S. HRG. 112–837

SMALL BUSINESS RECOVERY: PROGRESS REPORT ON SMALL BUSINESS JOBS ACT OF 2010 IMPLEMENTATION

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MAY 19, 2011

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SMALL BUSINESS RECOVERY: PROGRESS REPORT ON SMALL BUSINESS JOBS ACT OF 2010 IMPLEMENTATION

THURSDAY, MAY 19, 2011

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 10:04 a.m., in Room 428A, Russell Senate Office Building, Hon. Mary L. Landrieu, Chair of the Committee, presiding.

Present: Senators Landrieu, Cardin, Shaheen, and Snowe.

OPENING STATEMENT OF HON. MARY L. LANDRIEU, CHAIR, AND A U.S. SENATOR FROM LOUISIANA

Chair LANDRIEU. Good morning, everyone. I would like to call our meeting to order, and I would like to thank all of our witnesses for joining us this morning, particularly our witnesses on this second panel who are going to be bringing real life testimony to the issues that we are looking at and reviewing.

As many of you know, this week is National Small Business Week. President John F. Kennedy started this tradition in 1963 to recognize the contributions of small businesses to the economic vitality of our country. The following year, President Johnson awarded the first "Small Businessman of the Year"—I underline the word "Businessman of the Year"—to a Mr. Berkley Bedell.

Mr. Bedell was from Spirit Lake, Iowa. He was President of Berkley Company, a manufacturer of fishing lines. His business was started in a bedroom or a workshop while he was still in high school. At the time, President Johnson said that Mr. Bedell represented millions of American small businesses who, as Saint Paul wrote, were not slothful in business, but fervent in spirit.(That was from Romans 12:11.

While times have changed since then, I believe it is still our responsibility as policymakers to lift up these entrepreneurs that are not slothful in business, but are fervent in spirit, and that is the purpose of today's hearing.

We want to recognize the 27.2 million small businesses in America that are struggling to recover from the great recession. More specifically, we will hear how our Federal Government, how our Federal Government is implementing the Small Business Jobs Act passed last year with the help of many members of this Committee.

This legislation has been touted as the single most important piece of legislation in decades for small business.

Let me just mention a few other things, and then I will recognize Senator Shaheen who is here for her opening statement in just a moment. I want to put a few things into this record.

Last Congress, the 111th Congress, the Committee heard compelling testimony from small business owners across the country struggling to keep their lights on, their doors open, and stretching to keep valuable employees on the payroll.

Many business owners could not get conventional bank loans. Others saw substantial reductions in their existing lines of credit. Still others had cutting-edge products but did not see an opportunity to contract with the Federal Government. The results were alarming.

Since 2008, small firms accounted for between 64 and 80 percent of net job losses in our country. That is beginning to reverse. We are excited about that, and we will hear more about that today.

To address these issues, I am proud to have led Senate efforts to enact the Small Business Jobs Bill of 2010. The bill was signed into law by President Obama on September 27th. The Jobs Act provided many things: support to small businesses in many important ways, $12 billion in immediate tax relief, increasing access to capital by increasing SBA loan limits, establishing the Small Business Lending Fund, strengthening the core programs of the Small Business Administration which resulted in more money for counseling services for small business development centers, increased export opportunities, and a more level playing field for small businesses looking for opportunities to contract with the Federal Government.

First, the Jobs Act included multiple small business tax cuts effective for 2010 that provided incentives for small businesses to make new investments in property and real estate and expand their operations. For example, small business owners who bought new equipment in 2010, the Jobs Act included enhanced expensing provisions that allowed the immediate write off of the first $500,000 of tangible personal property and up to $250,000 for certain investments in real estate.

Also, for the first time ever, self-employed business owners could deduct 100 percent of the cost of health insurance for payroll tax purposes. In my home state of Louisiana alone, there are over 234,000 self-employed individuals eligible for this tax break. All together, the bill included over $12 billion in tax cuts for small businesses at a time when they needed them the most.

Next, the Jobs Act focused on the major hurdle limiting small business growth and that was the lack of access to capital. In particular, the Jobs Act continued vital programs from the American Recovery and Reinvestment Act which spurred lending to small businesses. It eliminated the borrower's fees, increasing the Federal Government guarantee on SBA loans from 75 percent to 90 percent. At the time our bill passed, these provisions had already supported $30 billion in lending to more than 70,000 businesses since 2009. The extension of these Recovery Act provisions in our bill allowed an additional 1,500 businesses to receive more than $750 million in loans.

The Act permanently raised the maximum loan size for SBA's two largest programs, increasing the maximum 7(a) loan size from $2 million to $5 million and the maximum 504 loan size from $1.5 million to $5.5 million. These were extraordinary accomplishments in this bill, and I am proud to have lead that effort.

In addition, the Treasury Department was tasked with implementing two new programs designed to support private-sector lending to credit-worthy small business. The Small Business Lending Fund makes billions of dollars in capital available to roughly 7,000 healthy community banks in our country. We will hear more about that today from Mr. Don Graves and from the Honorable Marie Johns.

This strategic public-private partnership could leverage billions of dollars in additional lending to smaller firms. Treasury has already received applications from 700 banks for roughly $10 billion. That is encouraging. We are making progress.

The Small Business Credit Initiative, which was pushed by several members of our Committee much to my joy, will support at least $15 billion in new lending by strengthening state small business programs.

I know Senator Hagan is going to be particularly happy because there are some really wonderful opportunities that will be shared today from that part of the country.

Under the Jobs Act, key enhancements were made to enhance and improve SBA programs. As we know, only 1 percent of small businesses export. With 95 percent of the world's consumers outside of the United States, it is important that this Committee took the opportunity to strengthen our export programs. We are going to hear some testimony today about how that is working.

Our bill improved SBA export financing programs by significantly increasing the maximum size of export loans and by expanding the network of SBA export finance specialists that counsel exporters and help them underwrite the loans. It created a State Trade and Export Program which will provide $60 million in grants to states to bolster bluster their programs.

Let me say one other thing before closing. In addition to all of the things that I mentioned, this bill also increased enhancements to the small business contracting program. The Federal Government has over $500 billion a year available for purchases of goods and services, and we opened up opportunities for small business, woman-owned businesses, HUBZones, and service-disabled veterans to participate in that program.

In closing, I just want to highlight a couple of provisions. I give you one example in closing of how this specifically worked for a business in Louisiana.

Baker Sales of Slidell is a small business that operates in Louisiana. It has operated for many years. When the construction slump occurred and the recession began, it saw its sales drop by 20 percent, and then again when the Deepwater Horizon explosion happened and the moratorium was put into effect, sales fell even lower. They have been in business for 30 years. They had imported steel products and sold them within a 200-mile range of Slidell. They wanted to export but it was simply a pipe dream.

Last March, however, they received assistance from the Regional Director of U.S. Commercial Service Staff in New Orleans to travel to Panama to identify potential clients. Baker Sales lacked the capital to make these investments. A local bank was not going to give them capital when the collateral and collections were in Panama. They could not enforce in the event that something went south on this. But with this new program, Baker Sales received $3 million from a 7(a) loan that helped them to secure the contracts in Panama, expand their export opportunities and give them a path forward out of what has been a very difficult economic time for them. They have hired two additional employees, and they expect to expand sales in the future.

So today we will hear some additional success stories like Baker Sales in Slidell. I am proud of the work that this Committee has done and we are going to get some testimony from our key witnesses about what more we can do to improve the outlook for small businesses in America today.

Let me turn it over to my ranking member, Senator Snowe, and then we will receive opening statements from Senator Shaheen as well.

[The prepared statement of Senator Landrieu follows:]

Chair Mary L. Landrieu
Opening Statement for September 22, 2011
Roundtable entitled:
"Closing the Wealth Gap: Utilizing Minority Owned Businesses as Vehicles for Job Creation and Economic Recovery"
Prepared By: Donald Cravins & Krystal Brumfield

Good morning and thank you for joining us for this very important roundtable. Let me first welcome all of you in the audience who are visiting Washington this week for the Congressional Black Caucus Events. I am pleased to be joined this morning by my colleague and friend, Senator Ben Cardin and some of my very distinguished colleagues from the House, Representatives Chaka Fattah, Yvette Clarke, and Cedric Richmond.

I am very honored to be co-hosting this very important roundtable with these dynamic leaders. When my staff approached me about convening a roundtable during CBC Week like I did last year with Senator Roland Burris, I did not hesitate in choosing the topic for discussion. In my humble opinion, one of the most pressing issues facing the United States of America is the gross disparity in wealth that exists between white Americans and African-Americans.

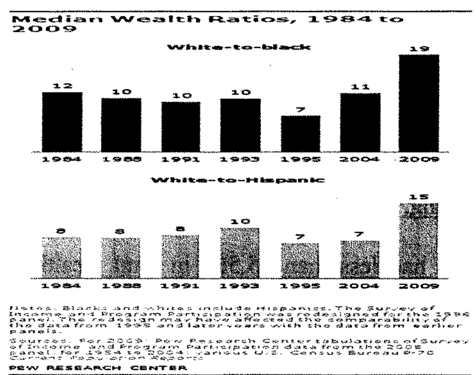
Since becoming the Chair of the Senate Small Business Committee, I, along with the other members of this committee, have made closing the wealth gap a Committee priority. Notwithstanding our Committee's limited jurisdiction, we have done our part to tackle this issue by addressing the barriers that affect minority-owned small businesses. In some cases, those barriers are not unlike the barriers which plague all businesses. But, in some cases, the obstacles that minority small business owners face are very unique. Since 2009, I have convened at least 4 hearings or roundtables to address ways that the Small Business Committee and the SBA, through its many of programs, can both address and remedy the issues affecting minority-owned small businesses. We have given specific attention to the two very important issues that face African-American small business owners: 1) limited access to capital and 2) limited access to government contracting.

My staff updates me regularly on how many banks are making loans to small businesses and this Committee constantly looks for new ways to open up capital markets and increase contracting opportunities for small businesses. It's clear to me that African American business owners want reliable and non-predatory financing opportunities. And they want to know that when the federal government does contract for goods and services, it does so by placing small businesses on a level playing field with big business – it's as simple as that. Last year, at a hearing of the Small Business Committee, Dr. Robert Fairlie, a professor of Economics at the University of California Santa Cruz, testified that of the many factors responsible for the disparities in business performance between minority and non-minority-owned businesses, access to financial capital is perhaps the most important. He pointed out that one of the major roots of the problem is the extremely high level of wealth inequality found between minorities and non-minorities.

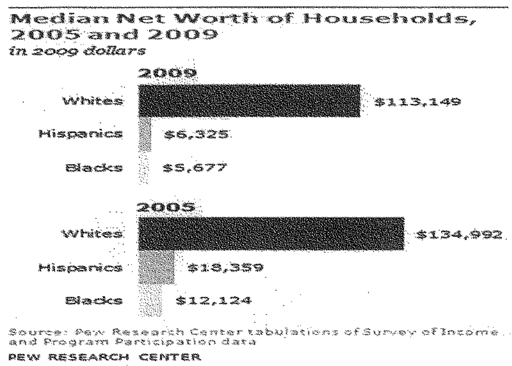
At that hearing, I was also astonished to learn that half of all African-American families had less than $5,500 in total wealth and half of all Latino families had less than $8,000. Just recently, on July 26, 2011, the renowned Pew Research Center released a Study entitled, "*Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics*." The findings of the Study are based in the Pew Research Center's analysis of data from the Survey of Income and Program Participation (SIPP), an economic questionnaire distributed periodically to tens of thousands of households by the US Census Bureau.

Although we have the Senior Researcher from Pew here to testify in detail about the study, I do want to take a few minutes to highlight some of my observations from the Study.

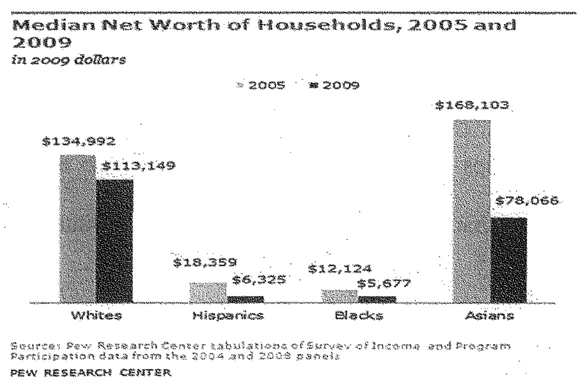
The Study shows that the median wealth of white households is nearly 20 times that of black households and at least 15 times that of Hispanic households.



These lopsided wealth ratios are the largest since the government began publishing such data a quarter century ago and roughly twice the size of the ratios that had prevailed between these three groups for two decades prior to the Great Recession that ended in 2009.



As a result of the bursting of the housing market bubble in 2006 and the recession that followed from 2007 to mid-2009, **the typical black household had just $5,677 in wealth (assets minus debts) in 2009; the typical Hispanic household had $6,325 in wealth; and the typical white household had $113,149.**



Blacks: **The net worth of black households fell from $12,124 in 2005 to $5,677 in 2009, a decline of 53%.** Black households drew a large share (59%) of their net worth from home equity in 2005. Thus, the housing downturn had a strong impact on their net worth.

Whites: **The drop in wealth of white households was modest in comparison, falling 16% from 134,992 in 2005 to $113,149 in 2009**. Home equity accounts for relatively less of whites' total net worth (44% in 2005) and that served to lessen the impact of the housing bust.

I have been in public office for over 30 years as a state legislator, a state treasurer and US Senator. I have known all my life that wealth and income disparities unfortunately exist in America among the various races. To say the very least, the widening of the wealth gap continues to shock and cause me great dismay. I have discussed it with my colleagues here in Washington, I have shared it with groups all over this country, and I have made it one of my missions to do all that I can to close the gaps and eventually eliminate these disparities.

The purpose of today's roundtable is simple. We are here not only to discuss the wealth gap but to discuss solutions - solutions on how Congress along with our partners in the Administration, the academic community and the business community can close and eventually erase the wealth gap. I truly hope that our esteemed panelists will identify solutions that can be implemented by the Small Business Committee and by utilizing minority-owned small businesses.

Our first panel will consist of representatives from the Pew Research Center, the NAACP and Dr. Danny Boston who will discuss the wealth gap and the factors leading to the wealth disparities in this country. After we hear from them, the first panel will continue and we will hear from our government officials who will recommend ways **the government can provide solutions**. We will hear from Deputy Administrator of the SBA, Ms. Marie Johns, our Chief Counsel for the SBA's Office of Advocacy, Dr. Winslow Sargeant and last, but not least, Mr. David Hinson, Director of the Minority Business Development Agency at the Department of Commerce

On our second panel, we will hear from business experts from throughout our country on solutions and effective ways that, through minority business development, we can close and eventually eliminate the wealth gap. I would like to turn it over to the other members of Congress to make opening remarks and then we will get to our panelists.

OPENING STATEMENT OF HON. OLYMPIA J. SNOWE, RANKING MEMBER, AND A U.S. SENATOR FROM MAINE

Senator SNOWE. Thank you, Chair Landrieu, for holding this hearing today to examine the implementation of the Small Business Jobs Act of 2010. It is fitting that we would be exploring the implementation of this legislation at a time which is coinciding with National Small Business Week that highlights and celebrates the accomplishments of our nation's nearly 30,000,000 small firms.

Now, perhaps more than ever, we will rely on small business to lead us out of our continued economic morass as they have done time and time again in the past.

I appreciate that we have Small Business Administration Deputy Administrator Marie Johns and Deputy Assistant Secretary Don Graves here to update us today on the status of the Jobs Act, and I especially thank our small business witnesses for offering their perspectives as well.

As Ranking Member of this Committee, I certainly know first-hand that there is no more urgent imperative than job creation in our country. Our nation has now endured 27 straight months with unemployment at 8 percent or above. And last month, unemployment once again reverted to an unacceptably high 9 percent.

We cannot allow these persistently high levels of unemployment to become the new normal. It is essential that we focus, like a laser, on bolstering our economy and creating jobs. And the best way to spur economic growth is to empower our nation's small businesses. Whether reducing regulatory burdens, increasing access to capital, supporting pro-growth tax policies or encouraging exporting, we must continue to seek ways to create a better climate for small businesses across the country.

It is with this in mind that we developed a framework for the Jobs Act through a series of small business bills. The Act includes, as the Chair has indicated, many of the Committee's long-standing priorities, and certainly mine.

For instance, increasing the maximum loan limits for the SBA 7(a), 504, and microloan programs. The Act expands export technical assistance and trade promotion. It included tax measures like those to permit general business credits to be carried back five years and taken against the Alternative Minimum Tax.

Unfortunately, I had serious misgivings about the Treasury Small Business Lending Fund that was included in the legislation on the Floor. I was particularly concerned by the Congressional Budget Office score warning that, when analyzing the Lending Fund with the most comprehensive methodology, it could potentially cost taxpayers more than $6.2 billion.

Furthermore, just last week, the Treasury Inspector General's Office issued a report on the implementation of the Lending Fund, which suggests that interest in the program is tepid, at best. In fact, according to the report, Treasury now expects to only distribute about one half to two thirds of the authorized $30 billion.

As of April 18, only 626 lending institutions out of approximately 7,000 nationwide had applied to participate in the initiative, and only $9.2 billion in funding had been requested. Moreover, the TARP recipients, otherwise known as the Troubled Asset Relief Program, have requested a full 64 percent of that $9.2 billion.

These institutions would essentially be paying off one taxpayer-funded credit card, TARP, with another in the form of the Lending Fund, to obtain lower interest rates without restrictions like those on executive compensation.

The report revealed that TARP recipients are not expected to get much additional capital beyond their outstanding TARP investment balances, placing in doubt how much new lending will actually take place.

So, this begs the question: Is not this lending fund proving to largely be a TARP refinancing program? It has obviously been demonstrated that there has not been great interest in the initiative. I know the Administration is extending the deadline for applications from March 31 to May 16 of this year, and I would like to explore that with you, Mr. Graves.

While I clearly have concerns with the Lending Fund in particular, I hope that we can have a constructive dialogue with respect to its implementation, but also the outcomes that are occurring with all the other initiatives that were incorporated in this legislation that ultimately became law last fall.

I am eager to hear about the desired effects of these initiatives because it is critically important in the final analysis to ensure that these programs are efficient and effectivene and that they are producing results.

We have got to turn this economy around. We have to create jobs, and I know that we created 244,000 jobs last month, but we would have to continue at that rate every month for five years in order to achieve the pre-recession levels of unemployment of 2007.

So, that underscores the magnitude of the challenge before us as a country and that is why many of the initiatives in this Act are going to be very good in terms of working in that direction, but we have to make sure that it is done well and it is implemented efficiently so that we can achieve the results more immediately.

So, I thank our witnesses here today and the Chair for convening this hearing. Thank you.

[The prepared statement of Senator Snowe follows:]

SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
Small Business Recovery: Progress Report on Small Business Jobs Act of 2010 Implementation
Ranking Member Olympia J. Snowe
May 19, 2011

Thank you, Chair Landrieu, for calling this critical hearing to examine the implementation of the Small Business Jobs Act of 2010 ("Jobs Act"). It is fitting that we are examining this critical law during National Small Business Week, a time to highlight and celebrate the contributions of our nation's nearly 30 million small firms. And, now more than perhaps ever before, we will rely on small business to lead us out of our continued economic morass, as they have done time and time again.

I appreciate the members of the Administration – Small Business Administration ("SBA") Deputy Administrator Marie Johns, and Department of Treasury ("Treasury") Deputy Assistant Secretary Don Graves – for joining us today to provide an update on the status of Jobs Act initiatives. And I especially thank the members of the small business community who will speak on our second panel. We look forward to hearing about your experience with, and thoughts about, the various measures contained in the Jobs Act.

As Ranking Member of this Committee, I know firsthand that there is no more urgent imperative than job creation in our country. Our nation has now endured 27 straight months with unemployment at eight percent or above. And just last month unemployment once again reverted to an unacceptable <u>nine percent</u>! We cannot allow these outrageous levels of unemployment to become the new normal. Therefore, it is essential that we focus like a laser on jumpstarting our economy and creating jobs.

And the best way to spur economic growth is to empower our nation's small businesses, which generate two-thirds of all new jobs annually. Whether reducing regulatory burdens, increasing access to capital, supporting pro-growth tax policies, or encouraging exporting, we must continue to seek ways to create a better climate for small businesses across the nation. It is with this in mind that we developed the framework for the Jobs Act through a series of critical small business bills.

The Act included many of my longstanding priorities, from legislation that I introduced or championed, as Ranking Member of this Committee and a Senior

Member of the Senate Finance Committee. For instance, it included key lending provisions that I initially authored to increase the SBA's maximum loan limits for 7(a) loans from $2 million to $5 million, for basic 504 loans from $1.5 million to $5 million, and microloans from $35,000 to $50,000. These changes are critical to ensuring that SBA loans remain relevant to the needs to today's borrowers, who often require more capital than previously allowed.

The law also includes small business exporting provisions from legislation I introduced with Chair Landrieu, such as larger SBA export loan limits, expanded export technical assistance, and enhanced aid for trade promotion. These initiatives have garnered broad, bipartisan support from the Obama Administration, the U.S. Chamber of Commerce, and others.

The Jobs Act also included key initiatives that I had worked on with Finance Committee Chairman Baucus and Ranking Member Grassley to provide tax relief to our nation's small firms. These included measures like allowing general business credits to be carried back five years and taken against the Alternative Minimum Tax; another that increased the business expensing limitation to $500,000 for equipment – double the amount previously permitted, and bifurcating that amount so that up to $250,000 of expenses for real property can be expensed and the business can still purchase up to $250,000 of equipment. And the law includes a tax provision that former Chair of this Committee – Senator Kerry – and I have long championed to allow for the complete exclusion on capital gains attributable to small business stock held for five years.

Regrettably, although the Jobs Act contained many of my priorities, I made the difficult decision to vote against its passage for several reasons. For instance, the Majority "filled" the amendment tree, and prohibited Republicans from offering constructive amendments to benefit small businesses further, or to address critical problems that we had with certain provisions in the bill. Additionally, and perhaps more seriously, the final iteration of the Act included a controversial Treasury Small Business Lending Fund provision.

I had very serious concerns with the Lending Fund from the outset, and they have only been augmented to this day. For instance, I am exceedingly alarmed that the Congressional Budget Office ("CBO") score indicated that – and I quote:

> **"Estimates prepared on a 'fair-value' basis include the cost of the risk that the government has assumed; as a result, they provide a more comprehensive**

> **measure of the cost of the financial commitments than estimates done on a FCRA [FIC-ra] basis or on a cash basis. CBO estimates that the cost of the SBLF [Lending Fund] on such a fair-value basis (that is, reflecting market risk) would be $6.2 billion."**

But Congress included the Lending Fund without fully considering its cost and while knowing that it could risk as much as $6.2 billion in taxpayer funds.

Just last week the Treasury Inspector General's Office issued a report on the implementation of the Lending Fund, which suggests that interest in the program is tepid, at best. In fact, according to the report, Treasury now expects to only distribute around *one-half* to *two-thirds* of the authorized $30 billion. As of April 18th, only $9.2 billion of the funds had been requested. Furthermore, a mere 626 lending institutions, out of approximately 7,000, have applied to participate. Of those, a full 43% were Troubled Asset Relief Program (TARP) recipient banks that are seeking 64% of the total funds that have been requested. These institutions would essentially be paying off one taxpayer-funded credit card – TARP – with another, in the form of the Lending Fund, to obtain lower interest rates without restrictions like those on executive compensation. And the report revealed that TARP recipients are not expected to get much additional capital beyond their outstanding TARP investment balances, placing in doubt how much *new* lending will actually take place. So this begs the question...Isn't the Lending Fund proving to largely be a TARP refinancing program?

With such lackluster interest in the initiative, the Administration extended the deadline for applications from March 31, 2011 to May 16, 2011. I fear that by extending deadlines, the Treasury may be pushing lenders into the program or too readily approve applications for the initiative to bolster its image.

