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NOMINATION OF JOVITA CARRANZA TO BE ADMINISTRATOR OF THE SMALL BUSINESS ADMINISTRATION

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

DECEMBER 11, 2019

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NOMINATION OF JOVITA CARRANZA TO BE ADMINISTRATOR OF THE SMALL BUSINESS ADMINISTRATION

WEDNESDAY, DECEMBER 11, 2019

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

The Committee met, pursuant to notice, at 2:34 p.m., in Room 428A, Russell Senate Office Building, Hon. Marco Rubio, Chairman of the Committee, presiding.

Present: Senators Rubio, Risch, Ernst, Young, Romney, Cardin, Cantwell, Shaheen, Markey, Coons, and Rosen.

OPENING STATEMENT OF HON. MARCO RUBIO, CHAIRMAN, A U.S. SENATOR FROM FLORIDA

Chairman RUBIO. The Committee will come to order. Today's hearing of the Senate Committee on Small Business and Entrepreneurship will be to consider the nomination of Ms. Jovita Carranza to serve as the Administrator of the Small Business Administration, and we welcome you to the Committee.

The SBA provides entrepreneurs with vital access to capital, technical assistance, and entrepreneurial resources, ensuring that American small businesses can start, can scale, and can succeed. However, the needs of entrepreneurs and small business owners have changed in the more than six decades since the SBA was created back in 1953, under President Eisenhower. Today there are over 30 million small businesses in the United States, employing nearly 60 million Americans. These firms operate in a new economic climate in which small business dynamism is vital and innovation drives growth.

In order to continue to serve small businesses effectively, the SBA must also become dynamic and innovative. Agency modernization is, in my opinion, imperative to make sure that programs not only meet the needs of American entrepreneurs but also help them compete in what is now a fully global environment.

With China's continued economic aggression and manipulations, small businesses must be better positioned to support U.S. competition on an international scale. It is my view that the SBA ought to provide tailored and accessible resources to support American competitiveness. This means the agency must expand beyond the traditional offerings and incorporate creative programing to spur

investments, support advanced manufacturing, promote innovation, and expand export opportunities.

This Committee is actively working towards these outcomes through a comprehensive reauthorization and modernization of the Small Business Act and Small Business Investment Act, and together I hope we can create the SBA of tomorrow and not simply languish in the agency of decades past, because ultimately the status quo is simply no longer good enough.

American national competitiveness requires successful small businesses and so do our communities. Roughly 1.8 million, or more than 60 percent of all new jobs are created by small businesses. In my State of Florida, in my home state, small businesses employ over 3.4 million individuals. Successful small businesses mean increased access to dignified work, improved local GDP, a healthier economy, and ultimately stronger communities.

Today's hearing, as I said at the outset, is focused on the role of the Administrator, who will be our partner in addressing these issues and working with us to ensure the success of small businesses that propel American competitiveness and also stronger communities.

And with that I want to recognize the Ranking Member.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, RANKING MEMBER, A U.S. SENATOR FROM MARYLAND

Senator CARDIN. Ms. Carranza, first of all, welcome. It is wonderful to have you here. I thank you very much for your public service and your willingness to take on this very important responsibility, so, first, thank you for your commitment.

When I was elected to the United States Senate in 2006, I requested a seat on this Committee. I say that because it is not on everyone's priority list to get on the Small Business and Entrepreneurship Committee. I wanted to be on the Committee. I recognized how important it was in my state for job growth, for innovation. And I know that Maryland has a long history of using entrepreneurship as a tool for economic empowerment for underserved communities.

It was the late Baltimore Congressman Parren J. Mitchell who created the first set-aside program for minority contractors. He did that in 1977. Today, Maryland is home to the largest concentration of women-owned businesses in the country, as well as the largest concentration of minority-owned businesses.

So if you are confirmed you will be leading the SBA at a time when the face of business ownership in America is becoming more diverse. Minorities, women, veterans, and entrepreneurs from underserved communities face specific historical barriers to business ownership, and they need an SBA that has leadership, vision, and tools required to meet those needs.

When former Administrator Linda McMahon resigned, I said my hope is that President Trump will nominate a successor who is as committed to advocating for America's small business as Administrator McMahon was. Your career in business and government, including your prior service as Deputy Administrator of SBA under President Bush, makes me hopeful that you will pick up where Administrator McMahon left off.

While I am confident in your ability to lead the agency, I am sure you would agree with me that the best leaders have strong teams. If confirmed, you will enter an agency that has not had a Deputy Administrator for more than 19 months. I hope, if you are confirmed, you will work with the Administration to recruit and nominate someone who is committed to serving America's small businesses to help lead that agency.

I would also like to share two of my priorities that I hope will be your priorities if confirmed as our Administrator. First, SBA must do a better job of reaching underserved communities. As I mentioned on the outset, my home state has one of the most diverse small business communities in the country.

When I meet with underserved small business owners across Maryland, their top concern is always access to capital. Capital is the lifeblood of small businesses, and for underserved entrepreneurs who have less wealth from which to fund a venture and who have lower rates of business loan approval, the affordable capital provided by SBA is invaluable.

Unfortunately, SBA's highest-volume loan program, the 7a program, has mirrored the disparities in the credit market instead of filling the gaps in the credit market. The agency should invest in tools like the Community Advantage Pilot Program, which has demonstrated its ability to get capital in the hands of underserved entrepreneurs at a much higher rate than the 7a program.

That is why I introduced the Closing the Credit Gap Act to make SBA's Community Advantage permanent, expand the geographic and demographic reach of the program, and increase the maximum loan size from $250,000 to $350,000. I hope you will make Community Advantage and other SBA loan programs that serve underserved entrepreneurs like the Microloan program a priority.

Second, SBA must do all it can to increase opportunities for small business contractors. In 2018, Federal contracting accounted for 8 percent of Maryland's GDP, approximately $33 billion, including $11 billion spent with small businesses. The jobs created by these companies have helped thousands of families in Maryland enter the middle class.

So I was very troubled by the Bloomberg Government report that found that the number of Federal contractors working on unclassified prime contracts is at a 10-year low, despite a steady rise in government contract spending over that same period of time. This means that while contracts are getting bigger and bigger, we are creating an insular club where fewer and fewer businesses successfully compete for government contracts, creating a less-competitive marketplace and reducing opportunities in the process. Small businesses are bearing the brunt of this decline.

The report also found that the Federal Government did business with 32 percent fewer small vendors in fiscal year 2018 than it did in fiscal year 2009. For comparison, the number of large vendors fell by only 4 percent.

So I was pleased to learn that you once chaired the SBA Office of Small and Disadvantage Business Utilization Council, so I know you understand how vital it is for SBA to advocate for small contractors, especially those in underserved communities. SBA does a

lot of good for America's small businesses, but again, it should do more for the underserved communities.

I look forward to hearing your views on all these issues and how you will lead, if confirmed, the SBA.

Chairman RUBIO. Thank you to the Ranking Member. Unfortunately, our cameras in the hearing room are not working so we had to set up that temporary one. So if you want to do your statement again, or——

Senator CARDIN. I will turn and do it this way.

Chairman RUBIO. I am kidding. I am joking.

[Laughter.]

Well, maybe he does want to do it. No, I think we have got it recorded somewhere.

Well, first of all I want to thank you for that.

So let me introduce our nominee. On the 1st of August, 2019, President Trump formally nominated Jovita Carranza to serve as the Administrator of the SBA. She enjoys a long and successful career in both the private sector and in government service. In 1976, she was hired by UPS as a part-time hub operations and human resources supervisor. Twenty-nine years later, after hard work and dedication, she retired from UPS as the Vice President of AR Operations.

In December of 2006, she was nominated to serve as the Small Business Administrator's Deputy Administrator during President George W. Bush's administration. Her nomination was successfully reported to the Senate floor by this Committee, where she was confirmed by voice vote.

After serving in that role for two years, she began working as a logistics consultant. She was again called on by government to serve in government on June of 2017, where she was named Treasurer of the United States, a position she still holds today.

She has a strong history of community engagement, serving as a member of several organizations and on a number of boards throughout the years, including that of the American Cancer Society and the Hispanic Health Coalition. She has a Master of Business Administration degree from the University of Miami and spent time studying at California State University Los Angeles and Michigan State University, among others.

She is married to Joel Roque and has one adult daughter.

I am encouraged by her experience with the SBA and the goal we both share of ensuring the agency is best positioned to serve America's small businesses.

So again, welcome to the Committee, and before you give your opening statement, as I informed you, if you would stand for the required oath of all who appear before us for nomination.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Ms. CARRANZA. I do.

Chairman RUBIO. Should you become confirmed as Administrator, are you will to appear and testify before any duly constituted committee of Congress when requested to do so?

Ms. CARRANZA. I do.

Chairman RUBIO. Are you willing to provide such information as is requested by any such committee?

Ms. CARRANZA. I do.

Chairman RUBIO. All right. Thank you, and you are recognized for your opening statement.

I always wanted to swear in a witness, my whole life. I finally got it done. I saw it in the movies all these years. It is awesome.

TESTIMONY OF JOVITA CARRANZA, OF ILLINOIS, NOMINATED TO BE ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Ms. CARRANZA. It is a real honor to be the first one. Thank you.

Thank you, Mr. Chairman, Ranking Member Cardin, and distinguished members of the Committee. I have had the opportunity to meet with a number of you recently. I enjoyed learning about the small businesses in your state, and I want to thank you for sharing your insights into how we can advance policies that will help support entrepreneurs.

I want to thank the President for nominating me, my family and friends for their support, as well as colleagues who have supported me through this process.

Our 30 million small businesses play a vital role to our Nation's prosperity, helping Americans climb the economic ladder and improving the communities in which they operate. When they succeed, we all win. Throughout my life, as a young girl in a working-class neighborhood, as an executive leader at a global company, and as a government official, I have seen the transformative power entrepreneurship can have on individuals, communities, and the global economy.

Like you, I believe entrepreneurship and small business ownership, in many ways, represents the American Dream. I am passionate about empowering entrepreneurs of all backgrounds and ethnicities with the guidance and the support needed to achieve success.

I want to share some of the specific priorities I would bring to the SBA, but first, I would like to briefly tell you how it is that I arrived here today, so that you can understand how my life experiences informed the leadership vision I hope to bring to the agency.

My parents were first-generation Mexican Americans born in Chicago. They worked hard to provide for their four daughters. They ingrained in me the importance of hard work, education, and the perils of complacency and settling for "good enough."

I was also taught that perseverance has a way of opening doors. My career with UPS began as a part-time, hourly employee on the warehouse docks. I was responsible for loading shipments onto trucks, and in over three decades with the company, my exposure to regional markets expanded to global markets. I led operations in Latin America and the Caribbean, managing thousands of employees.

After I retired, I was nominated to serve as Deputy Administrator at SBA, where I would oversee 80 national field offices and a portfolio of loans worth roughly $80 billion.

After SBA, I returned home to the city of Chicago, and for the next several years I leveraged my private sector and government experience to help strengthen and expand nonprofits, focused on supporting entrepreneurship among underserved communities.

Almost three years ago, I returned to the public service, after the President nominated me to serve as U.S. Treasurer.

Mr. Chairman, my journey here today has not been an easy one. I have experienced some of the same challenges many Americans face. I remember what it was like to work two jobs, while not only attending college but also raising a child as a single mother. If you would have told me then that my signature would one day be printed on every earned dollar, I never would have believed it. But I sit here before you today the embodiment of that American dream.

I retired from UPS as the highest-ranking Latina in the history of the company, and in the years since, I have been fortunate to earn the confidence of two Presidents who appointed me to serve in their respective administrations.

Members of this Committee, whatever success I achieved in life has been a function of not only hard work, but also opportunity, guidance, and advocacy I received from others.

If I am confirmed to lead the SBA, I will leverage the power of this agency to continue to provide the same kind of support that I received to entrepreneurs who need it most. I intend to put particular emphasis on opening more doors for women and for entrepreneurs in underserved communities, including military families and veterans, and I intend to prioritize disaster preparedness. I will be a tireless advocate in the Cabinet for small businesses, as I strive to maintain an open and collaborative relationship with members of the Committee and your staff.

Thank you again for your consideration. I am happy to answer any questions you may have.

[The prepared statement of Ms. Carranza follows:]

Statement of Jovita Carranza
Nominee to be Administrator of the U.S. Small Business Administration
before the Senate Committee on Small Business and Entrepreneurship
December 11, 2019

Thank you, Mr. Chairman, Ranking Member Cardin, and distinguished Members of the Committee.

I've had the opportunity to meet with a number of you recently. I enjoyed learning about the small businesses in your state, and I want to thank you for sharing your insight into how we can advance policies that will help support entrepreneurs and small businesses.

I want to thank the President for nominating me, my family and friends for their support, as well as colleagues who have supported me through this process.

America's 30 million small businesses play a vital role to our prosperity, helping Americans climb the economic ladder and improving the communities in which they operate. When they succeed, we all win.

Throughout my life – as a young girl in a working-class neighborhood, as an executive leader at a global company, and as a government official – I've seen the transformative power entrepreneurship can have on individuals, communities, and the global economy.

Like each of you, I believe entrepreneurship and small business ownership, in many ways, represents the American Dream.

I am passionate about empowering entrepreneurs of all backgrounds and ethnicities with the guidance and the support needed to achieve success.

I want to share some of the specific priorities I would bring to the U.S. Small Business Administration (SBA), but first, I'd like to briefly tell you how it is that I arrived here today, so that you can understand how my life experiences informed the leadership vision I hope to bring to the agency.

My parents were first-generation Mexican Americans born in Chicago. They worked hard to provide for their four daughters. They ingrained in me the importance of hard work, education, and the perils inherent in complacency and settling for "good enough."

I was also taught that perseverance has a way of opening doors.

My career with UPS began as a part-time, hourly employee on the warehouse docks, where I was responsible for loading shipments onto trucks. As the hard-earned promotions came, my career trajectory exposed me to both domestic and international transportation networks. Eventually I rose to oversee operations in Latin America and the Caribbean, managing thousands of employees.

Throughout my three-decade career with the company, I developed a very deep appreciation of not only the role that small businesses play in our domestic economy, but also of the day-to-day challenges small businesses have to navigate in a global economy.

After a brief retirement, I was nominated to serve as Deputy Administrator at the SBA. I oversaw 80 national field offices and a portfolio of loans worth tens of billions of dollars. This experience further solidified my work with small businesses and the tremendous impact they have on our great country.

While at SBA, we worked to elevate women-owned businesses, and expand access to federal contracting among underrepresented small businesses. After the hurricanes in 2005, we processed tens of thousands of disaster recovery loans. We also produced an unprecedented disaster recovery plan that is now the foundation of the Agency's disaster recovery program.

After SBA, I returned home to the city of Chicago. For the next several years, I leveraged my private sector and government experience to help strengthen and expand nonprofits focused on supporting entrepreneurship among economically disadvantaged communities.

In June of 2017, my tenure as Treasurer of the United States began. One of the key priorities of my office has been to increase participation in our growing economy. We've worked to foster financial literacy in underserved communities, including among military families and veterans. We worked to support the Opportunity Zones program, while promoting federal counseling through efforts like the Treasury's Tribal Advisory Committee.

Mr. Chairman, my journey here today has not been an easy one.

If years ago, someone had told six-year-old Jovita, while she was sitting at the kitchen table being taught the value of a hard-earned dollar, that someday her name would be printed on every U.S. dollar, she would never have believed it. But I sit here before you today, the embodiment of that American dream.

I retired from UPS as the highest-ranking Latina in the history of the company. And in the years since, I've been fortunate to earn the confidence of two Presidents who appointed me to serve in their respective administrations.

Whatever success I achieved in life, however, has been a function of not only hard work, but also opportunity, guidance, and advocacy I received from others.

If I'm confirmed to lead the SBA, I will leverage the power of this agency – its many talented employees and billions of dollars in taxpayer investments – to continue to provide the same kind of support that I received, to entrepreneurs who need it most.

One of my priorities will be to open more doors for women-owned businesses. Women entrepreneurship is on the rise, but we can do more to ensure they have access to relevant resources and professional support so that they can scale and take their businesses to the next level.

Another priority, if I'm confirmed, will be to expand access to SBA resources among entrepreneurs in disadvantaged communities, including African-American and Latino businesses, as well as businesses started by veterans. By better connecting these small businesses with SBA support services, we can help even more underrepresented entrepreneurs overcome barriers to financial capital and gain access to lucrative government contracts.

Finally, I want to continue prioritizing disaster relief. We don't know when catastrophe will strike, but when it does, it's important that the SBA disaster loan process is operating at peak efficiency. That includes not only meeting the needs of affected businesses in a timely manner, but also ensuring inter-agency coordination and cooperation. When small businesses are out of commission, it negatively impacts not only the local economy, but also the regional and national economy.

Mr. Chairman, if I'm confirmed as the next SBA Administrator, I intend to be a tireless advocate in the Cabinet for small businesses. I will leverage every available agency tool, and I will work with all SBA stakeholders to support aspiring entrepreneurs and to help existing small businesses grow.

SBA must be more than resource provider; I want this agency to be an indispensable resource partner.

Small businesses have to please their customers if they are to succeed. We must do no less.

