission, and that's why I'm here. To accomplish this goal, we must continue our work to modernize the SBA, so we're accessible and relevant to the business community in the 21st century.

To that end, I want to share an important achievement in this document. Our FY16 budget proposal contains a zero subsidy request for our core capital programs – 7(a), 504 and the Small Business Investment Company (SBIC) program. We are proud of this achievement and the fiscal responsibility it represents.

I'm an entrepreneur and a former community banker. I take my fiduciary responsibility very seriously, and this budget represents my commitment to be a good steward of taxpayer dollars. For FY16, the SBA requests \$860 million. In this time of tight budgets, the SBA is doing more with less. SBA's zero subsidy achievement means this proposed budget comes in three percent below our current budget.

The SBA is making good loans, and we project we will cover any loan losses through fees in FY16. We've achieved this despite waving fees on small-dollar loans. This fee relief helped us increase lending to minority-owned businesses by 23 percent last year, so we propose continuing it in FY16.

I've been on the job now for nearly a year. Thanks to the bipartisan support we've enjoyed from this committee, we've made some important progress together.

Together, we met our 23 percent small business goal contracting goal for the first time in eight years. We supported nearly \$29 billion in lending last year, which created or sustained nearly 600,000 jobs. In the same period, our resource partners counseled 1.2 million entrepreneurs. Our SBIC funds increased their investments by 60 percent and provided \$5.5 billion in patient capital to promising small firms. And we expanded our Boots to Business program to train more than 15,000 service members at 165 military installations worldwide.

In his State of the Union address, the President spoke about our economic recovery and job growth. I'll tell you something you already know: It's our small businesses that are leading this economy back.

This budget requests an increase in our 7(a) lending authorization to meet the growing demand for SBA capital. Last year, Congress raised our 7 (a) authorization level as we approached our lending cap, resulting in an all-time record of \$19.2 billion in approvals. This year, we're asking for our highest authorization level yet of \$21 billion.

This budget also seeks full funding for our resource partners. The loan counseling provided by our Small Business Development Centers, SCORE partners, Women's Business Centers and Veterans Business Outreach Centers helps entrepreneurs across America start, grow or reinvigorate their businesses. Partnering with them is one of the smartest investments we can make.

This budget seeks a modest \$950,000 increase for veterans outreach programs. We propose expanding SBA's Boots to Business entrepreneurial training program to the National Guard, Reserve component members, and additional military installations. We're asking to broaden our Boots to Business Reboot program that serves veterans who've already transitioned out. And we're proposing to continue the fee reductions on loans to veterans, so we can serve these heroes as well as they've served us.

We're also asking to expand SBA's microloan program level by 40 percent to increase the ability of microlenders to capitalize startups and provide technical assistance. We are convinced this expansion would fill a real need for more small-dollar loans in the current commercial market. It will help underserved and rural businesses turn a profit and create more jobs.

This budget also seeks to improve our customer service. As a former community banker, I understand that the best way to make SBA more effective is to make our products and processes easier, quicker, and more cost-effective. This budget seeks funding to accomplish this critical goal by migrating more of our services online, where most banking takes place today.

This April, we'll roll out our highly anticipated SBA One system. This is the automation of the entire 7a loan application. It's going to significantly cut the time and cost of our application process. We recently demonstrated this new service to bankers, and the feedback has been overwhelmingly positive.

Last year, I laid out my modernization plan to fashion a 21st century SBA that stands for Smart, Bold and Accessible. Smart means implementing systems that harness technology to deliver capital more effectively. Bold means opening new markets for small business owners both at home and abroad. Accessible means making our services available to all, including women, veterans, rural entrepreneurs, seniors and the disadvantaged.

I'd like to close by expressing my thanks members of this committee and to our committed SBA staff across this country. More than 2 million of the 3 million jobs generated

last year, we're created by small businesses. This budget would help us build on this momentum. It would give us the resources we need to perform our core mission and help more small businesses across the country innovate, launch, hire, and grow.