While I clearly have concerns with the Lending Fund in particular – and I hope that we will have a constructive dialogue about its implementation – there are numerous provisions in this Act that can help small businesses, and I am very eager to hear about whether they are having their desired effect. In the final analysis, we must be doing everything in our power to help small businesses get our nation's economy back on track. I am hopeful that the Small Business Jobs Act provides us with a solid foundation for a sustained recovery.

Thank you, Madam Chair.

Chair LANDRIEU. Senator Shaheen.

OPENING STATEMENT OF HON. JEANNE SHAHEEN, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Thank you, Chair Landrieu and Ranking Member Snowe, for holding the hearing today on the implementation of the Small Business Jobs Act. It is fitting that we are doing it during small business week.

The Jobs Act was a very important effort to help small businesses that create two thirds of the jobs in this country. We all know there is more work to do because too many small businesses are still struggling with access to credit.

I, unfortunately, cannot stay to hear your testimony, but I did want to phase two issues that I hope you will address. First of all, both Senators Landrieu and Snowe have talked about the export provisions in the new legislation.

In New Hampshire we think those are critical. We have got to give small businesses access to international markets to help them grow, and I think New Hampshire is one of the 53 states that has applied for funding through the State Trade and Export Promotion Program.

So clearly there is a lot of interest. I think the role that SBA can play in coordinating the export efforts across the Federal Government will really be critical.

The second provision that I wanted to call your attention to has to do with the 504 refinancing provisions. My understanding is that only 20 loans have been approved since the passage of the bill; and these are provisions, as we all know, that will be very important in giving businesses access to working capital.

So, anything that can be done to help facilitate those loans will be very important.

Thank you very much for being here. I look forward to reading testimony and hope you will give real consideration to moving of those two provisions.

Chair LANDRIEU. Why do we not go right into the testimony from Administrator Marie Johns and then Mr. Don Graves.

STATEMENT OF HON. MARIE JOHNS, DEPUTY ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Ms. JOHNS. Thank you. Good morning, Chair Landrieu, Ranking Member Snowe and to Senator Shaheen and members of the Committee.

As has been cited a time or two, this is National Small Business Week, and it is the week we celebrate and empower small businesses that drive our economy, keep America competitive, and importantly create jobs.

The SBA is hosting a three-day conference here in Washington, DC, where we are honoring small business owners with awards for Small Business Champions, Small Business Persons, Chair Landrieu, of the Year, and more. These small business owners and others like them have gotten a big boost from the Small Business Jobs Act.

Since the passage of the Jobs Act in September 2010, SBA has worked hard to implement the many provisions that affected our programs. The Jobs Act affected all of SBA's largest programs, including our support for access to capital, small business contracting, counseling and training, and exporting. Some of these provisions were quick fixes and easy to implement. Others will take more time, but rest assured that SBA is working diligently to implement every provision as soon as possible.

To begin with, almost immediately, the agency began making loans with the temporary increased guarantee and reduced fees authorized by the Jobs Act. This helped us put $12 billion in loans into the hands of small businesses at a time when they needed that lending support more than ever.

Second, the Jobs Act also raised the limits on our loan sizes, from $2 million to $5 million. This increased size will help manufacturers, exporters, and other small businesses. For example, Great Falls Marketing in Auburn, Maine received approval of a $2.6 million loan for purchase of an existing business. They anticipate creating 80 jobs as a result.

The Jobs Act also contained 19 provisions making it easier for small businesses to compete for and win more of the $500 billion in federal contracts awarded each year.

For instance, the law reaffirmed equal treatment or parity across federal contracting programs. This meant that, when awarding contracts that are set-aside for small businesses, contracting officers are free to choose among businesses owned by women and service-disabled veterans, as well as businesses participating in the HUBZone and 8(a) programs.

And the SBA quickly implemented the repeal of the Competitiveness Demonstration program, which will help small businesses compete for contracts in areas such as construction, landscaping and pest control.

Third, the Jobs Act also provided funds for counseling and training, which included $50 million in grants for our Small Business Development Centers around the country. All of this money is out of the door and is going to fund innovative counseling projects in areas such as exporting, regional innovation clusters, and support for young entrepreneurs and under served communities.

The fourth and final way the Act is helping small businesses is through increased support for exporting.

The Jobs Act raised the size limits on our International Trade and Export Working Capital loans to $5 million and Export Express loans to $500,000, and it also made the Export Express program permanent.

And Chair Landrieu already has cited the great success of Baker Sales in Slidell, Louisiana as one of the examples of how these tools have been put to use by small companies in creating jobs.

At the same time, SBA is reviewing and evaluating the first year proposals for the State Trade and Export Promotion grants pilot, which will fund $30 million to state programs this year to increase exporting.

As we implement provisions of the Jobs Act, we have continuously sought input from small business owners, lenders, and other stakeholders.

The SBA's Jobs Act Tour has already visited ten cities, with three more planned in the very near future. At each tour stop, top

SBA officials are sharing information on how small business owners can take advantage of the Jobs Act, as well as talking with them about what works, what we can build on, and what needs to be improved going forward.

The response to the Jobs Act Tour has been overwhelmingly positive. In the surveys conducted after each tour stop, 92 percent of the respondents felt that they had a chance to give input to SBA on its programs; 94 percent of respondents learned new, valuable information about SBA programs; and 95 percent of respondents thought they would be able to use the information they learned at the event to help their business. We have had over 1900 attendees thus far, and we are expecting a total of 2600 by the end of the tour.

I am very pleased to be here today. Thank you for this opportunity to discuss the Small Business Jobs Act, and I am happy to take your questions.

[The prepared statement of Ms. Johns follows:]

U.S SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

TESTIMONY OF MARIE JOHNS
DEPUTY ADMINISTRATOR
U.S. SMALL BUSINESS ADMINISTRATION
BEFORE THE
UNITED STATES SENATE
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
"SMALL BUSINESS RECOVERY: PROGRESS REPORT ON SMALL BUSINESS JOBS ACT OF 2010 IMPLEMENTATION"
MAY 19, 2011

Madam Chairwoman, Ranking Member Snowe, and members of this committee, thank you for inviting me to testify today.

As you know, this week is National Small Business Week—a week in which we celebrate and empower the small businesses that drive our economy, keep America competitive, and create jobs.

The SBA is hosting a three-day conference here in Washington, DC, in which we're honoring small business owners with awards for Small Business Champions, Small Business Persons of the Year, and more.

These small business owners and others like them have gotten a big boost from the Small Business Jobs Act.

Since passage of the Jobs Act in September 2010, SBA has worked hard to implement the many provisions that affected our programs. The Jobs Act affected all of SBA's largest program areas, including our support for access to capital, small business contracting, counseling and training, and exporting. Some of these provisions were "quick fixes" and easy to implement. Others will take more time, but SBA is working diligently to implement every provision as soon as possible.

To begin with, almost immediately, the agency began making loans with the temporary increased guarantee and reduced fees authorized by the Jobs Act. This helped us put $12 billion in loans into the hands of small business owners at a time when they needed that lending support more than ever.

Second, the Jobs Act also raised the limits on our loan sizes, from $2 million to $5 million. This increased size will help manufacturers, exporters, and other small businesses. For example, Great Falls Marketing in Auburn, Maine received approval of a $2.6 million loan for purchase of an existing business. They anticipate creating 80 jobs with this loan.

The Jobs Act also contained 19 provisions to make it easier for small businesses to compete for and win more of the $500 billion in federal contracts awarded each year.

For instance, the law reaffirmed equal treatment – or "parity" – across federal contracting programs. This means that, when awarding contracts that are set-aside for small businesses, contracting officers are free to choose among businesses owned by women and service-disabled veterans, as well as businesses participating in HUBZone and 8(a) programs.

And the SBA quickly implemented the repeal of the Competitiveness Demonstration program, which will help small businesses compete for contracts in areas such as construction, landscaping and pest control.

Third, the Jobs Act also provided funds for counseling and training, including $50 million for grants to our Small Business Development Centers. All of this money is out the door and going to fund innovative counseling projects, in areas such as exporting, regional innovation clusters, and support for young entrepreneurs and underserved communities.

The fourth and final way the Act is helping small businesses is through increased support for exporting. The Jobs Act raised the size limits on our International Trade and Export Working Capital loans to $5 million and Export Express loans to $500,000, and it made the Export Express program permanent. One company, Baker Sales in Slidell, Louisiana, received a loan of about $3 million, which the owner will use to help the company begin exporting to emerging countries like Panama.

At the same time, SBA is reviewing and evaluating the first year proposals for the State Trade and Export Promotion grants pilot, which will fund $30 million to state programs this year to increase exporting.

As we implement provisions of the Jobs Act, we have continuously sought input from small business owners, lenders, and other stakeholders.

SBA's Jobs Act Tour has already visited ten cities, with three more planned in the coming months. At each tour stop, top SBA officials are sharing information on how small business owners can take advantage of the Jobs Act, as well as talking with them about what works, what we can build on, and what needs to be improved going forward.

The response to the Jobs Act Tour has been overwhelmingly positive. In the surveys conducted after each tour stop, 92% of respondents "felt they had a chance to give input to SBA on its programs," 94% of respondents "learned new, valuable information about SBA programs," and 95% of respondents "thought they'd be able to use the information they learned at the event to help their business". We have had over 1900 attendees thus far, and we are expecting a total of 2600 by the end of the tour.

I am pleased to be here today to discuss our successes around the Small Business Jobs Act, as well as challenges that we face as we continue to implement its provisions. I am happy to take your questions.

Chair LANDRIEU. Thank you very much.
Mr. Graves.

STATEMENT OF DON GRAVES, DEPUTY ASSISTANT SECRETARY, SMALL BUSINESS, COMMUNITY DEVELOPMENT, AND HOUSING POLICY, U.S. DEPARTMENT OF THE TREASURY

Mr. GRAVES. Good morning, Chair Landrieu, Ranking Member Snowe, and other members of the Committee. Thank you for the opportunity to be here today along with my colleague, Marie Johns.

I am grateful for the chance to discuss our efforts to create the conditions for small businesses and entrepreneur to thrive, help create jobs and grow the economy.

Small businesses are vital to our economic growth. Small firms employ approximately half of all Americans and are responsible for two thirds of net job creation.

This is why supporting the economic conditions in which small businesses and entrepreneurs can thrive through improving lending conditions, tax incentives, and healthy conditions for investment has been and will continue to be a top priority.

The Administration also recognizes the unique hardships faced by small businesses today. Through no fault of their own, these businesses have borne much of the burden from the financial crisis.

In the aftermath of that crisis, small businesses have been faced with a cycle of increased customer demand, slower payments on their invoices and reduced lines of credit. With no other options, many have been forced to downsize and lay off workers.

To help small businesses recover, grow and create jobs, last September President Obama signed into law the Small Business Jobs Act, the most important comprehensive piece of small business legislation in over a decade.

Certainly the both of you in this room were instrumental and thank you so much for your work on that. I commend you for that work, and we are excited to continue to implement that legislation.

Since the bill was signed into law, Treasury has been hard at work in implementing two of the programs' crucial small business programs that were part of that Small Business Jobs Act. The Small Business Lending Fund and the State Small Business Credit Initiative to help small businesses access affordable credit in order to expand and create jobs.

The Jobs Act also contained eight small business tax cuts, part of 17 small business tax cuts the President has signed into law, that provide additional tax relief to help small businesses invest and create jobs.

At the Treasury, I oversee the State Small Business Credit Initiative and the Small Business Lending Fund. The State Small Business Credit Initiative is a $1 and a half billion program designed to support lending for small businesses by strengthening state-based capital access programs, loan guarantee and loan participation programs, state-sponsored venture capital programs, and other innovative state small business initiatives.

As a result of the financial crisis and state budget shortfalls, many of these programs have been cut back at the very moment they are needed the most. The SSBCI, or the State Small Business Credit Initiative, was intended to help reverse that trend.

I am pleased to say that as a result of the good work of my Treasury colleagues, 48 states, the District of Columbia, and all five territories have notified Treasury that they intend to participate in the State Small Business Credit Initiative.

We have already received 13 applications from states thus far requesting funds that would collectively leverage over $3.2 billion in lending to small businesses.

Treasury has approved allocations to North Carolina for $46 million and California for $169 million; and their programs have already utilized the funds to increase lending to small businesses in those states. Allocations for Vermont and Missouri have also been approved, and Missouri reports that applications to its State Small Business Credit Initiative program, a state-run venture capital fund, has already totaled more than $50 million, exceeding the fund's planned initial capacity. Additional approvals for Hawaii and Indiana were announced earlier this week.

The second program that I oversee is the Small Business Lending Fund which encourages lending to small businesses by providing capital to qualified financial institutions with assets under $10 billion.

The program works by providing capital to participating community banks through Treasury purchases of preferred stock or debt instruments from each bank.

Since banks leverage their capital, the Small Business Lending Fund will help increase lending to small businesses in an amount that is multiples of the total capital provided to participating banks helping small businesses to expand and create new jobs.

The dividend or interest rate banks pay to Treasury on Small Business Lending Fund funding helps incent them to lend to qualified small businesses in need of financing.

Under the Jobs Act the rate will be reduced as a bank increases its lending to small business insuring that the benefits of this program only go to banks that use capital to extend additional credit.

I am pleased to report that as of this week we have received 702 applications and total requests for $10.1 billion in funding. We expect to complete our initial application reviews in the next few weeks and hope to complete initial fundings of those institutions in June.

We believe that the Small Business Lending Fund will have a meaningful impact toward increasing small business lending across the country which in turn will help create jobs and grow the economy.

We are also looking ahead to identifying and addressing challenges facing small business that will be important to overcome to build a more competitive economy over the long term.

In March Treasury co-hosted a conference convening policymakers, business leaders, entrepreneurs, and academics to draw additional attention to the evolving challenges facing startups and small companies, identifying opportunities to reduce barriers to their success and find new ways for the private sector and public sector to work together to help them access the capital they need to succeed.

With that, let me thank you again for the opportunity to be here today and reiterate how appreciative I am of this Committee's work and the commitment to America's small business.

I am happy to answer any question you may have.

[The prepared statement of Mr. Graves follows:]

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Statement of Treasury Deputy Assistant Secretary Don Graves
Small Business and Entrepreneurship Committee
United States Senate
May 19, 2011

Chairwoman Landrieu, Ranking Member Snowe, Members of the Committee, I appreciate the opportunity to discuss Treasury's efforts to help America's small businesses and encourage job creation.

The Administration is committed to supporting small businesses and to creating the conditions in which entrepreneurs can thrive in our economy. President Obama recognizes that small businesses have been, and will continue to be, a vital engine of job creation and innovation in our economy, and that the country depends on the health and vibrancy of our small business sector to fuel our economic growth.

The Administration also recognizes the unique hardships faced by small businesses today: through no fault of their own, these businesses have borne much of the burden from the financial crisis. This is fundamentally unfair. As Secretary Geithner has said, "much of the damage [from the recession] has fallen on ordinary Americans and small business owners who were careful and responsible." A crisis that began on Wall Street quickly spread to Main Street. And, in the aftermath of the financial crisis, small businesses were faced with a cycle of decreased customer demand, slower payments on their invoices, reduced lines of credit, and, with no other options, were forced to downsize and lay off workers.

That is why, on September 27 of last year, President Obama signed into law the Small Business Jobs Act (the "Jobs Act"), the most important and comprehensive piece of small business legislation in over a decade. Many of you in this room were instrumental in that effort and I commend and thank you for your work.

At the bill signing, the President spelled out, in simple terms, the idea that guided the Administration's approach to helping small businesses recover from the financial crisis:

"Government can't guarantee success," he said, "but it can knock down barriers to success, like the lack of affordable credit. Government can't create jobs to replace the millions that we lost in the recession, but it can create the conditions for small businesses to hire more people, through steps like tax breaks."

Since the bill was signed into law, we have been working hard to put this concept into action. Pursuant to the Jobs Act, Treasury has implemented two crucial small business programs – the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI) – to help small businesses access affordable credit in order to expand and create jobs.

The Jobs Act also contained eight small business tax cuts – part of 17 small business tax cuts the President has signed into law – that provide tax relief to help small businesses invest in their firms and create jobs. Among other things, these tax provisions increased the amount of gain

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from qualified small business stock that may be excluded from tax, extended to five years the carryback period for general business credits, increased the amount of investments that may be immediately written off, extended bonus depreciation for new investments, increased the amount of the deduction allowed for start-up expenditures, and provided a deduction for health insurance costs in computing self-employment taxes.

Small Businesses are Critical to Continued Job Creation

Recent economic news has been promising. The economy added 244,000 jobs last month. The private sector has created 2.1 million jobs in the last 14 months, with an average of 214,000 private sector jobs created per month so far in 2011. Despite high energy prices and disruptions from the disaster in Japan, these last three months of private job gains have been the strongest in five years.

The health of our Nation's small businesses is vital to a sustained recovery. Not only are small businesses the engines of economic growth, small businesses also contribute disproportionately to job creation. According to the Federal Reserve Board, small businesses employ approximately half of all Americans and account for roughly two out of three net jobs created. While we still have a long way to go, as the President has said, there are encouraging signs that Main Street small businesses are seeing signs of recovery. According to one recent survey, 35 percent of small business owners are planning to hire more workers in the next six months and 37 percent expect their businesses to grow.

Yet, despite these signs of hope, we still have a great deal of work ahead of us. The most recent data available show that the smaller the firm, the slower the recovery in terms of employment. Moreover, the April National Federation of Independent Business survey shows that small business confidence, while improving, remains below historical levels. Although a variety of challenges face these firms, difficulty accessing credit, restrictive credit terms, and even the perception that their requests to borrow funds will be denied continue to constrain small business expansion.

The Administration is committed to building on the work that has already been done to help small businesses fully recover and return to their traditional role as engines of job growth in our economy. It is our hope and belief that the various components of the Jobs Act – tax cuts, enhancements to existing SBA programs, the SSBCI and the SBLF – will further that goal.

The Administration's Efforts to Support Small Businesses

When President Obama took office, the economy was in freefall and the credit crisis had already taken a severe toll on our nation's small businesses. Credit markets were frozen, bank lending for smaller firms had all but dried up, sales had decreased significantly and, as a result, many small businesses had been forced to lay off workers.

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In response, the Administration has put forward a comprehensive agenda to improve economic conditions for America's small businesses. In partnership with Congress, we took action to help ensure that small businesses could access credit. Working with Congress, we helped pass numerous tax cuts that, among other things, allow small businesses to immediately write off more of their investments, carry back their net operating losses five years, use bonus depreciation to accelerate the rate at which they can deduct the cost of capital expenditures, and take advantage of a new tax credit for businesses that hire and retain workers that were previously unemployed. The Administration also took action through the SBA to address the severe decline in lending, which my colleague, Marie Johns, will discuss in more detail.

The Administration is also focused on fostering a dramatic increase in the prevalence and success of entrepreneurs, which also play a critical role in creating new jobs. In January of this year, the Administration launched its Start Up America initiative to promote partnerships and policies that will benefit America's entrepreneurs and start-up companies. Start Up America will foster a range of public-private initiatives designed to expand access to capital for high-growth startups throughout the country, identify and remove unnecessary barriers to high-growth startups and expand collaborations between large companies and startups.

In March, Treasury co-hosted a conference called "Access to Capital: Fostering Growth and Innovation for Small Companies" to draw additional attention to the evolving challenges facing start-ups and high-growth companies, identify opportunities to reduce barriers to their success, and find new ways for the private sector and public sector to work together to help them access the capital they need to succeed. The conference convened policymakers, business leaders, entrepreneurs, and academics to ask questions and discuss ideas, such as the Administration's proposal to permanently eliminate the capital gains tax on small business stock, and provided an opportunity to have a fulsome discussion around challenges facing small businesses that will be important to overcome to build a more competitive economy over the long term.

The Small Business Lending Fund

At the Treasury Department, I oversee the SBLF and the SSBCI, both of which were enacted into law as part of the Jobs Act, and are designed to help small businesses access capital to grow and create jobs.

The SBLF is a fund that encourages lending to small businesses by providing capital to qualified financial institutions with assets of less than $10 billion. The program works by providing capital to participating financial institutions through Treasury purchases of preferred stock or debt instruments from each bank. Since banks leverage their capital, the SBLF will help increase lending to small businesses in an amount that is multiples of the total capital provided to participating banks, helping small businesses to expand and create new jobs.

The dividend or interest rate banks pay to Treasury on SBLF funding helps incent them to lend to qualified small businesses in need of financing. Under the Jobs Act, the rate will be reduced as a bank increases its lending to small businesses. The initial rate will be, at most, 5 percent, but if a bank's small business lending increases by 10 percent or more, then the rate will fall to as

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low as 1 percent. The Jobs Act provides that banks that increase their lending by amounts less than 10 percent can benefit from rates set between 2 percent and 4 percent. The Jobs Act therefore establishes a clear metric for measuring changes in lending after financial institutions come into the SBLF. Further, it ensures that the benefits of the program only go to those banks that use capital to extend additional credit.

If lending does not increase in the first two years, however, the rate will move up to 7 percent. For those banks that have increased small business lending, their lowered rate will remain locked in for the following two and a half years. After 4.5 years in total, the rate will increase to 9 percent if the bank has not already repaid the SBLF funding.

To date, SBLF has received 702 applications and total requests for $10.1 billion in funding. To ensure taxpayer dollars are properly safeguarded, we have been consulting with each applicant's federal banking regulator and conducting detailed financial assessments of each applicant to assess its likelihood of repayment. Treasury also considers the views of the relevant state banking regulators. To participate, the bank's federal regulator must validate its viability. The SBLF also has been implemented with strong oversight and accountability. In addition to requiring a small business lending plan from participating institutions and regular reports on the impact of SBLF capital, the SBLF itself is subject to robust oversight from the Treasury Inspector General and the Government Accountability Office.

We expect to complete our initial set of reviews in the next few weeks and we hope to complete initial fundings in June.

The State Small Business Credit Initiative

The SSBCI was funded with $1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. Because of the recession and ensuing state budget shortfalls, many small business programs at the state level have been scaled back, which, in turn, has posed further challenges to small businesses. The SSBCI was created to reverse this trend.

Because the SSBCI application requires states to show that $10 in new private lending can be leveraged for every new federal dollar, the SSBCI is expected to help leverage $15 billion in new lending to small businesses. Participating states will use the federal funds for programs to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans or investments they need to expand and create jobs.

The SSBCI also allows states to build on successful models for state small business programs, such as collateral support programs, Capital Access Programs (CAPs), loan guarantee programs, loan participation programs and state-sponsored venture capital programs. Both existing and new state programs are eligible for support under the SSBCI.

The SSBCI is open to any state of the United States, the District of Columbia, and any U.S. Territory that establishes a new, or has an existing, capital access or credit support program that

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meets the eligibility requirements in the Jobs Act. In certain circumstances, municipalities may have an opportunity to apply directly to the Treasury Department for SSBCI funding.

Forty eight states, the District of Columbia, and all five territories have notified Treasury that they intend to participate in the SSBCI. We have already received 13 applications from states thus far requesting funds that would collectively leverage over $3.2 billion. Treasury has already approved allocations to North Carolina ($46 million) and California ($169 million); their programs have already utilized the funds to increase lending to small businesses in those states. Vermont ($13 million), and Missouri ($27 million) allocations have also been approved, and Missouri reports that applications to its SSBCI-approved state run venture capital fund total more than $50 million, exceeding the fund's planned initial capacity. Additional approvals for Hawaii ($13 million) and Indiana ($34 million) were announced this week.

Looking Forward

We believe, as do many of you, that the small business sector is an engine of job growth, innovation, and opportunity. Helping small businesses recover has been a priority for this Administration. We will continue, as the President said, to strive to create the conditions for America's small businesses to grow, hire, and thrive.

Thank you again for the opportunity to appear before this Committee today. I'll be happy to take your questions.