It is a great honor to be before you today as the nominee to lead the SBA.

Thank you again for your consideration. I look forward to continuing an open and collaborative relationship with members of this Committee and your staff.

I'm happy now to answer any questions you may have.

Chairman RUBIO. Thank you very much. We will start with the Ranking Member.

Senator CARDIN. Once again, thank you for being here and your willingness to serve.

You mentioned helping underserved communities. I mentioned it in my opening statement. So I want to get to the issue of availability of credit. When you look at minority-owned small businesses, they are much more likely to be denied credit. They are much more likely to get smaller loans. They are much more likely not even to apply for loans because of the expectation that they will not be able to get the loans, the interest rates are going to be higher, and the list goes on and on and on. The same thing is true with women. The same thing is true with the veteran-owned businesses. The same thing is true in rural businesses.

So my first question to you is, when you look at the 7a program today, the biggest program we have under the SBA for credit, less than 5 percent of the loans go to black business owners. Only 18 percent go to women. Less than 5 percent go to veterans. Only 16 percent went to owners in rural areas. I say that because that is well, well below the demographics of each of those underserved groups in our country.

What will you do to try to reach out and to deal with this gap we have in credit in America?

Ms. CARRANZA. Senator Cardin, I appreciate you raising that important issue. It is a very apparent condition in our market. But let me share with you what I have been involved in as U.S. Treasurer these past couple of years.

I have been tasked to oversee the Office of Consumer Policy, and that office is totally dedicated on consumer protection, consumer financial inclusion, as well as financial literacy and education. And I have worked extensively with the community, in particular the underserved, the underbanked, and unbanked community. That was a focus that we identified as bringing the Main Street to Wall Street, because we recognized the disparities as it relates to credit worthiness or credit accessibility or just qualifying for access to capital, whether it is gender, ethnicity, or particular community limitations.

So you can rest assured that I am very sensitized to the particular area that you have identified, and if confirmed as Administrator of SBA, I would look at ways of, as I indicated in my opening statement, optimize the performance of all of the programs at SBA.

Senator CARDIN. So let me give you one area where you could make an immediate help, by helping us. When you compare the 7a program with the Community Advantage program, it is a remarkable difference. Black owners, as I said, about 7.5 percent of the 7a programs, 12 percent under the Community Advantage. The women-owned businesses are doing much better under Community Advantage also, and when we take a look at Hispanic businesses, it goes from 8.5 percent under the 7a program to 17 percent under the Community Advantage program.

So I filed legislation to make the Community Advantage program permanent. We also want to allow new participants to participate in lifting the moratorium. Can I have your assurances that you will take a very hard look at this and I hope to become an advocate for

these changes so that we can build on what is working better in the SBA?

Ms. CARRANZA. Senator Cardin, as we discussed in your office, because you posed that same question to me and I mentioned to you that I would work very closely with you as well as assess the current impact that Community Advantage. And so to your question I answer yes, I will be closely engaged and supportive and a very involved advocate.

Senator CARDIN. Thank you. I do not—we do not have a reporter in our private discussion so I thought I would put that on the record.

Ms. CARRANZA. Oh, that is fine. I have it recorded.

Senator CARDIN. Thank you very much.

Ms. CARRANZA. You are welcome.

Senator CARDIN. Where you also find tremendous underrepresentation in underserved communities is in innovation and funds for innovation. Less than 1 percent of all venture capital goes to rural businesses, about 3 percent go to women-owned businesses, and only 3 percent go to black- and Hispanic-owned businesses. One of the effective ways we have found in dealing with this gap is for the SBA to partner with HBCUs and minority institutions, because they have the avenues already into the community, the credibility in the community.

Will you work with me to try to engage more of these minority institutions and helping develop more opportunities for innovation in underserved communities?

Ms. CARRANZA. Senator Cardin, that is a very easy question to answer. I look forward to working with you and learning more about what SBA and the collaboration that they have expanded with other agencies. And as an advocate for small business on this Cabinet I look forward to also advising and influencing other Cabinet members to support this.

Senator CARDIN. Thank you. And one last question, if I might. I filed what is known as the New Start Act. I did that as a follow-up to legislation that we passed dealing with the First Step, recognizing our criminal justice system needs to be adjusted and fixed. The Trump administration supported the First Step legislation. It was signed into law. We have a lot of returning citizens that have a lot of challenges, and they are certainly a very much underserved community. If we can get them into the entrepreneurship programs they are going to be much more productive for our society, for themselves, and for our community.

Will you work with me to find ways in which the SBA can help us deal with returning citizens so that they can participate in American entrepreneurship?

Ms. CARRANZA. Senator Cardin, if confirmed, I look for opportunities to address what the resource partners are providing, and when I say resource partners, SBDCs and SCORE and the Women's Business Centers, in addition to the headquarters office and the oversight of the programs. So, yes, I look forward to working with your office and expanding their footprint in that community.

Senator CARDIN. Thank you. Thank you, Mr. Chairman.

Chairman RUBIO. Senator Romney.

Senator ROMNEY. Thank you, Mr. Chairman. I am going to focus my questions on the inspector general's report on the management issues that was put out—of the SBA—that was put out in 2020, in October.

One of the areas that the inspector general focused on was the dollar threshold for support, and it was at $750,000 for economic disadvantaged, and their view was that that number was not economically justified. Their report contends that the SBA should develop objective and reasonable criteria based on quantitative research and to finalize and implement that criteria. That challenge, by the way, was first reported by the inspector general in 2003, and yet they noted that very limited progress has been made.

If confirmed, will you take a close look at the disadvantaged threshold and fix an issue that has been lingering around since 2003?

Ms. CARRANZA. Senator Romney, once again I want to thank you for having—taking the opportunity to interact with you in your office and learning about the areas of concern that you have, and to answer your question, I look forward, if confirmed, to review the IG report and get back to you on some strategies we could develop.

As I indicated in my opening statement, one of my objectives is to really look at performance of the programs and optimizing their particular impact.

Senator ROMNEY. Thank you. One of the recommendations that came from the inspector general was improved compliance of the requirement that lenders only make SBA 7a loans to credit-worthy small businesses, or borrowers, who—and this is in their words—who cannot obtain credit through a conventional lender at reasonable terms. And, you know, I am a believer in private markets and in private financial institutions, but I know there are many gaps in underserved areas. But I want to make sure that the Federal Government does not end up subsidizing businesses who do not need to receive that kind of subsidy.

Can you also review very carefully the GAO recommendations and act as soon as possible to meet this requirement as well?

Ms. CARRANZA. Senator Romney, thank you for raising that important issue. Credit worthiness is really critical, not only for the banks' risk factor but also for the borrower, because we also do not want to put that client prematurely in a situation where their credit situation becomes even worse, and could not apply even for microloans. So I will look forward to working closely with this particular program and ensuring that all risk factors are being addressed appropriately.

Senator ROMNEY. Excellent. I would note that in my state, as in many states, I believe, across the country, that the technology growth and development in our economy is accounting for much of the job growth across America. It certainly is in my state. And as you seek to find places to provide support to people who are looking for help in starting a business or expanding a business, I know that it is important that you consider the demographic qualities and characteristics of the various borrowers. But I would hope, as well, that emphasis is placed on the geographic characteristics of a place where a business might be located, as well as on the growth potential and the survivability of that business as well.

I have particular interest in what is happening in the rural parts of our country. I am thinking about the rural parts of my own state, but I am sure that is true throughout the country. Our urban areas are doing particularly well—high job growth, increasing wages, and household earnings—but rural America is having a difficult time, particularly those areas that do not have a very sizeable agricultural community. Even ag these days is suffering.

But do you believe that there has been sufficient focus on the rural communities, and is there a way to increase the capacity of support for entrepreneurs and innovators in rural America?

Ms. CARRANZA. Thank you for that question, Senator Romney, and as I discussed with several of the Senators that I visited, rural community, underserved community, underbanked, food deserts, bank deserts, we have addressed a particular need to have a focus. I do not believe SBA is the only agency targeting an area that like rural, whether it is through issues like providing broadband services or banking services to the rural area, or just levels of investments with banks.

So I look forward to working with you and learn, in particular, the deficiencies or gaps that you are addressing in your particular state, and employ the programs at SBA.

Senator ROMNEY. Thank you, Ms. Carranza. I would note how pleased I am that someone with your extensive experience, not just in the world of public service but in the UPS world, the private sector world, I certainly hope and believe that that experience can serve you well in this new responsibility.

Thank you, Mr. Chairman.

Ms. CARRANZA. Thank you, Senator.

Chairman RUBIO. Thank you. Senator Cantwell. Oh, Coons is here first?

Senator CANTWELL [continuing]. So graciously was before me, but opened the door to let me walk in. I told him I thought he really was here first.

[Laughter.]

So I defer to my colleague.

Senator COONS. And to my colleague, if my wife were not arriving in five minutes I would defer to you again, but thank you. I am going to rocket ahead with brief questions.

Chairman RUBIO. And the good news is the cameras are all working again, so we got this all on tape.

[Laughter.]

Senator CANTWELL. Thank you.

Senator COONS. Thank you, Mr. Chairman, Ranking Member. Ms. Carranza, welcome. I enjoyed working with your predecessor and look forward to working with you as well. This Committee has a strong tradition of passing meaningful and bipartisan legislation that opens the doors to opportunity and to help Americans start and grow businesses.

One of the highest-impact SBA programs, which was founded in little Wilmington, Delaware, was SCORE, which I know you are familiar with as a former SCORE board member. In your opinion, what value does SCORE contribute to our Nation's entrepreneurs?

Ms. CARRANZA. I appreciate that question, Senator Coons, and I also regret the lack of opportunity to meet with you one-on-one to

elaborate on this particular subject. But for the immediate, SCORE—and I am really impressed with the entire infrastructure and the services that they provide. The infrastructure consists of more than 10,000 volunteers, retired executives that provide hours of coaching and mentoring. I have participated in award events with SCORE, where they have recognized, for instance, a small business that started out with $100,000, and the award event that I attended was this particular small business reaching their first million dollars, and they attributed it to the coaching and counseling, the services and products that the SCORE organization provides.

It is an essential component in the community, along with SBDCs and Women's Business Centers. Collectively, they have touchpoints that a lot of other not-for-profits would have. So I value the contribution and the impact that SCORE provides.

Senator COONS. As you know, there were some challenges highlighted by the SBA's inspector general. The House has now passed bipartisan legislation to reauthorize SCORE and to address those challenges, and I am hoping the Senate will do as well, and I look forward to working with you on that.

As I am sure you are aware, SBA told Congress this year the 7a loan program, the flagship lending program, will require a subsidy for the first time since 2013. That projection has injected some uncertainty into the program. It was surprising, I think, given the strong state of the portfolio and the overall economy.

I am concerned SBA's model is overestimating the cost of the program. Two quick questions. Will you work with the Committee to open up the model's dated assumptions so we can make sure we are doing everything possible to keep the 7a program available to small business borrowers? And what is your view on an increase in programming fees and how that would affect borrowers?

Ms. CARRANZA. Thank you for that question, Senator Coons, and the opportunity to share that I had mentioned in my opening statement that I have three particular areas of focus, and one of them is program optimization or maximization in the community and the impact that they provide to the small businesses that are in need of their services. And 7a is one, among other access to capital programs that we have. And so I look forward to learning more about the details concerning that and get back to you, and work with you personally on that.

I believe that access to capital is always going to be a deficiency and a need, and so we should be able to provide the best financing opportunities for small businesses, especially with the current growth trajectory that we are realizing in our minorities.

Senator COONS. Thank you. One other area I hope we work together on is community development financing institutions, which are critical to providing resources to under-resourced communities. You, if I understand correctly, serve on CDFI's Community Development Advisory Board.

Unfortunately, Senator Kennedy and I—he is the Chair and I am the Ranking on the Appropriations Subcommittee that funds all of SBA's work—there are a lot of contentious issues in that subcommittee. CDFIs is not one of them. President Trump has attempted to eliminate that program now several years in a row in

his budget, but it enjoys bipartisan support, both houses of Congress. I hope that we can work together to strengthen CDFIs as a program going forward.

Ms. CARRANZA. Senator Coons, I believe that the CDFI has a lot of untapped potential, especially under the Opportunity Zone incentives, and the Microloan product is a very strong one and the Tribal Nations also access CDFIs very strongly. So it has a lot of value that I look forward to working with you and identifying where can we maximize further those contributions.

Senator COONS. Thank you, Ms. Carranza. I am proud of the work this Committee has done to put together a reauthorization package. There are two bills that I have contributed, and I just want to thank Mark Santos of my team for helping lead that, the Ramp for Innovators Act, to help SBIR awardees with commercialization, and the SIGMA Act to improve small manufacturers' access to capital. I hope we will have an opportunity in this Congress to move forward on authorizing legislation, and that would require, I think, some cooperation between all of us.

Last, I would like to invite you to Delaware. Your predecessor, Administrator McMahon, made several visits. It is a very nearby state. We are very welcoming, and I hope you will take the opportunity to make a visit early in your term.

Ms. CARRANZA. Thank you, Senator. I look forward to the visit.

Senator COONS. Thank you.

Chairman RUBIO. It is quite accessible by train, apparently. Is that right?

[Laughter.]

Senator COONS. Train, plane, automobile, bus. You can even jog there if you want.

Ms. CARRANZA. Thank you.

Chairman RUBIO. So our chairman emeritus, Senator Risch.

Senator RISCH. Thank you. Well, Ms. Carranza, thank you so much for agreeing to take this job. Your background in both government and especially in the private sector is impressive.

Ms. CARRANZA. Thank you.

Senator RISCH. And it does well. Did you meet with the President before you—have you met with the President since you took this job?

Ms. CARRANZA. Yes, as a matter of fact I did.

Senator RISCH. When you met with him, did he ask you to autograph his personal copy of "Why American Small Businesses Need Mitt Romney," that you wrote in October of——

[Laughter.]

Ms. CARRANZA. That was an interesting question, but Senator Risch——

[Laughter.]

I will tell you that I had a delightful exchange when he—when we discussed this particular very responsible role and his commitment to small business. And when he expressed an interest to continue the progress that our former Administrator had made, I mentioned to him that I was there and I would accept this role and that my commitment was to exceed his expectations.

Senator RISCH. Well, I appreciate that. Thank you for taking the time to meet with me. As I explained to you when we met, and I

want to get here on the record, is I was shocked when I heard OMB say that 7a was going to need a subsidy. I am a big fan of the 7a program, since I started on this Committee, which was when I first got here 11 years ago. I have always been an advocate that the programs should run subsidy-free, and there is no reason they cannot, if the underwriting is correct, if the regulators are in place.

And so OMB, as we all know, uses Ouija boards, I think, as opposed to calculators, to reach the conclusions that they do. I would hope that you would get, when you get settled in, take a look at that and try to show the OMB why they are wrong on those calculations. Those fees are a bad deal when you are talking about making these kind of loans, and the increase in those fees just would not sell well in the private sector. And, indeed, it would not be good for what small business is trying to do as far as making the 7a loans. So I hope you will take a look at that when you get settled in and be able to show OMB why they are wrong.

Ms. CARRANZA. Senator Risch, I look forward to sharing with you, visiting with you and sharing with you more extensively, but I have had the opportunity to visit with small businesses as I traveled throughout the Nation doing town hall meetings and whatnot. And, inevitably, when you challenge small businesses on what SBA can change or address much more aggressively for them, it is always the fees being charged. And so that is something I will look into and get back to you on that.

Senator RISCH. Well, thank you. I appreciate that.

The other thing that is close to my heart is small business investment company licenses that are taking way too long. And, indeed, in the reauthorization bill that we are eventually hopefully going to try to move forward, we have in their provisions to try to rectify some of those. I hope you will take a look at that. I know you will get on board when we eventually get that passed. I think that there really needs to be some reform in that. I am a real advocate for that and I would like to welcome you to that party if you are so inclined, after you get settled in, and have a look at that.

Ms. CARRANZA. Yes, Senator Risch, and thank you for that—for raising that area of concern. It has been expressed by all of the Senators that I had the opportunity to meet, and so one of the priorities that I have is to look into the SBIC. I have had the opportunity to become, I am going to say generally aware, through some of the hearings that I have observed online, and understand that there are some areas of concern, and I look forward, if confirmed, to really assess the complexities of the program and its current impact.

Senator RISCH. Thank you very much. Thank you, Mr. Chairman.

Chairman RUBIO. Thank you.

Senator Cantwell.

Senator CANTWELL. Thank you, Mr. Chairman, and thank you for holding this hearing, and to you and the Ranking Member Cardin.

Ms. Carranza, thank you so much for your willingness to serve. I wanted to mention export programs because Washington is an export state. The SBA State Trade Expansion Program is one of the

key tools for small businesses to continue their export opportunities, so I want to know if you will support robust funding for the STEP program and whether you support reauthorization of the U.S. Export-Import Bank.

Ms. CARRANZA. Senator Cantwell, coming from the international arena I understand the value and the importance of exports, and not being familiar exactly with what the program is providing now I look forward to, if confirmed, to assess, become much more familiar, and get back to you, and work with you on that. But exports are one of the priorities that SBA has in providing growth for small businesses, and I look forward to enabling that.

