

TAKING CARE OF SMALL BUSINESS: WORKING TOGETHER FOR A BETTER SBA

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED FIFTEENTH CONGRESS FIRST SESSION

HEARING HELD
APRIL 5, 2017



Small Business Committee Document Number 115-014
Available via the GPO Website: www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

24-809

WASHINGTON : 2017

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

HOUSE COMMITTEE ON SMALL BUSINESS

STEVE CHABOT, Ohio, *Chairman*
STEVE KING, Iowa
BLAINE LUETKEMEYER, Missouri
DAVE BRAT, Virginia
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa
STEVE KNIGHT, California
TRENT KELLY, Mississippi
ROD BLUM, Iowa
JAMES COMER, Kentucky
JENNIFFER GONZÁLEZ-COLÓN, Puerto Rico
DON BACON, Nebraska
BRIAN FITZPATRICK, Pennsylvania
ROGER MARSHALL, Kansas
VACANT
NYDIA VELÁZQUEZ, New York, *Ranking Member*
DWIGHT EVANS, Pennsylvania
STEPHANIE MURPHY, Florida
AL LAWSON, JR., Florida
YVETTE CLARK, New York
JUDY CHU, California
ALMA ADAMS, North Carolina
ADRIANO ESPAILLAT, New York
BRAD SCHNEIDER, Illinois
VACANT

KEVIN FITZPATRICK, *Majority Staff Director*
JAN OLIVER, *Majority Deputy Staff Director and Chief Counsel*
ADAM MINEHARDT, *Staff Director*

CONTENTS

OPENING STATEMENTS

Hon. Steve Chabot	Page 1
Hon. Nydia Velázquez	2

WITNESS

Hon. Linda McMahon, Administrator, United States Small Business Administration, Washington, DC	4
--	---

APPENDIX

Prepared Statement:	
Hon. Linda McMahon, Administrator, United States Small Business Administration, Washington, DC	31
Questions for the Record:	
From Hon. Chabot, Hon. Marshall, and Hon. Bacon	34
Answers for the Record:	
From Hon. Linda McMahon	36
Additional Material for the Record:	
Talking Points/Remarks from Congresswoman Yvette D. Clarke	39

TAKING CARE OF SMALL BUSINESS: WORKING TOGETHER FOR A BETTER SBA

WEDNESDAY, APRIL 5, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Radewagen, Kelly, Blum, Comer, González-Colón, Bacon, Marshall, Velázquez, Evans, Murphy, Lawson, Clarke, Chu, Adams, Espaillat, and Schneider.

Chairman CHABOT. Good morning. The Committee will come to order.

Here at the Small Business Committee, we have members from all walks of life, all parts of the country, and certainly, all political views. That is why we take every opportunity to remind ourselves why we are here serving on this particular Committee together. We know that every small business started with an idea.

In the 21st century, there are more ways than ever for the federal government to either help those ideas become reality and create jobs, or squash them before they ever get off the ground. I believe we have a new partner at the Small Business Administration who understands this as well as anyone. Linda McMahon is a living example of what can happen when risks are weighted, chances are taken, and creativity is unleashed. When that happens the world is your arena, and I do not use that word loosely.

My long-time friend, our Ranking Member, often says that there is no such thing as a Republican small business or a Democrat small business; they are just small businesses trying to succeed. I agree. And I believe the resounding support Administrator McMahon received through her Senate confirmation process is a sign that she shares our approach. Not to belabor the point, but the Senate really seemed to like her, and they do not like anybody.

This Committee has long believed that the SBA is an agency in need of attention. The loan programs that provide crucial access to capital need vigilant oversight. The training and technical assistance programs that reach people through local SBDCs need to keep up with rapidly changing times. Our job is to ensure that SBA's programs are effectively and efficiently serving the millions of Americans who work at, own, or want to start a small business. We ended the last Congress with a lot of unanswered questions from the SBA about how the agency will address longstanding defi-

ciencies in management, information technology, and program oversight.

It is our intention that today will mark the official start of a collaborative relationship that will address these issues and any more that arise in the future. Administrator McMahon has a record of spotting opportunity where few others could. I think it is also safe to say that she does not put up with much nonsense, not that this Committee would ever give her any but we are looking forward to hearing directly from her today about her plans for making the SBA a better agency.

Madam Administrator, welcome to the first of what I am sure will be many productive conversations with this Committee. And I would now yield to our ranking member, Ms. Velázquez, for her opening statement.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. And welcome, Madam Administrator. And thank you for being here today.

While there are many political and ideological differences represented on this committee, one thing we all agree on is the centrality of small businesses to our nation's economy. America's small employers merit our attention because in a time of partisanship they remain our common ground. They are the voices this committee strives to make heard. Small businesses need the focus of both the federal government and the private sector. Today we will center our discussion on government efforts to assist small business owners, principally those of the Small Business Administration.

The SBA plays a vital role because it is the only agency in the federal government tasked specifically with helping small businesses grow and succeed. For small businesses to fully reap the benefit from SBA's programs, it is important that the agency operates efficiently and effectively, utilizing taxpayers' dollars wisely. As such, one role of this committee is conducting vigorous oversight so we know the agency is serving small businesses well. In that regard, it is the duty of our committee to raise our concerns with any proposal eliminating or consolidating valuable SBA programs.

While cutting redundant programs is a worthwhile goal, SBA programs serve an important purpose in reaching business owners who often cannot access assistance elsewhere. In many cases, businesses struggle to secure financing, and SBA initiatives help fill these gaps. Last fiscal year, the agency supported over \$24 billion in lending through its 7(a) program alone. Another \$4 billion in lending was made available for capital-intensive projects through the agency's 504 initiative.

The SBA also plays a vital role in helping small businesses and disadvantaged firms secure their fair share of federal contracts. When small firms win government contracts, our entire nation benefits. Taxpayers receive quality goods and services at fair prices.

At the same time, unlike their larger competitors, when small businesses secure federal work, they often must scale up quickly and that creates jobs.

We have seen some progress in federal agencies meeting their small business contracting goals, but more work remains. I will be interested to hear the administrator's view on how to help more small firms break into the federal marketplace. Beyond lending

and contracting, entrepreneurs need the technical know-how and guidance to help them with everything from writing a business plan to learning to export.

The agency's Small Business Development Centers, Women's Business Centers, and Veterans Business Outreach Centers are spread throughout the country and help meet those needs, but improvements can always be made. SBA must do more to support minority- and women-owned businesses as they account for much of the nation's small business growth. Women and minority business owners face high interest rates, a lack of capital, unmet contract goaling, and a lack of mentorship. These business owners are invaluable to our economy and continued disparities need to be addressed.

Nevertheless, the SBA remains an important institution for America's small businesses. It is paramount that the agency's scarce resources be invested wisely and that the agency has the funds and people in it to carry out its mission. In that regard, I found disconcerting this administration's proposal to reduce SBA's budget by 5 percent. Likewise, I have concerns about how the current hiring freeze and plans to reduce SBA's workforce might restrict agency functions.

All of us in Congress and the administration agree that small businesses are a cornerstone of our economy and deserve our support. However, that requires more than lip service. It involves a real commitment to invest in programs that work.

On that note, I look forward to hearing the administrator's view regarding the agency's priorities for the long term. With that, I thank the chairman for holding this hearing and, again, I welcome the administrator. I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

If Committee members have an opening statement prepared we would ask that they submit them for the record.

And I would like to take just a moment to go over the time restraints and the lighting system which we have already discussed, but we basically operate under the 5-minute rule. And you get 5 minutes and we do, too. And there is a lighting system to assist you in that. The green light will be on for 4 minutes and the yellow light will come on and it gives you a minute to wrap up, and then the red light will come on. If you need a little more time since we just have one witness, we usually have four, you do not get four times 5 minutes, 20, but a little bit over would be fine.

So, and I would now like to officially introduce our distinguished witness here this morning. It is my pleasure to introduce The Honorable Linda McMahon, the 25th administrator of the Small Business Administration. She is one of the Nation's top female executives, has run for public office, and has been recognized for her many philanthropic activities. Administrator McMahon is the co-founder and former chief executive officer of WWE, which grew from a small, regional operation, to a publicly-traded global company with 800 employees worldwide; many of those employees, very big employees.

Most recently, she served as the cofounder and former chief executive officer of Women's Leadership LIVE, LLC, a company that helps women to launch and expand their own businesses, advance

their careers towards executive roles, and pursue opportunities for leadership in public service. Before assuming the top post at SBA 6 weeks ago, she served on the boards of Sacred Heart University in Fairfield, Connecticut; the Close Up Foundation in Washington, D.C., which educates young people to participate in our democracy; and American Corporate Partners in New York City, which pairs returning veterans with mentors in the workforce.

Administrator McMahon has received numerous honors, including, among other things, the Humanitarian Award from Catholic Big Sisters and Big Brothers in New York City and the Spirit of Hope Award from Liberation programs in Norwalk, Connecticut. She is a graduate of East Carolina University.

Administrator McMahon, we want to thank you again for appearing this morning, and you are recognized for 5 minutes.

STATEMENT OF THE HONORABLE LINDA MCMAHON, ADMINISTRATOR, UNITED STATES SMALL BUSINESS ADMINISTRATION

Ms. MCMAHON. Thank you very much, Chairman Chabot, Ranking Member Velázquez, and members of the Committee, for inviting me to speak with you today. I am so honored to be serving as administrator of the U.S. Small Business Administration. I would also like to express my gratitude to President Trump for the opportunity to join his administration and for his support of small businesses.

I want to right off the bat address recent reports that came out last Friday relative to an article in a magazine that indicated that SBA's flagship program, the 7(a) Business Loan Guaranty program, may be at risk of exceeding its program authority this year. I am here today to assure you that while the agency is seeing increased demand by the small business community, we are not currently in jeopardy of exceeding our capacity to meet such needs. We have contacted and continue to work with the SBA lending community to inform them that the agency is in good financial position with sufficient resources through the end of this fiscal year.

To ensure that America's small businesses can fully benefit from the tools and resources provided by SBA and that this support continues through the year uninterrupted, I do support legislative changes that provide the administrator circumstantial flexibility to increase its program authority level. Such flexibility, such as through prior proposals to increase the program authority by 15 percent following proper congressional notification, could better equip SBA to meet peaks in demand while continuing to operate at zero subsidy.

Today marks 50 days since I was sworn in as administrator of SBA, and I have been drinking from a firehose a little bit. I am continually impressed by the tremendous work being done by SBA's team in support of our Nation's 28 million small businesses. My goal as administrator is to revitalize the agency and raise its profile and, in turn, revitalize the spirit of entrepreneurship in America.

My hope is as more people learn about the services SBA provides, they will have the confidence, skills, and resources they need to start or grow their own businesses, to invest in their commu-

nities, to create jobs, and to grow our economy. I feel a tremendous commitment to each of SBA's stakeholders: our small business owners; our team at SBA; President Trump, who entrusted me with this position; and the taxpayers who expect us to use their dollars effectively and efficiently.