Don Graves, Deputy Assistant Secretary for Small Business, Community Development, and Housing Policy
U.S. Department of Treasury

Mr. Graves currently serves as Deputy Assistant Secretary for Small Business, Community Development, and Housing Policy at the U.S. Department of the Treasury. In this role, Mr. Graves manages a portfolio of policy issues including business and small business finance and development, housing finance, community and economic development, capital access, job creation and issues related to underserved communities. In addition, Mr. Graves oversees the newly created Small Business Lending Fund and State Small Business Credit Initiative. Previously, he served as a partner with Graves, Horton, Askew & Johns, LLC. He is the former Director of Public Policy for the Business Roundtable, and was previously a Policy Advisor for the U.S. Department of the Treasury's Office of Domestic Finance.

Mr. Graves holds degrees of Bachelor of Arts in Political Science and History from Williams College and Juris Doctor from the Georgetown University Law Center where he received the Dean's Award. He served as volunteer Chief Executive Officer of Progress Through Business, a national nonprofit focused on economic development, supporting lower-income employees and sustainability. He also served on the Board of Trustees of the Community Reinvestment Fund and Board of Directors of the Center on Business and Poverty, as well as the Advisory Boards of Wall Street Without Walls and the Greater Washington Board of Trade's Small Business Network.

Chair LANDRIEU. Thank you very much, and we will have a first round of questions by the members. We have been joined by Senator Cardin from Maryland. We appreciate him being with us this morning.

Before I get into the questions, I want to submit a couple of things for the record that I found quite encouraging.

One is a document that I received about a couple of weeks ago from the Vistage CEO Confidence Index first quarter report. It is the largest survey of CEOs in our country. Vistage is a for-profit company that has operated for many, many years. They polled their members that represent businesses from $5 million to 50 million. Some are a little smaller. Some are larger but that is their average member basically.

The wonderful outcome is that 65 percent of these CEOs stated that compared to a year ago overall economic conditions in the U.S. from their perspective have improved. 54 percent of the CEOs expect their firms' total number of employees will increase during the next 12 months. 47 percent said the best way the government can help create jobs is to expand access to capital, and 76 percent anticipated their firm's sales revenues will increase.

So, I wanted to submit that to the record. I think that is one piece of evidence that suggests we are moving in the right direction although we have many challenges ahead.

[The documentation follows:]

Vistage Confidence Index Data

	Vistage Confidence Index	Index Components: Current Economic Conditions	Expected Economic Conditions	Expected Change Employment	Planned Fixed Investment	Expected Revenue Growth	Expected Profit Growth
2003 Q2	100.0	103	162	141	132	168	155
2003 Q3	108.7	138	166	149	143	177	163
2003 Q4	115.6	167	179	157	145	179	168
2004 Q1	113.9	170	167	156	144	179	165
2004 Q2	111.9	171	150	154	148	177	163
2004 Q3	110.4	159	147	153	148	179	165
2004 Q4	111.8	160	151	159	149	179	165
2005 Q1	109.8	158	144	158	145	179	161
2005 Q2	103.1	136	126	153	142	173	158
2005 Q3	96.9	124	91	154	139	172	154
2005 Q4	99.2	115	108	156	139	177	159
2006 Q1	104.2	134	122	159	144	178	160
2006 Q2	97.8	125	101	152	141	171	152
2006 Q3	89.3	94	84	149	131	167	144
2006 Q4	93.0	114	96	148	128	166	149
2007 Q1	95.4	113	106	151	135	167	149
2007 Q2	90.5	97	94	148	132	163	145
2007 Q3	81.4	63	73	143	123	158	141
2007 Q4	76.0	44	59	140	118	155	138
2008 Q1	72.0	28	65	134	113	150	130
2008 Q2	69.6	21	78	127	111	142	120
2008 Q3	72.4	28	92	128	108	142	125
2008 Q4	48.7	3	50	95	74	101	96
2009 Q1	60.6	9	116	103	85	107	102
2009 Q2	69.0	28	118	111	95	126	116
2009 Q3	84.9	82	138	123	110	143	135
2009 Q4	87.9	97	134	128	115	146	137
2010 Q1	93.7	132	138	132	118	152	135
2010 Q2	94.4	137	121	135	123	158	139
2010 Q3	95.1	127	128	136	126	160	142
2010 Q4	106.3	151	154	148	136	172	154
2011 Q1	105.2	158	143	148	140	171	146

NOTE: All component questions are scored as the percent giving favorable replies minus the percent unfavorable plus 100. The Vistage Confidence Index is the sum of the components calculated as a percentage of the level recorded in 2nd quarter 2003 survey.

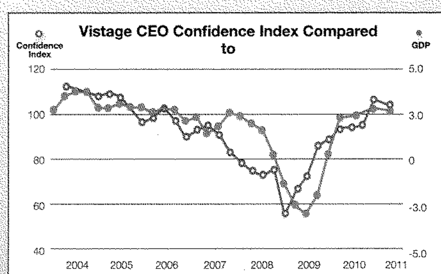
VISTAGE

CEO Confidence Index

Largest Survey of CEOs Since 2003

Two-thirds of all CEOs surveyed believe the economy has improved during the past year and half expect further gains during the year ahead. The Vistage Confidence Index was 105.2 in the 1st quarter of 2011—barely below 106.3 recorded in the prior quarter but well above the 93.7 in last year's 1st quarter survey. Overall CEO confidence has more than doubled since the recession low of 48.7 two years ago. Compared with recent trends, there was very little change in any of the components. The small declines reflect a persistent uncertainty about the impact of federal and state tax policies on the economy, events overseas, and the profitability of their firms. Overall, the majority of CEOs expect economic growth to continue uninterrupted.

Dr. Richard Curtin, Director of Surveys and Consumers at the University of Michigan, Ann Arbor, and Vistage consultant for the Confidence Index notes, "Current economic conditions had improved according to 63% of all CEOs in the 1st quarter, up from 48% one year ago and just 2% two years ago. Only 5% thought that the economy had worsened — the lowest percentage in six years."



Vistage CEO Confidence Index Highlights

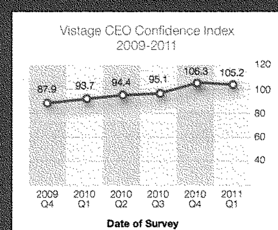
63% of CEOs stated that, compared to a year ago, overall economic conditions in the U.S. have improved.

54% of CEOs expect their firms' total number of employees will increase during the next 12 months.

47% of CEOs said the best way the government can help in creating jobs is to expand access to capital, while 27% responded invest in education.

72% of CEOs said rising gas prices will have an adverse affect on their business.

53% of CEOs said the top priority of Congress should be lowering the deficit, while 22% believe it should be creating jobs.



The Q1 Vistage CEO Confidence Index of 105.2 remains high. The slight drop in confidence compared with Q4 2010 is the result of continued uncertainty both about the overall economy and profitability in their own businesses.

Vistage CEO Confidence Index Q1 2011 | Dates 3/15-3/25 | 1,728 Respondents | National Results

Question	Answer	Respondents	
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	1,087	63%
	About the same	544	31%
	Worsened	95	5%
	Don't know/No opinion	2	0%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	863	50%
	About the same	721	42%
	Worse	128	7%
	Don't Know/No opinion	16	1%

Vistage CEO Confidence Index Q1 2011 | Dates 3/15-3/25 | 1,728 Respondents | National Results ...Continued

3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	834	48%
	About the same	738	43%
	Decrease	144	8%
	Don't know/No opinion	12	1%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1,307	76%
	About the same	329	19%
	Decrease	87	5%
	Don't know/No opinion	5	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	989	57%
	About the same	538	31%
	Worsen	196	11%
	Don't know/No opinion	5	0%
6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	846	49%
	About the same	758	44%
	Decrease	118	7%
	Don't know/No opinion	6	0%
7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	936	54%
	About the same	694	40%
	Decrease	97	6%
	Don't know/No opinion	1	0%
8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2011	314	18%
	Q3 2011	184	11%
	Q4 2011	118	7%
	Steadily throughout the next 12 months	491	28%
	I do not plan to increase my total number of employees	621	36%
9. What is the most significant business issue that you are facing currently?	Rising energy costs	101	6%
	Rising healthcare costs	76	4%
	Staffing (finding, hiring, retaining, and training)	249	14%
	Growth (growing too slowly)	218	13%
	Growth (growing too quickly)	79	5%
	Financial issues (finance, cash flow, profitability)	231	13%
	Economic uncertainty (concern for local and national economy, budget deficit, housing market)	499	29%
	Political uncertainty	97	6%
	Other	178	10%

Vistage CEO Confidence Index Q1 2011 | Dates 3/15-3/25 | 1,728 Respondents | National Results ...*Continued*

10. What is the biggest challenge your business is specifically facing now? (check all that apply)	Cash, liquidity, receivables	344	16%
	Paying loans and/or accessing credit	167	8%
	Customer retention and/or lead generation	517	24%
	Cutting Staff	39	2%
	Managing costs	517	24%
	My business is not facing any extraordinary challenges	298	14%
	Skipped	31	1%
	Other	230	11%

11. Do you expect the Healthcare Reform Bill (The Reconciliation Act of 2010) to:	Be good for your business	120	7%
	Be bad for your business	1,069	62%
	Make no difference in your business	389	23%
	No opinion	150	9%

12. Are you finding it easier to obtain credit for your business now than you did six months ago?	Yes	390	23%
	No	591	34%
	Not applicable	743	43%
	Skipped	4	0%

13. Are the Federal Reserve's current monetary policies:	Increasing your confidence in the US economy	176	10%
	Decreasing your confidence in the US economy	629	36%
	Neither increasing nor decreasing your confidence in the US economy	704	41%
	Not sure	216	13%
	Skipped	3	0%

14. What should be the top priority for the Congress?	Lowering the deficit	912	53%
	Turmoil in the Middle East	26	2%
	Job creation	387	22%
	Immigration reform	21	1%
	Tax policy	185	11%
	Free Trade	14	1%
	Reduction of Federal regulations	175	10%
	Skipped	8	0%

15. How difficult is it to find people with the right skills to drive your business growth?	Easy to find qualified talent	444	26%
	Difficult to find qualified talent	1,058	61%
	Most interviewees lack the required skills	205	12%
	Skipped	22	1%

16. The best way the government can help in creating jobs is to:	Invest in education	472	27%
	Expand access to capital	815	47%
	Lower interest rates	128	7%
	Pass the free trade agreements to help businesses expand their exports	243	14%
	Skipped	71	4%
17. Will rising gas prices have an adverse effect on your business?	Yes	1,245	72%
	No	471	27%
	Skipped	12	1%
18. Have you seen evidence that rising gasoline costs are cutting into consumer spending?	Yes	649	38%
	No	754	44%
	Not Applicable	315	18%
	Skipped	10	1%
19. Are the issues of rising oil and gas prices and political uncertainty in the Middle East leading you to put business expansion plans on hold?	Yes	252	15%
	No	1,459	84%
	Skipped	17	1%
20. Do you plan to turn part-time staff into full-time employees?	Yes	316	18%
	No	1,381	80%
	Skipped	31	2%
21. Are state and local budget cuts affecting your business?	Yes	706	41%
	No	1,010	58%
	Skipped	12	1%
22. In 2011, what are your international development plans? (Check all that apply).	Invest in and grow in the markets you've already entered	411	22%
	Invest in and start-up initiatives in new markets	304	16%
	I don't plan to expand internationally in 2011	1,134	61%
	Skipped	13	1%

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Chair LANDRIEU. The second is a document about the unemployment rate because I think that it is important for us to really understand the facets of the unemployment rate which we do not always by just talking about the averages. But the rate for individuals 25 years or older is only 7.6 percent. It is higher than we would like but it is 7.6 percent.

Interestingly, the unemployment rate for workers with a college or graduate degree is only 4.5 percent in our country today. Unemployment rates for high school is 9.7, and with some college or an associate degree, it is 7.5. But unemployment rates for workers with less than a high school diploma is 14.6 percent.

So, while this Committee can lower the unemployment rate by the work that we do, passing laws and new programs and policies to help get small businesses up and operating, some of these challenges are structural in terms of how this country is either interestingly or not, wisely investing in the workforce to provide them the skills they need to create jobs.

While I will, as Chair of this Committee, take a good bit of responsibility to end this recession, I would suggest that the Committees of Health and Welfare and Education have a similar challenge in bringing these numbers down.

And, I think that the Administration understands that and it is why they have a broad array of programs to end this recession, not just small business bills but we are doing our part.

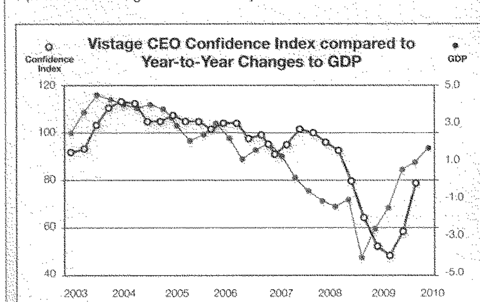
[The documentation follows:]

VISTAGE CEO Confidence Index

Largest Survey of CEOs Since 2003

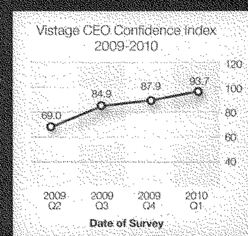
The Vistage CEO Confidence Index provides an inside look at Vistage member confidence in the economy and their businesses. In the first quarter of 2010, our CEO members voiced the highest level of confidence for the future of the national economy in three years. They have sought new customers and created new products while reducing costs and increasing productivity, and have operated amid increased economic uncertainty, reduced credit availability, and strong headwinds from new regulations and taxes. Despite these concerns, our members judge the entrepreneurial environment for new business creation in the United States as slightly more likely to strengthen (38%) than weaken (37%) during the next three to five years.

Dr. Richard Curtin, Director of Surveys of Consumers at the University of Michigan, Ann Arbor, and a Vistage consultant for the Confidence Index, notes, "The relationship between the confidence index and GDP is quite good: it forecasts changes in GDP two quarters in advance. The data clearly weakened prior to the economic downturn and improved prior to the end of the recession, showing every indication that it will be a robust predictor of changes in the economy."



Vistage Confidence Index Highlights

- **86% of CEOs** say they're having to do "more with less" and list leveraging employee productivity as their primary solution
- **69% of CEOs** see China as the biggest threat to overtaking the United States as an economic superpower
- **41% of CEOs** say they are doing business internationally, with Europe topping the list
- **38% of CEOs** believe entrepreneurship and business opportunities in the United States will be stronger in 3-5 years



The Vistage CEO Confidence Index rose to 93.7 in the 1st quarter 2010 survey, up from 87.9 in the 4th quarter and well above the 60.6 in the 1st quarter of 2009. The Confidence Index has posted five consecutive quarterly gains, rising to its highest level since the 1st quarter of 2007.

Vistage CEO Confidence Index Q1 2010 | Dates 3/22-4/2 | 1,869 Respondents | National Results

Question	Answer	Respondents #	Respondents %
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	902	48%
	About the same	669	36%
	Worsened	294	16%
	Don't know/No opinion	4	0%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	918	49%
	About the same	722	39%
	Worse	203	11%
	Don't know/No opinion	25	1%

Vistage CEO Confidence Index Q1 2010 | Dates 3/22-4/2 | 1,869 Respondents | National Results ...Continued

3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	639	34%
	About the same	916	49%
	Decrease	302	16%
	Don't know/No opinion	11	1%

4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months?	Increase	1,190	64%
	About the same	443	24%
	Decrease	220	12%
	Don't know/No opinion	15	1%

5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	977	52%
	About the same	570	31%
	Worsen	309	17%
	Don't know/No opinion	12	1%

6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	526	28%
	About the same	1,088	58%
	Decrease	239	13%
	Don't know/No opinion	15	1%

7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	820	44%
	About the same	828	44%
	Decrease	215	12%
	Don't know/No opinion	5	0%

8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2010	251	13%
	Q3 2010	215	12%
	Q4 2010	145	8%
	Steadily throughout the next 12 months	408	22%
	I do not plan to increase my total number of employees	849	45%

9. What is the most significant business issue that you are facing currently?	Rising energy costs	11	1%
	Growth (growing too quickly)	63	3%
	Rising healthcare costs	104	6%
	Political uncertainty	137	7%
	Staffing (finding, hiring, retaining, and training)	164	9%
	Growth (growing too slowly)	258	14%
	Economic uncertainty (concern for local and nation)	646	35%
	Other	153	8%
	Financial issues (finance, cash flow, profitability)	332	18%

10. What is the biggest challenge your business is specifically facing now? (check all that apply)	Paying loans and/or accessing credit	205	8%
	Managing costs	448	18%
	Cash, liquidity, receivables	416	17%
	Customer retention and/or lead generation	656	27%
	Cutting staff	93	4%
	My business is not facing any extraordinary challenges	280	11%
	Skipped	19	1%
	Other	319	13%

11. How are you adapting to the new business landscape, the "new normal"?	Adjusting to my "new" customers and their changing values	607	32%
	Diversifying my products and services	697	37%
	Lowering my prices	139	7%
	Doing more business online	61	3%
	Doing more business internationally	112	6%
	Skipped	50	3%
	Other	202	11%

12. In 2010, are you outsourcing to contractors and/or using temp agencies more than you did in 2009?	Yes	517	28%
	No	1,257	67%
	No opinion	92	5%
	Skipped	2	0%

13. Has your business directly benefitted from any government stimulus funds?	Yes	163	9%
	No	1,640	88%
	Yes, and I have created jobs with the funds	29	2%
	Not applicable	32	2%
	Skipped	4	0%

14. Do you believe national healthcare legislation is:	Good for your business	202	11%
	Bad for your business	1,212	65%
	Makes no difference in your business	288	15%
	No opinion	161	9%
	Skipped	5	0%

15. Do you believe Washington is listening to the needs of the small to medium-sized business owners?	Yes	132	7%
	No	1,584	85%
	No opinion	147	8%
	Skipped	5	0%

16. If you responded no to question 15, which areas are of your highest concern? (check all that apply)	Availability of credit	616	15%
	Business tax policy	1,053	25%
	Healthcare legislation	1,034	25%
	Trade Policy	194	5%
	Government regulations that interfere with my business	926	22%
	Skipped	236	6%
	Other	118	3%

17. Are you finding it easier to obtain credit for your business now than you did six months ago?	Yes	249	13%
	No	938	50%
	Not applicable	669	36%
	Skipped	10	1%

18. Is your company doing business internationally?	Yes	759	41%
	No	992	53%
	No, but I plan to in the next 12 months	49	3%
	Not applicable	57	3%
	Skipped	9	0%

19. If you responded yes to question 18, where are you doing business internationally? (check all that apply)	China	330	11%
	Europe	497	17%
	Latin America	346	12%
	Japan	210	7%
	India	168	6%
	Skipped	1,088	38%
	Other	247	9%

20. Do you believe that 3-5 years from now entrepreneurship and business opportunities in the United States will be stronger than, weaker than or the same as they are today?	Stronger	708	38%
	Weaker	699	37%
	Same	374	20%
	No opinion	72	4%
	Skipped	13	1%

Vistage CEO Confidence Index Q1 2010 | Dates 3/22-4/2 | 1,869 Respondents | National Results ***...Continued***

21. Which country do you see as the biggest threat to overtaking the United States as an economic superpower?	Brazil	43	2%
	Russia	4	0%
	India	239	13%
	China	1,290	69%
	None of the above	267	14%
	Skipped	23	1%

22. As CEO of your company, are you having to do more with less?	Yes	1,614	86%
	No	242	13%
	Skipped	10	1%

23. If you answered yes to question 22, in what ways are you having to do more with less? (check all that apply)	Fewer employees	1,033	25%
	Tighter with budgets	1,308	32%
	Less credit	474	11%
	Lower customer spending	977	24%
	Skipped	251	6%
	Other	102	2%

24. If you answered yes to question 22, which are you leveraging more? (check all that apply)	Employee productivity	1,426	41%
	International opportunities	224	6%
	Web-based sales/marketing (including use of social media)	572	17%
	Lower customer spending	369	11%
	Emerging technologies	460	13%
	Government funds or programs	122	4%
	Skipped	234	7%
	Other	45	1%

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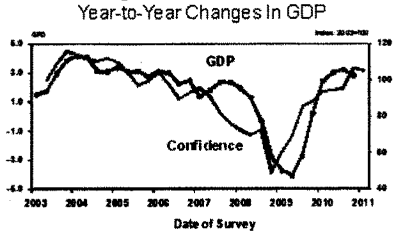
Vistage Confidence Index and
Year-to-Year Changes In GDP



Vistage Employment Expectations Index
and Year-to-Year Changes In Employment

Trends in the Vistage Confidence Index show a close correspondence with year-to-year changes in real GDP published by the U. S. Bureau of Economic Analysis—see the chart on the left. The Confidence Index has about a six month lead and indicate a high level of economic growth in 2011.

Trends in the Vistage Index of Employment Expectations has shown a close correspondence with year-to-year changes in total employment, published by the Bureau of Labor Statistics—see the chart on the right. The Employment Expectations Index has a six-nine month lead on actual changes in the employment series and indicates an accelerating pace of growth through 2011.

Chair LANDRIEU. Let me start with a question to you, Mr. Graves, because as a strong supporter of the Small Business Lending Fund, which is a new and innovative approach, 700 banks have applied. Now, that is less than about 20 percent of those that are eligible.

As you know, I intended for all of the community banks to be eligible but we have run into some difficulty there because of some restrictions in parts of law.

However about 3700 C Corporation community banks are eligible, yet only 20 percent have applied for funding. That is about 600 banks.

One way to look at it is there are 600 banks more than there were a year ago that have access to these funds to lend. But could you explain why Treasury has not made your investment decisions yet?

When can some of these banks anticipate receiving the green light from you all? There are several in Louisiana that are actually quite excited about this opportunity.

Can you shed some light on this for us?

Mr. GRAVES. Thank you for that question. I will try to tell you what we are trying to do with the program. We have worked very quickly to try and get these two new programs that Treasury is implementing under the Small Business Jobs Act up and running.

We have worked expeditiously. We have a very strong team that we have put together to stand up these two new offices within Treasury to get these programs off the ground.

I think it is important to remember that while we are moving as quickly as we can on those programs, it is important and, in fact, you required us to ensure that we balance both the speed with which we get the programs implemented with the need to ensure we are making prudent investment decisions and protecting the taxpayers' dollars.

So, we have instituted a fairly robust, a very robust system of reviewing potential investments, ensuring that every institution that applies meets the eligibility criteria, that we then consult with federal banking agencies and in some cases state regulators when appropriate, and then Treasury performs its own individual assessment on the financial standing of that institution and its ability to participate in the program.

Once we make our approval decision, we then will let the banks know and they will be able to close within 30 days of receiving that approval.

We have conducted a significant amount of outreach with community banks all around the country. We have conducted more than 30 webinars, teleconferences, and industry events all across the country.

We have a dedicated webpage and a call center with our Small Business Lending Fund team. We talk with community banks all across the country every single day of the week. We look forward to announcing our first round of funding very soon. In fact, I expect within the next few weeks we will be making those decisions for the institutions, and we will be getting to closings beginning in June.

Chair LANDRIEU. Okay. I am going to ask you, not right now but in a few minutes, your response to some other GAO report findings that just came out on this program.

But let me ask Ms. Johns. If you could put the chart up, the 39 programs that were either created or enhanced under the Small Business Jobs Act of 2010, most of them are completed by your agency and you were the implementor for this, I understand; and most of them have been completed.