Senator CANTWELL. Okay. So you are not familiar with the SBA's program?

Ms. CARRANZA. Not in great detail at this point.

Senator CANTWELL. Okay. Well maybe for the record you could answer both, the STEP program and the Export-Import Bank.

Ms. CARRANZA. Yes, and I look forward to it.

Senator CANTWELL. On cybersecurity, we had a chance to talk a little bit about this, but according to the U.S. National Cybersecurity Alliance, more than 60 percent of small businesses go out of business within six months of a cyber attack. So I am pleased to see the passage of the Main Street Cyber Act last Congress provided guidance to help small businesses reduce cybersecurity risks, but obviously there is more that we need to do. The Small Business Development Centers across the country are now providing technical assistance to small businesses, and I believe that this is an important aspect because of the challenges of getting access to capital to constantly update technology.

So would you be willing to consider pilot programs or other things helping small businesses access capital to help build critical cyber infrastructure?

Ms. CARRANZA. Senator Cantwell, as we discussed, small businesses, what they face on cybersecurity is not only gaining information and being informed of how to prevent, how to address it, but also, as you indicated in your question, is the access to capital to support the infrastructure, to support cybersecurity software and procedures and processes. So I look forward to working with you on that.

Senator CANTWELL. So you think it is a good idea to continue to focus on how to get small businesses support for cybersecurity?

Ms. CARRANZA. I look forward to working with your office to support more access to capital for cybersecurity infrastructure for small businesses, because that is where they lag.

Senator CANTWELL. Okay. I think, Mr. Chairman, instead of asking one more question that I do not get a defined answer to I think I am just going to wait. Thank you.

Ms. CARRANZA. Okay. Thank you.

Chairman RUBIO. Senator Young.

Senator YOUNG. Treasurer Carranza, good to see you again.

Ms. CARRANZA. Yeah, thank you.

Senator YOUNG. I enjoyed our visit in the office and was really encouraged that you are going to be focusing on Small Business Investment Company program improvement as one of your top priorities, as you step into this role, so thank you very much for that.

It is really important to Hoosier small businesses, and one government program that I think is broadly recognized as effective, but can be made more effective.

I would like to turn to the Office of Advocacy. It is tasked with identifying challenges and advocating for small business interests when it comes to regulatory reforms. Do you believe, Treasurer Carranza, there are more opportunities for this Office of Advocacy to be more focused on its core mission of removing cumbersome regulations, and if so, maybe you could speak to that issue a bit.

Ms. CARRANZA. Thank you for that question, and it is a very important issue. Heavy regulation is a major burden. It is very costly for small businesses. I believe everyone here recognizes that. And this Administration has been very focused on addressing a reduction in very costly regulations, not only for big business but small businesses especially.

I have had the experience of working with small businesses for close to about 25 years in my private sector, and there are three major costs for any small business and regulation taxes are the top two, and health care for employees. So if there is anything that the SBA can focus in on, especially the Office of Advocacy, and once I get close, if confirmed, close to that office to learn how effective they are, what programs they have in place, the communication tools and infrastructure that they have moving forward, I will get back to you and tell you what I have learned and what we can do more. I know that it is——

Senator YOUNG. Thank you. My sense is there is an opportunity, just for that entity within SBA, to be a little more outward focused, perhaps more aggressive as it relates to advocating on behalf of small businesses. But hopefully we can work constructively together to that end.

Ms. CARRANZA. Yes. If confirmed, absolutely, I look forward to working with you on that.

Senator YOUNG. Thank you. The nature of our economy has long been changing, moving less from traditional assets and more towards the increased valuation of intangible assets, whether that is customer relationships or intellectual property. And one would think that would pose some challenges when calculating valuations of different companies.

So as the economy continues to evolve, how is the SBA going to modernize its lending practices to take into account the growth of the intangible assets within businesses?

Ms. CARRANZA. If confirmed, I will take it as an observation or something that I need to really look at, how we are progressing through our strategic planning process, if that has been identified as an opportunity for growth, and I always call it transformation, and be much more relevant in the market. Intellectual property is key, and I know that some of the small businesses that are involved with trade have their intellectual property challenged, and at this point I would not know the department of SBA and how they are addressing this new market or new trend.

Senator YOUNG. So would you be willing to work with me, have your staff work with my staff, on this discrete issue? Because I do think there is going to be an opportunity, moving forward, for the

SBA to modernize how it deals with small businesses whose main assets are indeed intellectual property.

Ms. CARRANZA. Yes, Senator. I look forward to working with you, absolutely.

Senator YOUNG. And then lastly, but not least importantly, as the father of three daughters, I think it is essential that we continue to do what you have indicated you want to do, in your opening testimony, opening more doors for women-owned businesses. Currently the SBA and the Office of Women's Business Ownership work with many organizations. I know it is a collaborative effort, but by any accounts it is a successful effort.

What can SBA do to, you know, in this early stage before you have even been formally confirmed, what do you think they might be able to do to help women better access capital and perhaps even incentivize women who have met with financial success to mentor those who are just coming along?

Ms. CARRANZA. Thank you for that question, and Senator, let me share what I have done in the current role I have as the U.S. Treasurer. I have been collaborating with the Department of Labor and SBA for the past couple of years developing a digital platform that is providing some very relevant, some cutting-edge training tools so that—and it is designed particularly for women entrepreneurs, startups, and emerging small businesses, because there is a unique approach to training. And they have about seven portals. We provided, at Treasury, the portal that was focused on business financial literacy.

So I have been working in that particular sector and I know that SBA could do more in collaborating with other agencies, and as a voice on the Cabinet I will—you can be confident that I will be a strong advocate to continue that work. I have been also asked to serve on the Women's Suffrage Centennial, and so there are ample opportunities there also to work with the business sector and the community. So advocacy for women endeavors has been a lifelong experience, and I look forward to working with you.

Senator YOUNG. Just know that this Senator and so many others stand ready to ensure you are successful in furthering the interests and dreams of women as they go out there and try and meet with success in the free enterprise system. So thank you.

Ms. CARRANZA. Thank you, Senator, and I think you would be pleased to know that a lot of our resource partners have a particular interest in that community as well, so I look forward to expanding that.

Senator YOUNG. Thank you, Treasurer.

Chairman RUBIO. Thank you, Ms. Carranza. One of the arguments, the core arguments that many of us have been making for a while is the sort of broad-based consensus that once China got richer they would become more like us, was a catastrophic error. And we have seen it play out in some of the economic imbalances that I think are now—you see multiple efforts to correct it both in the Administration and here in Congress.

The first one I point to is that according to research that is out there from the 10-year period from 2001 to 2011, our country lost 2.4 million jobs in small- and medium-sized firms, that were in manufacturing, due to Chinese import competition. These are tens

of thousands of small businesses in fields like furniture, electronics, auto parts, fabricated metals industry, located mainly in the Midwest and Upper South, but that included northwest Florida. And these are businesses that went under during this time.

What do you view the SBA's role as being, particularly in helping foster domestic investment in the manufacturing, and particularly in the advanced manufacturing sectors, so we can create the kind of strong, dignified jobs that are critical to having strong communities and strong families and so forth?

Ms. CARRANZA. Thank you, Senator—Chairman Rubio. The manufacturing I agree has always been the life blood of a community, and manufacturing provides not only ample employment for certain communities but they also have a mission of producing the best quality products and services in the world here in the United States. And so what I believe that SBA, if confirmed as Administrator, is to ensure that we are continuously providing access to capital for budding entrepreneurs that have a particular product, are looking forward to establishing a manufacturing here in the United States and exporting. That would be one of the program optimizations that I would be assessing, to ensure that we are not only providing access to capital but value-added technical assistance.

Chairman RUBIO. Thank you for mentioning capital, because obviously manufacturing is very capital-intensive.

Ms. CARRANZA. Yes.

Chairman RUBIO. You know, the Chinese government also outlined a plan. It was Made in China 2025. It is an industrial plan. And on it they outline, basically, a roadmap on the key industries that they intend to establish global superiority in these particular industries, all of strategic importance. And the ambition, if you look at that, goes well beyond controlling manufacturing at the lower end of the value chain, and it includes innovation, design, production at the higher end of the value chain.

With regards to those industries, particularly those that we know, because of that plan, China is targeting for domination, and that includes unfair trade practices, subsidization, reverse engineering, forcing our domestic companies to joint venture with Chinese companies with an end to putting them out of business.

So in light of all that, and knowing the strategic importance of these industries, what can the SBA do to help small businesses compete with these Chinese government-backed firms in those strategic sectors?

Ms. CARRANZA. Thank you for that question, Chairman, and it is a very important one. I have taken the opportunity to review some of the components of the USMCA, and Chapter 25, where it is dedicated, and very specific about small businesses and what we can do to facilitate trade and protect intellectual property and spur innovation, and look at cost-effective trades and taxes and duties and whatnot.

So SBA could continue serving as the advocate for small businesses in those particular markets, and whether it is the International Affairs Program Office at SBA, the resource partners, much more sensitized to the Chinese market. But I believe that technical assistance is going to be really critical to work with small

businesses to proactively prepare them for international trade, especially a market as trying as China.

Chairman RUBIO. I guess my point is that one thing is to try to sell into the Chinese market, which obviously will also be a challenge. I think the item I was pointing to is you are a firm, you are in a sector, industrial sector, in which the Chinese are making a concerned government-backed effort to globally dominate that sector.

They do it by not only guaranteeing their domestic companies unfettered access to their own market without competition, but then also by subsidizing their efforts to compete against our companies, here and around the world. And since they are subsidized, they can offer much lower price at sometimes comparable quality. No company can compete against that, because these are not government-backed companies. And the result is either they do not happen or they get put out of business. Then the Chinese dominate the sector and they can charge whatever they want.

And so I encourage you to look more closely on how we can align SBA programs, particularly for companies trying to enter those strategic industries, because there is no way that a small business, or even a large one, to some extent, can compete against a nation state with the size and the power and the scope of China, under the governance of the Chinese Communist Party.

Ms. CARRANZA. Chairman, I share your concerns, and you can have the confidence that if confirmed I will work closely with your office to address those particular areas.

Chairman RUBIO. Thank you.

Ms. CARRANZA. You are welcome.

Chairman RUBIO. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and Ms. Carranza, thank you for your interest in considering to be nominated for this very important post as SBA Administrator.

I understand that before I got here that you were asked about your commitment to ensuring that SBA works with all agencies within government to ensure that they meet their small business contracting goals, particularly for women- and veteran- and minority-owned small businesses. Did I understand that correctly?

Ms. CARRANZA. Senator, thank you for the question, and yes, it is a matter of—also a topic that I discussed with several of the Senators that I met with, yes.

Senator SHAHEEN. Thank you. Yes, I appreciated our conversation about as well.

I think you may have been asked about the State Trade and Export Promotion program, which we have seen, in New Hampshire, has been very important in ensuring that our small businesses have some assistance in getting into international markets. One of my favorite statistics is that while over 90 percent of markets are outside of the United States, only about 1 percent of small and medium-sized businesses actually have access to those international markets.

So having a program through the SBA like the STEP program has been very important in what I have seen according to the most recent performance report, is that STEP has returned $31 for every

dollar invested, when we look at the return on investment by small business.

One of the concerns that I have heard from New Hampshire businesses, however, is with the high cost of administering that program, and I wonder, if confirmed, will you commit to a review of the program requirements for STEP to see how we can reduce the administrative burden for small businesses who participate?

Ms. CARRANZA. Thank you for that question, Senator Ernst, and as we discussed when we met, I look for opportunities to ensure that the programs that are viable for either trade or job growth, access to capital, et cetera, are performing and providing the impact that they are designed to—were designed and intended for. And so I look forward to working with you on ensuring that that STEP program is optimized. It is a vital——

Senator SHAHEEN. And reduce the administrative burden.

Ms. CARRANZA. I look at ways of that for efficiency and facilitation, and so yes, I would look—I look forward to working on the administrative burdensome of that program.

Senator SHAHEEN. Good. Thank you.

I was very pleased to be part of the effort, back in 2015, to try and provide relief for veterans from certain SBA loan fees during the reauthorization of the 7a program, and I have been disappointed to see that the SBA now is planning to put aside those fee waivers for veterans so that they will be paying those fees again. And I wonder if you can talk about why you think that is necessary and whether you are willing to commit to work with our office and the Committee to try and see if we cannot waive those fees again for veteran-owned businesses looking for loans.

Ms. CARRANZA. If confirmed, Senator, I look forward to working with you on that. I do not know the particulars of that particular issue of the fee structure, but I will take it as a priority to look into it, as we have indicated that we can never do enough for veterans, and if there is an opportunity there then I will work with the Committee as well to address that issue.

Senator SHAHEEN. Good. Thank you. And finally, on the SBIR program, the Small Business Innovation Research program, has been a significant way that we have encouraged innovation among our small businesses. It has benefited so many of our agencies within government. I am on the Armed Services Committee so I see very directly how the SBIR program has provided innovation for many of the military equipment and operations needs that we have.

Can you talk about what your views are of the SBIR program, and will you advocate to increase those allocations and make these small business programs permanent, both SBIR and STTR?

Ms. CARRANZA. Senator Ernst, with regard to——

Senator SHAHEEN. Excuse me. I am Senator Shaheen.

Ms. CARRANZA. I am sorry.

Senator SHAHEEN. I know a lot of people are thinking about Iowa and New Hampshire together as we——

[Laughter.]

Presidential nominating process.

Ms. CARRANZA. Thank you very much for clarifying that. I am sorry.

Senator SHAHEEN. That is okay.

Ms. CARRANZA. But I wanted to address the SBIR, which is a very worthy program, and as you indicated, the agencies benefit from the innovative research and development. And so the 11 agencies that are providing the partnership with SBA to ensure that value, I look forward to working with you on that.

I have become familiar of the current impact and the current trend, level of contribution, and I will take the position of saying we probably can do more, and I look forward to working with you on that.

Senator SHAHEEN. Thank you. Thank you, Mr. Chairman.

Chairman RUBIO. Senator Rosen.

Senator ROSEN. Thank you, Mr. Chairman, and Treasurer Carranza, congratulations again on your nomination. I appreciate you and your staff visiting me last week to discuss Nevada matters——

Ms. CARRANZA. Yes.

Senator ROSEN [continuing]. Matters important to everybody. And I know that people have already asked you a lot of questions, so I just want to put a couple of Nevada stats out there and we are going to move on to cybersecurity. But, you know, the importance of providing, women-, minority-owned businesses more resources and opportunities to grow is so important, because Nevada has the fifth-largest Latino population per capita in the United States. We have one of the fastest-growing AAPI communities in the Nation, and Nevada has also led the Nation in the growth of women-owned businesses in the past decade.

Currently there are more than 80,000 women-owned small businesses and 70,000 minority-owned small businesses, and although sometimes you think of Nevada as the Las Vegas trip with our big, wonderful hotels, small businesses in Nevada actually make up more than 99 percent of all of our businesses. And so very important to us, and we just really want to be sure that we can expand our small business base and work with SBA to provide those additional resources, and plug those holes where we have to.

So I am going to move on to cybersecurity. We talked about this a little bit, cybersecurity for small business, because small business owners, they do not often think that they are going to be victims of a cyber attack. They think maybe of a big bank or a big retail company. So they think, "Oh, I am small. Who wants my information?"

But last year the majority of all targeted cyber attacks were directed at small business, and unfortunately 60 percent of small businesses that are attacked go out of business within six months, because of the hit that they take.

So what is your assessment of how SBA can help raise awareness to provide and strengthen that training for cybersecurity? Tell me about your plans to promote cyber hygiene. And we talked about, what I want to say, a cyber disaster recovery in the case of ransomware, or how do they recover that? You know, it is good to be proactive. How do you not go into phishing things? How do you do some of those? But how do you recover if you are attacked?

Ms. CARRANZA. Well, thank you, Senator Rosen, and I am definitely going to get your name correct.

[Laughter.]

I am so sorry.

Senator ROSEN. That is okay. I am closer so it is easier to read.

Ms. CARRANZA. But cybersecurity is of great importance for all businesses, both large and small, and as we spoke in your chambers—and I learned the word hygiene, cybersecurity hygiene; it is a new terminology and a new identity—but that is basically what it takes. You were not here earlier but I mentioned to the Senators that cybersecurity is not only about additional information and we know how to counter an attack or how to prepare or what type of software there is, but there is also a need, and it was expressed to me, a need to identify capital for them, so that they can build infrastructure——

Senator ROSEN. That is right.

Ms. CARRANZA [continuing]. And support the systems that they have to install and also the services that they have to. There are firewalls and whatnot, install, very costly.

Senator ROSEN. Yes. It is very complicated, yeah.

Ms. CARRANZA. As it relates to SBA, I believe we consumer address not only from the Advocacy Office but also partnerships with other agencies, to learn what their best practices are. Can we share knowledge so that we can be proactive with small businesses? But SBA, and if confirmed, I would be a strong advocate on doing more for small businesses and cybersecurity.

Large organizations are having difficulties, so someone has to take the position on behalf of supporting small business, especially the 30 million.