When I first met with President-elect Trump back in November about taking the top job at SBA, he communicated one clear, specific request to me. As I was leaving his office, he looked at me and he said, "I have one request, and that is that you do a good job." He said it with such sincerity, I knew he meant it and was expecting me to deliver. I responded that I would, adding that, "If at any time my job is not good enough, I trust you will tell me and I will step aside for someone who would do it better." And his response to me was, "Well, I could not ask for more than that."

And during my first town hall meeting with SBA's employees last month, I asked every one of them to join me in that commitment: do a good job and expect to be held accountable. I have spent a lot of time getting to know our team and letting our team get to know me. I want them to feel engaged and empowered and know their expertise is valued. Since our town hall meeting, the conversation has continued, whether in formal settings or chats on the elevator or on social media. In fact, our social media team tells me the agency's official Twitter feed has added more than 100,000 followers since I came onboard. Last week's Twitter chat called "Business Success Her Way," promoting women entrepreneurship, was a trending topic nationwide. I am thrilled there is a buzz around SBA as it draws attention to the services the agency offers, services that will ultimately help people start, scale, and succeed in business.

Our small businesses are our Nation's innovators and job creators, and I am committed to serving as their advocate. Last week, I had the privilege of joining Vice President Pence visiting small business owners in West Virginia. Our host, Ron Foster, grew his construction supply company with the help of a 504 loan from SBA. I relate to entrepreneurs like Ron because I am an entrepreneur myself. I have shared the experiences of our country's small business owners. My husband and I built our business from scratch. We started out sharing a desk. Over decades of hard work and strategic growth, we built it into a publicly-traded, global enterprise with more than 800 employees. This past weekend, the business we created had a global audience of millions as it broadcast the 33rd edition of WrestleMania.

I am proud of our success. I know every bit of hard work and sweat equity it took to create that success. I remember the early days when every month I had to decide whether I should continue to lease a typewriter or whether I could finally afford to buy it. Yes, and believe it or not, that \$12 a month made a difference in the budget.

Like all small business owners, I know what it is like to take a risk on an idea, manage cash flow, navigate regulations and tax laws, and create jobs. Since stepping down as CEO of WWE in 2009, I have worked to help more people have the opportunity to pursue those goals. As a candidate for the U.S. Senate in 2010 and 2012, I met with more than 500 small business owners, touring

their shops, restaurants, offices and factories, and sharing ideas during roundtable discussions. Job growth was a pillar of my campaign, and because small businesses are responsible for half of all private sector jobs and the majority of new jobs, they were my focus.

And for the past 2 years, I promoted women and entrepreneurship as cofounder and CEO of a startup called Women's Leadership LIVE. I wanted to share my vast experience with others who are launching startups or looking to scale their businesses. Through live events and webinars, we educated entrepreneurs about things like applying for a loan and developing a business plan. We also worked to build their confidence. I always say that even entrepreneurs with the best ideas just sometimes need a little wind beneath their wings. We shared our stories of successes and failures, our networks of contacts and resources, and our strategies for addressing challenges. And now through SBA, I am committed to offering small business owners the capital, the counseling, and the confidence that will help propel them forward.

Small businesses have taken some tough blows in the past. I know what it is like to take a hit, and I have learned it is not how you fall, but how you get up that truly matters. Early in my career when we were very young, my husband and I declared bankruptcy. We invested in a company we did not understand and trusted people we should not have. When that company went under, we were left holding the bag. We worked really hard to pay off those debts until we realized we just could not do it. Bankruptcy was a really hard decision and a very tough time in our lives. We lost our home. My car was repossessed in the driveway. At that time we had a young son and a baby on the way. We had no choice but to work hard and start building again so we could support our family. When our daughter Stephanie was born, a perfect little baby so full of promise and potential, I took it as an omen that things were going to be okay. We owed it to her and to our son that we would make it okay. And fortunately, we were able to and we did.

As I visited small businesses all over the country, I have seen that same resiliency over and over again. Entrepreneurs are fighters. They work hard. When they get knocked down by recession or a natural disaster, or simply a change in consumer demand, they turn to their creativity to make it better. But sometimes they need a helping hand. Now that I am the SBA administrator, I am committed to ensuring that our agency is as strong as it can be to lift up as many entrepreneurs as it can. My commitment extends to making sure that all services we offer to our customers are delivered effectively and efficiently and, most importantly, that SBA and our partners are offering what small businesses actually need to grow to innovate and to create jobs. With small businesses as the driver of our economy, I believe our country will remain strong, too.

Thank you so much for the opportunity to speak with you today, and I look forward to answering your questions.

Chairman CHABOT. Thank you very much. And I will recognize myself for 5 minutes to begin the questioning.

I was struck by your comment about not knowing whether you should lease or buy the typewriter because I had a similar experi-

ence when I, out of law school, opened up my law office and I was a sole practitioner. And I used to go a mile down the street to make copies at the end of every day at the Quick Print because it was too expensive to lease or buy a copy machine myself. And I did not buy one until 3 or 4 years after having that. So it saved a lot of time not having to drive down there, but I certainly can identify with that story.

And I also want to thank you for addressing the 7(a) loan program issue at the beginning of your testimony because I had also seen that same article and was concerned about that as well because we had an experience here a couple years ago and so we need to, in advance, plan for this. And I am very glad to hear—was that just last year then? Yeah, recently. As recently as last year. And so please, if you would not mind closely monitoring that. We are glad you are, and if you could keep in touch with our staff and will let both sides of the aisle know how that is progressing down the road.

The Government Accountability Office reports, the GAO, they found many longstanding SBA management challenges, all of which, of course, were prior to your time at the administration since you have only been there 6 weeks now. What sort of plans do you have for completing the implementation of the GAO's recommendations on the Small Business Administration, your agency's management?

Ms. MCMAHON. Thank you very much for that question. You know, coming on as the administrator of SBA is a lot like assuming the position of CEO of a company. In fact, that is clearly what it is. So when you first come on board you are trying to evaluate employees, practices, what is good business, what is not good business. And in this instance, you had a little help in identifying some of those issues by the GAO. So I can tell you that we have been incredibly responsive, it is my understanding, to a lot of those issues and have already closed some of those issues.

When I came, my first address in our town hall meeting was to let our folks know that, look, I want this to be the best SBA that has ever been, and I think it is a little stodgy. I want us to update it. I want us to look at every instance we can and make it better. So I appreciate the GAO and the Oversight Committee's recommendations, and we will continue to make sure that we are making those kinds of improvements.

Chairman CHABOT. Excellent. Thank you very much.

My next question, the SBA has been plagued with IT issues, and, in fact, the GAO and the SBA's Office of Inspector General have both reported that IT is a top management challenge for the SBA. The GAO has even gone so far as to find that the SBA is at serious risk of a cybersecurity attack, putting small businesses and their personal data in jeopardy. What steps are you planning to take to address the SBA's IT challenges, and will these steps help the SBA to prevent cybersecurity attacks?

Ms. MCMAHON. It is certainly my goal to take the steps that would help prevent those attacks. Just before I arrived in October, the acting administrator hired a new CIO. And Marie Roat's background is very thorough. She comes from the public and the private sector. In fact, she has actually, just this past Friday, received an

award for her government service and expertise. She kind of inherited a mess, and I think what she has done so far is to put in policies and procedures that are absolutely making things better.

We have a long ways to go. In fact, last Thursday evening we had what was called a spoof email come through. It did not affect our network. Our network was not hacked, but these are attempts to get inside. What we found was a configuration error in transferring from one email management system over to Microsoft, so that was fixed immediately. But you do not know that those things exist until it is tested. So what I asked Maria and our deputy last week were what kind of beta tests are we doing to make sure that we can identify in advance any of these weaknesses? So they are in the process of doing that.

We are also in the process of upgrading our equipment because what we found was we had a lot of equipment that no longer had support, for instance, of Microsoft. So identification of equipment throughout the enterprise, policies and procedures, they are working very hard to get those in place and I think we have some good people. The deputy came on in January, so you know, the proof is in the pudding, but I have seen positive results so far.

Chairman CHABOT. Thank you very much. My time is expired.

The Ranking Member is recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Administrator, you mentioned in your opening statement the 7(a) cap issue and how you have moved to alleviate fears of a shutdown. What exactly do you mean by it?

Ms. MCMAHON. Well, first of all, we contacted our lenders to make sure that they understood that this article was not totally correct. One of the things the article stated was it talked about the increase on a percentage basis of where we were for loans this year relative to last year, and we had run out of funds and had to come back and ask for more funds. That is not the case. What the writer of the article did not look at the program in totality.

So another thing that we did, I had our communications department call the writer of the article and say we want to work with you. If you have issues, please at least call us so you can get the full information so that your story is correct for both you and for us because you could create a panic in the lending environment that would send people, you know, it could be a run on the banks to get things done. So it was very inappropriate, and I thought not as professional as it might have been, so we offered to work with them. In addition, we notified all of our employees that this was not an issue.

Ms. VELAZQUEZ. Okay. But the risk is real and we have dealt with this issue before. So my question to you is to what extent should SBA be given flexibility to increase 7(a) lending authority beyond the congressional authorized cap?

Ms. MCMAHON. Well, thank you. And one of the things that I have asked for is an ability to increase the cap by 15 percent should we have surges that would be unanticipated and not through anything that we have done. However, we do have, I think, a really good lender oversight program now and are really managing that risk. We watch it on a daily basis, so we are totally on top of it.

Ms. VELÁZQUEZ. Are you telling me that you are open to be supportive of flexibility in increasing the 7(a) program subsidy?

Ms. MCMAHON. Absolutely.

Ms. VELÁZQUEZ. Okay, thank you.

Last week, I hosted a women's roundtable exploring women's small business issues, and a common concern among participants was the access women have to capital in order to start and grow their businesses. The SBIC program that we have with SBA is a stable and successful program, but it needs more women investors. I think there is a real opportunity for Congress, the Small Business Administration, and the industry to work together to support getting more women into investing and for more women-run businesses to receive investment. Will you work with this committee and the industry to get more women licensed as SBIC fund managers?

Ms. MCMAHON. I certainly will because I think it is just that important as well.

Ms. VELÁZQUEZ. Thank you.

In 2014, the GAO reported that many ineligible firms were allowed to enter into the Women's Procurement program because of their ability to self-certify. In order to prevent fraud in the program, the 2015 National Defense Authorization Act required SBA to implement its own certification program. I would like to know, when SBA expects to have its certification process up and running?

Ms. MCMAHON. Very soon. As a matter of fact, it is a focus right now that is going on in SBA. I do not have an exact timeframe for you, but we are looking at having that program up and running very soon.

Ms. VELÁZQUEZ. And at that time, when can we expect the repository currently used by self-certifying businesses to be eliminated?

Ms. MCMAHON. Let me take a look at that and get back to you.

Ms. VELÁZQUEZ. Okay. In the 114th Congress, bipartisan legislation was introduced that included redefining credit elsewhere to focus on the borrower's ability to obtain credit instead of a lender's ability to provide it. We continue to hear concerns over how the credit elsewhere test is applied. To what extent do you believe Congress should enact legislation that provides clarity to the definition of credit elsewhere?