[The information follows:]

The Small Business Jobs Act of 2010 (PL 111-240)
A Progress Report of SBA's Requirements

Subtitle A – Small Business Access to Credit		
Sec. 1111	Section 7(a) Business Loans	●
Sec. 1112	Maximum Loan Amounts Under 504 Program	●
Sec. 1113	Maximum Loan Limits Under Microloan Program	●
Sec. 1114	Loan Guarantee Enhancement Extensions (ARRA)	●
Sec. 1115	New Markets Venture Capital Company Investment Limitations (ARRA)	●
Sec. 1116	Alternative Size Standards	●
Sec. 1117	Sale of 7(a) Loans in Secondary Market	◐
Sec. 1118	Online Lending Program	●
Sec. 1119	SBA Secondary Market Guarantee Authority (ARRA)	●
Sec. 1122	Local Development Business Loan Program Low-Interest Refinancing	●
Sec. 1131	Small Business Intermediary Lending Pilot Program	●
Sec. 1132	Public Policy Goals	●
Sec. 1133	Floor Plan Pilot Program Extension (ARRA)	●
Sec. 1135	Temporary Express Loan Enhancement	●
Sec. 1136	Prohibition on Using TARP Funds or Tax Increases	●
Subtitle B – Small Business Trade & Exporting		
Sec. 1203	Office of International Trade	◐
Sec. 1204	Duties of the Office of International Trade	●
Sec. 1205	Export Assistance Centers	○
Sec. 1206	International Trade Finance Programs	●
Sec. 1207	State Trade & Export Promotion Grant Program	●
Sec. 1208	Rural Export Promotion	●
Sec. 1209	International Trade Cooperation by Small Business Development Centers	●
Subtitle C – Small Business Contracting		
Sec. 1312	Leadership & Oversight	◐
Sec. 1313	Consolidation of Contract Requirements	●
Sec. 1314	Small Business Teams Pilot Program	●
Sec. 1321	Subcontracting Misrepresentations	◐
Sec. 1322	Small Business Subcontracting Improvements	●
Sec. 1331	Reservation of Prime Contract Awards for Small Businesses	◐
Sec. 1333	Agency Accountability	●
Sec. 1334	Payment of Subcontractors	◐
Sec. 1335	Repeal of Small Business Competitiveness Program	●
Sec. 1341	Policy & Presumptions	○
Sec. 1342	Annual Certification	◐
Sec. 1343	Training for Contracting & Enforcement Personnel	◐
Sec. 1344	Updated Size Standards	◐
Sec. 1347	Small Business Contracting Parity & Mentor Protege Program	●
Subtitle D – Small Business Management & Counseling Assistance		
Sec. 1401	Matching Requirements Under Small Business Programs	●
Sec. 1402	Grants for SBDCs	●
Subtitle E – Disaster Loan Improvement		
Sec. 1501	Aquaculture Business Disaster Assistance	●

*Completed – ● *In Process – ◐ *Not Completed – ○

But there are two particularly, there are 28 provisions that have been completed. That is 72 percent. Nine provisions that are in the process of being completed, and two provisions that are not complete.

The two, I understand, that are not complete are the export assistance centers and then one on contracting policy. Can you comment on why the delay on those two particular programs or do you have any comments about that at this time?

Ms. JOHNS. Yes, Chair Landrieu. Thank you for the question. And I also want to thank you for your leadership on the Small Business Jobs Act. And to Ranking Member Snowe, we greatly appreciate your support of many of the provisions that made their way into this Act.

Overall I am very proud of the way that the SBA has moved forward to implement these provisions. We took this role very seriously because we know that small businesses were waiting for these critical tools to be in their hands so that they could grow their businesses and create jobs.

As far as the export provisions are concerned, a lot of work has been done. Very shortly we will be naming a new Associate Administrator for the Office of International Trade. Individuals have been hired, additional trade counselors have been hired in two of the USEACS around the country.

And, the process is ongoing and there is a requisition out for additional hiring. So that process is well underway.

We have provided reports to this Committee regarding travel and other——

Chair LANDRIEU. And the contracting policies seem to be slow in being implemented.

Ms. JOHNS. Well, the contracting policies, first of all, one of the primary contracting policies that the bill advanced was the clarification regarding parity.

So that provisions in the bill immediately gave contracting officers across the government a clear signal, clarified rule so that they had much more available at their hand in order to meet the government's 23 percent contracting goal for small businesses because, as you know, prior to the Small Business Jobs Act there was some confusion about how our programs lined up.

But the parity issue in the Small Business Jobs Act resolved that and so that was an important provision under contracting.

As far as other of the contracting provisions in the Act, as you know the contracting process is not, that is not a process the SBA owns and we cannot stand up those new provisions on our own. We have to go through a process through the Federal Acquisition Council, the FAR process, and it takes time.

But we are moving apace and many of those provisions are poised to become effective in the very near future.

Chair LANDRIEU. Thank you. My time has expired.

Senator Snowe.

Senator SNOWE. Thank you.

Mr. Graves, with respect to the Treasury lending program, of the 702 institutions that are now participating in the program, how many loans have actually been issued?

Mr. GRAVES. We have actually not made investment decisions on any of the 700 institutions that have applied, so no loans yet have come from capital that comes out of the program.

The deadline for this program was September 27 and we expect that all applications that meet the eligibility criteria will have been approved by September 27 so that we will get those dollars out the door to the community banks so that they can do the hard business of supporting small businesses.

Senator SNOWE. So, it will be this fall when small businesses could actually receive loans?

Mr. GRAVES. That is a good question. We believe that beginning within the next few weeks dollars will begin to go out the door to community banks and that those banks will then on-lend based on the incentives built into the Small Business Job Act.

Senator SNOWE. What I was saying earlier in my opening comments about TARP refinancing is that ultimately, what it suggests is that there is going to be minimal new small business lending, with very few new institutions participating in the program. In fact, as I understand it, it is only about $3 billion that would represent new institutions. Is that true?

Mr. GRAVES. It is a good question because a number of people have asked that of us as well before. It is important to remember that this program is not a TARP program. I just want to make that clear at the outset.

Any institution that meets the eligibility criteria regardless of whether they are a TARP institution or a non-TARP institution is eligible to apply and participate.

The other thing that I would say is that this is not a program to assist CPP banks. In fact, there is no opportunity for an institution to decrease their interest rate without increasing the amount of small business lending that they do.

Senator SNOWE. But with the threshold you are using as a standard, they only have to increase lending by 2.5 percent. So essentially, they can exchange what they receive under TARP for this program at a lower interest rate and they only have to increase their small business lending by 2.5 percent, a minimal increase, frankly.

So, you are really replacing one with the other. The objective is not to assist the TARP recipients, but the net effect is that it is happening.

The point here is that are we just turning over one program to the another. This same money is now benefitting those who have already received a great benefit from the United States Government, when we would like to invite other institutions into the small business lending fray to expand the loan portfolios among banks and other entities that can issue these loans.

So that is one of my concerns that I think needs to be addressed. From what I understand, TARP recipients are seeking investments that exceed their remaining TARP balances by only 10 to 30 percent. So, it really does beg the question of how much new lending will actually occur under this program.

And they get a 1 percent loan, am I correct, if they meet the 10 percent increase in lending?

Mr. GRAVES. I share your concern. In fact, no CPP institution will get to an interest rate of 1 percent unless they increase their lending to 10 percent just like any other institution that participates in the program.

The program was really meant, as I understand it, to increase small business lending. It is really to get capital out to small businesses all across the country.

Senator SNOWE. And the question is how that happens. From what I understand, it is not exactly happening with the maximum effect. That is the problem here because of the perverse incentives created in the program.

Now, for example, from 2008 to 2010 lending institutions' small business lending declined by 9.2 percent to $652 billion, according to this chart, the second lowest level since 2005–2006. Yet the latest Thompson-Reuters/Paynet Small Business Lending Index shows that small business lending in March of this year already increased by 12 percent compared to a year ago.

So, you are using a very exceptionally low benchmark, four quarters ending with June of 2010, to incentivize banks to increase small business lending when, in fact, that small business lending is already occurring without this program having been implemented yet.

So, that is the problem.

Mr. GRAVES. Would you like me to speak to that?

Senator SNOWE. Yes.

Mr. GRAVES. I think it is important to remember that the baseline that was set in the legislation was done so because it was really looking as a means to increase small business lending from where we were, as you suggest, just last year at the low water mark in recent years.

And if institutions were given a baseline that was significantly higher, those institutions would not participate in the program.

So, what we were trying to do is incentivize banks to increase their lending, giving them all the tools at their disposal, giving them the capital that the need so that they can actually get those dollars to all the small businesses around the country that are looking for capital.

Senator SNOWE. Just a follow-up, because I know my time has expired. If banks have only maintained the 12 percent trend that is already occurring, they can lock-in on an interest rate of 1 percent. That is the point, and that is the incentive for them to transfer from one program to another, the TARP program to this program. Thank you.

Chair LANDRIEU. Senator Cardin.

Senator CARDIN. Well, first, let me thank Senator Landrieu and Senator Snowe for this hearing. I think one of the most important responsibilities of this Committee is oversight. It is one thing to pass laws, but it is to make sure those laws have the intended effect. I know that sometimes that is hard for a Committee to do, and I applaud our leadership of this Committee of understanding the importance by conducting this hearing.

The legislation, the Small Business Jobs Act, had many important provisions. I was a little late getting here today because I was attending a conference from our small business centers, development centers on export activity. That was one of the major issues in this legislation, and we are making some progress on export activities.

We also had tax credits. I think it is important for us to understand how they are working.

The first point that has been mentioned here is this bill was aimed at improving access to credit for small businesses. I think Senator Snowe's questions are not only good questions but we need to get better answers.

This was a major initiative. Some of us would have preferred some of this money going into direct loans, and we were told, "No, this is going to be the incentive to get the community banks more interested in making loans to small businesses."

This was a large commitment of Federal resources. So, we need better answers. We need to know how much is getting out there. I am a little disappointed it is taking this long. I think many of us thought that this would get out a lot quicker and there would be more interest.

So, I just want to support the questions that have been asked by our two leaders. We need to have better information to this Committee as to how this program is working.

And the questions Senator Snowe asked as to whether this is just what would have happened and are just giving incentives to community banks that are not needed or whether we really have leveraged a lot of new activity out in the community is a question we need to answered.

So, I am going to ask our leadership here to follow up and make sure we get information in this Committee to make sure that we are accomplishing what we intended to do.

I want to talk about another part of the Small Business Jobs Act and that was to improve government procurement opportunities for small businesses.

I helped draft a provision in the Small Business Jobs Act that requires Federal contracting officials to complete small business training before receiving certification.

There is a real concern as to whether the procurement officers in our agencies have a bias towards existing relationships with contractors, mainly large businesses, to the exclusion of opportunities for small businesses in our community and that this Committee wanted to do something about that by requiring that the contracting officers have greater sensitivity to not only the letter but the spirit of our law to engaged smaller companies.

There was also a second provision added that requires reports to Congress dealing with veteran-owned, women-owned, and disadvantaged small businesses.

So, could I ask either of you or both of you if you could give us a status as to how the implementation of those provisions is working and how you intend to comply with your requirements in keeping us informed as to the progress being made in regards to those targeted small businesses?

Ms. JOHNS. Good morning, Senator Cardin, and I would be happy to respond to your questions, and we are also grateful for your support of this important piece of legislation for our small businesses.

Our government contracting organization works regularly with contracting officers, and particularly the OSDBUs across all of the Federal agencies. We meet on a regular basis, monthly actually.

In addition, we have a senior level effort focused on contracting and ensuring that across Federal agencies that at the Deputy Secretary level that those individuals are aware of what the contracting goals are across the different certification programs that the SBA manages and that they understand how their agencies need to organize and to ensure that the information flows so that they are also able to focus on meeting their particular goals for Federal contracting.

Senator CARDIN. Are they bringing the employees in who are responsible for training?

Ms. JOHNS. Yes, we are working with the Federal Acquisitions Institute and the Defense Acquisitions Institute to develop a curriculum for contracting officers. That will be an enhancement to the training work that we are already doing on a regular basis.

Senator CARDIN. What is the time frame for being able to implement this training curriculum?

Ms. JOHNS. Within the next few months.

Senator CARDIN. Can you be more specific?

Ms. JOHNS. Probably in the September, October time frame.

Senator CARDIN. Will all contracting officers be required to go through this training?

Ms. JOHNS. Yes.

Senator CARDIN. How long will it take for the contracting officers to be able to get the benefit of this new curriculum?

Ms. JOHNS. Senator, I do not know the end date. We have not established an end date. The focus has been on getting the curriculum in place and beginning the training, and we have the commitment to stay with the training as long as it takes to make sure that everyone is covered.

Senator CARDIN. Could I ask that my office and I think the Committee may be also interested in reviewing the curriculum that you are changing and the time schedule for contracting officers and which agencies you anticipate being the first and the time schedule necessary to get all contracting officers up to speed with this new curriculum?

Ms. JOHNS. Certainly. I would be happy to.

Senator CARDIN. And the reports to Congress that are required, I take it you will meet those deadlines and you will get us information as to specific progress being made with veteran-owned, women-owned, disadvantaged small businesses?

Ms. JOHNS. Yes, Senator, we will.

Senator CARDIN. One last question, Madam Chairman, if I might, getting back to credit. There was a second part, a major initiative other than the SBA guarantees. We also provided funds to state governments who have programs dealing with credit.

I know what is being done in Maryland but I would ask that our Committee be kept informed, that you provide to us the specific activities that have been generated by states as a result of the additional resources made available at the federal level.

My reason for asking that, Madam Chairman, is following up on Senator Snowe's point, I would like to see, if we could, the relative activities generated by our partnerships with the states versus the additional monies being made available to community banks so we can see where we are getting the most activity for the resources. That is our responsibility.

So, if you could make that information available to us, it tell us where we need to put our attention.

Mr. GRAVES. We would be happy to do so.

Senator CARDIN. Thank you.

Chair LANDRIEU. And I thank you. Senator, you raised several excellent points, and our next panel will have some specific information about how those state programs are working.

But I want to remind everyone that one of the reasons we could not do directly is because of the strong opposition from the minority party. They would not approve of direct lending from the SBA, and so in order to get money out to small businesses with that not being an option, the only option we really had was to work either with state programs, regional programs, or the community banks.

So, we will see, you know. We have crafted something. We hope it works. We are not sure it will. That is what this hearing is about. I myself, as the lead architect of this bill, am very interested to see.

Because there were different ideological views on both sides of the aisle, we really did not have all options open and available to us. But we did the best we could.

Let me ask a question, and we will go through a second round of questions and then get to our second panel.

One of the things I was most interested in, and I am not sure we were able to be successful, was giving some relief for debt refinancing for the commercial real estate section. We wrote a section in the bill entitled small business access to capital trying to provide some relief refinancing.

Our understanding, however, is that there has been minimal usage of this program. We are hearing from banks that the rules that are written which we think might be much more narrow than what our law intended is not helping to provide the relief that we had hoped for.

So, Mr. Graves, do you have any comments about this particular section, or Ms. Johns?

Ms. JOHNS. Yes, Senator. Chair Landrieu, I would be happy to respond.

The 504 commercial refinancing initiative was a new program for us. In every instance when we have a new program, we are always balancing two key objectives, that is, getting the program into the hands of small businesses as soon as possible but also ensuring that we are delivering the program in a way that ensures that we are good stewards of the Federal resources. And so those are the objectives that we were balancing as we rolled out the 504 refi.

Once we put the initiative into the marketplace, we also are constantly gauging how the market is responding. In the case of 504 refi, it became clear to us that we needed to take a second look at opening up the provisions of the 504 refi to include more businesses, and that we have done. We have made a mid-course correct.

The comment period on the change has just closed. We made sure that we contacted all of the industry associations and talked with them and we were in close contact as we were developing the mid-course correction, and so we are looking forward to getting the new 2.0, if you will, version of the program in place, and we are sure that we will see some progress.

Chair LANDRIEU. Because this is very, very, very important. Many, many, many small businesses have seen, of course, the value of their buildings that they own or their commercial collateral basically decline but they still have fairly strong balance sheets and a refinancing opportunity could really help them.

If it is done correctly, it will work; and if not, it is going to be another missed opportunity for businesses out there, and contribute to the spiraling down of this market.

So, again, our Committee cannot do everything in this regard but this is a very special initiative. Please keep us posted as to how. And if it is the language of the law that is preventing you, the way we wrote it, then I would be open to some modifications. But hopefully you can take the language as it was written and implement the rules so that it is actually works and people can take advantage of it.

One more question. Then I will turn it over to Senator Snowe for her second round of questioning.

The Jobs Act, we talked about this but it is worth repeating again. The State Trade and Export Promotion Grant Pilot Program, can you provide the Committee with an update on the status of this program? Specifically, how many of the 56 eligible states have submitted applications for this particular program?

Ms. JOHNS. Yes, Senator, I would be happy to do that. We have received applications from, I believe, 53 of the 56 eligible. In fact, as we speak, there is an interdisciplinary team of reviewers who are meeting at the SBA. They have been there all week.

We compiled a team of folks from around the agency to bring various expertise to the review process. In addition, we also sought out reviewers from other Federal agencies. So, we have a reviewer from Ex-Im Bank, and we have a reviewer from the Department of Commerce because we wanted to have the strongest possible team.

They are hard at work this weekend and intend to complete their work by the end of the week. So, we are very eager to make these selections, get these proposals, the response to proposals back out to the states.

Chair LANDRIEU. Okay. Finally, as I turn it over to Ranking Member Snowe, I want to be very clear that I agree with Senator Cardin that the oversight of this Committee is important.

Instead of just sitting here twiddling our thumbs and wringing our hands because we do not know what do to help small business, we have tried many different things.

We are now in the process of evaluating what works well and what is not working, but you cannot stand still in a situation like this and do nothing. You must move forward aggressively.

We have started new regional programs, export programs, partnerships with our community banks. We did everything but direct lending because we were blocked from doing so but we could potentially revisit that later on.

Let us see what is working and then make the adjustments as we go forward but getting capital into the hands of Main Street businesses, not businesses on Wall Street and not big multi corporations that have many ways to access capital. Main Street businesses remain our goal to drive down these unemployment rates and provide opportunity for the American dream.

Ms. JOHNS. Chair Landrieu, may I make just one comment in response?

Chair LANDRIEU. Okay.

Ms. JOHNS. I just want to assure the members of this Committee that at the SBA we share your sense of urgency on that, and the notion of constantly looking at how the programs as we get them out into the hands of small businesses, we are constantly looking at how those programs are being received and what tweaks, what mid-course corrections we need to make as we did in the 504 refi. We reacted very quickly to that, and I want to assure you that that is our approach for all of these provisions.

I am traveling regularly. Since the first of the year, I have been to over half of our regions talking to hundreds, literally hundreds of small business owners asking them about the Small Business Jobs Act, educating them on the tenets of the Act.

We had a Small Business Jobs Act tour, 13 cities planned. We are just down to the last two cities. We are out and about as an agency talking regularly to small businesses and seeking their input on how we can do what we are doing better, how we can make these programs work more effectively for them.

So, I just wanted to assure the members of the Committee that we share your sense of urgency on those very critical issues.

Chair LANDRIEU. We appreciate the effort and we are going to be looking for some very clear results as the weeks and months unfold.

Senator Snowe.

Senator SNOWE. Thank you, Chair Landrieu.

Just to follow up on the issue of direct lending, the Administration opposed direct lending as well. It essentially did not want the government to become a bank. There is a big difference between guaranteeing loans and writing and being directly involved in issuing those loans.

In fact, there is an article right here in the New York Times, dated March 10, “Why Won’t the SBA Lend Directly to Small Businesses?” and there is an indication that the President responded that to do so, the government would have to stand up, in his words, “A massive bureaucracy and it would take too long and you would be frustrated.”

[The information follows:]

The New York Times
You're the Boss
The Art of Running a Small Business

MARCH 10, 2010, 4:39 PM

Why Won't the S.B.A. Lend Directly to Small Businesses?

By ROBB MANDELBAUM

Back in late January, a Florida entrepreneur, Steve Gordon, got the opportunity to take his concerns about the recession straight to the top. If banks won't make loans to small business, he asked President Obama at a town hall meeting in Tampa, why not have the Small Business Administration make loans directly?

The president responded that to do so the government would have to "stand up a massive bureaucracy ... and it would take too long, and you'd be frustrated." Still, the question persists — Mr. Gordon, in fact, was invited to Washington a week ago last Friday to ask it again before a joint hearing of the House Financial Services and Small Business Committees. At the hearing, the S.B.A. administrator, Karen Mills, echoed Mr. Obama's comments to Mr. Gordon. "The problem we are trying to solve is not that small businesses need direct loans," she said. "It is that they need direct access to banks that are making loans with our 90 percent guarantee and direct access to counselors who can help them get creditworthy."*

In fact, the S.B.A. has a long history of direct lending. The Small Business Act (pdf), which created the S.B.A. in 1953, allows the agency to finance businesses "either directly or in cooperation with banks or other financial institutions," though direct loans are limited to $350,000. The agency lent directly to businesses that banks had rejected through the late 1980s, and through the late 1990s to certain disadvantaged borrowers. Since then, the agency has restructured and shed much of its work force. However, it still makes loans directly to homeowners and businesses after a disaster.

And the very fact that Mr. Gordon's question was one of the central themes of the recent hearing reveals that Democrats do not universally share the Obama administration's view. In the current Congress, the House has twice passed legislation calling for direct S.B.A. loans.† The House's S.B.A. reauthorization bill creates a new "Capital Backstop" program tailored to recessions, in which the S.B.A. would help borrowers prepare a business loan (or 7(a)) application, and, if the borrower meets the credit standards, then shop it to banks. If no bank is willing to make the loan, the S.B.A. can do so itself. The program will sunset at the end of September 2011, and take effect again only after three quarters of G.D.P. decline as well as a 30 percent fall-off in the number of S.B.A. loans made. It would then continue until the economy showed two quarters of G.D.P. growth. A reserve force of loan officers would staff this program, just like the disaster loan program. (It may not be all that hard to find a qualified work force: an industry consultant, Bob Coleman, estimates banks have fired 2,500 experienced S.B.A. loan officers since 2007.)

In the Senate, Ben Cardin of Maryland, who is on the Small Business Committee, and Robert Menendez of New Jersey, who is not, have introduced bills calling for direct S.B.A. loans. However, neither of the Small Business Committee's leaders, the Democratic chairwoman, Mary Landrieu, and the ranking Republican, Olympia Snowe, who work closely together, seem particularly enthusiastic about the idea. (Neither senator's aides would speak for the record about it.)

So why is the Obama administration opposed to direct lending? In the time since the president first addressed the issue in Florida, the S.B.A. has fleshed out its objections. While any of the nation's 100,000 bank branches could (theoretically) close an S.B.A. loan, the agency itself has only 68 field offices, according to a fact sheet distributed to members of Congress. These offices would require new computer systems and procedures and a lot more staff. The agency calculates that while it takes two government employees to oversee 1,000 guaranteed loans, 43 people would be required to administer 1,000 direct loans.

Besides taking a long time to develop — nine to 12 months — a direct loan program would also cost "billions of dollars in administrative funds," according to the agency. In an interview, an S.B.A. spokesman, Jonathan Swain, said that administrating direct loans would be at least as expensive as in the disaster loan program, where they run 15 to 20 cents for every dollar spent. He added that the proposed Capital Backstop, which would require the agency to shepherd borrowers through the system, would be even more cumbersome. (The Congressional Budget Office has not yet estimated the program's cost.)

On top of administrative expenses are the costs to subsidize loan losses, which the administration says would be higher than losses in guaranteed loans — perhaps much higher. Indeed, according to S.B.A. financial statements, the agency's direct business loan programs had much higher cumulative loss rates than the guarantee programs have had over their much longer lifespans — about 19 percent compared to 6 percent. (The cumulative loss rate on direct disaster loans, meanwhile, is about 9 percent.)

"If a bank isn't going to make someone a loan with a 90 percent guarantee, why should the taxpayers make them a loan with a 100 percent guarantee?" asked Mr. Swain. The House Small Business Committee, though, maintains that it ought not have the same high loss rates as direct loan programs have had in the past. Since the S.B.A. would use the same eligibility and credit underwriting criteria that banks use for 7(a) loans, the committee noted in a report accompanying the bill, the "backstop portfolio should carry no more risk than that of a 7(a) private sector lender."