Senator ROSEN. Well, and I think you bring up a good point, because we see this in telemedicine and telehealth, that we can often give money for the actual program but we are not giving money for people for the hardware or maybe to bring out the broadband, if it is a rural area, that they need. It is kind of saying, well, I am going to give you free gas for life but you do not own a car yet, if you do not have the other kinds of infrastructure that you need.

And so I think being able to either help provide these or help when you make the loans, understand that we have to expand the resources they often need to use the tools is very important. So I appreciate you looking into that.

Ms. CARRANZA. Senator Rosen, I am also a strong believer of not only the public sector doing it all but also the private and public partnerships that we can develop to address that.

Senator ROSEN. Yeah. Well, thank you. I appreciate it.

Ms. CARRANZA. You are welcome. Thank you.

Chairman RUBIO. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much. Massachusetts has been a big beneficiary of the SBIR/STTR program. I will just give you some numbers. They are massive. We so far have received 22,500 grants from those programs since its inception, and last year alone, Massachusetts received 593 awards, worth $350 million, just last year, from the SBIR program.

So this has been central to the growth of the Massachusetts economy, and Route 128, along our technology highway, has been a big beneficiary, making breakthroughs in new programs that actually ultimately help our national security, as well as the eco-

nomic well-being of the State of Massachusetts. And we care very much about the integrity of this program.

Back about eight years ago, there was an effort to kind of de-authorize SBIR, and the program limped along through 14 temporary authorizations. And I just do not think it makes any sense for us to ever allow that to happen again. With the leadership of Chairman Rubio and Ranking Member Cardin and champions like Senator Shaheen and Senator Rosen, we are working very hard to show a commitment to ensuring the permanency of these programs.

Do you support making these programs permanent?

Ms. CARRANZA. I value the—thank you for the question, Senator. I value the contribution that the SBIR and STTR are making currently, and you have cited the value that we have experienced. And so I would, if confirmed, and become a little bit more familiar with the agencies that are participating with this particular program, I look forward to working with your office to ensure that it maintains as a viable program, and let's assess what would it look like five years from now.

Senator MARKEY. Okay. Well, I thank you for that and we would obviously welcome your advocacy for that goal to be achieved.

During your time at the SBA, most venture capital-backed small businesses were not eligible for SBIR funding, and since that time Congress worked out an agreement to allow a number of participating agencies to award a limited percentage of their SBIR allocation to small businesses owned in the majority by venture capital. But we made sure, at the time, that if VC firms got a piece of the pie, would increase the size of the whole pie through larger allocation amounts, so true small businesses did not lose their important funding, because for many small businesses, venture capital is not going away, not in the early formation stages of those businesses.

What do you think, Ms. Carranza, is the appropriate role for VC firms, hedge funds, private equity-backed small businesses in the SBIR program?

Ms. CARRANZA. Senator, I would be deficient to respond to that question currently, not understanding the role and the impact that it would make. So I would, if confirmed, I would assess it, evaluate, speaking with the particular, again, agencies, as well as the program directors that have oversight at SBA with that program, and then get back to you on that——

Senator MARKEY. Okay. Well, thank you.

Ms. CARRANZA [continuing]. On that question, but I will take it under review.

Senator MARKEY. Thank you. And then on the question of SBA program oversight, we asked the SBA to oversee but not administer the SBIR/STTR programs, and that means that there has to be oversight over these programs. And it is the Office of Innovation and Investment that oversees the programs, but that office is tasked with overseeing multiple SBA programs and does so on a limited budget with limited staff. And currently the SBA lacks any sort of enforcement tools for ensuring that other agencies comply with SBIR statutes and directives, and they are behind in submitting annual reports to Congress.

So I would like to hear from you what your strategy would be for tackling the administrative deficiencies in the SBIR program, to make sure the oversight is there and that the American taxpayer receives the best return on their investment.

Ms. CARRANZA. Thank you for bringing that to my attention. It is a serious issue. And so if confirmed I look forward to working closely, again, to identify those deficiencies, assess why they are occurring, and once I have had the opportunity to do that I look forward to reporting back to you, sir.

Senator MARKEY. Okay.

Ms. CARRANZA. Senator, the fact that I have not been in close proximity to any of the programs, it would be short of me to address that, but I will take it upon, if confirmed.

Senator MARKEY. I would look forward to that report coming back to the Committee, and I thank you, Mr. Chairman.

Chairman RUBIO. We are going to enter a second round of questions.

Ranking Member.

Senator CARDIN. Thank you, Mr. Chairman. First I would ask consent that the letter from the American Legion supporting the fee waiver on veteran loans continue, how important that is, be made part of our record.

Chairman RUBIO. Without objection.

[The letter follows:]

★ WASHINGTON OFFICE ★ 1608 "K" STREET, N.W. ★ WASHINGTON, D.C. 20006 ★
(202) 861-2700 ★

December 2, 2019

The Honorable Ben Cardin
United States Senate
509 Hart Senate Office Building,
Washington, DC 20510

Dear Senator Cardin:

On behalf of the nearly two million members of The American Legion, I would like to express support for S. 2138, *Small-Dollar and Veterans Loans Enhancement Act.*

The American Legion supports legislation which reduces the cost of the SBA's Veterans Advantage Express Loans by allowing the continuation of fee waivers when appropriations are provided. Fee waivers make it easier for veteran-owned businesses to gain access to capital.

The programmatic fees for SBA's 7(a) loans are usually 3 percent of the loan value, which are typically added to the loan. Considering the interest rates and the time it takes to repay these loans, it can cost the borrowers thousands of dollars more over the course of the loan. Providing a fee waiver for veteran-owned small businesses is a simple and effective way of supporting veteran entrepreneurship.

This bill's intent is consistent with the nation's goal of building the veteran small business industrial base and consistent with The American Legion's Resolution No. 313: Support Elimination Funding Fees for Government Guaranteed Loans. The elimination of the 7(a) loan guarantee fees for veterans is a step in the right direction in protecting our veteran entrepreneurs.

The American Legion supports passage of this legislation, and applauds your leadership in addressing this critical issue facing our nation's service members and veterans.

For God & Country,

James W. "Bill" Oxford

James W. "Bill" Oxford
National Commander
The American Legion

Senator CARDIN. And also just point out to the members of the Committee that the SBA did finally issue their rules on small business size under the Runaway Extension Act. That is good news. That was actually done in a relatively timely way, so I thought I would at least bring that to the attention of our members.

I want to—several of our members have talked about needing an advocate, as the Administration of the Small Business Administration, that is going to be a strong advocate for programs. Several members talked to you about permanency of programs.

Now why do we talk about permanency of programs? Only because we are 20 days away from missing deadlines again, where programs are going to expire. We are a year away from missing many programs that did expire, that we are still looking at extenders. We are two years away from programs that have expired because we have not taken up that issue. And when you are dealing with economic tools that are available, predictability becomes critically important.

So I understand your desire to be in a confirmed position before taking positions on permanency of programs. I get that. But I want to see that passion that when we have tools that work, that the Administrator is going to be in there fighting to make these tools permanent so you do not have to deal with an unpredictable Congress missing deadlines.

And I think that is some of the frustration you are hearing from some of the members today on programs that are no-brainers for how important they are. The SBIR program, that is a no-brainer. Everybody understands how important it is. We need to make it permanent. And I would argue the same thing is true with the Community Advantage program. Make it permanent. It is working. Why do we want to have the uncertainty as to whether that tool is going to be available later? So that is some of frustration you are hearing from the members. And again, I understand your position of wanting to be able to have reviewed these programs and understand how they interact with other opportunities.

You have heard several of us talk about we want to have an advocate to fight OMB. They are always unreasonable to every agency. We understand that. And after decisions are made, you have to live by what they do and you have got to support what they do. But want you in there fighting to make sure that we continue the fee waiver programs for our veterans, and that we get an honest presentation on the revenue neutrality of the 7a program and not the terrible presentation OMB made this year that Congress rejected, both Democrats and Republicans.

So we want to make sure we have an advocate there to maintain these fee issues as it relates to 7a programs, because the fees will make it prohibitive for small businesses to take advantage of the 7a programs if they get too large.

And I would add to that, we are working to strengthen entrepreneurship programs here, so on the women-owned small businesses, let me just give you my own assessment. Maryland is a wonderful state. We have one Women's Business Center in Maryland, located in the Washington area. There are no entrepreneur services for Baltimore for women, under the Women's Business Center. That is

outrageous. And Baltimore is not alone. There are a lot of places throughout the country that could benefit from it.

So we need someone who is going to advocate for a larger pie so that we can get more Women's Business Centers opened, and larger dollar amounts so that they could do more to help women develop entrepreneurships. So we need an advocate there that is going to be there fighting for these programs.

We also know that we had the single source for disadvantaged women's businesses, but the problem is that unlike the 8a for minorities you have a rule-of-two program that, for many cases, eliminates the sole source for working for women-owned businesses. So we want to make sure that, if you are confirmed as Administrator, you are going to be in there fighting for this. You are not going to win every battle with this Administration. We know that. Or certainly not with OMB, because nobody ever wins every battle with OMB. But we want to make sure you are there fighting for this, and that you work with us so that the tools for small business, that the ones that are working are made permanent, and we do not have to worry about missing deadlines in Congress to make sure those tools are available to help the small business community in our country. That is what we are looking for.

Ms. CARRANZA. Well, Senator Cardin, there is a particular hearing structure. Otherwise I would be leaping off this desk. But I am a passionate advocate for small business. My track record reflects that. I am not only a mentor but I am also a coach for small businesses. I have family members who have started small businesses. I have a niece who graduated from law school and then said, "I want to start a small business." So I understand the value and the need. They are the greatest job creators and wage growth. They are vibrant for the community.

And let me tell you a little story about OMB and my role as the U.S. Treasurer. I have worked very closely with OMB. Some people keep them at an arm's distance, like the IG, but I do not. I engage them. I actually invite them in, because I want to know what their perspectives are and what their limitations are, so that I can work around them and at least achieve my ultimate goal.

I reformed the Financial Literacy in Education Commission body of work. That is 23 agencies that I worked with to convince them that we were not making sufficient impact. I asked a very plain question—where was the Financial Literacy in Education Commission when Detroit went belly-up? That is when a commission should have been very engaged to recover, to provide technical assistance and tools and products, coaching, and whatnot.

So that is a prime example of how I can flex the muscle in working with other agencies to make things happen. It is just that I am composed here.

Senator CARDIN. I get you.

Ms. CARRANZA. Okay. The other point, Senator Cardin, it is a matter of—if it is a budget, are the resources being applied in an area where there is the greatest impact? What I have observed in reviewing all of the latest legislation that the Committee members have submitted, it is either to expand or enhance or a particular—or a current program, which tells me that the core competency of that particular program is effective, but we need more.

And so I look at how do we work on either sustainability of a program, I know terms like "cap" come into the discussion, expanding, enhancing, and what I would look at is the current available resource available in each program, are we serving it or are we just performing status quo? Are we responding to the needs of the small businesses, and as an advocate, that is how I would assess. Is it the people, is it the process, or is it the budget? And I look forward to getting back to you, Senator, with my results.

Senator CARDIN. I hear you. I just want you to know you have friends on both sides of the aisle here that are going to be strong advocates for small business tools under the SBA.

Ms. CARRANZA. Thank you very much.

Chairman RUBIO. Senator Rosen.

Senator ROSEN. Thank you. I am going to ask a question about access to capital for our cannabis small businesses. You know, in Nevada, along with 10 other states and District of Columbia, we have legalized the recreational use of marijuana, and in our state it is thousands of new, good-paying jobs. And I will tell you that the first full year of sales in Nevada, our cannabis business has sold nearly $425 million of recreational marijuana products, that resulted in $70 million of tax revenue for our state.

And so, however, legal cannabis businesses currently lack access to essential SBA resources, such as loans, counseling, mentoring, training, that you provide to other small businesses. And this new industry is not just growing our local business and economy. It is doing it for other states as well, and it is one of my top priorities, to ensure that these new businesses succeed.

So what would be your plans to ensure that legally operating cannabis small businesses in states like Nevada have access to the same SBA programs as other small businesses—loans, counseling, training—and would you be willing to work with me on legislation to help provide them some technical assistance?

Ms. CARRANZA. Senator Rosen, as I discussed when we met, there are some restrictions. SBA's Small Business Act is responsive to Federal and appropriate eligible small businesses. And at this point it is not—the services are not positioned——

Senator ROSEN. Would you be willing to help me work on some legislation for those of us who have states——

Ms. CARRANZA. I look forward to working with you on the potential of that, Senator Rosen. It would be premature to say these are the expectations, but I definitely would look forward to learning with you.

Senator ROSEN. No, I understand that there are limitations, but for those states that have legalized, and I am sure there is more that will be coming forward, that if there is that possibility I would look forward to partnering with you on that, because it really is, as you see——

Ms. CARRANZA. Absolutely.

Senator ROSEN [continuing]. Four-hundred twenty-five million dollars in the first year. That is a lot.

Ms. CARRANZA. No, I look forward to learning more from you, and then, Senator, it is an emerging market, as they would say——

Senator ROSEN. Yes, it certainly is.

Ms. CARRANZA [continuing]. And I look forward to working with you on that.

Senator ROSEN. And so I have one last question, an easier question, I think, and it is about the Small Business Child Care Investment Act. Senator Ernst and I recently introduced the Small Business Child Care Investment Act. It is bipartisan legislation that would provide nonprofit small business child care providers access to the same SBA loans that are currently available for the for-profit child care providers. Currently those nonprofit child care providers, they may have access to microloans but they are barred from applying for other SBA loans.

And so, of course, millions of families in America lack access to affordable child care. They have difficulty finding it. Sometimes the average cost, I think, is about $10,000 a year, more than that in high-density areas. And so a lot of people live in what we call child care deserts, with few options for licensed child care.

And so is this an issue that, again, we can work with, and your office, to try to expand, especially in those child care deserts, underserved communities, the access for nonprofits to be able to have good, secure, licensed child care for their communities?

Ms. CARRANZA. Senator Rosen, as we discussed when I met with you, there are a lot of not-for-profits, especially in the faith-based community, that provide child care, and I look forward to working with you. As a mother and as a single mother I fully can appreciate the importance of having reliable and cost-effective child care, because it does impact attendance, workforce reliability, upward mobility.

So again, if confirmed, I look forward to working with you in that particular area. I know currently the portfolio does not support not-for-profit access to capital, but I also know that there are microloan contributors or facilitators throughout the community that we could talk further about that.

Senator ROSEN. I think this is an area that we could really help parents get to work and support their families if we can give them good quality, affordable child care where they are. It is very important to our economy.

Ms. CARRANZA. Yes. I agree with you, Senator Rosen. It is a very hot issue, especially when our workforce, women workforce is expanding——

Senator ROSEN. Yeah.

Ms. CARRANZA [continuing]. As well as these unemployment numbers are just phenomenal.

Senator ROSEN. Right.

Ms. CARRANZA. So we need to be responsive, so I look forward to working with you.

Senator ROSEN. Well, I want to thank you again for your willingness to serve. I really look forward to working with you on that, expanding your advocacy and all of our opportunities for small business, not just in Nevada but across the country.

Ms. CARRANZA. Thank you, Senator Rosen.

Senator ROSEN. Thank you.

Chairman RUBIO. I just want to echo on the child care thing. I do not know what the statistics are now but in 33 out of 50 states, it was the case a few years ago, child care is more expensive than

going to college. And, you know, if the cost of child care is 110 percent of your salary for the week, I mean, you are basically—it is costing you money, or if it is even comparable.

So it is a huge issue, and I would also, I mean, in a lot of places you see where employees and even small business owners, child care is the very nice lady that takes care of everybody else's kids on the block, and they are wonderful people. But we would love to see more opportunities for not-for-profits to be able to see children in early childhood education settings, not just care.

We are going off topic a little bit but it is a big deal for a lot of parents and it is an impediment to entering and remaining in the workforce, because, you know, you do a lot of your learning, believe or not—well, a lot of people do not know—from zero to five. Those first five years are so critical, and it is truly a real challenge, beyond the setting of this hearing.

So I have a few more questions. They are all sort of written in a way to just get a quick answer so we could have it for our records, so here we go. This is the lightning round.

All right. If you are confirmed, will you commit to addressing the management challenges of the Office of Investment and Innovation to ensure the programmatic integrity of the SBAIC program?

Ms. CARRANZA. Yes.

Chairman RUBIO. If you are confirmed, will you commit to appearing before this Committee within 90 days for an oversight hearing to report on your progress in addressing these problems?

Ms. CARRANZA. I look forward to meeting with you, yes.

Chairman RUBIO. If you are confirmed, will you commit to going back to the drawing board on the proposed lending rule, doing a small business impact analysis, and engaging with stakeholders in a productive way to ensure appropriate changes are made that will not negatively impact small business access to capital?

Ms. CARRANZA. As I indicated, Chairman, I look forward to working with you after I am confirmed, if confirmed, is to assess the particular programs to get back to you on that, yes.

Chairman RUBIO. Okay. So that—okay. If you are confirmed, will you commit to communication and transparency to Congress on the subsidy models and calculations for all the Federal credit programs at SBA?

Ms. CARRANZA. Yes.

Chairman RUBIO. If confirmed, will you commit to ensuring the backlog of staff needed by the SBIR/STTR team are filled within 120 days of your confirmation?