Ms. MCMAHON. I think that it is incumbent upon the agency. Maybe not necessarily government.

Ms. VELÁZQUEZ. Okay.

Ms. MCMAHON. To continue to look at making sure that our lenders are the ones that we need for our programs when our borrowers cannot get money elsewhere.

Chairman CHABOT. The gentlelady's time is expired. Does the gentlelady need additional time?

Ms. VELÁZQUEZ. No. I will go in the second round. Thank you.

Chairman CHABOT. Okay. Okay. Okay. Thank you.

Ms. VELÁZQUEZ. I yield back.

Chairman CHABOT. The gentlelady yields back.

The gentlelady from American Samoa, Mrs. Radewagen, who is the chairman of the Subcommittee on Health and Technology, is recognized for 5 minutes.

Mrs. RADEWAGEN. Thank you, Mr. Chairman and Ranking Member. Talofa. I want to welcome you, Administrator McMahon, for testifying today.

Just a few weeks ago, my colleagues in this Committee were all joking about March Madness and their districts' various college basketball teams. Unfortunately, American Samoa does not have a college basketball team, but I can boast about something the other members of this Committee cannot, and that is professional wrestling. American Samoa has given the wrestling world Pita Maivia, Roman Reigns, the Usos, Samoa Joe, and of course, my friend and cousin, The Rock. The WWE has done a great job of raising awareness of American Samoa.

Administrator McMahon, during the last administration, the CIO post remained vacant for long periods of time, which likely contributed to many IT challenges, and I am glad to learn that you now have one. I also represent American Samoa, and one of the main issues that our small businesses face is a lack of capital. Under your direction, how will SBA address access to capital?

Ms. MCMAHON. In general terms you mean?

Mrs. RADEWAGEN. Yes.

Ms. MCMAHON. We are already addressing that access to capital. I think we are looking always for more qualified lenders, but we want to make sure that they are the right lenders. We have lender training programs. Our field offices are constantly in touch with our lending partners. And as we can see, there is more demand for capital. So I think we have a good program in place but it is one that we will continue to monitor to make sure that we are making as much capital available, you know, to our women programs.

Mrs. RADEWAGEN. And thirdly, my last major concern is the Disaster Loan program. American Samoa has suffered from hurricanes and tsunamis and cyclones which have nearly destroyed our economy. Will SBA be ready to help assist small businesses and homeowners when the next disaster strikes?

Ms. MCMAHON. I think we learned a lot from Katrina and Sandy, and it is my understanding that we were not prepared to handle the magnitude of those storms. In fact, when I first learned that disaster relief came under SBA, I was actually quite surprised. And in my Senate hearing I testified that it would be one of the areas that I would take the first look at because you never know when that next disaster or catastrophe is going to strike. And we have to be ready because when our businesses, when our entrepreneurs or operators have lost their businesses, that not only impacts them, it impacts the local economy, it impacts our national economy. So we want to make sure that we can get them back on their feet, not only from their business perspective but also from their home perspective.

So the leader of our Disaster Relief program, James Rivera, I think has done an excellent job in responding to the magnitude now of Disaster Relief. In fact, let us see, in May, I will tour our facility in Dallas-Fort Worth, from which everything fans out from when we get a disaster program. It is sort of the headquarters of Disaster Relief, so I am looking forward to that. But I feel confident that James—in fact, I believe he is testifying before this

Committee later this month. I think he has put in really good, solid programs to make sure that we do not get caught like we did with Katrina and Sandy.

Mrs. RADEWAGEN. Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

The chair would note that the administrator mentioned Hurricane Sandy, and the Ranking Member was instrumental in proposing bipartisan legislation to improve the response to tragedies like Sandy, and that is something in a bipartisan manner that made it into law in the last Congress. So I would like to commend the Ranking Member for that. Absolutely.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Chairman CHABOT. Absolutely. Well, it is well deserved.

So I would now like to recognize the gentlelady from Florida, Ms. Murphy, who is a ranking member of the Subcommittee on Contracting and Workforce, for 5 minutes.

Ms. MURPHY. Administrator McMahon, thank you for being here today, and we look forward to working with you.

As you mentioned in your testimony, you have spent considerable time visiting small businesses across the country. I recently met with my constituents from my district who told me that you are familiar with the National Entrepreneur Center located in Orlando and have been supportive of the range of services that they offer.

For my colleagues who may not be aware of the NEC, the center is a public-private collaboration between various community resource partners: SBA, Orange County, and the University of Central Florida, among many others. It is home to various chambers of commerce and SBDC and our SCORE chapter, and serves as a one-stop shop for many entrepreneurs and small business owners to receive free or low-cost business development training and assistance, and I want to thank you for your support of the NEC.

Last week, our Subcommittee held a hearing on SBA's entrepreneurial development programs, and we discussed the ongoing concerns that the SBA's resource partners with the agency's data collection. For example, the SBDCs in my State are concerned that the goals and metrics set by the SBA are not geared towards demonstrating quality of services and economic impact. Can you speak to this concern, and will you be meeting with leaders from the SBDC, SCORE, and WBCs to learn more about their programs firsthand? And then also, what do you think the metrics should be to measure quality of service?

Ms. MCMAHON. It is interesting that you first spoke about the National Entrepreneur Center because it was very impressive. And actually, the head of that, Jerry Ross, and I met in my offices here in Washington just last week, because I think there are elements of it that could absolutely be incorporated with some of our SBA district offices that would make us more efficient and effective. Those two words I heard from Ranking Member Velázquez. It is the two words that I constantly say from a management perspective at SBA, the two things that are your guiding principles here, are our programs effective and efficient?

One of the things that I asked when I came onboard, I was sitting with our CFO and I said, "Tell me how we measure success at SBA. How do we measure success of our programs?" And while

there are some really good metrics in place, I think we have room for improvement. Some have been put in place over the last year or so. But I am not really satisfied that we have the kind of metrics that we need. I think right now we are measuring more output than outcomes, and I want that tightened up because I want them to be efficient and effective, and I do think we have room for improvement.

Ms. MURPHY. Great. And then another question is despite multiple attempts by this Committee, several agencies continually fail to meet their small business contracting goals. Why do you think this is the case, and how can we work together to ensure that agencies meet contracting goals and take their duty to contract with small firms more seriously?

Ms. MCMAHON. Well, I think we absolutely have to be vigilant for that because I think it is a privilege, quite frankly, to get a government contract. You know, to get a contract from the greatest customer in the world is really quite a coup. And if it is not being valued and serviced and really looking at what we need to do, then I think we need to look elsewhere, and maybe that contractor does not deserve that contract.

Ms. MURPHY. And then finally, as you know, the Small Business Investment Program has a legacy of empowering women in the private equity community through greater deployable leverage and rigorous standards for operating a fund. With your support for the program, we can continue to empower women and other represented communities in the private equity community to support them as they build their businesses through receiving that investment. In your opinion, what can we do as partners to ensure that the program is well supported for these purposes?

Ms. MCMAHON. Well, as I read in my opening statement, after I left my company, my former company and started a new company, Women's Leadership LIVE, one of the things that I did discover, what made me want to be involved in that particular company with my two other cofounders was looking at the availability of capital for women. I think it is an educational process on the one side. I did find, and this is not any sort of blame for women, but I did find out that in the business world, especially with startups, they are not quite as confident going forth.

So part of what we need to do is to help them write their business plans. Help them where they are transitioning in their own company from a management level to a C suite, whether they are going to a board, mentorship and networking is so vital. And I think we have to provide that through our counseling at our Women Business Centers. I think that is really critical. And in our Office for Entrepreneurial Development it is a key thing to mentor because sometimes, as I said in my opening statement, you need a little wind beneath your wings. And what I mean by that is support systems. And so we are constantly evolving. In my short tenure at SBA, I have seen some of the progress we are making, but it is something I would like to expand.

Ms. MURPHY. Great. Thank you.

Chairman CHABOT. Thank you. The gentlelady's time is expired.

The gentleman from Mississippi, Mr. Kelly, who is the chairman of the Subcommittee on Investigations, Oversight, and Regulations, is recognized for 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman, and our ranking member. And thank you, Administrator McMahon, for being here.

You know, small business and entrepreneurs, and those small ideas that start in garages or places everywhere, are the American dream that turn into giant corporations. And I do not think there is a better representative of someone who has done that, taken it, all this pain and strife and dreams and wishes and turned those into reality in something that is worldwide recognized, and so I thank you for that. I think you are the exact kind of idea and person we need in this job to make sure that other people have those same opportunities going forward.

I am extremely concerned to make sure that we continue to reach out with veterans. I am a veteran and still currently serve, and so a lot of those guys have the right ideas, guys and girls. They have the right ideas. They have the right hearts. They have everything in place except sometimes they do not know how to do that. We have a VBOC at Mississippi State University, which is just right outside of my district, but does such a great job. And so presenting those ideas to veterans is very important to me.

But I want to start with talking about Executive Order 13771, which the president signed, which says that, "We will reduce regulatory burdens by identifying two regulations for elimination for every one new regulation that we promulgate." What steps has the Small Business Administration taken to identify rules and other requirements that could be repealed or streamlined?

Ms. MCMAHON. Thank you very much. Just to, if I may, just to comment. Thank you for your compliment relative to where WWE went in the world and to come from recovering from bankruptcy to take a company public and to have a global brand is the American dream. And I really want to make it possible through efforts of SBA to make more entrepreneurs, to give them the opportunity of living the American dream.

What we have done relative to the regulatory issue is to form an advisory committee that is now going through regulations, et cetera, at SBA, to see if there are those that we would like to get rid of. So it is an ongoing process.

Mr. KELLY. And as kind of a follow-up, does the Small Business Administration plan to issue a Federal Register Notice to publicly solicit input from particular small businesses on regulations, guidance, and other reporting and recordkeeping requirements that should be repealed or streamlined?

Ms. MCMAHON. I am always interested in hearing what our small businesses have to say, or have, you know, their suggestions, their concerns, their questions. We have conducted business roundtables and will continue to do that. And I do not think there is any better source of understanding what the perils and the issues are than to listen to the business community. Because if you are not there, you are not experiencing it and we need that input.

Mr. KELLY. Thank you for that comment. I think you hit the nail on the head. We do not know the impacts as Congress or as

administrators near as greatly as those small businesses who it is impacting.

The final thing I want to talk about is transparency. It was an issue in the past with the SBA. For example, during the last administration, the SBA made decisions with no formal written record of the decision or how the decision was made. How will you ensure that the SBA is transparent under your leadership?

Ms. MCMAHON. It is just something I will require and I will not tolerate it being any less.

Mr. KELLY. And then finally, and I do not think I have enough time to really get into an in-depth answer of this, but one of the other things that I think is just so important that you look at as a new administrator in providing your leadership and ideas is the SOPs. We have over 150 SOPs, or standard operating procedures, throughout the Small Business Administration, and I just ask that you and your team look really, really closely with that to make sure that we have the right ones in place. And much like the executive orders, those parts and pieces and SOPs that are really no longer SOPs or we need, please do away with those and streamline it so it truly is a standard operating procedure instead of just a bunch of rules and regulations that no one complies with.