It may be true, as Ms. Mills told members of Congress, that the agency "can get money out faster using the tools it has" than by creating a whole new program. But recent experience also suggests that the tools the agency had in hand in October 2008, were no match for the credit crisis. Lending all but froze; it took Congress four months to pass the stimulus, with the provisions that kick-started those programs. And while it is nice that S.B.A. loan volume has been restored to pre-crash levels — although S.B.A. lending began to decline a year before the freeze — it may not be enough. The whole point of the S.B.A. is to pick up the slack when conventional loans falter.

The Obama administration acknowledges this. "It's not that we don't understand there's a gap," said Mr. Swain. "We just have a different approach to responding to that gap." That approach is a handful of incentives aimed at getting banks to lend on their own: extending the stimulus provisions that lowered fees and raised guarantees, raising limits on some S.B.A. loans, offering additional capital to small banks (from a "small-business lending fund"), and allowing banks to refinance conventional commercial mortgages as government-backed 504 loans. The administration has also urged regulators to lighten up a bit on valuing loan collateral so that banks can lend more money.

"We've taken each piece of the gap and tried to fill it with a program that addresses" the problems the banks face, Ms. Mills said at the joint hearing.

But most of those tools are not yet in the S.B.A.'s possession; Congress has to approve them. And the problem with the president's piecemeal approach is that all the pieces have to be in place for it to work — what good is the higher guarantee if banks don't have the capital to lend or their balance sheets are plagued by shrinking collateral value? The stimulus provisions have lapsed twice, and legislators may never sign off on the others. Moreover, even if all the administration's proposals are adopted, they may not actually induce more lending. Then what? In any case, they would be temporary. Come the next financial crisis, we will have to start from scratch.

The Capital Backstop program, of course, faces its own its own substantial obstacles getting through Congress in the modern political climate, but at least it has the virtue of certainty, and of theoretically being ready for the next time credit freezes over.

*Of course, not every business that wants a loan should get a loan. Mr. Gordon, for example, who acknowledges that he lacks two borrower attributes that remain important to banks, collateral and good credit score, may be a better candidate for venture capital.

†Judging by the comments at the hearing, very few Republicans support direct S.B.A. lending, and several Democrats on the Financial Services Committee also objected to it. However, most representatives — Republican and Democratic alike — voted for it at least once.

So, I think the point is there are some legitimate issues in direct lending. In any event, I think the point here now is that we have to get into the oversight issues and to make sure that this program is working.

I do have strong concerns on the TARP side, and I have already indicated that to you. One other issue.

I have introduced a bill on a couple of issues concerning the Lending Program, Mr. Graves, but one of which I wanted to raise with you today because you may already be addressing it, is that my bill would prevent the Treasury from issuing a loan to any institution that has been deemed by its regulator to be unhealthy. What would you be doing in that regard? Do you get reports?

How do you evaluate those who are seeking loans under this program if their regulator deems them to be unhealthy? You are not prohibited from still continuing to issue those loans.

Mr. GRAVES. Thank you for that question, Ranking Member Snowe.

We share your concerns about ensuring that every investment made in an institution is done so in an institution that is healthy, that has the financial wherewithal to increase its lending to small businesses.

In fact, as I mentioned at the beginning, we have implemented a very strong and robust system of reviewing every application that comes from a community bank.

Each institution has an initial eligibility assessment performed by the Treasury team. Then we conduct a consultation with the federal banking regulator of the institution. In some cases where it is appropriate, we conduct a consultation with the state regulator as well.

Treasury has its own internal investment team that conducts a separate independent analysis and evaluation of each and every one of those applications that comes back to us from the Federal banking regulators before we make any decision to make an investment in a community bank.

Really what we are trying to do is make sure that, while we are trying to get these dollars out the door and trying to support small businesses, we also want to make sure we make prudent investment decisions and do our very best to protect the American taxpayer.

Senator SNOWE. Thank you.

Mr. GRAVES. Thank you.

Senator SNOWE. Administrator Johns, one of the issues I wanted to explore with you is that some have suggested that increasing the loan limits as we have under the 7(a) and the 504 programs in this Act would crowd out small borrowers.

What is your response to that? I know that, according to the most recent data from the SBA, over 60 percent of the agency's 7(a) loans over the past ten years have been under $150,000 and over 80 percent have been under $350,000.

It appears that the small loans have been growing faster than the larger loans. But can you comment on this issue because clearly we want to make sure that smaller entities, smaller businesses, are having access to these loans? It looks like it is certainly possible that it is occurring, but I would like to hear comments from you.

Ms. JOHNS. Thank you, Ranking Member Snowe.

Actually there is no indication of any so-called crowding-out effect. In fact, I am sure we have shown you data that there was a major spike in lending at the end of the year. That was as a result of the fact that there was much pent-up demand for the 90 percent guarantee and the fee waivers.

And so there was a lot of activity at the end of the year. That spike was not due to the larger loan size. In fact, our data shows that really just 3 percent of our loans are in the larger loan size between the $2 and $5 million. That has been very consistent over the course of time since the passage of the Small Business Jobs Act.

So the notion of crowding-out effect has not at all occurred.

Senator SNOWE. That is great.

Also, as you know, on the loan guarantees we have reduced the borrower's fees and the lender's fees, and that is obviously not going to reoccur in this economic climate. Do you think that will discourage lending at all? Do you think it is going to have any net effect on loans?

Ms. JOHNS. Well, certainly those were initiatives that were very well received by the market, but we are still continuing to see a general up tick in loans. The other reality is that the small business needs for capital are not monolithic.

Yes, we have businesses who need the higher loan limits which is why that was an important provision in the Jobs Act, but we also have small businesses who have reacted very well to the increase in micro lending.

So we have small businesses who need capital across the spectrum from the relatively small dollar loans in the micro lending space to the $5 million loans that are available through the 7(a) program and the 504 program.

What we are charged to do as an agency is to make sure, again, that we are looking across that spectrum and continuing to identify gaps that may still exist and to keep this Committee apprised of that and to seek your help in addressing those.

Senator SNOWE. Thank you.

Chair LANDRIEU. Senator Cardin.

Senator CARDIN. Thank you. Again I thank both of our witnesses.

I did not mean to get into a debate on direct loans. But let me, if I might, just point out two things. First, SBA does make some direct loans in emergency situations.

Number two, when there is a 90 percent guarantee of the SBA loans. In other words, when the government taxpayers are on the line for 90 percent of these loans, it seems to me making it a 100 percent we can then have direct accountability.

When you are dealing with a third party bank, it is much more difficult for us to get the results that we want out quickly.

That was my point on it, but I am very proud of the Small Business Jobs Bill and I really do congratulate Senator Landrieu. I was at caucus meetings when you are trying to get the Floor time and there is no stronger advocate on behalf of small businesses and doing our work, than Senator Landrieu.

It is not easy to get the Floor time to get a bill passed. This is a major bill masking major new tools available to help small businesses and we are very proud of this bill, but our responsibility is oversight and to make sure that every dollar that has been made available is used to maximum advantage to create jobs and that is through small businesses.

I come back to procurement and I know I represent the people of Maryland, and because of Maryland's location, we have a lot of government agencies that are located here, and we have a lot of small businesses that depend upon government procurement. So, it is of great interest to the people of Maryland.

There have been documented abuses by agencies; and one of the things that we have been able to do, this Committee, is to support the SBA and give it the tools. It was this Committee—I serve on the Budget Committee. It was a direct result of Senator Landrieu and Senator Snowe's efforts that we were able to elevate the budget for the SBA.

I applaud you for that, and we got that as an amendment to the Budget Resolution that gave the SBA the tools so that you could be the advocate for small businesses within the Administration.

We know agencies at times want comfortable relationships with who they are already doing business with. So they bundled contracts, small contracts that could be given to small companies into large contracts in which only large companies can compete.

We want you there fighting on behalf of small businesses saying, no, do not bundle these contracts and elbow out small companies from being prime contractors, because we know in the prime contract/subcontract relationships there are abuses there also. Better off to get small companies really into the game.

We do put a lot of confidence in the SBA being there as the advocate on behalf of small businesses, taking up the fight within the Cabinet Room and within the Administration.

The curriculum you are developing for training we see as a major step forward. I just urge you as you implement this law that you bring in the small companies and listen to their stories as to their experiences with the Department of Defense or with the Department of Agriculture, with all of the agencies of government, because there are horror stories out there as they try to get through the mine fields of getting their fair share of the procurement work of government.

I appreciate your response as it relates to the curriculum that is being implemented and the training sessions, et cetera, but it is also going to take the SBA as an advocate to fight comfortability that currently exists in the agencies in the relationships they have with large contractors where we have got to get small business in the door there.

Ms. JOHNS. Thank you, Senator Cardin.

I have to say to you I could not agree with you more about the importance of the SBA's role as the voice of small business. We take very seriously and wear very proudly that mantel of being the advocates for small businesses within the government and beyond.

And as far as my personal commitment, I have been involved in small business issues long before I have had the honor to serve in this Administration in this role.

I am a local person, and a lot of people have my phone number. So, I am regularly taking phone calls on a Saturday, people stopping me at church, small business owners I know a lot of them, talking about issues and giving feedback on how our agency can work more effectively.

So, believe me you have my 150 percent commitment, and that is why I do make it a point of talking to small businesses whenever possible, because that is where our richest source of information is.

We have got to know how these programs are really playing on the field so that we are prepared to make adjustments as we need to, and that is what we do.

Senator CARDIN. Thank you. You are going to be getting some more calls. I am looking at six cards that I picked up this morning from the small business conference.

Ms. JOHNS. Hand them over.

Senator CARDIN. I am taking this case work myself so I will be contracting you.

Ms. JOHNS. We will be happy to come to your office and give you an update.

Senator CARDIN. Thank you very much. I appreciate it.

Chair LANDRIEU. Thank you very much.

The contracting of small business has no stronger advocate than Senator Cardin. He speaks to us about that everyday, does he not, Senator Snowe? And thank goodness for him.

I thank you. I have one question but I am going to ask for a response in writing about the tax provisions in the small business lending bill to Treasury. You can supply this in writing. When will you be able to provide an analysis of whether small businesses were able to take full advantage of the tax provisions in the bill?

I know that some small businesses have not yet filed their returns and do a delayed filing in October but I will submit that to you and you can respond in writing.

Mr. GRAVES. We would be happy to do so, Chair Landrieu.

Chair LANDRIEU. Thank you all very much. I appreciate it, and we will move to second panel now. Thank you.

As they are moving, to save time, let me begin introducing our second panel. We will be hearing directly from small business owners from their view and perspective how this new bill is helping them or providing opportunity.

We will also be hearing from the Association of the Self-Employed, and the Vice President of a rural program from North Carolina.

So, first let me introduce Eric Blinderman, Founder and Owner of Mas Farmhouse, a highly-rated New York City restaurant. He is currently constructing, with the help of an SBA 504 loan, a second restaurant; we are looking forward to hearing his testimony this morning.

Also, Ms. Kristie Arslan, Executive Director of the National Association of the Self-Employed. This association represents the interest of America's smallest businesses, employing themselves, one person. She is a New Yorker and currently serves on the Board of Directors of the Coalition for Affordable Health Coverage and Small Business Legislative Council.

And finally, Patrick Woodie, Vice President of Rural Programs for North Carolina's rural center. At the rural center, he oversees capacity building programs in the area of infrastructure, business development, and workforce development. We are very interested to hear this morning, Mr. Woodie, how one of our state programs that many of us supported so wholeheartedly is working.

So you all know your time constraints, and Mr. Blinderman, we will start with you.

STATEMENT OF ERIC H. BLINDERMAN, CO–OWNER, MAS FARMHOUSE RESTAURANT

Mr. BLINDERMAN. Thank you, Chairwoman Landrieu, Ranking Member Snowe, members of the Committee, for inviting me to testify this morning about issues pertaining to implementation of the Small Business Jos Act of 2010.

To understand how the Small Business Jobs Act has impacted Main Street and specifically my restaurant in New York City, I think it is important to get a little bit of background about where my restaurant came from. It is a small business success story that was conceived initially after the tragedy of September 11 in New York City.

In those troubled times, my business partner, Chef Galen Zamarra and I turned our attention from grieving into reconstruction which included the nuts and bolts of assembling our first restaurant.

I was then a 27-year-old kid focusing on financial models, preparing the business plan, otherwise taking the business-side steps to our broad ideas into reality. Chef Zamarra, of course, focused on the artistic side.

I had no experience. I was a 27-year-old kid. But with business plans in hand, I went to the place that had the money, banks. I would leave my day job at my law firm, go to the teller at HSBC, Chase, Bank of America, you name it, in my best business suit, say to the teller that I was a small business owner, here was my partner, and we were looking for a half a million dollars to sit there an open up a restaurant in New York City with little to no experience, no capital, and no assets.

Fortunately, after being turned away by just about every bank up and down Manhattan, Wall Street, Fifth Avenue, Sixth Avenue, you name it, I persisted and was placed in touch with a consortium of other banks, a state-chartered entity called the New York Business Development Corporation (NYBDC).

The New York Business Development Corporation's purpose is to provide creative underwriting solutions for non-traditional lending risks, the category into which we clearly fell. Because of the NYBDC's relationship with the United States Small Business Association, Small Business Administration and conventional banks, they were able to mentor me through what was a complicated and difficult SBA lending process, but with their assistance, I was able to procure a $500,000 SBA 7(a) term loan, a $50,000 World Trade Center Small Business Development Loan and was able to open and construct Mas Farmhouse.

In terms of public/private partnership, the lending package worked exactly as designed. My partner and I used SBA guaranteed funds to renovate a Greenwich Village restaurant which had gone bankrupt as a result of September 11 and converted it into Mas Farmhouse.

Now, more than seven years after opening, we employ approximately 35 individuals, generate hundreds of thousands of dollars in city, state, and federal tax revenue each year, and continue to pay down the balance of our loan, without ever having never missed a single payment.

Of course, all good stories must come to an end but for Mas Farmhouse, a small business, that ending is unclear because, despite our successes, our continued existence is bounded by the terms of our commercial lease which has less than three years left before it expires.

Moreover, despite my best efforts to arrive at business terms with my current landlord, we have not been able to extend that lease because of various economic conditions that the landlord has placed upon my business as a condition of lease renewal.

Enter the Small Business Stimulus Package of 2010. The Small Business Stimulus Package of 2010, as everyone is aware, was initially put to vote in July of 2010, which was around the time that Chef Zamarra and I had located an alternative location within which to either open up a sister restaurant to my current restaurant or to relocate my current restaurant should the time arise that relocation is required.

At that time, I began approaching the NYBDC once again to request financial assistance not to lease the property, although the property was available to lease, but to purchase it outright, to obtain what I call a forever home, a place that I would have the ability to sit there and manage my business and perpetuity without ever having to run the risk of being thrown out from my place of establishment because of rent increases, because of other conditions or various other provisions which could attach as a result of a leasing relationship.

And unfortunately, I was told by the NYBDC that, although we were a creditworthy business and we were qualified to obtain lending through various programs, the SBA's lending limit of $2 million prohibited us from purchasing that property outright for conducting our expansion plans.

In addition, the SBA informed me that the requested financing package was going to result in a total of nearly $60,000 in lending fees which, for a small business like a restaurant owner, is a very large sum of money.

Notwithstanding, the NYBDC courted aggressively many lenders, Citibank, HSBC, Chase and others, and we ultimately settled on Citibank, which was the recipient of troubled asset relief funding and were able to procure funding in the amount of $3,179,850 to permit construction of Mas La Grillade, broken down in the form of a 504 SBA loan, $1.5 million from Citibank. NYBDC lent us $1.2 million and a further 7(a) loan in this span of $420,000.

The importance of this expansion to my business cannot be understated. The SBA 504 program has allowed me to purchase this property outright by placing only 10 percent down on our purchase price. Because our existing restaurant runs on tight margins as I explained earlier, we would never have been able to purchase this property but for the existence of the small business stimulus package.

Second, the collective terms of the loan package will result in my new restaurant paying thousands of dollars less per month in loan servicing costs than I currently pay in fixed costs for my existing restaurant.

Most importantly, we are in the process within the next 90 days of hiring 65 new people to staff and run my new restaurant.

Importantly, these benefits do not just inure to me as a business owner. They also inure to the City and State of New York and the Federal Government. For example, projected revenue of my new restaurant should generate hundreds of thousands of dollars in sales tax for the City and State of New York.

In addition, each of my 65 anticipated employees will pay federal, state, and local taxes and contribute their share to social security, Medicare, and Medicaid, and related entitlement programs.

Payments to the hundreds of food vendors, beverage, and other vendors who service my restaurant, which include local fishermen, farmers, and others provide additional revenue for local, state, and Federal coffers.

Indeed, these benefits have already begun accruing despite the fact that my restaurant is under construction as we are using our SBA funds to employee dozens of architects, engineers, plumbers, electricians, contractors, and others.

In short, the bottom line of my small business should be measured by its cash flow and profitability. I believe the same metrics should be utilized to measure the success of the Small Business Stimulus Package of 2010.

As businesses take advantage of the bill's benefits to open, expand, and grow, this Committee should analyze whether they are generating employment opportunities, contributing to economic expansion, creating new revenue streams for government entities, and repaying their debts with interest and without default.

If, on balance, the net sum of loans made pursuant to the Small Business Stimulus Package of 2010 achieves these objectives, I think the United States will have benefitted greatly from it.

I am confident that Mas La Grillade will meet these objectives and am grateful and thankful for the passage of this bill.

Thank you for your time this morning and I apologize for having run slightly over.

[The prepared statement of Mr. Blinderman follows:]

UNITED STATES SENATE
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

"Small Business Recovery: Progress Report on Small Business Jobs Act of 2010 Implementation."

TESTIMONY OF ERIC H. BLINDERMAN

OWNER – *MAS (FARMHOUSE)* AND MAS *(LA GRILLADE)*
INTERNATIONAL LITIGATION COUNSEL – PROSKAUER ROSE LLP

Thursday, May 19, 2011

Thank you, Chairwoman Landrieu, Ranking Member Snowe, and members of the Committee for inviting me to testify this morning on issues pertaining to implementation of the Small Business Jobs Act of 2010. Although I am International Litigation Counsel at the law firm of Proskauer Rose LLP in New York City, I testify today in my capacity as the founder and owner of a restaurant in New York called *Mas (farmhouse)* and as the founder and owner of a new restaurant called *Mas (la grillade)* which I am currently constructing in New York and which I expect will open in the late summer of 2011.

The Small Business Job Act of 2010 Provided Much Needed Economic Incentives and Statutory Tools to Permit Small Business to Create Jobs

The Small Business Jobs Act of 2010 has served as a critical piece of legislation that allowed small business owners to expand existing operations, to build new enterprises, and to create jobs.

A. The Use of SBA Funds to Establish *Mas (farmhouse)*

By way of background, I am a restaurant owner and attorney. My business partner, Chef Galen Zamarra, and I conceived of our current restaurant, *Mas (farmhouse)*, in late 2001, shortly after the attacks of September 11. At this time, New York was suffering from the horrific loss of life and property that accompanied the tragic events of that day.

In those troubled times, Chef Zamarra and I turned our attention from grieving into reconstruction which included the nuts and bolts of assembling our first restaurant with no capital, little experience, but lots of ideas. Chef Zamarra focused on the artistic and creative side of the ledger while I began to write a business plan, to prepare financial models, and otherwise to take steps to turn our ideas into a concrete reality. With business plan in hand (neatly bound), I spent my lunch hours at the law firm, wearing my only suit, walking into dozens of banks whereupon I explained to the teller that I would like to obtain a small business loan to help me, then a 27 year old kid, obtain over a half-million dollars so I could open a fine dining restaurant in Manhattan. Self-evidently, this approach was not successful and, although every bank was polite, they all rejected my request outright.

Fortunately, I persisted and was ultimately placed in touch with an entity chartered by the State of New York called the New York Business Development Corporation ("NYBDC"). The NYBDC's purpose is to provide creative underwriting solutions for non-traditional lending risks—a category into which I clearly fell. Because of the NYBDC's relationship with the United States Small Business Association and conventional banks, they were able to mentor and guide me through the SBA lending process, locate a partner bank willing to share in the lending risk, and ultimately to underwrite a $500,000 SBA 7(a) term loan and a $50,000 WTC Small Business Development Loan that we used to open *Mas (farmhouse)*. In terms of public/private partnership, the lending package worked exactly as designed. My partner and I used SBA guaranteed funds to renovate a restaurant located in Greenwich Village which had gone bankrupt as a result of September 11 and to convert it into *Mas (farmhouse)*. Now, more than seven years after opening, we employ approximately 35 individuals, generate hundreds of thousands of dollars in city, state, and federal tax revenue, and continue to pay down the balance of our loan, having never missed a single payment.

Of course, all good stories must come to an end but for *Mas (farmhouse)*, the ending is unclear as, despite our successes, our continued existence is bounded by the terms of our lease which expires in less than three years. Moreover, despite my best efforts to arrive at business terms with my current landlord to extend our lease, we have not been able to do so because of various onerous economic demands that the landlord has placed upon my business as a condition of lease renewal.

B. The Small Business Stimulus Package of 2010 and the Establishment of *Mas (la grillade)*

Enter the Small Business Stimulus Package of 2010, which was initially put to vote in July of 2010, around the time Chef Zamarra and I had finally found a location to house a new restaurant called *Mas (la grillade)*. This restaurant will either replace *Mas (farmhouse)* when our current lease expires or will operate concurrently with *Mas (farmhouse)* assuming we are able to come to terms with our landlord. That location is a modest two story red-brick structure, around the corner from our current location, had been vacant for several years, and the owner was willing to either sell or lease it to us. For Chef Zamarra and I, the decision between attempting to purchase the building or to lease was obvious given the difficulties we had encountered with our current landlord—we wanted the property outright and quickly settled on a purchase price of $2.5 million.

Following on the lessons learned in opening *Mas (farmhouse)*, I contacted the NYBDC to determine if they would consider assisting us in obtaining this sum of money plus an additional $600,000 so that we could renovate the property and open *Mas (la grillade)*. Although the NYBDC was receptive to this request, I was informed that we would not likely be able to access the SBA's 504 program to obtain the property because of the $2 million lending limit contained in then-existing legislation. In addition, lending fees alone on our package were going to total approximately $60,000 which was a significant economic burden and rendered the viability of our expansion plans dubious.

Notwithstanding, the NYBDC aggressively courted lending partners which included the Bank of America, Citibank, HSBC, Chase, and others who were flush with capital infusions provided by the Troubled Asset Relief Program but who were having difficulties finding credit-worthy small businesses in which to invest. Ultimately, Chef Zamarra and I chose Citibank as our lending partner because of its attractive financing offer which included a fixed 25-year mortgage and low interest rates although the viability of our project depending nearly entirely on passage of the Small Business Stimulus Package. Thus, in July 2010, I watched in dismay as politics derailed the legislation's passage by a mere two votes. When the legislation was put up for vote again in September, I sat in my office voraciously counting votes while sharing live updates about the legislation's progress with Citibank. Fortunately, the legislation passed. Lending limits to small business owners were increased to $5 million, lending fees were eliminated, and my project was able to commence.

Specifically, I was able to obtain a total of $3,179,850 in lending as a direct result of the bill's passage which is secured through personal guarantees, cross collateralization with my existing restaurant, and (most importantly in Manhattan) the building that I now own. In addition, I saved nearly $30,000 in SBA fees. The loan package itself was structured as follows: Citibank lent $1,533,250 through the SBA 504 program while the NYBDC lent $1,226,600 through the SBA 504 program. Citibank lent a further $420,000 for start-up and related operational costs through the SBA 7(a) program, and construction is proceeding rapidly. Most importantly, *Mas (la grillade)* will be hiring approximately 65 new employees over the next 90 days.