Ms. CARRANZA. You have a commitment in my first 100 days I will be assessing the shortfalls of any program.

Chairman RUBIO. Okay. I said 120. You said 100, so I am going to write 100 here.

Ms. CARRANZA. Okay. I always like coming under.

Chairman RUBIO. I hear you. No, that is great. All right. If confirmed, do you commit to ensuring that moving forward Federal grant money is not used to repay previously misspent funds identified by the SBA OIG?

Ms. CARRANZA. Yes.

Chairman RUBIO. If confirmed, can you commit to working on modernizing the Disaster Loan Program and placing significant in-

ternal controls to avoid fraud, waste, and abuse in disaster lending in line with the recommendations made by the OIG?

Ms. CARRANZA. Yes, I am risk averse, absolutely.

Chairman RUBIO. If confirmed, will you commit to having a woman-owned small business certification program in place within 120 days of your confirmation? 180 days, I am sorry.

Ms. CARRANZA. Senator Rubio, and understanding the complexity of it, I would just tell you that I would expeditiously work on that, if confirmed.

Chairman RUBIO. Okay. All right. So we gained 20 days on the other one and this one——

[Laughter.]

About 180 days.

Ms. CARRANZA. Not bad.

Chairman RUBIO. All right. Very soon.

The Committee has sent several letters requesting the SBA consider several proposals to aid small businesses against cyber threats. You have heard a lot about that here today as well. To date, we have not received a response to these letters from the SBA. If confirmed, will you commit to providing the Committee a response within 30 days of becoming Administrator?

Ms. CARRANZA. I was made aware of that before the hearing, Senator, and you have my commitment that I will expeditiously work on that, if confirmed.

Chairman RUBIO. All right. Anything else?

Senator CARDIN. Was that 30 days? Is that—both sides are really concerned about not getting a response on that cyber letter.

Ms. CARRANZA. Yes. I will, again, expeditiously, as quickly as I can, much like I came in under loud, I hope to do it even sooner.

Chairman RUBIO. Okay.

Ms. CARRANZA. Thank you, Senator Cardin.

Chairman RUBIO. Well, we have reached the end of this hearing. I want to thank you for the time you have given us. The hearing record is going to stay open until tomorrow evening, and any statements or questions for the record should be submitted by Friday, December 13th, at 12 p.m. And with that, this hearing is adjourned.

Ms. CARRANZA. Thank you very much. I appreciate it.

[Whereupon, at 4:02 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

Senate Committee on Small Business and Entrepreneurship Hearing
December 11, 2019
Follow-Up Questions for the Record

December 16, 2019

Members of the Committee:

I want to again thank you for granting me an opportunity to appear before the committee as you consider my nomination for SBA Administrator. As I noted last week, it's my intention, should I be confirmed, to maintain an open and productive relationship with the committee, and that includes providing you with timely responses to questions, requests for information, and other communications in general.

I appreciate the follow-up questions you have provided me. I've attempted to answer each of them to the best of my ability; however, as reflected in my responses, I feel limited in my ability to answer many of the detailed questions as they address current and ongoing matters at the agency. As a nominee, I am not able to be involved in agency operations. I stated in the hearing that I'd like to be afforded the opportunity to review and understand each of the pertinent program offices at the agency at the soonest possible opportunity. This review will provide me with the understanding I need to offer you additional detail and perspective.

Thank you again for your consideration. I look forward to working closely with each of you, should I be confirmed, to advance our common goals at the SBA.

Sincerely,

Jovita Carranza

Senate Committee on Small Business and Entrepreneurship Hearing
December 11, 2019
Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Chairman Rubio**

SBIC Program

SBIC Subsidy Model
The Committee held a hearing on June 26, 2019 to examine the SBIC program, including its role in small business investment and the management of the program at SBA. Associate Administrator Shepard's testimony included information about the SBA's efforts to update the model for projecting SBIC subsidy costs with new assumptions like "macro-economic factors," "private equity elements," and "private equity fund characteristics." As you know, the subsidy calculations for the investment and lending programs are of particular interest to Congress since they have appropriations and fee implications.

QUESTION 1:
After the June hearing on the SBIC program, I submitted a number of subsidy model related questions for the record. I have yet to receive answers to those questions. Would you commit to ensuring the Committee receives the information requested within 30 days?
If confirmed, yes, I will work with the program office to ensure these answers are provided to the committee as soon as possible.

Previous SBIC Subsidy Modeling Questions for the Record

QUESTION 2:
In your written testimony, you state that an updated model for projecting SBIC subsidy costs will include new assumptions like "macro-economic factors," "private equity elements" and "private equity fund characteristics". What will these assumptions include?
Please see answer to #1.

QUESTION 3:
In developing your model, have you considered the shortfalls of equity valuation methods like the Capital Asset Pricing Model, or others that are commonly used in private markets, in undervaluing the development of long-term innovative products?
Please see answer to #1.

QUESTION 4:
Is the inclusion of these assumptions required by the Federal Credit Reform Act? Have they been required by the Office of Management and Budget?
Please see answer to #1.

SBIC Contracting

There are a number of contracts being operated under the SBIC program and some important contracts that are multi-year contracts and can take up a significant portion of the Office of Investment and Innovation's operating budget. Some concerns I have are whether SBA is ensuring contractors are properly trained and full-time employees are utilized for roles where contractors do not have enough expertise, and whether SBA has the internal processes in place to ensure the appropriate oversight of the contracting process.

QUESTION 5:

What oversight of the internal SBA contracting process will you put in place to address these concerns?

In my testimony, one of my stated priorities was to ensure program optimization. If confirmed, I will look more closely at this particular issue and review and evaluate current program operations.

SBIC Information Technology Issues

On August 1, 2019, my staff received a notification from SBA that the SBIC-WEB system, which is SBA's internal system used by SBIC participants to report required data to SBA, experienced technical issues that prevented SBICs from submitting data and incurred the loss of data already submitted. Due to this issue, the deadline for the electronic filing was extended to September 30, 2019. Such an extension points to the severity of the technical issues that occurred.

QUESTION 6:

As Administrator, how will you work with each office to prioritize upgrades made to legacy systems at SBA?

If confirmed, I look forward to reviewing with the agency's CIO and program office leaders about how the agency is addressing technology needs and upgrades.

Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs

SBIR and STTR Program Staffing

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are proven programs that provide funding to innovative small businesses with outsized potential to scale and commercialize. These programs are an example of the kind of domestic investment that supports our national competitiveness and were a priority of mine in the reauthorization process the Committee has undertaken this year.

QUESTION 7:

If confirmed, will you commit to ensuring the backlog of staff needed by the SBIR/STTR team are filled within 120 days of your confirmation?

If confirmed, I will review all agency staffing vacancies and will work with the agency's program offices to fill vacant positions as soon as possible.

Lending Programs

Proposed Lending Rule

SBA issued a major proposed rule governing the lending programs at SBA in 2018, the largest since the Agency transitioned from direct lending to guaranteed lending in the 1990s. Congress received extensive feedback over the last year on the contents of the rule, as well as the process that SBA used to promulgate the rule, which would have a huge impact on both borrowers and lenders.

QUESTION 8:

If you are confirmed, will you commit to going back to the drawing board on this rule, doing a small business impact analysis, and engaging with stakeholders in a productive way to ensure appropriate changes are made that will not negatively impact small business access to capital?

At this time, I am not familiar with the particular rule that you referenced. If confirmed, I will make it a priority to become better educated and informed on the rule, and I can assure you that I will evaluate it with these goals in mind.

Oversight Bill Proposed Regulation

This Committee and our colleagues in the House spearheaded an oversight bill of the 7(a) loan program that was signed into law last June. Since then, SBA has published proposed regulations for comment, and we are awaiting final regulations. We have concerns, however, that some of the proposed provisions are either inconsistent with the language of the statute or do not reflect the clear intent of Congress. For example, in the proposed regulation, SBA does not include requirements for timely delivery of oversight reports to lenders that was explicitly outlined in law.

QUESTION 9:

Are you aware of these problems with the proposed regulation and will you commit to working with us through any problems in the future?

At this time, I am not familiar with this particular regulation, and if confirmed, I will review these concerns with the agency's program office leadership and staff.

Mission of Lending Programs

The SBA is perhaps primarily known for its programs that help provide needed access to capital for small businesses. The Agency operates a variety of loan programs out of its Office of Capital Access. Each of these programs has a unique purpose and mission. For example, the 7(a) program is delivered predominantly through banks and is designed to provide loans that otherwise would not be available to small businesses through its "credit elsewhere" test. In contrast, the 504 program delivered predominantly by non-profit mission lenders is an economic development program designed to assist growing small businesses to create jobs and build equity.

QUESTION 10:

How do you plan to support the different missions of these loan programs and ensure a clear differentiation in terms of regulatory oversight tied to these distinct missions?
In my testimony, I shared that one of my priorities is program optimization, to ensure that all agency programs and services are operating as efficiently as possible and that they are still effective in meeting the needs of today's small business owners. If confirmed, I will work with the agency's program office to evaluate the loan programs and the regulatory oversight of them.

Modernization of Lending Programs
Many of the SBA lending programs were created decades ago and have not been modernized to ensure they are continuing to meet their mission by providing financing to those small businesses who need them.

QUESTION 11:
What can be done to ensure that SBA lending programs are both relevant to the current marketplace and meet the intent of their original mission?
As mentioned in the previous answer, this is one of my priorities should I be confirmed as Administrator of the SBA. Several members of the committee have shared in our individual meetings and in the hearing their interest in ensuring that SBA lending programs meet the needs of today's marketplace. You have my commitment to review and work with you on this.

Standard Operating Procedure
As you know, reliability and consistency are important for small business owners and the lending partners who use SBA's programs to provide them with financing. This Committee has heard from program participants that new policies, policy changes, and interpretations of policies can change with uneven notification to participants.

QUESTION 12:
If confirmed, will you commit to ensuring new policies, policy changes and interpretations of policies in standard operating procedure and policy notices are communicated to participants in timely and holistic manner?
Yes, if confirmed, I will work to ensure that new policies are communicated appropriately to program participants and stakeholders.

Government Contracting Programs
Mentor-Protégé Program
The All Small Mentor-Protégé Program (ASMP) was established to extend SBA-approved mentor-protégé relationships to small businesses nationwide. The program is designed to foster the development of strong protégé firms through mentor-provided business development assistance and to help them successfully compete for government contracts. It has recently come to the attention of the Committee, however, that federal agencies and SBA regional resources lack a firm understanding of the various kinds of Mentor-Protégé agreements and program requirements and definitions. This inconsistent program knowledge has negatively affected participating firms, detracting from their ability to earn government contracts.

QUESTION 13:
What steps would you take to ensure that all federal partners are more knowledgeable on the ASMP program?
During the hearing, I shared with members my priority areas of focus, among them, program optimization. If confirmed, and working with the agency's program office, I will work to ensure this concern is addressed.

QUESTION 14:
How would you work to ensure that all SBA resources are operating off the same program definitions and information?
If confirmed, I will work with the agency's senior leaders and program offices to ensure the consistent application of services across the federal government and agency offices.

Small Business Procurement Scorecard
Although the government has a statutory goal to award 23 percent of contracts to small businesses, there is no real enforcement mechanism. The SBA's "Small Business Procurement Scorecard" is supposed to measure how well agencies are complying with this goal, but the Scorecard is not without its challenges.

QUESTION 15:
How do you believe the procurement scorecard process can be improved?
In my previous service at the agency as Deputy Administrator, I was very involved in working with the OSDBU council and ensuring the federal government was doing all it could to meet its contracting goals. If confirmed, I will work with the program office to evaluate the scorecard and assess how it might be improved.

QUESTION 16:
How can the SBA better engage with agencies to ensure utilization of each SBA procurement set-aside program?
In my previous experience, I found that direct and continued engagement with agencies was important. SBA needs to be the champion for small business within the federal government and push agencies to meet their goals.

Atlantic Diving Supply, Inc.
Atlantic Diving Supply, Inc. (ADS) settled a False Claims Act Civil Suit with Ameliorate Partners and the U.S. Government. The suit focused on ADS conduct between the years of 2006 and 2016 and alleged that the company falsely represented that they are a qualified small business concern and made affirmative, willful, and intentional certification of small business size and status for which they were not qualified. Additionally, the suit alleged that ADS improperly bid on and received certain set-aside contracts for which they were not eligible, participated in illegal bid collusion or rigging schemes, managed a firm which falsely

represented themselves as a SDVOSB, managed a firm that improperly bid on and received 8(a) and WOSB grants, and paid bribes to federal procurement officials. The civil suit was settled with the requirement that ADS pay $16 million with the government reserving the right to criminal and administrative liability. It is the understanding of the Committee that ADS is still receiving small business contracts today.

QUESTION 17:
What responsibilities do you believe the SBA has in this situation?
I am unfamiliar with this particular situation, but if confirmed, I will better familiarize myself with it and work with the agency program office to determine the appropriate agency response.

QUESTION 18:
As Administrator, how would you proceed following the civil suit just described?
I feel it would be premature for me to comment until, if confirmed, I would have the opportunity to better understand the situation and actions taken by the agency.

Employee-based Size Standards
The Runway Extension Act extended receipt-based evaluations from three years to five years. Employee-based standards, however, only remain at a one-year average.

QUESTION 19:
Do you believe that a one-year average effectively represents the size of a small business?
If confirmed, I can assure the committee that I will review and assess with the agency's program office the current criteria, assess whether a change is appropriate, and review the potential impact of such a change.

QUESTION 20:
Do you support extending the employee based size standards from one-year to 5 years?
As with the previous question, I would ask for the opportunity, if confirmed, to learn more about and better understand the proposed changes before offering an opinion or a position.

HUBZone Certification
Multiple SBA OIG reports going back to 2013, but as recently as this year, have underscored SBA's significant failure to ensure firms met program eligibility requirements during the HUBZone certification process.

QUESTION 21:
In what ways do you believe that an inaccurate certification of firms affects the HUBZone program overall?
The agency needs to do all it can within its authority to ensure the integrity of certifications and act quickly with any other federal agency to address situations where issues may be raised.

QUESTION 22:

As Administrator, how would you seek to alter or improve the HUBZone certification process to ensure compliance with program requirements?
As I am not currently at the agency, I would like to better understand the certification process and review ways in which it might be more efficient. If confirmed, I will assess the current program operation and seek improvements where necessary.

Service-Disabled Veteran-Owned Small Businesses
Currently, service-disabled veterans can self-certify for some contracting opportunities but use the certification program from the Department of Veterans Affairs for others. SBA has been in negotiations with the Department of Veterans Affairs to have the Service-Disabled Veteran-Owned Small Business (SDVOSB) certification moved to the SBA.

QUESTION 23:
Should this transfer occur, what steps would you take as Administrator to ensure a smooth transition process?
As a nominee, and not having visibility into the current program operation, I am hesitant to take a position until I can know more about the proposed change. If confirmed, I will assess the various responsibilities of the two agencies, the suggested change in functions, the corresponding impact on stakeholders, as well as the resources necessary for SBA to take on this new obligation.

QUESTION 24:
Do you believe the SBA has the appropriate resources to properly administer this certification process? If not, what additional sources do you expect would be necessary?
As mentioned in the previous answer, I would ask for the opportunity, if confirmed, to become better educated on the suggested change and for some time to properly assess all aspects of the issue.

Contracting Certifications
SBA certifies 8(a) contractors, while service-disabled veteran-owned businesses are self-certified or use the VA's program. The women's contracting program currently makes use of both self-certification and third-party certification models.

QUESTION 25:
At what point do you believe that SBA will reasonably be able to manage a streamlined, online certification process that integrates all certification processes into one platform?
Similar to the previous questions, I would ask for an opportunity to become better educated on this issue and would assure the committee that I will thoroughly evaluate it.

Women-Owned Business Self-Certification
As noted earlier, the WOSB program currently utilizes self-certification and third party certification processes.

QUESTION 26:
What do you see as the pros and cons to both third party certification and self-certification?
With the growing number of women entrepreneurs starting businesses, the certification process is important in ultimately positioning those businesses to compete for federal contracts. In terms of whether a self-certification or third party certification might be better, if confirmed, I would want to better understand the current process, any deficiencies or vulnerabilities associated with it, and to adequately assess with the agency and federal stakeholders how it might be improved.

QUESTION 27:
The 2015 NDAA required the SBA to set up a certification program for the Women-Owned Small Business (WOSB) contracting program. The SBA released a proposed rule setting up this certification in May of this year, more than three years after Congress mandated such an action. What agency challenges do you believe contributed to this process taking so long?
As a nominee, I have not had visibility into specific agency operations. If confirmed, I look forward to being briefed on the program, to get an update on current implementation, and any challenges the agency may have faced or continues to face in standing up the program.

QUESTION 28:
In your time as Deputy Administrator, what obstacles did you encounter when attempting to implement women's contracting certification programs?
During my tenure as SBA's Deputy Administrator, when the foundational structure of the WOSB was first being developed, I recall that a major challenge was determining what industries women business owners were underrepresented in federal contracting. More than ten years later, it seems as if the agency has moved beyond that threshold issue with the certification process now the focus of attention.