And with that, Mr. Chairman, I yield back.

Chairman CHABOT. Thank you. The gentleman yields back.

I assume the administrator did not have any comments on that question?

Ms. MCMAHON. Just quickly to say that that process is already in place. We are reviewing those and it is part of what our CFO is doing, our COO's office, you know, with input from the other agencies as well, the other offices. So I am looking forward for streamlining. I am all about streamlining.

Chairman CHABOT. Thank you. The gentleman yielded back.

The gentlelady from New York, Ms. Clarke, is recognized for 5 minutes.

Ms. CLARKE. I thank you, Mr. Chairman and our Ranking Member Velázquez. And I welcome Administrator McMahon here this morning, for giving your testimony.

I wanted to ask a bit about the HUBZones. I am from New York City, and, in concept, the HUBZone program should be an economic boom. A recent GAO report found significant issues with HUBZone firms who are seeking recertification. In addition to the backlog that currently exists, the firms are not required to submit supporting documentation for their reviews. Is SBA taking any actions to correct these issues raised in the GAO report? And what actions are being taken to reduce fraud and abuse during recertification?

Ms. MCMAHON. Well, thank you very much for that question. HUBZones, I will be frank, I do not think is one of our stellar programs right now because we need to look at them much closer. Now, I have not had much of an opportunity to really delve into the HUBZone issue, but I do know that there have been these questions raised.

One of the things that I want to do, in fact, I have talked to Secretary Carson about visiting some HUBZones with him as he is coming in from HUD, and I think that that will give more of an insight into how we can make them more effective. But we have

got a ways to go, and you have my commitment that I am going to be looking at it much closer.

Ms. CLARKE. Wonderful. We hope to work with you to fine tune it because, conceptually, it should yield great things in terms of economic stimulation—

Ms. MCMAHON. I agree.

Ms. CLARKE.—particularly in areas that have been stagnant for quite some time.

My second question is while the overall number of loans—and this is going back to the 7(a) loan program—has increased, the percentage of (7)a loans going to women-owned and minority-owned firms have remained fairly stagnant, fairly flat, since 2010. What actions will SBA take to improve access to capital for these firms?

Ms. MCMAHON. Well, thank you. And clearly what we are doing is making sure that we have more and more women especially applying for those loans. And I think that gets back to Women's Business Centers and our Entrepreneurial Development Office to encourage the development of these businesses. But, you know, quite often a great idea does not make a good business, and I think part of what we need to do when we have entrepreneurs come into our offices for counseling, is to also take a look at it and let them know, you know what? This is a great idea, but it may not be the best idea. Here is how you might improve your business plan. Here is how you might think about how you would scale your business. And helping them walk through that whole process, then putting forth the opportunity to have access to capital, go for capital.

But we are absolutely looking at our lending institutions as well to make sure that women are not being discriminated against because we know right now that women do not get as many loans. Often, there is a higher interest rate for that money. And you know what? That is part of our lender oversight, because we want to make sure that they are not doing that.

Ms. CLARKE. Well, I am glad that you are looking at all aspects of this because indeed there is discrimination. And we need to call it what it is and remove those obstacles for women- and minority-owned firms that are already in business, but have been, for whatever reason, discriminated against and tend not to be given those opportunities through our traditional lending mechanisms. So I appreciate the fact that you are looking at this in a holistic manner.

And with that, Mr. Chairman, I yield back.

Chairman CHABOT. The gentlelady—

Ms. MCMAHON. May I just make another comment?

You know, the entrepreneurial environment in our country over the past few years have been declining startups, but the startups that are on the rise are women businesses and they are also more successful. And also, women minority-owned businesses are even the lead in that. So it is certainly to the benefit of SBA, to our economy, to our country, to continue to grow this aspect. I mean, we are 51 percent—we, women are 51 percent—of the population, make 80 percent of the purchasing decisions in our home, so the economy misses out by not having that part of the population have the same access to capital and the same opportunity to be treated fairly and equally.

Chairman CHABOT. The gentlelady yielded back.

The gentleman from Kentucky, Mr. Comer, is recognized for 5 minutes.

Mr. COMER. Thank you, Mr. Chairman, Administrator McMahon.

Ms. MCMAHON. Good morning.

Mr. COMER. I am James Comer from Kentucky. Welcome.

Ms. MCMAHON. Thank you. Good basketball there.

Mr. COMER. Yeah, absolutely. We should have beat North Carolina, but that is another story.

Ms. MCMAHON. Well, no, I am a North Carolina girl, so I was, you know.

Mr. COMER. My first question is what is your definition of a small business? And I ask that because a lot of the Federal contracts that are awarded specify that a certain percentage of the contract is supposed to go to small business vendors or subcontractors. And a lot of my small business subcontractors do not get the contract and they complain and say that the company that won the contract was a big business. And I did not know if you had a definition of exactly what a small business was.

Ms. MCMAHON. Before I came to SBA, when I thought about a small business, I thought about the barber shop on the corner, the deli down the street, the dry cleaning establishment, et cetera. I know that there are different criteria for different industries in SBA. A general rule is 500 employees or under. For manufacturing, it is a little bit bigger. There are some bottom-line aspects to it as well. But I think the bigger issue that you want to address is to make sure that it is not medium to large businesses that are given preferential treatment over our small businesses in our contracts and our capital access program and all of that. And that is something I want to be really vigilant about and have given that instruction.

Mr. COMER. The SBA guarantees loans all over the country. I have been a director of a small bank, and some of the banks in my district do a lot of small business loans, SBA loans. Some of them do not because of the paperwork. Two questions. Just out of curiosity, do you have any idea what the delinquency rate is? I know this would have happened before you got there, but what percentage of SBA loans fail and the SBA has to cover those loans?

And second, what are some things that we can do with President Trump? Obviously, he is focused on reducing the regulatory burden. Are there other things this Committee can do to reduce the regulatory burden to make it more advantageous for banks to do SBA loans?

Ms. MCMAHON. Well, relative to the regulatory environment, it is such a big issue. A lot of what you hear from small businesses, which I heard when I traveled across the State of Connecticut was just the paperwork alone to comply with the regulatory environment, you know, they are small business owners. I mean, you have got, let us call it the CEO, who also sweeps up at night and closes the business, he does not have time or she does not have time to do it herself, or she does not have the income to hire the people to do that. So in all areas, if we can look at what regulations are really necessary, because nobody thinks that we should be able to

just run and do things the way we want, you know, there are regulations that are very important.

But I think it is incumbent upon us to listen to the small business community about what is choking them. And that is one of the things that I want to do is to have more and more listening sessions around the country so that we can help those things that SBA can directly affect as well as what suggestions or advice we might offer to the administration. This is what we are hearing. So if you would take that into consideration as well.

Mr. COMER. And hopefully, we will do some things from a lending standpoint, like repeal Dodd-Frank, and do some things that will make it easier to obtain capital. But back to the question about the percentage of loans that are delinquent, do you have any idea of what that number would be?

Ms. MCMAHON. No, I do not have the percentage, but I do know that we are reducing the default rate, which I think is good. And that goes into, also, you know, better oversight of our lenders because, ultimately, lenders make the decision as to whom they are going to have as a customer. We, then, guarantee that loan.

Mr. COMER. Right.

Ms. MCMAHON. So we want to make sure we are really qualifying our lenders so that they are really good at what they are doing. If we see a pattern or a trend of defaults in those areas, we know we have the wrong lenders in place.

Mr. COMER. Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. The gentleman yields back. Thank you.

The gentlelady from California, Ms. Chu, is recognized for 5 minutes.

Ms. CHU. Administrator, I would like to ask you about the Community Advantage Lending program. This was the program that was started in 2011 by the SBA as a loan guaranty allowing certain mission-driven lenders, including CDFIs and micro lenders, access to 7(a) loan guarantees for up to \$250,000 made to small businesses in underserved markets. In this case, underserved markets include low- to moderate-income communities in economically distressed areas, both urban and rural. The initiative has gained a great deal of success. In fact, each year it has become more and more active. And in February alone there were 3,093 loans that were approved for a total value of \$390 million. What is even better is that the average loan size was \$127,000, which is much smaller than other SBA guaranty programs.

So I believe that it is imperative for the SBA to continue encouraging this kind of small-dollar lending activity, especially in the underserved markets and to support businesses that are oftentimes perceived as not bankable so that they can eventually become bankable.

So Administrator McMahon, could you tell us your thoughts on the community advantage guaranty and whether it should be maintained, if not strengthened?

Ms. MCMAHON. I definitely think it should be maintained. It kind of serves an interim area, if you will. It is not microloans which are up to \$50,000, but it goes up to the \$250,000 mark. Oftentimes, businesses are already in place and are growing, but in order to scale up or continue to grow, now they need some addi-

tional funding. And that is one of the things that the Community Advantage program can do is to help continue those businesses because clearly, as those businesses continue, they are going to hire more people. They are going to create more jobs and it is going to be clearly accretive to our economy.

Ms. CHU. Well, let me ask this. Many of these mission-based lenders have reported great interest from local small businesses in getting these loans. However, since it is a pilot, the lenders face uncertainty because the initiative must be extended each time upon expiration. Do you think that there could be benefits to making the program permanent?

Ms. MCMAHON. Well, I do believe in performance-based awards. So as we continue to look at the success of these programs, I think it is too new to say right now that it should be permanent. I think we should still continue to look at how it performs. And I am all in favor of that and want to continue programs that we are seeing that kind of success with because I think it helps so many small, but also getting close to a little bit of a medium-sized business.

Ms. CHU. And on another note, Administrator McMahan, I was interested in learning about your years encouraging women to become entrepreneurs, and I want to thank Ranking Member Velázquez for bringing up the issue of women having access to the SBIC funds. That is an issue that is very important to me.

Last year, I held a field hearing in my district to learn more about why venture capital and angel investment is particularly difficult for women entrepreneurs to access, and we learned that it is because there are very few women in lending positions, and it is a problem because when you do have women in lending positions, they do tend to encourage more women borrowers and actually lend those monies. So the SBA's SBIC program is so great because it provides a critical investment capital to small businesses across the country, but there are still too few SBIC investments in women-led firms and even fewer SBICs with women partners. And so while SBIC programs have a higher proportion of female managers than the broader VC community, more must be done to increase these numbers in both realms. So do you think there are ways to work within the SBIC program to ensure that there are more women qualified to become fund managers when the opportunities become available?

Ms. MCMAHON. Well, I think one of the things we can look at when we are looking at these venture capital firms is what is the makeup of the group that is part of that company and say, you know what? We would like to see more women, and to then start to identify some of those venture capital firms that do have more women. I think we can clearly do that.

Ms. CHU. Thank you. I yield back.

Chairman CHABOT. The gentlelady yields back. Thank you.

The gentlelady from Puerto Rico, Ms. González-Colón, is recognized for 5 minutes.

Ms. GONZALEZ-COLÓN. Thank you, Mr. Chairman. Thank you, Ms. Ranking Member. And thank you for having us here in this public hearing and thank you, Administrator, for being here. Actually, I am inviting you to come to Puerto Rico and help us there.