The importance of this expansion to my business cannot be understated. First, the SBA 504 program allowed me to purchase property in New York City by placing only 10% down on the total purchase price with lenders providing 90% of the capital. Because my existing restaurant runs on tight margins, we would never have been able to purchase the property for our new restaurant if not for the fact that we were able to finance 90% of the purchase price through the SBA 504 program. Second, the collective terms of the loan package will result in my new restaurant paying thousands of dollars less per month in loan servicing costs that I currently pay in fixed costs for my existing restaurant. When this is combined with the fact that the new location has over twenty extra seats and the capacity to serve lunch and dinner (*Mas (farmhouse)* serves only dinner), the business incentives to expand remain apparent. Third, rather than paying thousands of dollars per month to a landlord who shares no vested interest in the long-term operation of my business establishment, I am now building equity in the form of property that can be used to collateralize future business-expansion plans. Fourth, unlike a conventional leasing transaction in which my rent and related fixed costs rise each year according to set terms, my fixed costs at the new restaurant are set according to the terms of the various loan agreements. Thus, they will not rise over time and will, in fact, decrease as portions of the loan are paid off in full. Finally, I am now in the privileged position to have what I term "a forever home." In other words, most small business owners lack the ability to purchase property and therefore remain subject to the whims and vagaries of commercial landlords who do not share their economic interest. Accordingly, the business asset that one spends years creating can be torn apart in an instant when a landlord decides (for whatever reason) that the tenant's occupancy is no longer desired. Because of the SBA 504 program, Chef Zamarra and I no longer face that risk and can focus instead on the risks of satisfying customers at *Mas (la grillade)*. If we are successful in meeting that challenge, then we will rest well knowing that our new restaurant will not have to face the Hobbesian choice of shutting down (which would cause our employees and staff to lose their jobs), relocating (with the attendant associates risks and costs), or accepting commercially unreasonable leasing terms ever again.

Importantly, these benefits do not just inure to me as a business owner. They also inure to the City and State of New York and the Federal government. For example, projected revenue for *Mas (la grillade)* should generate hundreds of thousands of dollars in sales tax for the City and State of New York. In addition, each of my 65 anticipated employees will pay local, state, and federal income taxes on their earnings while also contributing their fair share to social security, Medicare, Medicaid, and related entitlement programs. Payments to the hundreds of food, beverage, and other vendors who service *Mas (la grillade)*, which include local farmers and fisherman from around the region, accountants, lawyers, plumbers, electricians, and other trade people, provide additional revenue for local, state, and federal coffers. Indeed, these benefits have already begun accruing despite the fact that *Mas (la grillade)* is only under construction. As an active construction site, we are already utilizing our SBA 504 and 7(a) funds to employee dozens of architects, engineers, plumbers, electricians, contractors, and others who are on site every day and which likewise generates tax and related revenue.

In short, the bottom line of any small business is measured in its cash flow and profitability. I think the same metrics should be utilized to measure the success of the Small Business Stimulus Package of 2010. As businesses take advantage of the bill's benefits to open, expand, and grow, this Committee should analyze whether they are generating employment opportunities, contributing to economic expansion, creating new revenue streams for government entities, and repaying their debts with interest and without default. If, on balance, the net sum of loans made pursuant to the Small Business Stimulus Package of 2010 achieves these objectives, then I think the United States will have benefited greatly from the bill's passage as will those business owners and entrepreneurs who had the foresight to take advantage of its tools. I am confident that *Mas (la grillade)* will meet these objectives and am grateful for the passage of the Small Business Stimulus Package of 2010.

Thank you for your time this morning. I will be happy to answer any questions the Committee might have.

Chair LANDRIEU. That is okay.

Mr. Blinderman with testimony like that, you could run a half an hour over your time. It is music to my ears to hear how helpful our efforts have been here to you and to your restaurant. But I want to say how extraordinarily pleased I am that you took your time to come to this Committee to share your story of fighting so hard to create a business in the United States of America.

I can only say it should not have been that difficult, and I can only say how tragic, shameful, and ultimately destructive it is when a gentleman with your credentials which I want to read into the record. He received a J.D. cum laude from Cornell Law School. You then graduated with distinction in international law from the University of Oxford.

Yet, as you testified, you went to every bank on Fifth Street, Sixth Street, and beyond to try to get a loan to start a business and you were turned down.

So, my question to those listening is if a gentleman with a degree of distinction from Oxford cannot get a loan from the United States banking system, how is it possible for 99 or 100 percent of the kids that I represent who are young people in the State of Louisiana who we do not go to Oxford, how is it possible for them to start a business?

That is why this Committee passes the envelope for new and innovative ways to get capital into the hands of young Americans who we spent millions of dollars literally educating but yet our system falls so short on giving them the opportunity to start business.

As long as I chair this Committee, we are going to continue to push open this door.

Ms. ARSLAN.

STATEMENT OF KRISTIE L. ARSLAN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION FOR THE SELF–EMPLOYED

Ms. ARSLAN. Thank you, Chair. Thank you, Ranking Member and the members of the Committee, for allowing the National Association for the Self-Employed to testify here today on behalf of our 200,000 members and the 22 million self-employed Americans nationwide.

We are here today to talk about the implementation of the Small Business Jobs Act and the next steps we must take to improve and expand upon the vital benefits it offers America's smallest businesses.

With the current economic dialogue so focused on jobs, it is important to note that our members and the 22 million Americans that are self-employed are not solely "hobby" enterprises or temporary freelance workers between permanent, "real" jobs.

Being self-employed means you have created a job for yourself. Self-employed businesses successfully provide for families. They contribute to their local communities, and these jobs are just as valuable to the economy as an office or a factory job, and these businesses are just as essential to the economy as their larger counterparts.

Despite accounting for 78 percent of all small businesses in the U.S. and collectively contributing close to $1 trillion to the economy every year, the dynamic self-employed community is too often misunderstood and under represented in the policy fashioned for small business. Our Nation's lawmakers and regulatory agencies commonly craft policy geared toward the tiny sliver of the business population that is corporate America. The narrow policy focus on the small percentage of businesses is why the Small Business Jobs Act was so crucial to our community. This legislation included key provisions that benefitted the vast majority of micro-businesses and provided some much needed bottom line tax savings to the self-employed.

For years the NASE has been working to allow the self-employed access to the same tax benefits enjoyed by all other businesses. A key disparity in the tax code is the treatment of health insurance costs. The self-employed do not received a business deduction for health insurance costs causing these businesses to pay more in payroll taxes known as self-employment tax than all other businesses.

With the passage of the Small Business Jobs Act, the self-employed were allowed to deduct their 2010 health insurance costs from the self-employment tax on their 2010 tax return. What did this one-year deduction mean for someone who is self-employed? Based on the average health insurance costs out therein the individual market, the one-year deduction in this bill saved self-employed business owners approximately $456 to $968 in taxes. That is bottom line savings. Depending upon their cost of coverage, many businesses actually saved more money.

NASE member Michael Kagan of Dover-Foxcroft, Maine, is owner of M. Kagan & Associates. A self-employed biotech consultant, Mr. Kagan saved $1,400 in taxes this year due to this one-year tax deduction in the Small Business Jobs Act, and he used that money to reinvest in his business in office automation and help grow his business exponentially.

Timothy Doyle, a NASE member from Donaldsonville, Louisiana, an electrical contractor, saved $730 in savings from this one-year deduction and he put that money to pay for his next two months of health insurance premiums.

In this difficult economic time, this deduction in the Small Business Jobs Act helped business owners lower their tax liability or provided them with a substantial refund that could be used to reinvest in their business.

Best of all, this deduction, though temporary, put the self-employed, America's smallest businesses, on the same playing field as other businesses for the first time.

The question now should be whether we extend this benefit and how we better implement it for the future.

The NASE strongly supports leveling the playing field permanently in allowing the self-employed a permanent deduction for health costs for payroll tax purposes.

We understand, though, in this difficult fiscal climate that an immediate permanent solution may be difficult to achieve; however, we strongly feel that this deduction should be extended at least for a two-year period.

Should an extension pass, we urge Congress to encourage the IRS to rethink its approach in implementing this vital deduction. The method the IRS used was very confusing and not the standard approach for a business deduction. They created a new line, Line 3, in Form 1040 Schedule SE, the form utilized to calculate self-employment tax, to allow self-employed taxpayers to take this deduction.

It would be preferable and a lot less confusing to taxpayers to include this deduction on Form 1040 Schedule C in Part II, which incorporates all business expenses. Self-employed taxpayers had to carefully read the directions for the 2010 Form 1040 Schedule SE to take advantage of this one-year deduction since deductions are not typically on this form.

Furthermore, because the bill was passed so late in the year, it left little time for the IRS to provide guidance to stakeholders and taxpayers on this deduction. An extension of this critical tax deduction for the self-employed community needs to be passed as soon as possible in order to allow the IRS to be able to put this on the 2011 tax form and give stakeholders the ability to educate business owners on how to take advantage of this benefit.

In the current climate, policymakers on both sides of the aisle have been struggling to find ways to stimulate the economy. While efforts have been notable and have helped some industry sectors, only the Small Business Jobs Act has helped America's smallest businesses.

America's self-employed have long asked for the same opportunity to success as their larger counterparts. They seek no more than the same benefits that big business receive. So we encourages lawmakers to extend the key provisions in the Small Business Jobs Act. Thank you.

[The prepared statement of Ms. Arslan follows:]

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Testimony of

Kristie L. Arslan, Executive Director
National Association for the Self-Employed
(NASE)

Senate Committee on Small Business & Entrepreneurship
"Small Business Recovery: Progress Report on Small Business Jobs Act of 2010 Implementation"

May 19, 2011

On behalf of the National Association for the Self-Employed (NASE) and our 200,000 member businesses, I thank the Chair, Ranking Member and Committee Members for the opportunity to speak today on the implementation of the Small Business Jobs Act of 2010 and the next steps we must take to improve and expand upon the vital benefits it offered to America's smallest businesses.

Today's economic growth is being driven by the incredibly diverse self-employed business community, and the NASE is working to ensure that they are in a position to be as successful as possible. We work day in and day out to actively challenge the near-universal lack of understanding about the self-employed.

With the current economic dialogue focused on jobs, it is important to note that our members and the 22 million self-employed Americans are not solely "hobby" enterprises or temporary freelance workers between permanent, "real" jobs. Being self-employed means you have created a job for yourself and have prevented one more individual from showing up on the unemployment rolls. Self-employed businesses successfully provide for families and contribute to local communities – and these jobs are just as valuable to the economy as an office or factory job. These businesses are just as essential as brick and mortar businesses.

Though vulnerable to tough economic times, self-employed businesses grow faster than all other segments of the economy and are historically a key driver of economic recovery after a recession. Business startups reached their highest levels in 14 years during 2009, suggesting that laid-off workers are choosing to join the ranks of the self-employed rather than take their chances in a job market that remains unstable.

Yet, despite accounting for 78 percent of all small businesses in the U.S. and collectively contributing about $1 trillion to the economy every year, this dynamic business demographic is too often misunderstood and underrepresented in the policy fashioned for small business. Our nation's lawmakers and regulatory agencies commonly craft public policy geared toward the tiny sliver of the business demographic that is corporate America.

This narrow policy focus on a small percentage of businesses is why the Small Business Jobs Act was so crucial to our community. The Small Business Jobs Act of 2010 included key provisions that benefited the vast majority of micro-businesses and provided some much needed bottom-line tax savings to the self-employed.

Tax Equity for the Self-Employed

For years the NASE has been working to allow the self-employed access to the same tax benefits enjoyed by all other businesses. A key disparity in the tax code is the treatment of health insurance costs. The self-employed have not received the same tax deduction for health costs that all other businesses entities have at their disposal.

The self-employed must pay the employer and employee contribution to payroll taxes, totaling up to 15.3 percent on business income. For the self-employed, payroll taxes are called self-employment taxes. Since they do not receive a business deduction for their health insurance costs, they must pay more in payroll taxes than other businesses who receive this full benefit.

With the passage of the Small Business Jobs Act of 2010, the self-employed were allowed to take a one-year tax deduction on health insurance costs for the purposes of calculating self-employment taxes. Qualifying business owners could deduct their 2010 health insurance costs from their self-employment tax on their 2010 tax return.

What did this deduction mean to someone who is self-employed? Health insurance and taxes are the two highest costs for small business. Annual premiums in the individual market averaged $2,985 for single coverage and $6,328 for family plans nationwide in mid-2009, according to a report released by America's Health Insurance Plans (AHIP). Based on these costs, the one-year tax deduction in the Small Business Jobs Act of 2010 saved self-employed business owners approximately $456.71 to $968.14 in taxes. Depending on the cost of their health coverage, some businesses likely saved even more.

In this difficult economic time, this deduction helped business owners lower their tax liability or provided them with a more substantial refund that could be used to reinvest in their business. Best of all, this deduction – though temporary – put the self-employed, America's smallest businesses, on the same tax playing field as other businesses for the first time.

NASE Member Michael Kagan of Dover-Foxcroft, Maine, is owner of M. Kagan & Associates. He is a self-employed biotech consultant with over twenty-five years of experience as an engineering and manufacturing executive in both developing and bringing products to market. Mr. Kagan saved $1,400 in taxes due to the one-year tax deduction for health insurance costs in the Small Business Jobs Act, which he reinvested in office automation for his growing business.

Timothy Doyle, a NASE Member from Donaldsonville, Louisiana, is an electrical contractor and the owner of High Standards Electric, LLC. He took his $730 in tax savings and put it towards his next two months of health insurance premium costs.

Bullseye Appraisal's owner, Adrian Stumbagh of Spokane, Washington, saved $940 in taxes. The deduction helped lower his tax liability on his return, saving him money.

These are just a few examples of the millions of self-employed business owners who benefited from the self-employment tax deduction on health insurance costs in the Small Business Jobs Act.

The question now is should we extend this benefit and how can we better implement this deduction in the future.

Next Steps

The NASE strongly supports leveling the playing field for the self-employed and providing them with a permanent deduction on health insurance costs for payroll tax purposes. It is imperative that the 22 million self-employed Americans receive the same tax treatment of health care costs as all other businesses.

While we understand that due to the fiscal climate an immediate permanent solution may be difficult to achieve, we believe that at a minimum this deduction should be extended for a two-year period.

Should an extension be passed, we strongly urge Congress to encourage the IRS to rethink its approach to implementing this vital deduction. The method the IRS employed to provide self-employed taxpayers with the deduction was confusing and not the standard approach for a business deduction. They created a new line (Line 3) on the 2010 Form 1040 Schedule SE, the form utilized to calculate self-employment taxes, to allow self-employed taxpayers to take this deduction.

It would be preferable and less confusing for self-employed taxpayers to include this deduction on Form 1040 Schedule C in Part II, which incorporates all business expenses. Self-employed taxpayers had to carefully read the directions for the 2010 Form 1040 Schedule SE to take advantage of this one-year deduction since deductions are not typically on this form.

Furthermore, the Small Business Jobs Act was passed late in the year, leaving minimal time for the IRS to provide guidance to stakeholders and taxpayers on this deduction. An extension of this critical tax deduction for the self-employment community should be passed as soon as possible to allow the IRS sufficient time to implement the provision on the 2011 tax forms and to give stakeholders the ability to properly educate business owners on this benefit.

Other Key Provisions in the Small Business Jobs Act

Many of the new jobs recently created are also new companies – the startup rate in 2010 was the highest it has been in 15 years, according to the Kauffman Index of Entrepreneurial Activity. More than half a million new businesses were created in 2010 as the poor economy and high employment rates have led more individuals into business ownership.

The Small Business Jobs Act provided for an increase in the deduction for startup expenditures in 2010 to help these new businesses. The deduction was doubled, permitting new entrepreneurs to deduct up to $10,000 in expenses. This provision, unlike the self-employment tax deduction, was authorized for two years allowing startups to benefit from this improved deduction for one more year, on their 2011 tax return. With small businesses growing faster than their larger counterparts and accounting for 64 percent of net new jobs created, the NASE feels that it is essential to permanently allow new businesses this increased deduction for startup expenditures. It is imperative in this new economy that we foster the creation of new businesses as the startup deduction does.

Access to capital also continues to be a large problem for the self-employed and micro-businesses, despite efforts by the federal government to spur lending to small businesses. The NASE was a strong supporter of the Small Business Lending Fund included in the Small Business Jobs Act. However, eight months after the bill was signed into law, money has yet to reach the community banks, credit unions, community development funds and other intended lending institutions. Thus, small businesses have not received any benefit from the Small Business Lending Fund.

Lawmakers must encourage the Administration to move quicker on implementing this portion of the Small Business Jobs Act so business owners can begin working with their lending institution to obtain much needed funding.

Conclusion

Policymakers on both sides of the aisle have been struggling to stimulate the economy and put a definitive end to the Great Recession. These efforts have included sector-specific bailouts, export and manufacturing initiatives, the American Recovery and Reinvestment Act of 2009 amongst other policy approaches. While all of these programs helped some notable companies and stimulated some industry sectors, most of these efforts provided little benefit to the typical American business. The lone bill providing the majority of our nation's small business with some actual, bottom-line cost savings was the Small Business Jobs Act of 2010.

America's self-employed have long asked to have the same opportunity for success afforded to big business. They seek no more than the same benefits received by their larger counterparts. The NASE encourages lawmakers to stand up for America's smallest businesses and extend key provisions in the Small Business Jobs Act of 2010.

Chair MURRAY. Thank you.
Mr. Patrick Woodie.

STATEMENT OF PATRICK WOODIE, VICE PRESIDENT, RURAL DEVELOPMENT PROGRAMS, THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, INC.

Mr. WOODIE. Thank you, Madam Chairman and members of the Committee, for this opportunity to report to you on North Carolina's implementation of the North Carolina Capital Access Program.

I am Patrick Woodie, Vice President of Rural Development Programs for the Rural Economic Development Center. For more than 20 years, our nonprofit organization has developed, promoted, and implemented sound economic strategies to improve the quality of life for rural North Carolinians.

Typically, the Rural Center works in 85 of North Carolina's 100 counties. The North Carolina Capital Access Program is the exception. At the request of North Carolina's Governor, Beverly Perdue, the Rural Center is leading this statewide effort to spur new job creation and business investment. While the State Small Business Credit Initiative offers states the flexibility of using their allocation to boost small business lending, North Carolina has elected to invest its full allocation in the Capital Access Program, or NC–CAP.

The Rural Center has a 14-year history of operating this program. In 1994, North Carolina was one of the first states outside of Michigan to adopt a CAP program. From 1994 to 2007, NC–CAP enrolled 1,850 loans totaling $103 million and creating or retaining more than 27,000 jobs. This was accomplished with an allocation of $3.6 million from state appropriations and other sources.

Today, thanks to the Small Business Jobs Act, NC–CAP has been re-launched on a fundamentally larger scale. North Carolina will receive $46.1 million that will enable up to $800 million in small business lending to more than 10,000 businesses in our state.

NC–CAP is a voluntary, loan-loss reserve portfolio insurance program. Eligible lending institutions, banks, CDFIs, and federally insured credit unions, elect whether to participate. The program allows a bank to mitigate the risk of its small business lending. For loans enrolled in the program, the borrower and/or the lender pays a fee of 2 to 7 percent. NC–CAP matches that amount, and the combined total is deposited in a loan loss reserve account at that lending institution. As more loans are enrolled, the reserve pool grows. In the event of a default on an NC–CAP loan, the lender may draw upon the reserve pool to cover the loss. Lenders are solely responsible for underwriting the loans and defining terms. Loans may be used to buy land, construct or renovate buildings, purchase equipment, or provide working capital.

Why does North Carolina believe in this program? First, it is cost effective. For every $1 we invest, a lender will typically loan $20 to small businesses. Second, it is non-bureaucratic. Paperwork is minimal, and the process is seamless for the borrower. Finally, it is proven. Not only do we draw upon our own experience, but more than 30 states have successfully operated CAP programs.

Last December, North Carolina joined Michigan as the first two states to apply under the State Small Business Credit Initiative. In

February and early March, the Rural Center held 11 briefing sessions across North Carolina to roll out the program. These briefing sessions drew hundreds of participants, including banks, other lenders, technical assistance providers, and small business owners.

Today, 26 lenders, including 23 banks, two CDFIs and one credit union have enrolled in NC–CAP. These 26 lenders represent 30 percent of all branch bank locations in the state, giving the program statewide coverage. Another 15 lenders are in the process of signing up, and we continue to recruit others. Our staff has made face-to-face contact with each of North Carolina's 130 banks, as well as our credit unions and CDFIs.

North Carolina enrolled the first loan in the country using the federal allocation. At this early stage, we have 16 loans enrolled, including loans for restaurants, logging, and air cargo businesses. We anticipate a rapid escalation in enrollments, and in the next three weeks, we embark on a statewide publicity campaign.

The leadership of several important partners is noteworthy. Senator Kay Hagan, who gave her support to this important legislation, our Governor who seized the opportunity afforded to our state by the State Small Business Credit Initiative, BB&T President and CEO Kelly King, who embraced and promoted the program to his fellow CEOs.

As the former Chairman of our Board of Directors, Kelly was instrumental in bringing the CAP program to North Carolina originally. We also appreciate our partners at the North Carolina Department of Commerce and the SBTDC and in the State Small Business Credit Initiative Office at U.S. Treasury. They have been very responsive to our needs to helping ensure the success of our efforts.

Our state has suffered severe losses from the recent recession. Now, as we begin to see signs of an improving economy, this new program is finding its legs. It could not be happening at a better time to stimulate the business and job growth we desperately need.

Thank you.

[The prepared statement of Mr. Woodie follows:]

Statement of
Patrick Woodie, Vice President, Rural Development Programs
The North Carolina Rural Economic Development Center, Inc.

Before the

Committee on Small Business and Entrepreneurship
U.S. Senate

May 19, 2011

Thank you, Chairman Landrieu, Ranking Member Snowe, and Members of the Committee for this opportunity to report on North Carolina's implementation of the North Carolina Capital Access Program, the statewide response to the opportunity afforded by the State Small Business Credit Initiative of the 2010 Small Business Jobs Act.

I am Patrick Woodie, Vice President of Rural Development Programs for the North Carolina Rural Economic Development Center. For more than 20 years, our nonprofit organization has developed, promoted and implemented sound economic strategies to improve the quality of life for rural North Carolinians.

Typically, the Rural Center works in 85 of North Carolina's 100 counties. The North Carolina Capital Access Program is the exception. At the request of North Carolina's Governor, Beverly Perdue, the Rural Center is leading this *statewide* effort to spur new job creation and business investment. While the State Small Business Credit Initiative offers states the flexibility of using their allocation in numerous ways to boost small business lending, North Carolina has elected to invest its full allocation in the Capital Access Program, or NC-CAP.

The Rural Center has a 14-year history of operating this program. In 1994, North Carolina was one of the first states outside of Michigan to adopt a CAP program. From 1994 to 2007, NC-CAP enrolled 1,850 loans totaling $103 million and leading directly to the creation or retention of more than 27,000 jobs. This was accomplished with an allocation of $3.6 million from state appropriations and other sources.

Today, thanks to the Small Business Jobs Act, NC-CAP has been re-launched on a fundamentally larger scale. North Carolina will receive $46.1 million that is expected to enable up to $800 million in small business lending to more than 10,000 businesses.

NC-CAP is a voluntary, loan-loss reserve portfolio insurance program. Eligible lending institutions (which include banks, CDFIs and federally insured credit unions) elect whether to participate. The program allows a bank to mitigate the risk of its small business lending. For loans enrolled in the program, the borrower and/or the lender pays a fee of 2 to 7 percent. NC-CAP matches that amount, and the combined total is deposited into a loan loss reserve account at that lending institution. As more loans are enrolled, the reserve pool grows. In the event of a default on an NC-CAP loan, the lender may draw upon the reserve pool to cover the loss.

Lenders are solely responsible for underwriting the loans and defining terms. Loans may be used to buy land, construct or renovate buildings, purchase equipment or provide working capital.