QUESTION 29:
As Administrator, how would you ensure that the appropriate NAICS codes are utilized for WOSB and EDWOSB programs?
If confirmed, I will work with program office leaders to ensure that staff is adequately trained, well-versed in the NAICS code categories that qualify for the WOSB program, and that they communicate and apply them accurately across agencies and program participants.

QUESTION 30:
How do you plan to better engage with procurement officers throughout the federal government to increase access to WOSB sole source awards?
In my previous service at the agency at Deputy Administrator, I believed in the importance of direct and frequent engagement with other federal agencies to support consistent application of policy priorities. If confirmed, I would expect program office staff to be assertive in advocating for and ensuring contracting opportunities for WOSBs.

<u>OIG Report 19-18</u>
The SBA OIG released report number 19-18, an Audit of SBA's Suspension and Debarment process, on September 18, 2019. This report noted the agency's lack of sufficient controls to

prevent suspended or debarred firms from participating in SBA's small business lending and procurement programs.

QUESTION 31:
What do you see as the challenges facing successful prevention in this area? How do you plan to address those challenges?
If confirmed, I would look forward to being informed on the report and agency's response to it. I would want to better understand what deficiencies exist in current procedure and I would commit to taking action to address and correct them.

QUESTION 32:
As Administrator, what steps would you take to implement further controls in the future?
As with previous questions, I would ask for the opportunity to better understand current challenges and agency actions, if confirmed.

Entrepreneurial Development Programs
In April of this year, the OIG released a second audit of the SCORE Association with troubling findings. Amongst other things, that report found that over $100,000 in grant funds were redistributed as year-end bonuses to SCORE staff.

QUESTION 33:
Do you believe it is appropriate to reallocate such funds?
If confirmed, I would want to become better informed as to the structure of the grant between the agency and SCORE, and what parameters are in place regarding the permissible use of such funds. If such a use is not appropriate within the parameters of the grant, I would work to ensure that proper safeguards are in place to identify and prevent such practices in the future.

QUESTION 34:
Do you believe the value of bonuses distributed was appropriate?
In the time that I served on the board of directors, there were brief presentations made to the board about the awarding of bonuses. I was under the impression that bonuses were within comparable federal guidelines. If that was not the case, if confirmed, I will evaluate this further with the program office.

SCORE Board of Directors
For years, the SCORE Board of Directors has served both the SCORE Association and the SCORE Foundation.

QUESTION 35:
Having served on both boards, do you believe that it is appropriate for one board to advise two organizations that are in many ways required to operate independently?
My involvement with the foundation, as I recall, was limited to updates and presentations at meetings of the main board. If confirmed, I am happy to assess these structural concerns.

QUESTION 36:
Is it possible that the operations of the SCORE Association and SCORE Foundation are so intertwined, that the two independent boards effectively operate as one.
If confirmed, I am happy to review and assess these structural concerns, and to evaluate if changes are appropriate.

QUESTION 37:
Does this potentially underscore a structural issue with the organization's management?
At this time, I do not feel informed enough to provide an answer. If confirmed, it is certainly an issue that I will review and evaluate.

SCORE OIG Repayment
Over the past few years, the OIG has noted some program management problems with SCORE. Ultimately, the SCORE Association was required to repay more than $230,000 in misused funds. The OIG later found that federal grant dollars were used to repay these owed funds.

QUESTION 38:
Do you believe that this action by SCORE was appropriate?
If confirmed, I would want to better understand what agency or other federal guidelines might exist that would help provide some clarity or direction for repayments.

SBDC Annual Budget Proposals
The SBA recently changed its practice for requesting SBDC annual budget proposals. Under the new practice Small Business Development Center program grantees are required to submit budget proposals based on the amount of funding proposed in the President's annual budget request to Congress, rather than the previous fiscal year's enacted level.

QUESTION 39:
Do you believe this practice has the potential to detract from services, as it redirects center priorities from providing entrepreneurial resources to drafting multiple budgets?
As a nominee, I feel limited in offering an opinion until I have an opportunity to be at the agency and become better informed. If confirmed, I will work with the program office to understand past practices and will consider the concerns expressed.

QUESTION 40:
Do you commit to reviewing the agencies SBDC budget process within 120 days of confirmation?
If confirmed, yes, I will review this process with the appropriate program offices.

SBDC Negotiation Process
The relationship between the SBA and the Small Business Development Centers is vital to ensure that entrepreneurial resources are available to small businesses. For decades, this relationship has been lauded by the agency and the SBDCs as incredibly cooperative. Recently,

however, various parties have noted to the Committee that the SBA no longer engages thoroughly in the statutorily mandated negotiation process with its resource partners when establishing annual cooperative agreements.

QUESTION 41:
Do you believe the negotiation process between SBDCs and the SBA is important to the success of the program?
Yes.

QUESTION 42:
How would you better ensure that negotiations are taking place?
If confirmed, I would want to understand how the program office and the resource partners currently engage with one another and I would evaluate potential ways in which it might be improved.

Grants Management Training
A few years ago OMB issued the "Super Circular" under 200 CFR. This is an extensive and comprehensive effort regarding the management of grants, contracts and cooperative agreements.

QUESTION 43:
Considering the IG reports regarding management challenges at SBA, what training and guidance will the SBA be offering to its program management staff and its grantees and other partners?
As mentioned in previous answers, my visibility into current agency operations is limited, as a nominee. If confirmed, I will engage with the appropriate program office to better understand current practices and review where improvements can be made.

SBDC Program and the PTAC Program
The NDAA has recent transferred direction of the PTAC program away from DLA to the Undersecretary for Acquisition.

QUESTION 44:
Will you commit to working with Undersecretary Lord to develop a cooperative working relationship to better coordinate SBDC and PTAC activities, and avoid the creation of inefficient and ineffective silos that threaten effective procurement assistance for small business?
Yes, as program optimization and interagency coordination is a priority of mine, if confirmed, I will work with our program office to ensure efficient delivery and coordination of services.

SBDC Cyber Training
The SBDCs have taken significant steps to develop training and counseling for small business on cybersecurity as directed under the Small Business Act.

QUESTION 45:
Will you commit to working with DHS to obtain significant funding to support those activities?

If confirmed, I look forward to being advised of SBA's current activity and interaction with DHS and I will review how those activities are being funded and assess any funding needs.

OIG Management Advisory

On September 19, 2019, the SBA Office of the Inspector General (OIG) provided the SBA with a management advisory. This advisory called for SBA to "take prompt corrective action necessary to protect taxpayer funds" following the OIG's review of Women's Business Center, Inc., a women's business center grant recipient located in Mobile, Alabama. The OIG identified a lack of compliance with federal financial regulations and the terms and conditions of the center's two cooperative agreements.

QUESTION 46:

It is the Committee's understanding that the SBA became aware of this center's failure to comply with federal regulations or the terms of conditions of the cooperative agreement in July 2019 and failed to take any corrective action until November 2019. What steps would you take as Administrator to ensure that such an egregious failure in oversight does not happen again in the future?

I am unfamiliar with the specific situation described. I mentioned in my testimony that a priority of mine is to ensure that program office operations are optimized. In this situation, if confirmed, I would want to make sure that staff is adequately trained, and that oversight of programs is being conducted as required.

Women's Business Centers

The Women's Business Center (WBC) program is a partnership in which the SBA provides matching grants to non-profit organizations to offer entrepreneurial training targeted to female entrepreneurs. The WBC program is currently operated in 116 locations across the U.S.

QUESTION 47:

Due to the limited number of centers, access to women's specific resources remains a challenge for entrepreneurs. As Administrator, how would leverage existing SBA resources to further the impact of the WBC program?

I mentioned in an answer to a previous question my priority of program optimization. If confirmed, I will work with senior leaders and program offices to ensure agency resources meet the needs of today's small business entrepreneurs, that we maximize our resources, and allocate them appropriately.

Women's Digital Entrepreneurship Platform

A priority of the previous SBA Administrator was Ascent, or the Women's Digital Entrepreneurship Platform. The SBA noted that this platform was intended to be rolled out in May 2019, although we are aware of no such roll out.

QUESTION 48:

Would Ascent remain a priority under your administration?

Yes. I have had the opportunity to contribute to the development of the platform through my current role as U.S. Treasurer, and this would be a priority of mine, if confirmed.

QUESTION 49:
When would you intend to roll out such a platform?
If confirmed, I would work with the other federal agency participants to deploy the platform as soon as practical and we would certainly advise the committee of our progress and timelines.

QUESTION 50:
Outside of this platform, how would you ensure that the SBA is meeting the needs of women entrepreneurs?
I would want to undertake, if confirmed, a holistic assessment of SBA's programs and services to ensure that we are meeting current and recognizing future needs of this fast growing segment of the small business community. Enhancing opportunity and ensuring women's small business success is a priority of mine.

Entrepreneurial Development Management Information System
The Entrepreneurial Development Management Information System, or EDMIS, was developed by the SBA to collect performance data and metrics from each resource partner. For years we have heard that the EDMIS system is not only difficult to use, but that is also results in the transmission of unreliable data. For example, a recent SBA OIG audit notes a data loss of more than seven percent within the SCORE program. The SBA has noted that it intends to replace or modernize EDMIS.

QUESTION 51:
Given the challenges EDMIS has faced for well over five years, why do you believe the SBA has not successfully replaced this system? How would you ensure that systems like EDMIS operate more efficiently in the future?
If confirmed, I will want to review what challenges have and continue to exist with the system, as well as understand what plans the agency may currently have to make improvements.

QUESTION 52:
As Administrator, how would you engage with resource partners to ensure that a new data collection system operates more efficiently in individual centers, without imposing additional administrative burdens?
As a nominee, I feel limited in knowing how the agency is currently engaging with its resource partners. I appreciate knowing of your interest and concern, and I will keep this in mind as I work with the program office, if confirmed.

QUESTION 53:
Do you commit to providing the Committee with access to EDMIS data for each entrepreneurial development program, dating back to FY2014, within 60 days of confirmation?
I am hesitant to commit something before I can better learn and understand the situation, but I assure you that, if confirmed, I will keep your request in mind and discuss this issue with the program office leadership.

Annual Reporting
The SBA relies heavily on data collection and goaling standards to measure program success. Often, however, the data collected is not transmitted to Congress through annual reporting.

QUESTION 54:
Do you commit to providing Congress with the annual reports for each administered Entrepreneurial Development program outlining all measures of program performance collected by SBA?
As with the previous question, I am hesitant to commit something before I can better learn and understand the situation, especially how the agency might currently be gathering and reporting such information. If confirmed, I will keep your request in mind and discuss this with the program office leadership.

Entrepreneurial Development Coordination
The SBA OIG has previously completed a number of audits related to the SBA's entrepreneurial development programs. Examples of relevant audits include, "Consolidated Findings of Office of Inspector General Reports on SBA's Grant Programs," "The Small Business Administration's Boots to Business Program," and a number of audits related to disaster technical assistance grants. One challenge consistently identified by the OIG is a lack of coordination within various program offices of the SBA, in addition to a lack of coordination between various SBA supported resource partners.

QUESTION 55:
What steps do you believe are necessary to increase communication and coordination between existing SBA resource partners?
SBA's resource partners are an integral part of entrepreneurship outreach and training. From my previous experience as Deputy Administrator, I know that the agency's district offices and field staff are very closely engaged with resource partners in their states. If confirmed, I am happy to review with the agency's field operations program office ways in which they might better communicate and coordinate with the agency's resource partners.

QUESTION 56:
How can the agency better ensure that resource partners work more closely to provide services?
As mentioned in the previous answer, the agency's field operations staff are an important connection to resource partners. If confirmed, I would want to better understand current interaction and how the agency might do better in providing services.

Disaster Programs
Florida has one of the best disaster bridge loan programs in the country. There have been various legislative initiatives at the federal level to establish bridge loan and immediate capital programs at the SBA. SBA has historically cited a lack of interest from lenders as the reason that the

programs have not been implemented. SBA's current bridge loan pilot program has been grossly underutilized and under marketed by the agency.

QUESTION 57:
How would you propose improving disaster loan delivery to get disaster survivors the capital they need quickly?
I certainly support the stated goal. As a nominee, however, I feel limited in answering until I would have the opportunity to know more from the agency's program offices – disaster and capital access – on how they currently market the bridge loan program and, if confirmed, to subsequently explore ways to improve awareness and potential utilization.

QUESTION 58:
What will you do promote SBA's disaster lending programs and will you establish efforts to promote the current bridge loan pilot program?
As with the previous answer, I would ask for the opportunity to become better informed, if confirmed.

Desktop Loss Verification Process
The Office of Inspector General (OIG) recently released an audit report related to the Agency's Desktop Loss Verification process – used to estimate and validate costs of restoring disaster-damaged property to its pre-disaster condition. The report found that SBA disbursed nearly $600 million in loans without "validating the cause and extent of damages and there was no assurance that disaster loans were only provided to individuals impacted" by the 2017 hurricanes.

QUESTION 59:
If confirmed, can you commit to working on modernizing the disaster loan program and placing significant internal controls to avoid fraud, waste, and abuse in disaster lending in line with the recommendations made by the OIG?
Yes. In my previous service at the agency as Deputy Administrator, I was very involved in the disaster program and more specifically in overhauling its operations. If confirmed, I will work closely with the program office leadership to address this concern.

Disaster Loan Disbursement and Fraud
A recent OIG report found that nearly $600 million in disaster loans were distributed without damage verification. This problem is part of the larger issue of balancing the quick disbursement of funds while also ensuring that taxpayer dollars do not go to waste.

QUESTION 60:
While we support the need to disburse funds to disaster survivors efficiently, what is your plan to ensure that the disbursement of loans will have valid damage assessments and internal controls?
I feel it would be premature to answer until I would have the opportunity to learn more about the current state of the program. If confirmed, I assure the committee that I will be very engaged in the disaster assistance operations and that I will look further into this.

QUESTION 61:
How will you mitigate fraud, waste, and abuse in disaster lending?
As with the previous answer, I assure the committee that, if confirmed, I will work closely with the program office with these concerns in mind.

QUESTION 62:
Will you commit to working on modernizing the disaster loan program and placing significant internal controls to avoid fraud, waste, and abuse?
Yes.

Personnel and Management Practices
There are many key personnel positions that have not been filled in various departments.

QUESTION 63:
What strategies do you plan to use to staff the agency and retain talent?
If confirmed, I look forward to working with the agency's chief human capital officer as well as its Chief Financial Officer to assess staffing needs and affordability throughout the agency. I have been actively engaged in these matters throughout my public and private sector work experiences, and I will certainly leverage that knowledge when reviewing agency needs and challenges.

QUESTION 64:
Given SBA's aging workforce, how do you plan to close gaps in competencies that come with years of institutional knowledge?
These challenges are ones that I have encountered in my previous capacity at SBA as Deputy Administrator and currently as U.S. Treasurer. I look forward to the opportunity, if confirmed, to work with the agency senior leaders to assess staffing needs and devise strategies to fill gaps. I believe in succession planning and am a product of and believe strongly in mentoring the next generation workforce.

QUESTION 65:
How will you ensure that departments are working collaboratively and are discussing innovative ways to manage teams?
If confirmed, I would expect that goal to be achieved within the senior leadership team of the agency. I will ensure that the agency's senior leaders work collaboratively with one another, and with our Chief Human Capital Officer, to identify and utilize best practices from across the federal government.

QUESTION 66:
Will you commit to working towards adequately staffing the agency and making efforts to increase training and competency?
Yes.

Regulatory Reform
Small businesses often face unique challenges when trying to comply with federal regulations.

QUESTION 67:
As Administrator, what will you do to reduce unnecessary regulatory burdens on small businesses?
Regulatory burden is something that I have heard frequently from small business owners over the years. If confirmed, I would pledge to review how the agency might help to alleviate that burden and how SBA might work with other agencies to assess and understand the impact of federal regulations on small businesses.

QUESTION 68:
What will you do to ensure SBA is conducting outreach to small businesses early in the regulatory development process?
First, I would want to understand what responsibilities might fall on the agency's program offices as well as with the agency's Office of Advocacy. As a nominee, I feel limited in offering opinion at this time until I might have the opportunity to understand how the agency is currently conducting outreach in this specific area.

QUESTION 69:
Title IX of the Chairman's Mark of the SBA Reauthorization included a number of provisions that would increase small business involvement in the regulatory process. Will you commit to working with me to advance the regulatory reform proposals included in Title IX of the Reauthorization?
If confirmed, I welcome the opportunity to learn more about the specific proposals you reference and would ask for the chance to become better informed before engaging further.

Senate Committee on Small Business and Entrepreneurship Hearing
December 11, 2019
Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Senator Cardin**

Outstanding QFRs
On June 27, 2019, the Committee held a hearing on the "Reauthorization of SBA's Contracting Programs." Questions for the record that I submitted to Associate Administrator Rob Wong remain unanswered. Chairman Rubio requested that responses to questions for the record be submitted by July 11, 2019.

QUESTION 1:
If confirmed, will you commit to answering all outstanding questions for the record submitted by Congress in a timely manner?
Yes.