One of the questions I want to make is about the HUBZones.

Ms. MCMAHON. I am sorry, what?

Ms. GONZALEZ-COLON. HUBZones. The underutilized business zones, HUBZone program.

Ms. VELAZQUEZ. I am sorry, I am just not understanding.

Ms. GONZALEZ-COLON. HUBZone.

Ms. MCMAHON. HUBZones. Sorry. I am sorry. Thank you.

Ms. GONZALEZ-COLON. You may be aware, the expansion of those HUBZone designated areas is a topic that the General Accountability Office has been studying, and I am aware that they are going to have a report this summer. But also, the Puerto Rico Oversight Management and Economic Stability Act, known as PROMESA, expanded the number of HUBZone designated areas, adding over 500 of those in the island. Can you generally speak about how this increase will help Puerto Rico's economy if you can help us in that?

Ms. MCMAHON. Well, thank you. And sorry that I was not understanding what you were saying. I apologize for that.

Actually, I think SBA got in a little bit of trouble in Puerto Rico because we took a little bit of expansion and kind of made it more than island-wide and it was not authorized for us to do that. So we are dealing with that a little bit now.

I actually have not looked at Puerto Rico so closely since I came on board, but what we have done, as a matter of fact, I asked one of the members at SBA who is a young man—actually, might even be here this morning. His name is Michael Morales. He was born in Puerto Rico. His grandparents still live there. He is a White House fellow with SBA. He is a lieutenant colonel in the Air Force, and I asked him to research Puerto Rico and some of the programs that we have in place, and he actually now has proposed a plan. He wants to go and visit the lenders and visit the communities and see how SBA can have more of an impact in Puerto Rico and what our programs ought to be. So we are taking that initiative, but it has just started. I just got the research.

Ms. GONZALEZ-COLON. I know, and I really thank you for that, and I am able to help you in that.

Ms. MCMAHON. Thank you. I might have to come myself and, you know, Puerto Rico is a very nice place to visit.

Ms. GONZALEZ-COLON. I know. I can tell you that. And actually, I can drive you around. There are so many areas. One of those is—

Chairman CHABOT. Would the gentlelady yield? Would the gentlelady yield for a second?

Ms. GONZALEZ-COLON. Yes.

Chairman CHABOT. One thing I might bring to the administrator's attention, and there is no reason for her to know this, but the gentlelady was the speaker of the house in Puerto Rico, so she is very familiar with virtually everything that goes on down there. And the ranking member has a lot of knowledge relative to Puerto Rico and she is chomping at the bit, I think, to say something. So if the gentlelady does not mind, I will give her additional time.

Ms. VELAZQUEZ. Would you yield?

Ms. GONZALEZ-COLON. I just want to have my time. I do not mind.

Chairman CHABOT. I am going to give you a little extra.

Ms. VELÁZQUEZ. He will give you more time.

Ms. GONZALEZ-COLÓN. Okay, perfect.

Ms. VELAZQUEZ. Administrator McMahon, let me just stress the fact that Puerto Rico is in deep trouble financially.

Ms. MCMAHON. Yes.

Ms. VELAZQUEZ. And that we work here in Congress in a bipartisan way to provide tools for Puerto Rico to deal with the public debt, but yet, it requires more of the federal government. And in that sense I am working and I will be working with the chairman and the gentlelady from Puerto Rico to work on a bipartisan package that will help SBA put together a comprehensive way to help small business formation and economic development in Puerto Rico, and I am looking forward to working with you.

Ms. MCMAHON. Thank you. And I look forward to that opportunity. You and I talked a little bit about that in your office, and I would be excited to help.

Ms. VELAZQUEZ. Thank you.

Ms. MCMAHON. And look forward to that.

Chairman CHABOT. Thank you. And the chair would note that the gentlelady should be happy that we have put another minute back on there and we stopped the clock running, so you have got 3 minutes and 1 second to continue.

Ms. GONZALEZ-COLÓN. More than happy to hear that and that bipartisan effort. I thank the ranking member and Mr. Chairman for the help.

And actually, I do understand that the work that the task force on PROMESA, the report that told us about to do something with the SBA and the island, is the right path to Puerto Rico's economy. So I thank you, Ranking Member and the Chairman of the Committee, for allowing that to happen.

There are 676 HUBZone areas representing as you may say 82 percent of the island, the whole island, and one of the main questions regards or the concern is what is the main problem to achieve the 3 percent contract with the Federal Government? Because people do not know about how to do it. How do you think we should help or say the government may help the SBA administration to achieve the 3 percent prime contracting goal?

Ms. MCMAHON. Well, as Ranking Member Velázquez said, you know, these are programs that she is looking at as well, and I look forward to working with her. I do not have that answer today.

Ms. GONZALEZ-COLÓN. Okay.

Ms. MCMAHON. But I can tell you this, that the success rate in Puerto Rico when SBA has come in to help with small businesses has been there. So we would like to continue it. Finding lenders is paramount, but we also need to help with the counseling. It is going to be a big project and one that I am actually not qualified to talk about this morning. But I look forward to getting back to you.

Ms. GONZÁLEZ-COLÓN. I thank you for your sincerity and honesty. I think that is what makes you a great administrator.

Ms. MCMAHON. Thank you.

Ms. GONZALEZ-COLÓN. One of the issues I would like to address is about I know the SBA is currently exploring some issues regarding the island seminars, visiting some towns. With that, I

would like to help in that area and be the coordinator between State government and the Federal Government to make that goals to be achieved.

One of the other areas is the Disaster Loan program and, as you already state, we are on an island so we get hit by hurricanes in a common year many times, and we saw what happened in Katrina, we saw what happened in Sandy. So we want to be able to know what responsibilities directly is the SBA role of the Disaster Loan program to the small business community?

Ms. MCMAHON. Do you find that today there are deficiencies?

Ms. GONZALEZ-COLÓN. In the past?

Ms. MCMAHON. Yes.

Ms. GONZALEZ-COLÓN. Yes.

Ms. MCMAHON. Could you help me identify what they have been so that as we move forward with our programs we will know, okay, this is what did not work, this is where you did not step up to the plate to help us? Maybe there is a reason for that; I do not know. But we want, regardless of where the area is, our commitment to our Disaster Relief program is paramount. So I would like to know what the issues are so that we can be very effective in addressing them.

Ms. GONZALEZ-COLÓN. I will do that, and thank you, Administrator, for your commitment to small business.

Thank you, Mr. Chairman, I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

The gentleman from Illinois, Mr. Schneider, who is the ranking member of the Subcommittee on Agriculture, Energy, and Trade.

Ms. VELAZQUEZ. He just left.

Chairman CHABOT. Oh, he just left. Okay.

Mr. Evans is recognized for 5 minutes. Thank you.

Mr. EVANS. Thank you, Mr. Chairman.

Madam Administrator, in your statement you were speaking of revitalizing the agency and raising its profile as you want to initiate Small Business Development Centers, and I also understand the President also indicated that this is a priority. Now there is an opportunity to make honest assessments of the Small Business Development Centers and other entrepreneurial programs. Are you open to meeting with these people and can you speak a little bit to some of your thoughts and ideas at this point relating to these organizations?

Ms. MCMAHON. Absolutely, and thank you for asking me that.

Not only am I willing, I think it is mandatory to go in so that we can help evaluate, see where we need to be stronger and better. One of the things that I have talked about from the beginning at SBA, I mean, I come from a company that created its success from marketing and promotion. One of the things that I found about SBA is we do not toot our own horn enough. There are not enough people that know what our services are and how we can be helpful, so I really want to change that. I want our field offices to know that they have our support. I want to visit with them. I want to make sure that they are connecting with the community, connecting with lenders, and I think we cannot—I cannot get a handle on how all of the programs are operating if I am not visiting them

and asking those questions. So not only am I willing, but it is clearly something I intend to do. And we look forward to working with any members who are here when we are coming into your districts because you obviously know your districts better than we do, so I would really look forward to that.

Mr. EVANS. Can you speak to goals or metrics that either are in place or will be in place for programs that are geared to improving the performance, programs offered by SBA and quality services thus resulting in economic impact? I heard you talk a little bit about just generally asking what works and what does not. Any thoughts in terms about economic impact?

Ms. MCMAHON. Well, I think the phrase that I used before was I think that our metrics right now—well, in the past they have already started to improve and to be reconfigured, but the metric that I am looking for is to measure outcomes, to measure successes, not to measure output. For instance, I will just use a little example. You know, if a worm is crawling along and he has got to get here and he is just crawling at a slow pace, he is just going to keep after it and keep after it and keep after it and keep after it. But he actually may not be taking the best path to get to his goal. Now, I want to make sure that everyone in SBA is taking the best path to get there, but before they start out, I want to make sure that the accountabilities are in place.

One of the things that I found when I came, when I asked the question about how do we measure success, I clearly was not satisfied with the answer. So we are putting more metrics in place at this point, but in terms of giving you a specific example, just let me say that we are working across the board to make sure that our measurements, A, that people know what they are to start with and that they are going to be measured against those accountabilities.

Mr. EVANS. Madam Administrator, we have obviously heard a lot of talk about tax reform, and obviously that seems to be across the board and the general discussion. What is your thoughts about the implementation of tax reform at this particular point and the potential impact it has? I mean, obviously there was a discussion of tax reform in 1986. Reality, here we are in 2017. The world has changed a lot since 1986. Give me a little thought about if you had your crystal ball relating to tax reform and its impact.

Ms. MCMAHON. Well, I certainly do support President Trump's policies for tax reform, for reducing taxes at a corporate level, for making sure that our middle-income taxpayers have greater breaks in tax reform, because I firmly believe that reduction in taxes will actually grow our economy. And when I first started my company, we were a sub S corporation, so all of our income passed through to sub S and we were taxed at the same rates. And I think that when we do pass tax reform, it needs to apply to those LLCs and those subchapter S corporations so that they recognize the benefit from tax reform and, therefore, can grow their businesses. So I think from a small business perspective, as well as from a large company and economy, tax reform is going to help us be more competitive in the world. So I am clearly supportive of the President's efforts to do that.

Mr. EVANS. Thank you, Mr. Chair. I yield back the balance of my time.

Chairman CHABOT. Thank you very much. The gentleman's time is expired.

The gentleman from Kansas, Dr. Marshall, is recognized for 5 minutes.

Mr. MARSHALL. Thank you, Mr. Chairman.

Madam Administrator, the National Small Business Administration recently met like 2 or 3 weeks ago and we have a great relationship back home with some of these people, and they walked out of that meeting and they said their biggest concern is health care. It overtook regulation. For years, overregulation had been their biggest concern. We spend most of the time up here talking about Medicaid and small individual groups. Do you have any suggestions or concepts, what are the biggest problems with health care for small businesses and what are your suggestions going forward? Is there anything that we can do working together to help with this biggest problem they are describing, health care?