Why does North Carolina believe in this program? First, it's cost effective. For every $1 we invest, a lender will typically make $20 in small business loans. Second, it's non-bureaucratic. Paperwork is minimal, and the process is seamless for the borrower. Finally, it's proven. Not only do we draw upon our own experience, but more than 30 states have successfully operated CAP programs.

Last December, North Carolina joined Michigan as the first two states to apply under the State Small Business Credit Initiative. In January, both states executed contracts on the same day to draw down our respective allocations. In February and early March, the Rural Center held 11 briefing sessions across North Carolina to roll out the program. These briefing sessions drew hundreds of participants, including banks, other lenders, technical assistance providers, and small business owners.

Today, 26 lenders -- including 23 banks, 2 CDFIs and one credit union-- have enrolled in NC-CAP. These 26 lenders represent 30 percent of all branch bank locations in the state. 95 of North Carolina's 100 counties have a lending institution currently offering the program. Another 15 lenders are in the process of signing up, and we continue to recruit others. Our staff has made face-to-face contact with each of North Carolina's 130 banks, as well as our credit unions and CDFIs.

North Carolina enrolled the first loan in the country using the federal allocation. At this early stage, we have 14 loans enrolled —going to businesses ranging from restaurants to logging to air cargo-- and we anticipate a rapid escalation in enrollments. In three weeks, we embark on a statewide publicity campaign.

The leadership of several important partners is noteworthy: First, Senator Kay Hagan who knows our organization well and who gave her support to this important legislation; and secondly, our Governor who has seized upon the opportunity afforded by the State Small Business Credit Initiative. We are very appreciative of the efforts of BB&T President and CEO Kelly King to embrace and promote the program to his fellow CEOs. As a former chairman of the Rural Center Board of Directors, Kelly was instrumental in bringing the CAP program to North Carolina in the first place. We also appreciate our partners in the State Small Business Credit Initiative Office of U.S. Treasury. They have been very responsive to our needs and concerns and to helping ensure the success of our efforts in North Carolina.

Our state has suffered severe losses from the recent recession. Now, as we begin to see signs of an improving economy, this new program is finding its legs. It couldn't be happening at a better time to stimulate the business and job growth we desperately need.

Chair LANDRIEU. Thank you so much. I am so excited to hear about your success in North Carolina, Mr. Woodie, and I know Senator Hagan was absolutely a leader in pushing us to establish this provision within our bill, and also Senator Levin was very instrumental having some experience in Michigan, of course.

So, let me ask you this too again, for the record. What happened in North Carolina between 2007 and 2011? Did the program go away?

Mr. WOODIE. The program did go away for a period of about four years.

Chair LANDRIEU. And why despite its success?

Mr. WOODIE. Despite its success, our primary funder had become the Golden Leaf Foundation, and the real reason it went away was, as it came time to raise a third round of capital for the program, their priority is investing in tobacco-dependent and economically distressed counties.

About two-thirds of total loans had been made in the 15 urban counties in North Carolina, and just their priority as a funder did not meet their funding priorities.

Therefore, much to the disappointment of several of the banks that participated, we shut down the program for a period of four years.

We began looking early in 2010 as this opportunity looked like legislation was taking place that might include a provision like the State Small Business Credit Initiative, we started looking very early on at this as an opportunity to restart NC–CAP on a much larger scale.

Scale was one of the issues with the earlier program. We had a very small amount of capital. Banks are very reluctant to, even though it is a great tool, it works very well for them, the ones that used it actually speak very highly of it; it is difficult to get banks to invest heavily in a program if they are not sure how long it is going to be around.

And so that certainly was an obstacle with our early program.

Chair LANDRIEU. So the authorization, if the staff will remind me, for our program is five years for this? Five years. So we hope that that will give you some stability for the start up on this, and we are really going to be looking at how this works because we are just desperate literally to find models that work for people like Mr. Blinderman, who could not do more in terms of what America expects of young people to do other than going to school, graduating at the top of their class, getting extraordinary degrees, yet when they go out to start business, there is no capital for them to start.

And we wonder why we are having difficulty putting this recession in our rearview mirror. We are trying it all, all of the above, and I am excited about the program in North Carolina and potentially we could have a field hearing there at an appropriate time to really showcase what you all are doing and we are anxious to hear what Michigan is doing as well.

Let me ask. Ms. Arslan, you testified that you are happy for the smallest businesses in America to be on a level playing field with the largest, and you realize the financial constraints that we are under.

What do we estimate it would cost to try to put these small businesses on an equal playing field? What are the most recent estimates? And do you have any suggestions about how we might step into that over time, for the record?

Ms. ARSLAN. Again, I think this one-year tax provision was a good start. It will allow us to see the effectiveness of this deduction.

Again, you know, it is up to the business owner to take full advantage of the deduction. I do think we would get better utilization if the IRS more effectively implemented the deduction, as mentioned putting that deduction on Schedule C where all other business expenses currently lie.

But again, there are 22 million self-employed Americans that qualify for this particular tax benefit. Again in terms of qualifications, they simply have to be self-employed, a Schedule C filer, and they have to purchase their own health coverage. So anyone who meets the qualifications can take advantage of this.

In terms of cost of this bill, we for years have promoted legislation to address this inequity permanently, and the bill has been scored at $2 to $2½ billion a year over 10 years.

Again, it is in complete correlation or relation to the number of self-employed people out there purchasing their own health care. So, the smaller the number of self-employed out there purchasing health coverage, the less people qualify for the deduction. The more, the more people qualify for the deduction which would address how much it costs.

But again, at the end of the day, why is it okay for the smallest businesses out there to pay more into the tax, more in revenue, more in taxes than larger businesses?

Why is it okay that a large business gets to deduct their health care costs, that workers of larger businesses get to pay for those health care costs with pretax dollars?

But someone who is a one-person business, self-employed who needs the most assistance has to pay more in payroll taxes than anybody else. Again, it is just a fairness issue. In this economy, that money is even more important because every little bit counts.

Chair LANDRIEU. Thank you.

Finally, Mr. Blinderman, your story is exactly what we had hoped for when I myself and my colleagues passed the Small Business Bill.

Could you restate for the record what you think your business in terms of its contribution to the local economy in terms of taxes that you are paying, employees. You mentioned something about suppliers. Would you state for the record the far reach of your successful small business?

Mr. BLINDERMAN. Sure. I think to answer that question, it is best to understand the model of my existing restaurant.

Currently, we have 35 employees and we generate over $3 million per year in gross revenue. Of that, it is fully taxable as income, as an LLC pass-through to all the owners and investors of the restaurant.

In addition, all of our 35 employees are paid on the books. In the restaurant industry, people are aware that oftentimes tipped employees are paid out in cash each night. That does not happen at Mas Farmhouse.

Everyone receives the cash that comes in each night, or credit cards. It is deposited into the banks, funneled through our payroll company. Payroll taxes are deducted. Medicare, Medicaid, Social Security.

Our payroll averages between $23- to 28,000 per week at Mas Farmhouse. Translating those numbers into Mas La Grillade, which will be a bigger restaurant and employ more people, our projected revenues conservatively, if we are able to meet our numbers, would generate anywhere from, again, $3.2 to $3.7, potentially more, million dollars in gross revenue which would be fully taxable by Federal, state and local authorities.

In addition, our 65 employees, if you take the $23- to 28,000 per week we spend in payroll each and every week at Mas Farmhouse, you can effectively double that and perform the calculations to determine Social Security, Medicare, Medicaid, and other entitlements which will be deducted in addition to other taxes.

I think most importantly, though, are the trickle-down effects for suppliers and vendors. Mas Farmhouse is built upon a model of sustainability and organic cuisine which, back in the day before it was a buzz work, has been open for seven years.

That means we source all of our ingredients as much as possible within 150 miles of New York City. Farmers who would not otherwise be able to meet the New York restaurant market, growers, fisherman and others, people who we will spend $60 to 100 per week but which for them is a lot of money in revenue that we will consistently transfer over whether we are buying meat, poultry, fish or vegetables.

In addition to our wine purveyors, in addition to all of the other vendors, from our glassware purveyors, our silverware purveyors, our cloth purveyors, our laundry needs, and all of the various other entities that go into servicing a full service fine dining restaurant.

So, that is the benefits that I think one can expect, and those are the benefits that have already been achieved at Mas Farmhouse, which again was an SBA success story.

Chair LANDRIEU. Thank you so much.

I want to submit for the record—I think that would be an excellent way to close—your time has been very much appreciated—with a list of over 40 businesses.

We literally could have filled this panel with hundreds of success stories of small businesses just like yours and programs statewide and regional programs that are stepping up to respond to the new provisions in this Act.

So, I am going to submit it for the record just a list of 40 businesses that we know of that have benefitted. Eight jobs, 18 jobs, 40 jobs, 10 jobs, and I could go through this list, hundreds of jobs created.

[The documentation follows:]

SMALL BUSINESS JOBS ACT (SBJA) SUCCESS STORIES

Prepared By: Brian van Hook

Business/Owner	Location	New Jobs	Background
SolarFlex Technologies (William Snapp)	Watkinsville, GA	8 jobs	• SolarFlex designs and installs commercial solar energy systems. They were in need of working capital to carry the company along during a big project (which is now complete). • In particular, the company was designing/building a 78,721-watt system at Parris Island Recruiting Station. The system was installed on a 14,000 square foot parking deck and will provide 50% of the power used by a new barracks complex. A $27,000 SBJA microloan was provided by SBA mico-lender Appalachian Community Enterprises (out of Cleveland, GA). **The funds allowed the company to hire 8 new employees as electricians and installers.**
GenPak Solutions (Todd Paul)	Hilliard, OH	18 jobs	• Gen Pak is a startup that opened last year. They provide "unit dosing" packaging for pharmaceuticals. That means instead of relying on a pharmacist to measure out and dose each dose of medicine, GenPak packages it in an easy to use blister pack. That makes it easier for patients, saves pharmacists' time, and saves money. They have 5 employees. • A month after they opened up (October), GenPak got a SBJA loan from Huntington Bank. They used the loan to buy new equipment, new furniture, and new fixtures. SBJA meant the loan had a 90% guarantee and saved them over $16,000 in fees. **GenPak expects to hire 18 new employees this year and up to 90 in the next 5 years depending on the volume.** • "Without the SBA loan, we would not be in business today," Frank LaValle, co-founder.
LaserCraze (Gregory Hughes)	Boston, MA	37 jobs	• LaserCraze has been open since 2008 (in North Andover, MA). The owner used a SBJA loan to open a second location of LaserCraze, a laser tag and family entertainment center, in Woburn, MA. They employ 37 employees. • It was the perfect time to expand and the Jobs Act made it possible. Greg knew that even in a recession, parents and their kids are looking for ways to have fun. • **By opening a second location, Greg created 37 new jobs. Thanks to SBJA, he saved $26,904,000 in fees.**
Q Care, Inc.	Roswell, GA	10 jobs	• Q Care, Inc. used a SBJA loan with 90% guarantee to purchase a new office facility. The owner called it a "no brainer" when he found out he would save $10,000 in fees. • **This carpet and home clean company plans on hiring 10 new employees once they have expanded.**

SMALL BUSINESS JOBS ACT (SBJA) SUCCESS STORIES

Business/Owner	Location	New Jobs	Background
Four Winds Mechanical (Joseph Armijo)	New Mexico	5 jobs	• The owner is a Vietnam Veteran. In 1999, after 22 years, he retired from active duty and opened a business with his brothers in Albuquerque, NM. The firm – Four Winds Mechanical HTC/AC does plumbing, sheet work, heating/AC repair, and more. Four Winds has 12 employees. • In 2009, Joseph's brothers wanted to sell the company. Joseph wanted to keep the company in the family so he used an SBA loan, backed by the Recovery Act, to purchase his brothers' interests in the firm. The loan had a 90% guarantee and saved Joseph over $5,000 in fees. He even had money left over for working capital. • A year later, Joseph went back to his bank to get additional financing. Because of his veteran status and the SBJA, he was able to save a couple thousand dollars on a Patriot Express loan. **With the contracts he's bidding on now, he expect to hire at least 5 more employees soon.**
MBA Waste Services	Atlanta, GA	25 jobs	• Last fall, with the help of SBJA 504 loan, MBA Waste Services started work on a new recycling facility in Union City (near Atlanta). The new facility will be the first one in the area that can recycle construction materials. • Due to the SBJA, they saved over $19,000 in fees and expect to create 25 new jobs.
Seattle Safety (Brian Coughren & Tom Wittmen)	Seattle, WA	5 jobs	• The owners are former Boeing engineers who started the company in 1996. It is a "design/manufacturing firm of large payload sled systems for dynamic testing of automotive/aerospace seating and restraint systems" (i.e. crash dummy testing equipment). • The company exports all over the world (Japan, S. Korea, Taiwan, UK, France, Italy, Canada and the U.S.). They knew SBJA could help jumpstart their international sales and expand into new markets. In 2008, they had 27 employees, including 11 engineers. They got an SBA Working Capital loan then for $1 million line of credit to complete a $2 million export order to Porsche AG in Germany (which they paid-in-full). • SBJA increased SBA limit on Export Working Capital loans from $2 million to $5 million. The new loan helped the company complete three big export orders in China and other international markets – with more on the way (known contracts valued at about $9 million). Their market share has grown to over 50% of the world market. They have 40 employees and because of SBJA loan, they plan on creating 5 new jobs.

SMALL BUSINESS JOBS ACT (SBJA) SUCCESS STORIES

Business/Owner	Location	New Jobs	Background
Total Environmental Management (Curtis Scheetz)	Anaheim, CA	6 jobs	• This company provides portable cooling services throughout Southern California. They started in 1985 and have grown a great deal since then. As a result, the business operates from 4 different office and storage locations. • Using a SBJA 504 loan, they were able to consolidate all operations into a single facility that provides a professional environment along with needed internal storage for expensive equipment. Because of the fee waiver provision in the SBJA, the company was able to retain cash flow when receiving the loan. This allowed them to retain current employees and hire additional workers. • The borrower would not have qualified for conventional commercial real estate financing, so the project would not be possible without the SBJA 504 loan/loan structure. **They hired 6 new employees and were able to keep their 29 existing employees on payroll.**
Around the Bend (Susan Barnes)	San Antonio, TX	3 jobs	• The owner used a 504 loan, backed by the SBJA, to build a new building for her restaurant, Around the Bend. • **The new building will let her expand her operation, bring in more money, and hire 3 new employees.**
Once Upon a Child (Elaine Krieger)	Chicago, IL		• Elaine was laid off in 1999 and didn't know what to do. Later on she went into a children's clothing resale store Once Upon a Child. She was inspired to go into business for herself. Elaine and her husband used a home equity loan to open their own franchise of the store. • As the store started doing well, she opened another. The owner found though that she couldn't rely on her personal equity alone so turned to SBA's 504 program to open another store – and another....and another.... • More recently, Elaine got a 504 loan under SBJA to buy a building for one of her stores. Thanks to SBA, she has the capital she needs to expand her business and create jobs. SBJA saved her over $5,000 in fees. Today her company owners 11 clothing resale stores (for children and adults). **She has 165 employees and plans to expand.**

SMALL BUSINESS JOBS ACT (SBJA) SUCCESS STORIES			
Business/Owner	**Location**	**New Jobs**	**Background**
Carino's Italian Grill (Robert Barany)	Doral, FL		• The owner is a local franchisee in the Miami neighborhood of Doral. He's owned his restaurant for 6 years. • While other restaurant owners are cutting back because of the economy, Robert saw it as a great time to invest in his business. He wanted to be ready for when the economy recovers. Only problem was he couldn't get a loan. Robert went to all the big banks, but no one would give him a loan. • After the SBJA, he was able to get a loan from PNC bank with a 90 percent guarantee and save $11,000 in fees. He used the loan to spruce up his 6 year old restaurant with new furniture and kitchen equipment, also painting the outside. Customers are excited about the change, as seen by his sales. While his competitors are struggling, his restaurant has had positive sales every week since starting renovations.
Environmental Dynamics, Inc. (Charles Tharp & Randy Chan)	Columbia, MO		• This business has been around since 1975 and has sold internationally for over 20 years. It provides products that assist with the aeration of water/wastewater to either: 1) prevent the formation of algae or other growths on useable water supply or 2) expedite the natural cleansing process of wastewater into useable water. Orders take 6-11 months from receipt to building the various systems that are contracted as company engineers and custom builds products. They have 110 employees in the U.S., and 15 foreign contractors. • The company has seen recent growth so needed capital for overseas orders. 55% of their business is outside the U.S. now. It received a $5 million Export Working Capital loan, increased to that level by SBJA to help with international orders. This was the first EWCP loan for the customer and the lender, who would have not made the loan without SBA's support. The company was interested in the loan because of the flexibility of coverage for Bid/Performance Bonds – traditionally required by large foreign companies. The bonding issue has been a "thorn in their side for years" because the one they had required them to collateralize it. • The loan expanded their ability to sell overseas and now their sales will increase significantly. Over the next two years, they expect their international sales to increase by 30 percent due in part to the loan. That will allow them to expand their workforce further.
Honey Bee Bakers (Charles Peek & Jim Schrade)	Lubbock, TX San Antonio, TX		• The owners own Honey Bee Bakers in Lubbock, TX and San Antonio, TX. They wanted to expand their business, so Charles got in touch with the UT-San Antonio SBDC. Together, they worked on their business plan and put together an application for an SBA loan. • **Because of SBJA, the loan carried a 90% guarantee. With it, they expanded the bakery and increased their workforce to 29 people.**

SMALL BUSINESS JOBS ACT (SBJA) SUCCESS STORIES

Business/Owner	Location	New Jobs	Background
Catania Hospitality Group	Boston, MA		• The Catania Hospitality Group is a family-owned business that owns a number of hotels/restaurants on Cape Cod and the South Shore. Before the recession, they were expanding. But the economic downturn hit the hospitality industry hard, and the firm had a hard time refinancing their debt. • Luckily, their bank knew about SBJA. Thanks to the SBJA provision which raised SBA's loan limits, Catania refinanced some of their debt into a $4 million SBA loan. It carried a 90% guarantee and they saved $132,000 in fees. **This loan, along with USDA assistance, helped save hundreds of jobs in the region.**
AG Optical Systems (Dave Tandy)	Huntsville, AL		• The owner started the business in Huntsville and it makes handmade, high-end telescopes. Dave was in the Marine Corps, then went to graduate school, and as he put it "did the corporate thing for awhile" before he got bored. • Dave has always had a passion for optics and telescopes, as well as building things. So when he and his wife bought some property in Huntsville, he got a business loan to buy the CNC machine he needed to do the job right. He also needed a few other pieces of equipment though. • The owner was able to go to SBA for help. As a veteran and because of SBJA, he got a Patriot Express loan from his lender. He worked quickly to take advantage of the SBJA 100% expensing provision, which allowed him to write off 100% of the purchase. Because of SBJA he saved $1,000 in fees.
Firefly Farms (Michael Koch)	Accident, MD		• Firefly Farms formed in 2002 in Garrett County by a small group of friends who decided to join forces and enter the world of domestic goat cheese making. They have received 31 individual national and international awards for excellence. Apparently the White House also knows about their cheese and loves it. They buy it from the Washington, DC Farmers' Market. Currently have 13 full-time employees. • They received a $650,000 SBJA 504 loan to renovate a commercial building that they bought 2 years ago (but didn't have the capital to renovate). This space will allow them to create a gourmet food and wine retail store/visitor center to showcase the art of cheese making. • The new retail location will not only give the business additional sales, it also helps tourism promotion efforts in Garrett County. Depending on how long it takes to make deals with local farmers (1-2 years), Firefly Farms expects to have quadrupled their business and expanded their employees to 40-50. This includes additional farmers, plant/store/visitor center staff, and cheese makers.

SMALL BUSINESS JOBS ACT (SBJA) SUCCESS STORIES			
Business/Owner	**Location**	**New Jobs**	**Background**
Baker Sales, Inc. (Robert Baker)	Slidell, LA	2 jobs	• Baker Sales Inc. of Slidell, LA, is a small business that distributes imported steel tubing and fencing. When construction slumped during the recession, so did demand for steel products. They saw their sales drop 20 percent last year when oil/gas contractors pulled orders after the oil spill. • For 30 years, Baker Sales has imported steel products and sold them to customers largely within a 200-mile radius of Slidell. The company has always wanted to export – particularly recently as they identified opportunities in Panama (where South American immigrants are moving in necessitating new housing developments and high-rises). • President Robert Baker paid $800 for U.S. Commercial Service's Gold Key Service last March. He met with a dozen potential clients in Panama over two days and one developer he met is interested in ordering $100,000 aluminum fencing. • Thanks to the higher loan limits authorized by the SBJA, Baker Sales Inc. received a $3 million 7(a) loan that will help them expand their business by facilitating export transactions with buyers in Panama. They immediately hired 2 more employees because of the loan. As sales to Panama increase, and potential sales to South Korea materialize, the company expects to increase further.
Mas (La Grillade) (Eric Blinderman)	New York, NY	62 jobs	• In 2004, while working as an attorney practicing international law, the owner opened a restaurant. With the help of an SBA loan, "Mas (Farmhouse)" [pronounced Mah] opened to rave reviews. The restaurant quickly rose to prominence among New York City fine dining. • Building upon his success, Eric wanted to open a second restaurant "Mas (La Grillade)." Because of SBJA, Eric got a 504 loan to purchase and renovate a two-story building around the corner from his first restaurant. He saved $18,000 in fees because of SBJA. He also got a SBJA 7(a) loan to pay for startup costs – saving him almost $10,000 in fees. When the new restaurant opens this summer, Eric expects 62 new jobs.

Chair LANDRIEU. But we are not going to rest on our laurels. We want to see what is working. What we can make work even better until this recession is in the rearview mirror.

So thank you all very much. We really appreciate your advocacy on behalf of yourself and the organizations you represent.

And this meeting is adjourned. Thank you.

[Whereupon, at 11:48 a.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

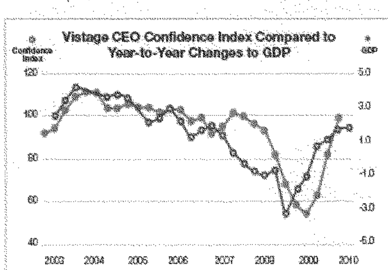
The World's Leading Chief Executive Organization **Q2 2010** | JULY 2010

VISTAGE **CEO** Confidence Index

Largest Survey of CEOs Since 2003

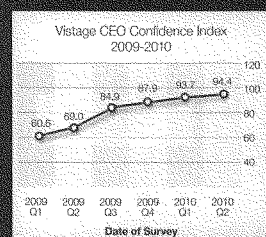
The Vistage CEO Confidence Index provides an inside look at Vistage member confidence in the economy and their businesses. In Q2 2010, our CEO members expressed increased assurance in their businesses amidst talk of a double dip recession. While CEOs have lowered their expectations for pace of growth in the overall economy, they remain confident that over the next 12 months, they are well positioned to increase revenues and profits, while hiring new employees. Despite the overall positive outlook, Vistage member CEOs reported the biggest challenge they now face is managing costs, credit and cash flow to maintain liquidity amid persistent uncertainty. Moving forward, a larger emphasis will be placed on offering new products and services to keep and generate new customers.

Dr. Richard Curtin, Director of Surveys and Consumers at the University of Michigan, Ann Arbor, and a Vistage consultant for the Confidence Index, notes, "All of the index components rose slightly, except the outlook for the national economy. Despite a weakening economy, CEOs have positioned their firms so that they now expect slowly improving revenues and profits."



Vistage CEO Confidence Index Highlights

- CEOs cite **economic uncertainty (38%), financial issues (16%)** and **growing too slowly (13%)** as their most significant business issues, with **26% listing customer retention** as their biggest challenge in Q2.
- **35% of CEOs** surveyed will look to innovation in new products and services as their biggest priority to advance their business over the next three years.
- **50% of CEOs** plan to finance their business growth with cash during the next 12 months.
- **87% of CEOs** surveyed believe the federal government does not understand the challenges well enough to expand business opportunities faced by small businesses, especially their concerns about the impact of new taxes, regulations and credit availability.