Underserved Entrepreneurs – Access to Capital
Minority-owned firms are two to three times more likely to be denied credit, more likely to avoid applying for loans based on the belief that they will be turned down, and more likely to receive smaller loans and pay higher interest rates on the loans that they do receive. Women-owned firms face similar difficulties in accessing credit, as do veteran-owned firms and firms in rural areas.

It is clear that the market is failing to meet the needs of this large and promising group of emerging entrepreneurs. SBA programs are critical resources to small business owners; however, in general the agency is not adequately reaching underserved communities.

In the 7(a) Program in Fiscal Year 2019:

- less than 5% of loans went to Black borrowers, despite data from the Federal Reserve that demonstrate that Black small business owners face the greatest challenges in accessing credit;
- only 18% of loans went to women;
- less than 5% of loans went to veterans; and
- only 16% of loans went to business owners in rural areas.

I have repeatedly called on the SBA to provide a plan for better targeting the entrepreneurs who are the most underserved. I have yet to see a cohesive and comprehensive plan to ensure that SBA can meet the needs of the changing face of small business.

QUESTION 2:
Do you support establishing a sub-office within the Office of Capital Access to specifically focus on and develop policies for increasing access to capital for emerging markets?

I certainly share your interest in and desire to better reach underserved communities, and supporting that goal has an important part of my current work as U.S. Treasurer. However, I am hesitant to commit to a new sub-office or initiative until I have the chance, if confirmed, to understand the agency's current resources and programmatic reach, but I will certainly keep your proposal in mind, and I would look forward to further engagement on this topic.

Increasing Entrepreneurial Development for Underserved Communities

Last September, I held a field hearing at Morgan State University in Baltimore focused on minority access to capital. One of the many important takeaways from the hearing was the incredible positive impact that hands-on and in-depth training can have for minority entrepreneurs and their success. This takeaway was reiterated at a hearing that my colleagues on the House Small Business Committee held back in April focused on SBA's lack of systematic interaction with historically black colleges and universities (HBCUs). So we know that underserved communities desire more – not fewer – substantive workshops and hands-on trainings for entrepreneurial development.

Despite this, SBA's Fiscal Year 2020 budget cut funding for entrepreneurial development programs by $67 million from the FY2019 enacted level, and part of the justification was moving more services online. While an online presence is important, it does not replicate the benefits of in-person training, which allows participants to dive deeper and make business connections.

QUESTION 3:

Do you believe in the importance of entrepreneurial development, especially for underserved entrepreneurs? If confirmed, do you commit to revisiting these cuts to make sure that the needs of underserved entrepreneurs do not continue to go unmet?

I support the agency's resource partners and feel they play an invaluable role for small business owners and aspiring entrepreneurs. If confirmed, I would commit to reviewing budget proposals.

Fixing the 7(a) Loan Subsidy

For the past six fiscal years, the SBA's 7(a) loan program has been able to operate at zero subsidy. This means that the program generates sufficient revenue through fee collections and recoveries on defaulted loans so as not to require appropriations from Congress.

However, in its FY2020 budget submission, SBA projected that keeping the program at zero subsidy would require massive fee increases of nearly $100 million on lenders and small business borrowers.

Instead of increasing fees, Congress provided funds in the continuing resolution to keep the 7(a) program from shutting down and House appropriators have provided additional funding to support the program for the remainder of FY2020.

Many were surprised by the Administration's FY2020 projections because the administration has traditionally over-estimated the amount of fee collections necessary to keep the program at zero

subsidy. In fact, over a ten year period, SBA projections over-estimated how much borrowers and lenders needed to pay by as much as $3.2 billion according to industry.

QUESTION 4:
As the administration works on its FY2021 budget submission, how will you address concerns about the 7(a) subsidy model and assumptions?
As a nominee, I have not had visibility into many of the agency's current operational issues. If confirmed, I will get up to speed on this topic as quickly as possible, which would include obtaining an in-depth understanding of the previous budget submission as well as what is being considered for the FY2021 budget proposal.

QUESTION 5:
Will you ensure that the model and assumptions are transparent?
Yes, if confirmed, I would expect the agency to be actively engaged with the committee and stakeholders.

Fee Waivers for Veterans
Because of the SBA's 7(a) subsidy projections, Veterans are paying higher fees for 7(a) Express Loans in FY2020. I have requested that Congressional Appropriators include language in the FY2020 Financial Services and General Government Appropriations bill that would eliminate the higher fees for these loans. The American Legion and the National Association of Government Guaranteed Lenders support my efforts.

QUESTION 6:
Do you support waiving fees on 7(a) Express Loans for Veterans?
If confirmed, I would want to understand current operational dynamics of the lending programs and what capacity they might have to provide relief. I appreciate knowing of your interest in and efforts to provide fee relief for Veterans, and I will work, if confirmed, with the agency's Chief Financial Officer and Office of Capital Access to assess the feasibility of providing such relief.

Fee Waivers for Small Dollar Loans
Since Fiscal Year 2014 SBA has used its discretion to provide fee relief to borrowers seeking small-dollar 7(a) loans, and in most years to lenders too. These fee reductions help reduce a barrier to SBA financing for underserved borrowers, such as African Americans, Hispanics and women because the majority of loans to these borrowers are for loans of $150,000 and less.

Instead of increasing fees in FY2020, Congress provided funds in the continuing resolution to keep the 7(a) program from shutting down and House appropriators have provided additional funding to support a program level of $30 billion for the remainder of FY2020. However, according to estimates from SBA, lending will not reach $30 billion and SBA will have excess funding.

QUESTION 7:
Given that SBA has the discretion and excess funding to waive all but the Express Loans to Veterans, if you are confirmed, will you provide some level of fee waivers for small loans to veterans, minorities and women?
If confirmed, a priority of mine is to facilitate greater lending to, and engagement of the agency's services with, women, Veterans, and minority small business owners. As a nominee, I feel limited in commenting at this time on potential fee waivers until I can learn more. I would want to review the current budget and funding related to the agency's lending programs, keeping your interest and support in mind.

SBIR Program
The final FY2019 Defense Authorization bill included a Cardin provision that created a pilot program at DoD to accelerate the review and disbursement of SBIR and STTR awards to 90 days, and directed the head of contracting to streamline and standardize contracts. This was in response to SBA reports that award times for SBIR and STTR contracts were taking up to 500 days.

This effort has coincided with the Air Force's, and now the Navy's, efforts to hold Shark Tank type events called "Pitch Day" and "Demo Day." During these events, vetted, small, high-tech companies pitch to a panel of experts and on the same day get a contract and funding. This is a positive development and a step in right direction.

QUESTION 8:
Will you work with the Federal Agencies to accelerate award times for SBIR and STTR contracts?
Yes, if confirmed, I would work with the program office to better understand this issue and to review how award times might be accelerated.

SBA's Microloan Program – reaching more borrowers
SBA's Microloan program proportionally serves more minorities and women than SBA's other loan programs, and is an excellent return on the investment. In FY19, funding of just $4 million supported $42 million in loans to local microlenders, which they then re-loaned to pump as much as $81 million into neighborhood businesses. Those loans helped retain or create 21,000 jobs.

Despite the program's success, SBA requested lower program levels for microloans and technical assistance grants in its FY2020 budget.

QUESTION 9:
What is your view of SBAs Microcredit program?
I support the program and, if confirmed, would look closely at the budget proposal with a goal of continuing to build on the program's success.

QUESTION 10:
Do you believe that it plays an important role in reaching small businesses that are not served by traditional SBA lending programs?
Yes.

Contracting: WOSB program
In the Fiscal Year 2015 National Defense Authorization Act, Congress mandated three changes to SBA's regulations to certify women-owned small businesses and economically disadvantaged women-owned small businesses participating in the women-owned small business contract program. These three changes directed to SBA to:

1) grant contracting officers the authority to award sole source awards to women-owned small businesses and economically disadvantaged women-owned small businesses;

2) implement SBA's own certification process for women-owned small businesses and economically disadvantaged women-owned small businesses; and

3) eliminate the option for these businesses to self-certify that they are eligible for the women owned small business program.

The GAO testified at the Committee's June 2019 hearing on contracting issues that SBA has not shown a continuing commitment to establish a well-functioning women's procurement program because SBA has still not implemented the two regulations related to certification.

QUESTION 11:
What can be done to get a well-functioning woman-owned small business certification program up and running?
If confirmed, it would be a priority for me to stand up the WOSB certification program, and I will work with program office leadership to understand what challenges the agency might still face, establish firm timelines, and steer the agency on a better path toward effective implementation.

Contracting: e-marketplace platforms
Next year, the General Services Administration is set to contract with privately run "e-marketplace platforms" making them available to other federal agencies as an alternative to existing government-run purchasing websites.

QUESTION 12:
Do you have concerns about the use of "e-marketplace platforms" with large businesses potentially taking high fees in selling small business products or running successful small businesses out of business by replicating their products?
You raise a very interesting and important topic. If confirmed, I would look forward to understanding the GSA initiative and reviewing its potential impact on small business owners.

Cybersecurity Maturity Model Certification (CMMC)
By June 2020 the Department of Defense will become the first agency to implement a new department-wide cyber security standard, called the Cybersecurity Maturity Model Certification or CMMC for short. All federal contractors that handle controlled unclassified information (CUI), which is unclassified information requiring protection, will have to comply or forfeit the opportunity to pursue some federal contracts. This DOD program will affect virtually every vendor in the DOD supply chain – potentially hundreds of thousands of U.S. companies, according to Pentagon officials.

The CMMC Framework creates 5 certification levels ranging from basic cyber hygiene to advanced/progressive cyber hygiene. The level a contractor will have to meet will be determined by a third party auditor and the government on a case-by-case basis. The amount and sensitivity of CUI handled by the contractor will also determine its certification level. DOD has offered to share the cost burden with contractors by making it an allowable, reimbursable cost.

QUESTION 13:
How can the SBA help small businesses contractors understand this new cyber auditing and certification process?
I appreciate your raising this issue, and as a nominee, I feel limited in offering a response until I can learn more on this topic. If confirmed, I would want to hear from the agency's program offices about what the agency might be doing currently in response to the new standard as well as from small businesses who, as you note, may bear some of the financial burdens related to compliance, before being able to offer an opinion on how the agency can better help small business contractors.

QUESTION 14:
How will SBA help current small business contractors get their cyber systems up to date so they do not lose their current contracts?
As I stated in my hearing testimony, cybersecurity from a small business perspective is not only about obtaining additional information but also being able to obtain the capital needed to build infrastructure to support the systems that they have to install. If confirmed, I assure you I will discuss and address this issue with agency program office leadership.

SBIC Program -- Working Group to Diversify Investors and Investments
While the investment teams and investments of the SBIC program are more gender and racially diverse compared to the broader investment industry, the program would have greater impact if SBA increased licenses to diverse management teams.

SBA needs a coordinated effort and sustained plan to build a pipeline of diverse investors who in turn will invest in diverse firms, which leads to greater returns. I have a proposal to create a working group at SBA, along with industry and experts in hiring and investing in women and minorities. The group would explore apprenticeships, investment incentives, and metrics of success to increase the number of women and minorities making SBIC investments and the number of companies receiving SBIC investments.

QUESTION 15:
Is this an initiative that you could support?
If confirmed, I would commit to working with you to further explore this idea. I appreciate knowing of your interest and the objective of the initiative. I will certainly keep this in mind, if confirmed, as I work with the program office to understand what initiatives they might currently have in place.

SBDC budget issue
On December 6, 2019, I received a response to the letter the Chairs and Ranking Members of the Small Business Committees sent to SBA due to SBA's new requirement that our small business development centers base their FY2020 budget proposals on the President's FY2020 budget request instead of their actual FY2019 appropriations level. This procedural change ultimately requires SBDCs to write two budgets—a practice that is unnecessarily time-consuming for SBDCs and leads to confusion for their university partners when providing matching funds.

QUESTION 16:
In the letter, SBA said it has been flexible and works collaboratively with the SBDCs on this budget issue. What steps does SBA take to mitigate the negative impact on small business development centers and help them comply?
As a nominee, I am unfamiliar with any exchange of letters or information that the committee may have with current agency leadership on this topic. If confirmed, I will need to be brought up to speed and become more familiar with this issue before moving forward with a plan of action.

QUESTION 17:
SBA's letter states, "[i]t is standard Federal financial management practice to plan to the lowest budget estimate in the absence of a full-year appropriation." Please cite these standards.
As mentioned in the previous question, I am unfamiliar with the letter and unfortunately unable to offer an answer at this time. If confirmed, I would look forward to being brought up to speed and providing a follow-up response to the Committee as soon as possible.

QUESTION 18:
SBA's letter expresses concern about compliance with the Anti-Deficiency Act. Please explain how SBA could incur obligations if final Notices of Award are not provided until after the passage of a final appropriations bill and SBDC funding is only made available on a reimbursable basis.
I am not able to offer a substantive response as I am not familiar with the letter and any discussions you may have had with current agency leadership or program offices on this topic.

Workforce
Job vacancies remain one of the top concerns for small business owners. According to an October 2019 National Federation of Independent Business (NFIB) survey, 60 percent of small business owners either hired workers or were trying to hire workers in the last month, and 88

percent of those hiring or trying to hire reported few or no qualified applicants for vacant positions. The survey also found that while only 24 percent of business owners in October 2014 had positions they could not fill, 34 percent of surveyed business owners in March 2019 reported positions they were unable to fill.

When there is low unemployment, small businesses often struggle to compete with larger businesses that have more resources to attract talent. For example, small businesses typically lack human resources departments to find qualified and motivated employees. During periods of low unemployment when workers can demand higher wages and benefits, larger companies can typically afford higher salaries and larger, more complete benefit packages.

In addition, workforce development systems often overlook the unique workforce needs of small concerns. Recent trends in workforce development have shifted attention to "sectoral strategies" that devote resources towards high-growth industries.

QUESTION 19:
Do you support greater collaboration with the Department of Labor to promote entrepreneurship as a workforce development option?
Yes, I understand that this has been an area of focus for the agency and I would look forward to building on the agency's successes and partnering with my colleagues within the Cabinet on workforce development initiatives, if confirmed.

QUESTION 20:
Do you think SBA should help resource partners become more involved in local workforce development pipelines in order to connect their clients who are looking to hire with people looking for work?
If confirmed, I would like to become better informed on how the agency is currently engaging resource partners and how the agency might be a conduit for better matching job opportunities with workforce availability. I appreciate knowing of your interest in this topic and look forward to working with you.

Supporting the Next Generation of Entrepreneurs
New business formation has declined over the last 40 years. This decline in new firm formation rates has occurred in every U.S. state and nearly every metropolitan area across all industries and firm sizes. At the same time, the Census Bureau projects that Millennials will soon surpass Baby Boomers as the country's largest generation, but they are also its least entrepreneurial.

Millennials' tendency to pick traditional stable employment over taking the risk of striking out on their own is partially driven by unprecedented levels of student loan debt in conjunction with a decline in real wages.

According to the Economic Innovation Group (EIG), among college-educated Millennials, 81% have at least one source of long-term debt and nearly 60% are worried about their ability to repay student loan debts. EIG also found that the plurality of Millennials (42%) cited lack of financial means as their biggest obstacle to starting a business.

It is obvious that, if we continue on this same path, the declination in new business formation will only get worse.

QUESTION 21:
If confirmed, what would be your plan to stop the declination of entrepreneurship?
One of my priorities is to try to extend the life-cycle of small businesses. If confirmed, it is my hope that SBA can help to increase the viability of small businesses, allowing them to be successful longer, to maintain a prolonged and steady employment base, and to be competitive, whether as a private, stand-alone business, or one competing for federal contracts. This can be done, in part, by thoroughly reviewing how agency programs and services (e.g., capital, contracting, counseling) are being deployed, how the agency might better leverage the resources and initiatives of other federal agencies, and what gaps might exist in reaching the small business community.

QUESTION 22:
Knowing that the millennial generation faces unique barriers to entrepreneurship, how should SBA and Congress best support them in pursuing their entrepreneurial dreams?
As shared in my testimony before the committee, another priority if confirmed is to examine how the agency's programs and services are meeting the needs of today's small business entrepreneurs. I would want to examine the delivery of services and explore ways in which they might be updated to meet the needs of millennial, and other, entrepreneurs.

Disasters
SBA's disaster assistance programs provide a critical lifeline to small businesses seeking to recover after hurricanes, fires, floods, tornados and other natural and man-made catastrophes. Unfortunately, according to FEMA, 40% of small businesses do not survive a major disaster, and typically, the businesses that are least likely to survive are often those located in underserved communities where capital is already difficult to come by.

QUESTION 23:
Given that major disasters appear to be occurring more frequently due to the effects of climate change, what does the SBA need to do to help protect small businesses not only recover after a disaster, but prepare before one hits?
If confirmed, I will want to better understand from SBA's Office of Disaster Assistance what legal authority the agency has related to pre-disaster mitigation efforts and what initiatives or programs they might currently have in place.

Immigration
An August 2016 Univision news article states that "Carranza said Trump knows the Hispanic community because many of his employees are of Mexican origin, and that he values their contribution to the economy and how much they care about education." This was after you met with Donald Trump as a member of his Hispanic Advisory Council.