Ms. MCMAHON. Well, from my own experience, when I was campaigning in the State of Connecticut for the Senate, one of the things I heard so often from our small businesses was the increase in premium costs. Clearly under Obamacare, which had come into place at that time, they were having great difficulty. They were either wanting to stay on the side of the 50 employees or they were having to reduce benefits. They had asked their employees to increase their copays, but it had gotten to a point that they could not increase copays anymore, so they were faced with oftentimes laying off some of their employees. So that is the one specific example, you know, that I can cite that I heard over and over again was it was the cost of healthcare premiums.

Now, you know, we know that employer health care is one of the best that we have in the country, and my former company, WWE, was self-insured because we—up to a certain level and then catastrophic came in and that is what the company paid for over and above. We were fortunate to be able to do that, but small businesses cannot. I would like to see consortiums where small businesses could buy in. I would like to be able to buy insurance across State lines because I do think competition is going to drive down the cost of health care, and small businesses really would be great beneficiaries of that.

Mr. MARSHALL. And maybe just expand a little bit on that. So you would envision associations of small business, so maybe even the National Small Business Association could have their own health insurance plan across State lines?

Ms. MCMAHON. Potentially, if that worked for them and we found that it was cost-effective. I do not know that particular studies have been done relative to that. If there are, I am not familiar with them, but I would be very interested in seeing them because as we talk to our small businesses as they are trying to plan and write their business plans, they have to look at what the cost of business is, whether they have mandates, whether they have more options is often a make or break situation for a small business.

Mr. MARSHALL. Exactly. Let us talk about maybe overregulation for a little bit. Any specific examples, or what can your depart-

ment do to help with the regulations? Or what would you suggest Congress be doing to work on these regulations that affect specifically small businesses?

Ms. MCMAHON. Let me give you one example. Again, when I was campaigning, because that is when I was traveling to these 500 different companies, there was a small business in Connecticut that used chemicals, et cetera, in its process for stripping metal and for applying the next coat of metal. And the CEO of that company said to me, he said, "Look, I absolutely believe that I should be regulated. You know, test to make sure I am not putting poisonous vapors into the environment. Make sure that I have got safety regulations in place because these are caustic chemicals." He said, "I do not have any issue with that whatsoever." And he said, "But when regulators come in and they really do not find issues relative to those things, but feel that they must find something wrong," he said, "I was fined \$15,000 because the lettering on the men's and women's bathrooms was not at a size that had been specified in the regulation." Clearly readable. Nobody was going into the wrong bathroom, but \$15,000 can be a big hit to small businesses.

So I mean, that is an extreme example, but it is an example of some of the things that a small business might face. And it was not as though the regulator said, "You know what? Fix this. I will be back in 30 days." The fine was levied that day and he had to pay.

Mr. MARSHALL. If I can ask my last question, what can we as a small business group here or in Congress do to help empower you to do your job better? What can we do to help you?

Ms. MCMAHON. The fact that you are willing to sit with me and SBA, to counsel us, to show us where we have weaknesses, where we might can improve, or to show us where we are really doing well, and how can you and your local areas help us be more effective would be a great benefit to SBA, and we will seek your counsel and working with you. And I look forward to it.

Mr. MARSHALL. Thank you, Madam Administrator. I yield back.

Chairman CHABOT. Thank you. The gentleman's time is expired.

The gentleman from Illinois, Mr. Schneider, has returned, and he is now recognized for 5 minutes.

Mr. SCHNEIDER. Thank you, Mr. Chairman. I apologize for stepping out. I am bouncing between two Committees and they called a vote.

Ms. MCMAHON. I figured you had heard all you needed to know.

Mr. SCHNEIDER. No, but I will tell you, with all due respect, Madam Administrator, I have been very pleased with what I have heard, and thank you for being here and sharing with us your perspective. I come from small business, as do you. I think it is so important. You touched on the growth of small business, the highlight that women entrepreneurs have been starting up businesses, but also the concern that we are not seeing enough startups. I will share the concern that since the Great Recession, typically, every previous recession it was small business that led us to the recov-

ery. In this one it is small business that has lagged and I think there is a number of reasons for that, including concerns about uncertainty and policy, access to capital, access to talent, which is so important.

You talked about in your opening remarks the importance of trying to revitalize the agency and raise the profile of the SBA, your words. I just wanted to touch on that a little bit. What do you see as your vision? How do we go about doing that and how can we help you in that mission?

Ms. MCMAHON. Thank you. One of the things I said when you were out was that I do not think SBA toots its horn enough, and I think we need to make sure that in the communities that there is a greater awareness of what benefits the SBA might bring. And I am a perfect example. Growing the business, I did not know about SBA. And when you are just starting a business that maybe does not have brick and mortar or hard assets and your business is really valued on cash flow, it would be incredibly helpful to have a SBA partner who could understand and see that progress and help be, you know, your advocate, maybe direct you to lenders who could help evaluate that. And I think that is one of the things that SBAs ought to do.

My first couple of weeks as administrator, I was gathering different groups within the company because I wanted to hear what they had to say and we had this vibrant young group. I called them "the kids." That just shows how old I am. But they were very enthusiastic about social media, about Twitter, Facebook, all of the things that at WWE we used very, very well, and we are just beginning to use them in SBA. But I asked this group, you know, what do you see? How can we be better at what we are doing? We do not want to be your father's SBA. We want to be today's SBA, growing companies and making sure entrepreneurs are feeling more comfortable about taking risks. Because that is what entrepreneurs do; they take risks. And if they are operating in an environment where the risk is too great, they are not going to take the risk. So I think through education and through SBA being a little bit more vocal, it can help entrepreneurs understand that that is changing, that lenders are more willing to lend at this particular point.

There was a terrible time where community banks, you know, we lost our community banks. Big banks bought them up and so there was not that access to capital that entrepreneurs had at one particular time, so I think we are seeing more and more of that today. So I want to make sure that—you always have to manage the downside, but that upside that you reach a little bit for the brass ring, but through counseling and good advice I think we can do that.

So this group, back full circle, this group of young people that I had, I challenged them. I said, "I want you to come back in 2 weeks. I want to see your marketing plan. I want to see what you want to do." And they left there buzzing, their little groups in the hallways talking about what they could do. That kind of life in a company is just critical. So if you can generate that kind of internal buzz, you know you have got programs that are doing well.

Our 7(a) loans are being very proficient, but what is going to happen when we get the morale issue? And we have dealt with a morale issue. If we can get that buzz going to our district offices and everywhere, you wait and see what kind of SBA programs get put into place, how many more jobs we create, how we encourage entrepreneurs to come in. And I am all about that. And these young people came back with a great plan and part of it is being implemented now.

Mr. SCHNEIDER. Well, if I add just a couple things, entrepreneurs have dreams. Right?

Ms. MCMAHON. They do.

Mr. SCHNEIDER. They see a future. They see things. Hopefully, they see things that the rest of us do not see and that creates opportunities for more people. Oftentimes they may see the dream, but they do not see the how or they do not see the steps. If our shared role can be helping teach people the how, making it easier to access the how, which is both having talent, having capital, having the ability to write a business plan, but also clearing the obstacles in their paths and making sure that their paths are steps forward rather than having to go around barriers, and that is something I hope we can work together on.

Ms. MCMAHON. Thank you. I think that would be critical, and I look forward to that. Thanks so much.

Mr. SCHNEIDER. Thank you, and I yield back.

Chairman CHABOT. Thank you. The gentleman's time is expired.

The gentleman from Iowa, Mr. Blum, who is the chairman of the Subcommittee on Agriculture, Energy, and Trade, is recognized for 5 minutes.

Mr. BLUM. Thank you, Chairman Chabot. Is that correct?

Chairman CHABOT. It is correct, and I thank the gentleman for that.

Mr. BLUM. I am a business person. I am slow, but I am trainable.

Ms. MCMAHON. But you are not like all business people then.

Mr. BLUM. Administrator McMahon, good to see you again. Thank you for being here today. Thank you for stopping by our office. I thoroughly enjoyed swapping stories with you about—

Ms. MCMAHON. So did I.

Mr. BLUM.—our startups. The tough times. We both ended up with companies that went public, and I also would, first of all, thank you for that.

Second, I would like to salute President Trump on his choice of yourself for this position. I have often thought that it makes a lot of sense to have someone in your position that has signed the fronts of paychecks, that has been there, done that. And we have that person in you, so I salute the President. Congratulations, and thanks for stopping by our office. I appreciate you very much.

Ms. MCMAHON. Thank you.

Mr. BLUM. 2008, we are well aware of what happened that year. Federal Government, the Federal Reserve, we had to bail out the big banks in the financial meltdown crisis. And a lot of taxpayers were upset by that, and rightly so. And rightly so. It seems to them

that we privatized profits and socialized losses, and I am with them. We should not be doing these bailouts.

So something I am always concerned about and ask about is the exposure to taxpayers, and I think of the loan portfolio, guaranty portfolio that the SBA carries. And I want to make sure that that does not somehow end up on the taxpayers' backs. Maybe I will ask you, how large is that portfolio of loan guarantees today?

Ms. MCMAHON. As for our SBIC program, it is about 14- or 15 billion. Through just our loan programs we are up to about 24 million, 24-, 25 million I think is where we are.

Mr. BLUM. Billion?

Ms. MCMAHON. Mm-hmm.

Mr. BLUM. Billion, yeah. The number I had was like 33 billion in total. It is not a gotcha question.

Ms. MCMAHON. About right.

Mr. BLUM. That is a lot of money. What is the default rate? Are you aware of what the default rate on those guarantees are? Because by nature they are a little bit riskier than your average loan.

Ms. MCMAHON. You know, I am sorry, I should have that number for you today, but I do not. I just know that we carefully monitor our lenders and that is why we want to make sure we qualify our lenders so that we do not have that kind of default rate because we are guaranteeing it, yes. Taxpayers are at risk.

Ms. VELAZQUEZ. Would the gentleman yield?

Mr. BLUM. Absolutely, I yield.

Ms. VELAZQUEZ. On 7(a), it is less than 1 percent.

Mr. BLUM. Thank you.

Ms. MCMAHON. And I started to say that, but I could not remember if that was exactly the right answer or not.

Mr. BLUM. Given the risky nature, 1 percent is fantastic. That is great. That is a low default rate. Very good.

Ms. MCMAHON. If the ranking chairman says it is less than 1 percent, I buy that, yes, she is right.

Chairman CHABOT. Do not argue with her either.

Ms. MCMAHON. No, I am not going to argue with that because I know she knows her facts.

Mr. BLUM. How are those loan guarantees reviewed? Are they reviewed by the normal bank examiners, the Federal Reserve and the State examiners that come through? Or does the GAO review those? How are those reviewed to make sure we are not sitting today on top of a future bad situation?

Ms. MCMAHON. Well, I do know from internally at SBA, we look at them on a daily basis and we constantly are in touch with our lenders to make sure that they are lending to creditworthy people. And as I said before, they are the ones who qualify the lenders in terms of, you know, it is a regular bank, but I would be guessing to tell you how all that oversight goes. But I would be happy to get back to you with that because I do not—

Mr. BLUM. These are not gotcha questions.

Ms. MCMAHON. Yeah, I do not know. You know, they are banks, so they are under the regulatory environment as all banks would be. But in terms of the totality of that I could not speak to that today.