The Vistage CEO Confidence Index rose to 94.4 in the 2nd quarter 2010 survey, significantly higher than the 69.0 recorded in the 2nd quarter of 2009. The Confidence Index has posted six consecutive quarterly gains, rising to its highest level since the 1st quarter of 2007.

Vistage CEO Confidence Index Q2 2010 | Dates 06/23-07/02 | 1,617 Respondents | National Results

Question	Answer	Respondents #	Respondents %
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	814	50%
	About the same	592	37%
	Worsened	208	13%
	Don't know/No opinion	3	0%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	589	36%
	About the same	772	48%
	Worse	243	15%
	Don't know/No opinion	13	1%

3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	604	37%
	About the same	774	48%
	Decrease	231	14%
	Don't know/No opinion	8	0%

4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months?	Increase	1,076	37%
	About the same	395	24%
	Decrease	142	9%
	Don't know/No opinion	4	0%

5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	868	54%
	About the same	501	31%
	Worsen	241	15%
	Don't know/No opinion	7	0%

6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	713	44%
	About the same	914	57%
	Decrease	185	11%
	Don't know/No opinion	5	0%

7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	713	44%
	About the same	754	47%
	Decrease	145	9%
	Don't know/No opinion	5	0%

8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2010	66	4%
	Q3 2010	203	13%
	Q4 2010	165	10%
	Steadily throughout the next 12 months	434	27%
	I do not plan to increase my total number of employees	746	46%

9. What is the most significant business issue that you are facing currently?	Rising energy costs	7	0%
	Growth (growing too quickly)	41	3%
	Rising healthcare costs	86	5%
	Political uncertainty	135	8%
	Staffing (finding, hiring, retaining, and training)	144	9%
	Growth (growing too slowly)	204	13%
	Economic uncertainty (concern for local and nation)	619	38%
	Other	121	7%
	Financial issues (finance, cash flow, profitability)	260	16%

10. What is the biggest challenge your business is specifically facing now? (check all that apply)	Paying loans and/or accessing credit	189	9%
	Managing costs	404	19%
	Cash, liquidity, receivables	351	17%
	Customer retention and/or lead generation	540	26%
	Cutting staff	56	3%
	My business is not facing any extraordinary challenges	270	13%
	Skipped	34	2%
	Other	236	11%

11. Has the Healthcare Reform Bill (The Reconciliation Act of 2010) been:	Good for your business	40	2%
	Bad for your business	578	36%
	Made no difference in your business	752	47%
	No opinion	246	15%
	Skipped	1	0%

12. Are you finding it easier to obtain credit for your business now than you did six months ago?	Yes	229	14%
	No	726	45%
	Not applicable	665	41%
	Skipped	7	0%

13. What is going to be your biggest priority to advance your business over the next three years?	Quality employees	435	27%
	Strong leadership	344	21%
	Access to capital	171	11%
	Innovation in new products/services	562	35%
	Skipped	8	0%
	Other	97	6%

14. What do you think the state of manufacturing in the U.S. will be in the next 5 years?	Much stronger	88	5%
	Slightly stronger	703	43%
	No change	216	13%
	Weaker	467	29%
	No opinion	138	9%
	Skipped	5	0%

15. Does the federal government understand the challenges faced by American businesses well enough to expand business opportunities for small business?	Yes	82	5%
	No	1,400	87%
	No opinion	121	7%
	Skipped	14	1%

16. Does state government understand the challenges faced by American businesses well enough to expand business opportunities for small business?	Yes	190	12%
	No	1,292	80%
	No opinion	131	8%
	Skipped	4	0%

17. Where do you believe your next CEO will come from?	Next generation family member	222	14%
	Promotion from within	592	37%
	Outside executive search	316	20%
	CEO of acquiring company	384	24%
	Skipped	25	2%
	Other	78	5%

18. How difficult is it to find people with the right skills to drive your business growth?	Easy to find qualified talent	278	17%
	Difficult to find qualified talent	1,149	71%
	Most interviewee lack required skills	158	10%
	Skipped	32	2%

19. How do you plan to finance your business growth during the next 12 months?	Investment from friends or family or business relations	70	4%
	Cash	805	50%
	Venture capital or private equity	78	5%
	Bank or third-party loan	546	34%
	Credit cards	7	0%
	Skipped	18	1%
	Other	93	6%

20. In order to be able to increase the number of full-time employees, what do you need to see in the marketplace (check all that apply)?	Increased sales	1,451	69%
	Improved access to loan financing	171	8%
	Lower wage costs	66	3%
	Product improvements	121	6%
	Credit Cards	152	7%
	Skipped	19	1%
	Other	115	5%

21. Is your current access to loan financing limiting your business growth?	Yes	366	23%
	No	1,241	77%
	Skipped	10	1%
22. Are you doing business in China?	Yes	363	22%
	No	1,208	75%
	No, but I plan to in the next 12 months	36	2%
	Skipped	10	2%
23. Is it essential to smaller businesses likes yours that Washington enact immigration legislation?	Yes	367	23%
	No	1,228	76%
	Skipped	22	1%
24. Do you like questions like these? Do you want more of these supplemental questions in future surveys?	Yes	1,209	75%
	No	350	22%
	Skipped	1	0%
25. The media often contacts us regarding general business issues for stories. Are you willing to be contacted and interviewed by the media?	Yes	735	45%
	No	882	55%
	Skipped	1	0%

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THE WORLD'S LEADING CHIEF EXECUTIVE ORGANIZATION

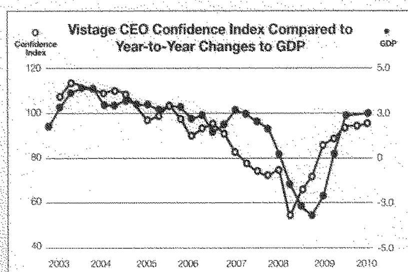
The World's Leading Chief Executive Organization **Q3 2010** | SEPTEMBER 2010

VISTAGE CEO Confidence Index

Largest Survey of CEOs Since 2003

The Vistage CEO Confidence Index provides an inside look at Vistage member confidence in the economy and their businesses. In Q3 2010, CEO confidence was up slightly in the third quarter, noting a slowing economic growth pace, but no evidence of an impending double dip recession. Despite widespread recognition of the recent economic slowdown, CEOs were more confident in their firm's ability to increase their revenues and profits in the year ahead. Yet, virtually every CEO (92%) expects rising employee healthcare costs for all 2011. Given the difficult economy, their emphasis has been on containing costs, retaining their current customers and expanding their offerings of products and services to attract new customers.

Dr. Richard Curtin, Director of Surveys and Consumers at the University of Michigan, Ann Arbor, and Vistage consultant for the Confidence Index, notes, "CEOs expressed a cautious optimism about their firm's ability to navigate the rough waters of today's economy. Despite a widespread recognition of the recent economic slowdown, CEO's were more confident in their firm's ability to increase their revenues and profits in the year ahead."



Vistage CEO Confidence Index Highlights

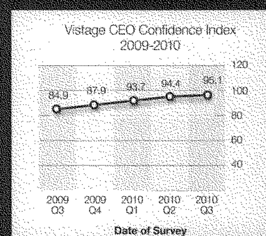
61% of CEOs stated prices for their products and services would remain about the same over the next 12 months.

83% of CEOs surveyed said that "increased sales" will be the single biggest driver for hiring new employees over the next six months.

48% of CEOs expect healthcare costs to rise 10-25% in 2011, and 9% believe cost increases will be greater than 25%.

In response to the question: If you had to do so today, would you start your business in the current economic climate? **52% of CEOs** responded "no" or "not likely."

62% of CEOs believe the Republicans will control the House of Representatives in January 2011.



The Vistage CEO Confidence Index rose to 95.1 in the 3rd quarter 2010 survey, up from the 84.9 posted in the 3rd quarter of 2009. The Confidence Index has posted seven consecutive quarterly increases, rising to its highest level since the 1st quarter of 2007.

Vistage CEO Confidence Index Q3 2010 | Dates 09/14-09/24 | 1,845 Respondents | National Results

Question	Answer	Respondents #	Respondents %
1. **Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?**	Improved	787	43%
	About the same	762	41%
	Worsened	295	16%
	Don't know/No opinion	1	0%
2. **During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?**	Better	730	40%
	About the same	874	47%
	Worse	213	12%
	Don't know/No opinion	28	2%

Vistage CEO Confidence Index Q3 2010 | Dates 09/14-09/24 | 1,845 Respondents | National Results ***...Continued***

3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	748	41%
	About the same	808	44%
	Decrease	279	15%
	Don't know/No opinion	10	1%

4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months?	Increase	1,240	67%
	About the same	457	25%
	Decrease	137	7%
	Don't know/No opinion	11	1%

5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	992	54%
	About the same	615	33%
	Worsen	230	12%
	Don't know/No opinion	8	0%

6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	513	28%
	About the same	1,118	61%
	Decrease	203	11%
	Don't know/No opinion	11	1%

7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	848	46%
	About the same	813	44%
	Decrease	182	10%
	Don't know/No opinion	2	0%

8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q3 2010	61	3%
	Q4 2010	161	9%
	Q1 2011	279	15%
	Steadily throughout the next 12 months	500	27%
	I do not plan to increase my total number of employees	844	46%

9. What is the most significant business issue that you are facing currently?	Rising energy costs	3	0%
	Growth (growing too quickly)	52	3%
	Rising healthcare costs	113	6%
	Political uncertainty	170	9%
	Staffing (finding, hiring, retaining, and training)	177	10%
	Growth (growing too slowly)	218	12%
	Economic uncertainty (concern for local and nation)	691	37%
	Other	135	7%
	Financial issues (finance, cash flow, profitability)	286	16%

10. What is the biggest challenge your business is specifically facing now? (check all that apply)	Paying loans and/or accessing credit	196	8%
	Managing costs	468	20%
	Cash, liquidity, receivables	402	17%
	Customer retention and/or lead generation	623	26%
	Cutting staff	77	3%
	My business is not facing any extraordinary challenges	283	12%
	Skipped	30	1%
	Other	295	12%

11. Do you expect the Healthcare Reform Bill (The Reconciliation Act of 2010) to:	Be good for your business	100	5%
	Be bad for your business	1,239	67%
	Make no difference in your business	371	20%
	No opinion	131	7%
	Skipped	4	0%

12. In 2011, do you expect your healthcare costs for employees to:	Decrease	22	1%
	Remain the same	108	6%
	Increase 0-10%	649	35%
	Increase 10-25%	894	48%
	Increase more than 25%	165	9%
	Skipped	7	0%

13. Are you finding it easier to obtain credit for your business now than you did six months ago?	Yes	326	18%
	No	845	46%
	Not applicable	667	36%
	Skipped	7	0%

14. Among the uncertainties in today's marketplace, which one concerns you the most?	Economic outlook	1,084	59%
	Taxes	477	26%
	Results of the term elections	196	11%
	Skipped	12	1%
	Other	76	4%

Vistage CEO Confidence Index Q3 2010 | Dates 09/14-09/24 | 1,845 Respondents | National Results ***...Continued***

15. What will most influence how you vote in the upcoming mid-term elections?	Overall economic policies	1,186	64%
	National security policies	12	1%
	The national debt	197	11%
	Environment, education, and healthcare policies	120	7%
	Traditional American values	177	10%
	Party affiliation	141	8%
	Skipped	12	1%

16. Which economic issue will most influence how you vote in the upcoming mid-term elections?	Economic stimulus	204	11%
	Taxes	796	43%
	Access to credit	102	6%
	Deficit reduction	444	24%
	Unemployment	193	10%
	Financial regulatory reform	88	5%
	Skipped	18	1%

17. Which is the most impactful action that you believe Washington should take to spur an economic recovery?	Cut the corporate tax rate	332	18%
	Cut the capital gains tax rate	133	7%
	Provide more stimulus support to small businesses	281	15%
	Continue the Bush tax cuts for those earning less than $250,00 per year	170	9%
	Continue the Bush tax cuts for those earning more than $250,00 per year	582	32%
	Change tax policies regarding companies doing business abroad	41	2%
	Loosen the credit markets	271	15%
	Skipped	35	2%

18. Which party will control the U.S. House of Representatives in January?	Democratic	304	16%
	Republican	1,141	62%
	No opinion	388	21%
	Skipped	12	1%

19. Which party will control the U.S. Senate in January?	Democratic	658	36%
	Republican	756	41%
	No opinion	419	23%
	Skipped	12	1%

Vistage CEO Confidence Index Q3 2010 | Dates 09/14-09/24 | 1,845 Respondents | National Results ***...Continued***

20. What impact will NOT extending all the Bush tax cuts beyond 2010 have on your business?	Very positive	19	1%
	Positive	43	2%
	Neutral	532	29%
	Negative	926	50%
	Very negative	314	17%
	Skipped	11	1%

21. Which level of government can make the biggest contribution to creating a healthy environment for growing your business?	Federal	1,112	60%
	State	614	33%
	Local	99	5%
	Skipped	20	1%

22. What will be the single biggest driver for you to hire new employees during the next six months?	Increased sales	1,535	83%
	Improved access to loan financing	58	3%
	Lower taxes	65	4%
	Product improvements/ innovation	66	4%
	Reduced employee benefit costs	52	3%
	Skipped	15	1%
	Other	54	3%

23. If you had to do so today, would you start your business in the current economic climate?	Yes	503	27%
	Likely	294	16%
	Not likely	574	31%
	No	382	21%
	No opinion	86	5%
	Skipped	6	0%

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THE WORLD'S LEADING CHIEF EXECUTIVE ORGANIZATION

The World's Leading Chief Executive Organization **Q4 2010** | JANUARY 2011

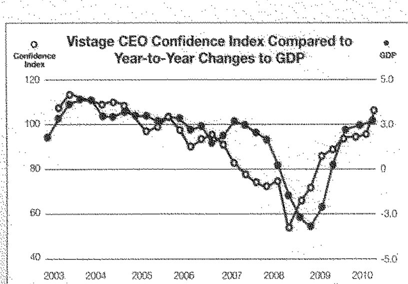
VISTAGE

CEO Confidence Index

Largest Survey of CEOs Since 2003

The Vistage CEO Confidence Index provides an inside look at Vistage member confidence in the economy and their businesses. In Q4 2010, small business CEOs expressed a remarkable resurgence of optimism both in the overall economy and for their own companies. The Vistage Confidence Index jumped to 106.3 in the 4th quarter of 2010, after reporting 95.1 in the 3rd quarter. Of the 1,729 respondents, 77% expect increased revenues and 63% foresee higher profits in their own companies. Fifty-four percent expect to hire more employees in the coming year, which is the first time in three years that the majority of CEOs planned to expand the number of jobs.

Dr. Richard Curtin, Director of Surveys and Consumers at the University of Michigan, Ann Arbor, and Vistage consultant for the Confidence Index notes, "This was the most favorable outlook for economic growth since the start of 2004."



Vistage CEO Confidence Index Highlights

58% of CEOs stated that, compared to a year ago, overall economic conditions of the U.S. have improved.

46% of CEOs surveyed said they pledged personal assets or invested cash to help their companies weather the economic downturn.

Only 20% of CEOs stated that it's easier to obtain credit today than six months ago, while **38%** responded that it's not easier.

39% of CEOs stated that they are currently marketing their sustainability or "green practices" to their clients or customers.

Only 15% of CEOs believe that current immigration laws are hampering their ability to hire skilled workers.

The Q4 Vistage CEO Confidence Index of 106.3 is up significantly from the 87.9 posted in the 4th quarter of 2009. The Vistage CEO Confidence Index reflects a surge in CEO optimism after seven quarters of incremental increases.

Vistage CEO Confidence Index Q4 2010 | Dates 12/14-12/24 | 1,729 Respondents | National Results

Question	Answer	Respondents #	Respondents %
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	1,008	58%
	About the same	598	35%
	Worsened	119	7%
	Don't know/No opinion	4	0%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	1021	59%
	About the same	607	35%
	Worse	86	5%
	Don't Know/No opinion	15	1%

Vistage CEO Confidence Index Q4 2010 | Dates 12/14-12/24 | 1,729 Respondents | National Results ***...Continued***

3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	801	46%
	About the same	747	43%
	Decrease	167	10%
	Don't know/No opinion	15	1%

4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1,334	77%
	About the same	312	18%
	Decrease	80	5%
	Don't know/No opinion	3	0%

5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	1,088	63%
	About the same	477	28%
	Worsen	159	9%
	Don't know/No opinion	6	0%

6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	678	39%
	About the same	921	53%
	Decrease	123	7%
	Don't know/No opinion	7	0%

7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	934	54%
	About the same	681	39%
	Decrease	111	6%
	Don't know/No opinion	3	0%

8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q1 2011	260	15%
	Q2 2011	245	14%
	Q3 2011	129	7%
	Steadily throughout the next 12 months	467	27%
	I do not plan to increase my total number of employees	629	36%

Vistage CEO Confidence Index Q4 2010 | Dates 12/14-12/24 | 1,729 Respondents | National Results ***...Continued***

9. What is the most significant business issue that you are facing currently?	Rising energy costs	16	1%
	Rising healthcare costs	127	7%
	Staffing (finding, hiring, retaining, and training)	228	13%
	Growth (growing too slowly)	225	13%
	Growth (growing too quickly)	57	3%
	Financial issues (finance, cash flow, profitability)	275	16%
	Economic uncertainty (concern for local and national economy, budget deficit, housing market)	544	31%
	Political uncertainty	103	6%
	Other	154	9%

10. What is the biggest challenge your business is specifically facing now? (check all that apply)	Cash, liquidity, receivables	357	17%
	Paying loans and/or accessing credit	173	8%
	Customer retention and/or lead generation	586	27%
	Cutting Staff	44	2%
	Managing costs	460	21%
	My business is not facing any extraordinary challenges	282	13%
	Skipped	31	1%
	Other	224	10%

11. Do you expect the Healthcare Reform Bill (The Reconciliation Act of 2010) to:	Be good for your business	103	6%
	Be bad for your business	1,121	65%
	Make no difference in your business	363	21%
	No opinion	134	8%

12. Are you finding it easier to obtain credit for your business now than you did six months ago?	Yes	341	20%
	No	666	38%
	Not applicable	714	41%
	Skipped	9	1%

Vistage CEO Confidence Index Q4 2010 | Dates 12/14-12/24 | 1,729 Respondents | National Results ***...Continued***

13. Within the past 18 months, a number of "Small Business" bills have become law, including: The Business Health Care Tax Credit; A New Tax Credit for Hiring Unemployed Workers; Bonus Depreciation Tax Incentives to Support New Investment; and a Temporary Small Business Estimated Tax Payment Relief to Allow Small Businesses to Keep Needed Cash on Hand, among others. Has your company benefitted from any of these new laws?	I did not even know about them	310	18%
	Yes	278	16%
	No	664	38%
	It is too early to tell	438	25%
	Skipped	10	1%
	Other	29	2%

14. Do you currently market your commitment to sustainability or "green practices" to your customers or clients?	Yes	675	39%
	No	1,046	60%
	Skipped	8	0%

15. Current immigration laws in the United States are hampering my company's ability to hire skilled workers.	Yes	251	15%
	No	1,457	84%
	Skipped	22	1%

16. During this economic downturn, did you at any time pledge personal assets or invest personal money into your company to help you weather the storm?	Yes	790	46%
	No	929	54%

17. Will business in 2011 be better than it was in 2010?	Yes	1,266	73%
	No	120	7%
	The same	335	19%
	Skipped	8	0%

18. I expect to hold back on permanent hires during 2011 due to:	Worries about the U.S. economic outlook	398	23%
	Future demand	289	17%
	Uncertainty over the tax cuts	21	1%
	Uncertainty over regulatory environment	93	5%
	I do not expect to hold back	912	53%
	Skipped	17	1%

Vistage CEO Confidence Index Q4 2010 | Dates 12/14-12/24 | 1,729 Respondents | National Results ...*Continued*

19. Do you consider President Obama to be:	A liberal	1,216	70%
	A moderate, pragmatic Democrat	385	22%
	Actually not that different from President Bush in his major policies (Afghanistan, China, taxes, economic policies)	92	5%
	Skipped	37	2%

20. Do you consider China an opportunity or a threat to your business?	Opportunity (Answer question 21)	403	23%
	Threat (Answer question 22)	418	24%
	Neither	897	52%
	Skipped	12	1%

21. If you have an opportunity, will you expand and do business with China?	Yes	286	17%
	No	451	26%
	Skipped	993	57%

22. If China is a threat, do you feel the United States needs protection against unfair trade or investment practices?	Yes	482	28%
	No	274	16%
	Skipped	975	56%

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THE WORLD'S LEADING CHIEF EXECUTIVE ORGANIZATION

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June 25, 2010

The Honorable Mary Landrieu
328 Hart Senate Office Building
Washington, DC 20510

The Honorable Olympia Snowe
154 Russell Senate Office Building
Washington, DC 20510

Dear Senators Landrieu and Snowe,

As you are aware, the State International Development Organizations (SIDO) provides a mechanism for states to share innovative ideas, facilitates multi-state collaboration, and provide advocacy for state international trade development programs. SIDO work close partnership with the Council of State Governments and benefits from the active involvement of state trade directors from across the country, to ensure that all activities are focused on the immediate needs of small businesses.

SIDO would like to reiterate its support for the State Trade and Export Partnership (STEP) program. The STEP program provides much-needed support for state trade offices - but most important, it will have a very positive impact the nation's small business by enhancing the export services they receive through their state trade agencies

President Obama has set the goal of doubling U.S. exports in the next five years. It is an ambitious goal that will require robust export development programs at both the state and federal level and particularly a significant amount of additional support to small and medium sized enterprises (SMEs). However, as state trade offices are being called upon to provide ever higher levels of export services, the current fiscal crisis has prompted governors and legislatures to make difficult budget choices.

In the last two years, state support for trade development and investment attraction has dropped dramatically. 84% of states have cut their international trade budgets, and additional cuts are likely in the horizon. Cuts have ranged in size from 2% to 65%, and have directly affected our states ability to support SME exporters because of the resultant staff reductions, foreign office closures, or other service eliminations.

The STEP program is absolutely vital to the ability of states to do their part in creating much needed jobs in our country through export expansion. The fact that 53 out of 56 eligible states and territories have submitted program funding proposals to SBA speaks volumes not only about the states need of finding additional programmatic resources, but also of the commitment of the state trade agencies to do their share towards achieving the NEI objectives.

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In closing, we want express our deep appreciation for your unwavering support of STEP program. Your vision and leadership in support export development and job creation through greater state-federal cooperation is deeply appreciated. We look forward to working with you to help our small businesses become more successful in international markets.

With best regards,

Manny Mencia
President, SIDO
Sr. Vice President
International Trade & Business Development
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Progress Report: SBA Requirements in the Small Business Jobs Act of 2010

Prepared by: Alex Johnson, Brian van Hook

BACKGROUND:

Following months of debate, the Senate passed the Small Business Jobs Act of 2010 (Jobs Act) on September 16, 2010 by a vote of 61-38. On September 27, 2010, President Obama signed the bill into law. The Jobs Act provided support to small businesses by: 1) providing $12 billion in immediate tax cuts for small firms; 2) increasing access to capital; and 3) strengthening the core programs of the Small Business Administration (SBA). In general, the legislation was intended to increase access to capital, encourage investment, promote entrepreneurship, and promote small business fairness.

Title I of the Jobs Act includes all of the statutory requirements of the Small Business Administration (SBA). There are a total of 39 provisions in the Jobs Act that specifically and solely related to the SBA. These 39 provisions are subdivided into five categories:

- Access to Credit
- Trade and Exporting
- Contracting
- Management and Counseling Assistance
- Disaster Loan Improvement

STATUS OF IMPLEMENTATION:

Of the 39 total SBA-specific provisions:

- 28 provisions have **been completed** (72%)
- 9 provisions are in the **process of completion** (23%)
- 2 provisions are **not completed** (5%)