Mr. BLUM. And I believe my following statement is true, but you can confirm this and it is a feather in the cap of the SBA, by the way, I believe that the losses that are incurred on the loans are more than covered by the fees charged on all the loans.

Ms. MCMAHON. They are.

Mr. BLUM. So we are actually running a profit. Imagine that. It has to be one of the few agencies in the Federal Government who run a profit.

Ms. MCMAHON. Well, we are at zero subsidy. We are at zero subsidy and that is where, you know, that is where we want to stay.

Mr. BLUM. Congratulations to that.

Ms. MCMAHON. Thank you.

Mr. BLUM. And now I only have 45 seconds back. I want to address the 800-pound gorilla in the room that no one has asked you so far, but I will. And some of my constituents want to know this as well, Administrator McMahon, is why did it take John Cena so long to propose marriage to Nikki Bella? Now, remember, you are under oath.

Ms. MCMAHON. You would have to ask him.

Mr. BLUM. Thank you. And with that I yield back my time.

Chairman CHABOT. The gentleman yields back. And the chairman has no idea, so I am not going to get into that.

The gentleman from Florida, Mr. Lawson, the ranking member of the Subcommittee on Health and Technology, is recognized for 5 minutes.

Mr. LAWSON. Thank you, Mr. Chairman and Madam Administrator.

Last week, I introduced a bill that provided support for women business centers. The bill clarified the mission of the Office of Women Business Ownership is to assist women entrepreneurs to start, grow, and compete in a global market. Our bill also raises the cap that organizations may receive to start and operate women business centers to \$185,000 with an additional \$65,000 available. In your testimony, you mentioned creative startup for women and entrepreneurship. What are your goals for women business centers and how can my office and SBA work together in providing the maximum amount of support for women development centers?

Ms. MCMAHON. Well, you have certainly gone a long way already with your bill and we appreciate that very much.

Basically, I think in the women business centers, they need advice and counsel, and to the extent that we can provide that with entrepreneurs who have had success, and to the extent that we can work with Congress to say in my district these are some things that we really need to address, that would be very helpful to SBA and we would look forward to working with you on that.

Mr. LAWSON. Okay. Thank you very much.

And the second question centers around the concern that was initiated by a colleague of mine, Congressman Emanuel Cleaver, who expressed concern about some of the lending practices by financial institutions where small business owners are looking for loans. What are the thoughts on this, and how can SBA work with CFPBs to provide small firms, particularly minority-owned firms, with discriminatory lending practices?

Ms. MCMAHON. One of the things as I mentioned earlier that SBA is doing with its lender oversight, we are really focusing on all of the issues relative to our lenders. And to the extent that we find those practices are happening, it just will not be tolerated.

Mr. LAWSON. Okay. Thank you very much, Mr. Chairman. Since I look forward to working with the administration on small business centers and this legislation that we have going, I think it is significant and going to make a very big difference in terms of where we stand with women in the small business market that yields so many jobs in this country. I yield back.

Chairman CHABOT. Okay, thank you very much. The gentleman yields back.

Ms. MCMAHON. May I have a comment?

Chairman CHABOT. Absolutely, yes.

Ms. MCMAHON. Actually, a lot of what I found when I started the company, Women's Leadership LIVE, I wanted to make sure that access to capital, that lenders were not being discriminatory against women. And so, you know, I have had some really good conversations, some over dinner, some directly in offices, to just say, come on, what is up with that? I mean, you know, what are you doing relative to that? What is your thought process? How can we, if you have preconceived notions, how can we help dispel those? Or if we need to come back to you—we, I am talking about Women's Leadership LIVE—if we need to come back to you with more concrete information, what is that that you need to see? What is that we are not providing that you are getting more from our male counterparts when they come in for businesses? What is making that sort of discrimination?

And so I think that is part of what we need to continue to do. It is reaching out to the lenders and it is asking them why are you more comfortable, or at least apparently more comfortable, making these loans? What is it that we need to do to encourage you not to have blinders on, if you do?

Chairman CHABOT. Thank you very much, Madam Administrator.

Before I wrap up I would like to yield to the Ranking Member, who would like to make a comment.

Ms. VELAZQUEZ. Thank you, Mr. Chairman, and thank you, Madam Administrator.

I would like to take this opportunity to encourage you to sit down and use the leverage of your agency in talking to lenders and trying to incentivize them to make smaller loans to women, minorities, because that is the area where we are seeing a vacuum and we need to address that.

Ms. MCMAHON. Thank you. Above and beyond or enhancing the microloan area, as well as the community advantage area, are you speaking relative to those?

Ms. VELAZQUEZ. In 7(a). The 7(a).

Ms. MCMAHON. The 7(a), okay.

Ms. VELAZQUEZ. The 7(a) program is there to provide lending to those who might have problems getting traditional loans in the private sector, but when you look at the portfolio and just see big loans made, not the \$200,000 or \$150,000 that are so needed for

those who are starting their businesses and for women and minorities, then we have a problem.

Ms. MCMAHON. Thank you. And we will work with you to help address those issues as well.

Chairman CHABOT. Thank you very much. And the chair would just note a couple things. One thing, as you can see, the Committee takes its oversight roles very seriously and we really do work in a bipartisan manner in this Committee. We even compliment each other once in a while, and so there is an air of good feeling once you walk in that door back there. But the agency that you have been in charge of for all of 6 weeks now does have some long-standing challenges that certainly need to be addressed, and I think you are aware of that to ensure that the agency works as efficiently and effectively as possible for small businesses all across the country, and we hope to continue to work with you very closely to resolve these issues and look forward to your future appearances before this Committee. And hopefully, they will all be as pleasant as this. Right, Ranking Member?

Ms. VELAZQUEZ. Oh, yes.

Chairman CHABOT. Oh, yes, she said.

I would request, we noted that the default rate in 7(a) is below 1 percent, we think. There are a number of loan programs that the SBA has from 7(a) to 8(a) to microloans, et cetera. If you could have your folks prepare the latest figures on those just so we have them readily available and can keep an eye on them and making sure that they are within reason, or if they are not that we work on that.

And I would also invite, if there are members who have additional questions that they would like to submit in writing, we would be happy to get those to you. If you could have your folks or if you could respond to them.

And I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

And if there is no further business to come before this Committee, we are adjourned. Thank you very much.

Ms. MCMAHON. Thank you very much.

Chairman CHABOT. Thank you.

[Whereupon, at 12:40 p.m., the Committee was adjourned.]

A P P E N D I X**Taking Care of Small Businesses: Working Together for a Better SBA****Testimony of Linda McMahon****House Small Business Committee****April 5, 2017**

Thank you, Chairman Chabot, Ranking Member Velazquez, and members of the Committee for inviting me to speak with you today. I'm so honored to be serving as Administrator of the U.S. Small Business Administration. I'd also like to express my gratitude to President Trump for the opportunity to join his Administration and for his support of small businesses.

Today marks 50 days since I was sworn in as Administrator of SBA. I am continually impressed by the tremendous work being done by SBA's team in support of our nation's 28 million small businesses. My goal as Administrator is to revitalize the agency and raise its profile... and in turn, revitalize a spirit of entrepreneurship in America. My hope is that as more people learn about the services SBA provides, they will have the confidence, skills and resources they need to start or grow their own businesses, to invest in their communities, to create jobs, and to grow our economy.

I feel a tremendous commitment to each of SBA's stakeholders—our small business owners; our team at SBA; President Trump, who entrusted me with this position; and the taxpayers who expect us to use their dollars effectively and efficiently.

When I first met with President-Elect Trump back in November about taking the top job at SBA, he communicated one clear, specific request to me: "Do a good job." He said it with such sincerity, I knew he meant it and was expecting me to deliver. I responded that I would, adding, "If at any time my job isn't good enough, I trust you will tell me." And during my first town hall meeting with SBA's employees last month, I asked every one of them to join me in that commitment: do a good job and expect to be held accountable.

I have spent a lot of time getting to know our team, and letting our team get to know me. I want them to feel engaged and empowered and know their expertise is valued. Since our town hall meeting, the conversation has continued, whether in formal settings or chats on the elevator or on social media. In fact, our social media team tells me the Agency's official Twitter feed has added more than 100,000 followers since I came on board. Last week's Twitter chat called "Business Success Her Way," promoting women entrepreneurship, was a trending topic nationwide. I am thrilled there is a buzz around SBA as it draws attention to the services the

Agency offers—services that will ultimately help people start, scale and succeed in business.

Our small businesses are our nation's innovators and job creators, and I am committed to serving as their advocate. Last week I had the privilege of joining Vice President Pence visiting small business owners in West Virginia. Our host, Ron Foster, grew his construction supply company with the help of a 504 loan from SBA. I relate to entrepreneurs like Ron because I am an entrepreneur myself. I have shared the experiences of our country's small business owners.

My husband and I built our business from scratch. We started out sharing a desk. Over decades of hard work and strategic growth, we built it into a publicly traded global enterprise with more than 800 employees. This past weekend the business we created had a global audience of millions as it broadcast the 33rd edition of WrestleMania. I am proud of our success—I know every bit of the hard work it took to create that success. I remember the early days when every month I had to decide whether I should continue to lease a typewriter or if I could finally afford to buy it. Yes, that \$12 a month really made a difference in our budget.

Like all small business owners, I know what it's like to take a risk on an idea, manage cash flow, navigate regulations and tax laws, and create jobs. Since stepping down as CEO of WWE in 2009, I have worked to help more people have the opportunity to pursue those goals.

As a candidate for the U.S. Senate in 2010 and 2012, I met with more than 500 small business owners—touring their shops, restaurants, offices and factories and sharing ideas during roundtable discussions. Job growth was a pillar of my campaign, and because small businesses are responsible for half of all private-sector jobs and the majority of new jobs, they were my focus.

And for the past two years, I promoted women in entrepreneurship as co-founder and CEO of a startup called Women's Leadership LIVE. I wanted to share my vast experience with others who are launching startups or looking to scale their businesses. Through live events and webinars, we educated entrepreneurs about things like applying for a loan and developing a business plan. We also worked to build their confidence. I always say that even entrepreneurs with the best ideas sometimes need a little wind beneath their wings. We shared our stories of successes and failures, our networks of contacts and resources, and our strategies for addressing challenges. And now through SBA, I am committed to offering small business owners the capital, the counseling and the confidence that will help propel them forward.

Small businesses have had some tough blows in the past decade. I know what it's like to take a hit, and I have learned it's not how you fall, but how you get up that truly matters. Early in my career, when we were very young, my husband and I declared bankruptcy. We invested in a company we didn't understand and trusted people we shouldn't have. When that company went under, we were left holding the bag. We worked really hard to pay off those debts until we realized we just couldn't. Bankruptcy was a really hard decision

and a tough time in our lives. We lost our home. My car was repossessed in the driveway. We had a young son and a baby on the way. We had no choice but to work hard and start building again so we would support our family. When our daughter Stephanie was born—a perfect little baby so full of promise and potential—I took it as a omen that things were going to be okay. We owed it to her and to our son that we would make it okay. And fortunately, we did.

As I have visited small businesses all over the country, I have seen that same resiliency over and over again. Entrepreneurs are fighters. They work hard, and when they get knocked down by a recession or a natural disaster or simply a change in consumer demand, they turn to their creativity to make it better. But sometimes they need a helping hand.

Now that I am the SBA Administrator, I am committed to ensuring that our agency is as strong as it can be to lift up as many entrepreneurs as it can. My commitment extends to making sure that all services we offer to our customers are delivered effectively and efficiently and, most importantly, that SBA and our partners are offering what small businesses actually need to grow, innovate and create jobs. With small business as the driver of our economy I believe our country will remain strong, too.

Thank you for the opportunity to speak with you today. I am happy to take your questions.

Questions for the Record

Committee on Small Business

Hearing: “Taking Care of Small Business: Working Together for a Better SBA”

April 5, 2017

Chairman Steve Chabot

1. SBA has nearly 150 standard operating procedures. Only a small subset are available on the Agency’s website. According to the Freedom of Information Act, SBA must make its standard operating procedures and manuals available to the public. Do you plan to make all these documents available on SBA’s website?

2. A significant portion of SBA’s budget is devoted to providing outreach and technical assistance to small businesses through its successful partnerships with SBDCs, WBCs and SCORE. Unfortunately, SBA has created a number of its own untested initiatives that duplicate the training and assistance that these proven organizations or other federal agencies provide. Under your leadership, will the SBA re-focus itself on proven programs rather than untested SBA initiatives?

3. We continue to see a lack of resources serving and less populated areas, while city centers have a plethora of options for startups and small businesses. What will you do to ensure the entrepreneur in a less populated area has the same SBA resources available to him or her?

4. With large prime contracts, the large prime contractor is required to create a subcontracting plan, which maximizes small business utilization as subcontractors. While large primes must act in “good faith,” SBA has yet to define “good faith” compliance. This failure has weakened oversight, letting large prime contractors off the hook. What action will SBA take to strengthen compliance with subcontracting plans to maximize small business utilization?

5. Executive Order 13771 issued by President Trump on January 30, 2017 requires federal agencies to take significant steps to reducing regulatory burdens by identifying 2 regulations for elimination for every 1 new regulation they would like to promulgate.

a. What steps has SBA taken to identify rules and other requirements that could be repealed or streamlined?

b. Will SBA issue a Federal Register notice to publicly solicit input from small businesses on regulations, guidance and other reporting and recordkeeping requirements that should be replaced or streamlined?

6. Executive Order 13777, which President Trump issued on February 24th, requires agency heads to designate a Regulatory Reform Officer within 60 days and establish a Regulatory Reform Task Force.

a. Have you designated a Regulatory Reform Officer, and if so, who is that person?

b. Have you established a Regulatory Reform Task Officer, and if so, who is serving on it?

7. SBA is required under the Small Business Act to appoint small business owners, operators, or officers to the Regional Regulatory Fairness Boards for terms of three years or less after receiving recommendations from the chair and ranking members of the Committees on Small Business in the House and Senate. In the past, SBA has not adhered to these requirements. What will you do to ensure that the agency complies with these requirements?

8. What is the agency doing to improve the user-friendliness of its website to ensure that small businesses can find the information they need?

Rep. Roger Marshall

1. Administrator McMahon, on March 27, 2017, President Trump announced the new Office of American Innovation initiative at the White House aimed at reducing government bureaucracy and streamlining federal agencies, in partnership with many high-profile CEOs. There is little mention of the inclusion of small businesses in this project, even though entrepreneurs are constantly developing new, innovative ways to grow their businesses. Are there ways we can encourage the involvement of small businesses in this initiative?

Rep. Don Bacon

1. Congress, and this Committee in particular, has been very supportive of the Office of Advocacy's work to reduce regulatory burdens on small businesses. As you know, the Office of Advocacy is housed within, but independent from, the SBA. Once a confirmed Chief Counsel for Advocacy is leading the office, how do you plan to work with him or her to improve the regulatory environment for small businesses?

Question for the Record

Committee on Small Business

Taking Care of Business: Working Together for a Better SBA

April 5, 2017

Responses by SBA Administrator Linda McMahon

1. Executive Order 13771 issued by President Trump on January 30, 2017 requires federal agencies to take significant steps to reduce regulatory burdens by identifying 2 regulations for elimination for every 1 new regulation they would like to promulgate.

a. What steps has SBA taken to identify rules and other requirements that could be repealed or streamlined?

b. Will SBA issue a Federal Register notice to publicly solicit input from small businesses or regulations, guidance and other reporting and recordkeeping requirements that should be repealed or streamlined?

SBA Response:

SBA has formed a regulatory reform task force and solicited recommendations from all of its program offices. We have also worked to create a process to identify and prioritize regulations for elimination or modification. Yes, SBA has drafted and will soon publish a Federal Register notice to solicit input from small businesses and other members of the public.

2. SBA is required under the Small Business Act to appoint small business owners, operators, or officers to the Regional Regulatory Fairness Boards for terms of three years or less after receiving recommendations from the chair and ranking members of the Committees on Small Business in the House and Senate. In the past, SBA has not adhered to these requirements. What will you do to ensure that the agency complies with these requirements?

SBA Response:

SBA will consult the Chair and Ranking Members of the Committees on Small Business in the House and Senate as we search for qualified candidates to serve on the Regional Regulatory Fairness Boards.

3. Administrator McMahon, on March 27, 2017, President Trump announced the new Office of American Innovation initiative at the White House aimed at reducing government bureaucracy and streamlining federal agencies, in partnership with many high-profile CEOs. There is little mention of the inclusion of small businesses in this project, even though entrepreneurs are constantly developing new, innovative ways to grow their businesses. Are there ways we can

encourage the involvement of small businesses in this initiative?

SBA Response:

SBA is constantly working with the White House to provide the voice of small business on ways to reduce regulatory burdens for small business overall.

4. Congress, and this Committee is particular, has been very supportive of the Office of Advocacy's work to reduce regulatory burdens on small businesses. As you know, the Office of Advocacy is housed within, but independent from, the SBA. Once a confirmed Chief Counsel for Advocacy is leading the office, how do you plan to work with him or her to improve the regulatory environment for small businesses?

SBA Response:

Administrator McMahon looks forward to working closely with the Chief Counsel for Advocacy on ways to reduce the regulatory burden for small businesses. Though the Office of Advocacy is independent from the SBA, they provide invaluable advice on the impact of regulations, as well as economic research concerning the small business environment.

5. SBA has nearly 150 standard operating procedures. Only a small subset is available on the Agency's website. According to the Freedom of Information Act, SBA must make its standard operating procedures and manuals available to the public. Do you plan to make all these documents available on SBA's website?

SBA Response:

SBA has traditionally posted to its public facing website, those standard operating procedures that our customers need to complete applications and to review program products, services and requirements. The fifty-nine SOPs found on the SOP webpage reflect that approach. The remaining eighty-six SOPs are generally internal operating procedures, and those that are non-privileged are available to anyone who might request them. SBA will continue to make sure that SOPs that affect our customers and partners are posted for easy access and use.

6. With large prime contracts, the large prime contractor is required to create a subcontracting plan, which maximizes small business utilization as subcontractors. While large primes must act in "good faith," SBA has yet to define "good faith" compliance. This failure has weakened oversight, letting large prime contractors off the hook. What action will SBA take to strengthen compliance with subcontracting plans to maximize small business utilization?

SBA Response:

Section 1821 of the National Defense Authorization Act for Fiscal Year 2017 (NDAA), PL 114-318, approved Dec. 23, 2016, directed SBA to provide examples of failure to make a good faith effort with a subcontracting plan. The NDAA established a 270-day deadline

for SBA to act. In accordance with the NDAA, SBA is in the process of defining the characteristics of what constitutes failure to make a good faith effort. SBA will use this definition to evaluate Large Business Prime contractors that have a required small business subcontracting plan but may not be meeting the negotiated goals for the given contract. SBA's GCBD office is engaging with civilian and DOD agency contracting officers, industry representatives, and the Defense Contract Management Agency (DCMA) to develop good faith characteristics that reflect realistic and measurable efforts to comply. This will enable contracting officers to make necessary actions with contractors that are not attaining their negotiated goals and not meeting the threshold of good faith. SBA anticipates issuing guidance within the 270 day deadline established in Section 1821 of the NDAA.

7. A significant portion of SBA's budget is devoted to providing outreach and technical assistance to small businesses through its successful partnerships with SBDCs, SBCs and SCORE. Unfortunately, SBA has created a number of its own untested initiatives that duplicate the training and assistance that these proven organizations or other federal agencies provide. Under your leadership, will the SBA refocus itself on proven programs rather than untested SBA initiatives?

SBA Response:

As soon as I arrived, I put all initiatives on hold. I did this so that we could dive deeper and truly learn whether each initiative should continue, then review and decide the future of some of these initiatives. As we continue with the review process, it's important to state that SBA is committed to ensuring that taxpayers' dollars are spent wisely, and on programs that prove to be beneficial.

8. We continue to see a lack of resources serving rural and less populated areas, while city centers have a plethora of options for startups and small businesses. What will you do to ensure the entrepreneur in a less populated area has the same SBA resources available to him or her?

SBA Response:

One of my top priorities as Administrator is to ensure that entrepreneurs in rural communities have the same resources available to them as those in metropolitan areas and other communities. Toward that end, I am pleased to report that just this month the Office of Entrepreneurial Development announced the availability of supplemental funding to Small Business Development Companies that prioritized efforts to increase business development in rural communities. In addition, I am committed to entering into more public-private partnerships to allow us to leverage the private sector's knowledge and experience via existing SBA entrepreneurial development and business assistance programs in order to further address rural development issues. SBA is also a member of the President's Rural Prosperity Task Force led by the Department of Agriculture to provide insights and support for small businesses in rural area across the nation.

Congresswoman Yvette D. Clarke
Taking Care of Business: Working Together for a Better SBA
with SBA Administrator Linda McMahon
April 5, 2017 at 11:00
RHOB 2360

Talking Points/Remarks

- Thank you Mr. Chairman and Ranking Member Velazquez and a pleasant good morning to everyone.
- A special good morning to Ms. McMahon, who is here with us for the first time today.
- As we all know, small businesses are the backbone of our economy—and the Small Business Administration is essential to ensuring their success.
- The SBA's professional staff of over 3,000 people oversees programs that allow women, veterans, historically disadvantaged minorities, and businesses located in economically distressed communities to prosper for the benefit of us all.
- These programs help entrepreneurs in Central Brooklyn and across the country take risks that improve their lives and enrich our economy.
- However, this is not to say that SBA management could not be improved.
- Numerous reports have shown that participation in the HUBZone Program and 8(a) programs is declining.
- Similarly, the participant pool for the 7(a) program is becoming less diverse and numerous programs, including the Disaster Assistance Program and Service-Disabled, Veteran-Owned Small Business Program could benefit from stronger oversight.
- Addressing these challenges is hard enough under the best of circumstances, but would be made even harder by the five percent proposed cuts from this administration.
- I look forward to hearing more about your ideas for addressing these challenges and to working together to make small business ownership attainable for all Americans.