Last week, the Washington Post included an article about the widespread use of undocumented immigrant workers at Trump properties that told a much different story than the one you described during the Trump campaign:

"This transactional relationship of discreet service for long hours and often low pay began to evolve as Trump entered politics on the promise to keep out the upward-striving immigrant workers who crumbed his table and scoured his toilets. When Trump referred to some Mexican immigrants as criminals and rapists, when he vowed to wall off the U.S.-Mexico border to prevent an immigrant 'invasion,' the worry and anger began to build in the kitchens and laundry rooms of his properties.

"Trump's undocumented workers were forced to smile at the stomach-churning comments from wealthy members once he became president. 'You're still here? How come we can't get rid of you? I'm going to call Trump, you [expletive] Mexican,' Gabriel Juarez, who had been head waiter for a decade at one of Trump's New York golf clubs, said a member told him jokingly."

QUESTION 24:
Did reading this article cause you any concerns? Do you stand by your 2016 comments?
As I have stated before, the President is committed to improving economic conditions in underrepresented communities, including African-American and Latino communities, and if I didn't believe that, I would not have accepted this nomination. Should I be confirmed as SBA Administrator, I would look at ways to continue building on the economic strides that have been made, while ensuring that through education and partnerships, all small businesses are compliant with federal labor laws.

Senate Committee on Small Business and Entrepreneurship Hearing
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Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Senator Cantwell**

QUESTION 1:
What existing SBA programs could increase access to capital for small businesses for the purposes of improving cybersecurity to enable them to be subcontractors in the private sector or to sell to the federal government?
I appreciate the time you allocated recently to meet with me, and I enjoyed our discussion on this topic. The main SBA lending programs – 7(a) and 504 – should lend themselves to this and could be avenues for access to capital for these small businesses. If confirmed, I will engage agency program leaders to review their programs and services to evaluate where SBA might better assist small business owners with improving their cybersecurity.

QUESTION 2:
Would you be willing to consider launching a pilot program that would specifically help small businesses access the capital they need to build up their cybersecurity infrastructure?
Until I would have an opportunity to be at the agency and evaluate programs and resources, I would ask for some time to meet with program office leaders to further explore options. I share your interest in this and commit to further discussion with you, if confirmed.

QUESTION 3:
How can the SBA help lower the costs for small businesses to improve cybersecurity?
As referenced in answers to the previous questions, the SBA loan programs may be able to offer affordable and low cost loan options for small business owners looking to make IT investments in their company. I appreciated our meeting and the time spent discussing this topic, and assure you, that if confirmed, I will explore this and engage further with you on this topic.

QUESTION 4:
Growing U.S. exports, including small business exports, is very important. Will you support robust funding for the STEP program? Will you meet with our state's officials on STEP?
During the time I had served as Deputy Administrator at SBA, the STEP program was not yet in existence. I appreciate knowing of your support for STEP. Several other members have also made their support known, and if confirmed, I will better familiarize myself with the program, evaluate the funding level, and would be happy to meet your state officials to understand how well they may be utilizing the program.

QUESTION 5:
Will you also support reauthorization of the U.S. Export-Import Bank?
I am hesitant to comment on another agency and programs that fall outside the SBA jurisdiction. If confirmed, I will fully support the agency's work with federal trade partners as well as the

agency's advocacy role for small businesses within the federal government and in our trade agreements.

QUESTION 6:
What are your plans to help small businesses export if you are confirmed?
Through my private sector experience, I understand the challenges small businesses face with exporting. As an advocate for small businesses, and if confirmed, I hope the agency will be able to grow export opportunities for small businesses through technical assistance and the agency's international loan programs. I have had experience with logistics and infrastructure support needed by small businesses to succeed within countries where they export, and I hope we can add that level of technical assistance to the agency's services.

QUESTION 7:
Will you make sure that Women's Business Centers get robust funding to serve the growing number of women starting and growing businesses across the country?
I strongly support the role of Women's Business Centers and all of SBA's resource partners. Women's entrepreneurship is growing at a high rate, and if confirmed, I want to ensure that the agency's programs and services are keeping pace.

QUESTION 8:
Will you advocate for an increase in the WBC funding cap for individual centers, which is currently $150,000?
If confirmed, I will evaluate with the program office the funding level for individual centers as well as the capacity to potentially expand to areas that may not have a center. After I have an opportunity to review the program and budget, if confirmed, I will certainly engage you further on this topic.

Senate Committee on Small Business and Entrepreneurship Hearing
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Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Senator Shaheen**

Meeting Federal Small Business Contracting Goals
The federal government is required by law to try to direct not less than 23% of all prime contracting dollars to small businesses. In addition to the government-wide small business goal of 23%, there are four socioeconomic contracting goals associated with each of the SBA small business contracting programs:

- 5% government-wide goal for awards to small disadvantaged businesses (which include, but are not limited to 8(a) firms);
- 5% government-wide goal for awards to women-owned small businesses;
- 3% government-wide goal for awards to HUBZone firms; and
- 3% government-wide goal for awards to service-disabled veteran-owned firms.

Each year the SBA also negotiates "agency goals" with each department and agency in the federal government. These agency goals may be higher or lower than the government-wide goals, depending on the types of supplies and services the particular agency acquires.

The federal government's record in achieving its small business contracting goals is mixed. While FY2018 marked the sixth consecutive year the federal government met the overall goal of 23% of contract dollars awarded to small businesses, the federal government has met its 5% goal for women-owned small businesses only once, in FY2015, and has never met its 3% goal for HUBZone businesses.

QUESTION 1:
If confirmed, what specific steps will you take to ensure federal small business contracting goals – including targets for women-, minority- and veteran-owned small businesses – are consistently met, and that all federal agencies are contributing meaningfully to achieving these goals?
In my previous experience as Deputy Administrator, I worked closely with federal agency OSDBUs to support contracting opportunity for small business and to ensure that federal agencies were meeting their contracting goals. If confirmed, I would bring that same focus to the agency and would expect our program office to be the champion for small business within the federal government, with specific focus on increasing those underperforming categories.

State Trade and Export Promotion (STEP) Program Issues
State Trade and Export Promotion (STEP) is a federal-state partnership grant program that seeks to increase the number of small businesses that export and the value of goods exported by the

small business sector. All 50 states and territories are eligible to compete for the grant, and last year 47 state trade offices received awards. STEP grants are used by states to fund participation in foreign trade missions and market sales trips, design of international marketing campaigns, website translation, export trade show exhibits, training, counseling and other export promotion activities. Between FY 2011 and FY 2018, SBA has issued 301 grants totaling over $139 million.

By most metrics, STEP has been very successful. The most recent performance report available (FY 2016) shows STEP had a return on investment of $31:1, while assisting 7,150 small businesses and leading to $587 million in export sales. Despite this success, however, program participants, including from New Hampshire, complain that the high administrative burden associated with the grant detracts from its value. In a recent report, the Government Accountability Office (GAO) identified several outstanding issues with the STEP program:

- Funds going unused: A significant portion of STEP funding has been returned to SBA, in part because administrative requirements are too burdensome.

- Inconsistent program guidance: SBA grant administrators provide inconsistent guidance about program requirements. Often, grantees will find out that what they were told was an ineligible activity was permitted for another state.

- Unpredictable grant announcement timing: The timing of grant announcements often catches applicants off guard, leaving them as little as a few weeks to draft spending plans and submit applications that are dozens of pages long.

- Lack of grant flexibility: SBA makes it difficult to repurpose funds during the grant cycle if a grantee deviates from the original plan outlined in its application. For example, if a grantee had expected to use funding to send small business representatives to a trade show that gets rescheduled or canceled, it requires a significant amount of paperwork to use those funds to send other business representatives to a different trade show.

- Overly burdensome reporting requirements: The accounting and reporting information SBA requires grantees to collect and submit is extremely specific. Reporting requirements are often so detailed that a fulltime employee is needed just to track all of the data SBA requires.

QUESTION 2:
If confirmed, will you commit to a thorough review of the program requirements for STEP grantees to address issues identified in the GAO report by 1) providing consistent program guidance; 2) standardizing grant announcement timing; 3) increasing the flexibility of grantees to repurpose funds in the event circumstances change; and 4) reducing administrative and reporting burdens to the greatest extent possible?
Yes. During the time I had served as Deputy Administrator at SBA, the STEP program was not yet in existence. I appreciate knowing of your support for STEP. Several other members have also made their support known, and if confirmed, I will better familiarize myself with the program and assess ways to maximize its effectiveness.

7(a) Loan Program – Positive Subsidy/Veteran Fee Waivers
Despite evidence that SBA's largest loan program is performing well, SBA's FY20 budget projected a positive subsidy for the 7(a) loan program. This means that the fees SBA collects will be insufficient to cover expected 7(a) loan losses in the future, so the program would eventually become insolvent, absent changes. The options SBA presents are either a) seek $99 million in appropriations; or b) increase the borrower and lender fees.

The problem is that SBA and the Office of Management and Budget recently changed some of the assumptions used to model loan performance and repayment which has resulted in the projected net loss to the program, but SBA has not provided convincing evidence for this supposed subsidy shortfall, especially given that current loan performance is relatively healthy and the economic forecasts used by the Administration for its most recent budget are extremely optimistic.

QUESTION 3:
If confirmed, will you commit to providing additional evidence for the supposed subsidy shortfall in the 7(a) loan program, particularly as related to the Administration's overall economic projections?
As a nominee, I have not had visibility into many current agency operational issues. If confirmed, I will try to come up to speed on this as quickly as possible, better understand the budget submissions, and work to ensure that the agency is engaged with Congress and stakeholders.

In addition to potentially increasing fees across the board, as a result of these changes SBA is currently unable to extend fee waivers to veterans for SBA Express Loans, as authorized by the Veterans Entrepreneurship Act of 2015.

QUESTION 4:
If confirmed, will you commit to working with my office and with the Senate and House Small Business Committees to ensure that wherever possible, SBA will provide veterans the fee waivers that were authorized by Congress?
Yes.

Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR)
The Small Business Innovation Research (SBIR) program was enacted in 1982, and was designed to increase participation of small innovative companies in federally funded research and development (R&D) opportunities. SBIR allocates a portion of federal R&D dollars for which small businesses can compete, based on scientific merit. The program is an effective way to meet national innovation needs as well as support the growth of small, high-tech companies that create good, high-paying jobs in local communities across the country.

The Small Business Technology Transfer (STTR) program was enacted in 1992 and is similar to the SBIR program, except that awards are made to small firms pursuing technological innovation through collaboration with federal laboratories as well as non-profit educational and scientific institutions. Departments and agencies with annual extramural R&D budgets of at least $1 billion are required to allocate a portion of these funds (0.45 percent since FY2016) to support research and development in small firms through the STTR program.

Eleven departments and agencies currently participate in SBIR: the Departments of Defense, Health and Human Services, Energy, Agriculture, Homeland Security, Commerce, Education and Transportation, as well as NASA, the National Science Foundation and Environmental Protection Agency. Five agencies have STTR programs: Department of Defense, Health and Human Services, NASA, the National Science Foundation, and the Department of Energy.

In FY2017, a total of 2,707 firms won nearly 5,000 SBIR awards or contracts for more than $2.2 billion. In FY2017, a total of 652 firms won nearly 847 STTR awards or contracts for more than $307 million. NH firms have been particularly successful throughout the history of the SBIR program, with awards and obligations totaling $715,511,277 since 1982. For the most recent three-year reporting period, 2016-2018, 243 SBIR awards were made to New Hampshire firms totaling $112 million.

My legislation, the SBIR and STTR Permanency and Improvement Act of 2019, introduced with Chairman Rubio and Ranking Member Cardin and included in the Chairman's draft reauthorization legislation, would permanently authorize these important programs and double the allocation of each federal agency's extramural research budget from 3.2% to 6.4% for SBIR and 0.45% to 1.0% for STTR by FY2024.

QUESTION 5:
What are your views on the effectiveness of the SBIR and STTR programs?
I understand the importance of the program and SBA's role in facilitating small business opportunity and investment across participating federal agencies. If confirmed, I would ask for the chance to better review the program. I appreciate knowing of your strong interest and I would look forward to working with you.

QUESTION 6:
If confirmed, will you advocate to make these programs permanent and increase the allocation of federal agencies' extramural budget that is dedicated to small businesses?
I would be open to that, but before committing to any position, I would ask for the chance to become better informed from program office leaders, if confirmed.

Small Business Investment Company (SBIC) Program Mismanagement
The Small Business Investment Company (SBIC) program is a venture capital-type investment program, created in 1958 to address a Federal Reserve Board report to Congress that concluded there was a major gap in the capital market for long-term financing for growth-oriented small businesses.

Under the SBIC program, the SBA does not make direct investments in small businesses. Instead, SBA partners with privately owned and managed SBICs licensed by SBA to provide financing to small businesses with private capital (regulatory capital) the SBIC raises combined with funds the SBIC is able to borrow at favorable rates because SBA guarantees loans (debentures) made to the SBIC. Since 2009, SBICs have invested over $170 million in 53 companies in New Hampshire, including $25 million in six firms in FY2018 alone.

Program participants recently have expressed significant concern about management of the SBIC program, arguing that licensing and approval of leverage draws in the SBIC program have dropped significantly, while timelines for approval have extended significantly. SBA statistics show the average licensing timeline rose to 8.2 months in 2017 from 5.1 months in 2016, and new license requests have declined, from 29 in 2017 to just 17 in 2018.

QUESTION 7:
If confirmed, what steps will you take to improve administrative outcomes for the SBIC program to ensure capital is flowing efficiently to small businesses that need it?
A priority of mine, if confirmed, is to ensure SBA programs are optimized and operating effectively for our small business entrepreneurs. I assure you that I will look closely at the SBIC program and assess staffing, budget, leadership, and operations, and that I will keep your concerns closely in mind.

South Dakota v. Wayfair and Remote Sales Tax Collection by Small Businesses
In 2018, the Supreme Court decided South Dakota v. Wayfair, which was a challenge to the Court's own 1992 decision in Quill vs. North Dakota. At issue in the case was a South Dakota law that required out-of-state or "remote" sellers to collect and remit sales taxes. South Dakota's law ran afoul of the Quill decision, which held that states could not force sellers to collect a sales tax if they do not have a physical presence in the state. In Quill, the Court held that that doing so would impermissibly burden interstate commerce due to the complexities these retailers would face in collecting and remitting sales taxes.

South Dakota challenged the Quill decision, arguing that it was out-of-date due to advances in software technology that would mitigate burdens on sellers. They also argued that the explosion of e-commerce has changed the nature of retail, resulting in more revenue lost to states. At the time, the Government Accountability Office (GAO) found that states would gain $8.5 to $13 billion per year if Congress were to allow states to require remote sellers to collect sales tax, while the National Conference of State Legislatures (NCSL) argued that states were missing out on a total of $26 billion in "missing revenue".

Wayfair and other online retailers argued that the burden of remote sales tax collection would still be significant. A GAO report that I requested with Senator Wyden highlighted a number of major burdens that would be imposed on businesses, including software costs, ongoing administrative costs, the complexity of thousands of different tax jurisdictions and the risk of out-of-state audits, many of which have become reality since the decision.

In the wake of the Wayfair decision, many states rushed to enact laws requiring remote sellers to collect and remit sales taxes. As of August 1, 2019, 37 states and the District of Columbia now require remote sales tax collection, according to NCSL; among states with a sales tax, only Arizona, Florida, Kansas, Louisiana, Missouri, Oklahoma, Tennessee and Texas have yet to implement remote seller requirements. Most states have established thresholds for when online retailers must register as remote sellers; some of which resemble the North Dakota standard, which is either $100,000 in taxable sales or 200 or more separate transactions. However, there are numerous variations both significant and subtle from state to state, including different implementation dates, de minimis safe harbor thresholds for small businesses and definitions of products and services subject to taxation, adding further complication and uncertainty for small businesses.

So far, the GAO and NCSL estimates of additional revenue for states appear to have been grossly overstated; a review of official estimates by the National Taxpayers Union Foundation from 32 different states found that only two exceeded the midline of GAO's range of estimates, and all 32 had collected just $3.6 billion, which represents an average of just 0.7 percent of general fund revenue.

QUESTION 8:
What role do you see the SBA playing in helping small businesses that sell products and services online navigate this new landscape?
This is a topic that I would like to learn more about and to engage further with you on, specifically as it relates to New Hampshire businesses. If confirmed, I would like to better understand the impact on small businesses and what role SBA or other federal agencies can play, or might already be playing, in response to the decision.

QUESTION 9:
What specific resources can SBA bring to bear to help small online retailers continue to compete, despite the enormous administrative burden this decision has created?
If confirmed, I would ask for some time to become more knowledgeable and informed on this issue before offering suggestions on available agency resources.

QUESTION 10:
If confirmed, will you commit to providing guidance, either directly or with the entrepreneurial development resource partners, to help small businesses comply with the myriad new requirements Wayfair has imposed?
As with the previous question, I would ask for the opportunity to learn more. If confirmed, I will engage our program office and senior leaders in this discussion and will certainly keep your interest and suggestions in mind.

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Questions from: **Senator Scott**

During President Trump's FY20 budget request, I was puzzled to find the SBA's flagship 7(a) program required an additional $99 million and that the current fee structure would either be increased or the taxpayer would have to cover the rest of the cost. From my perspective, increasing the cost of capital for small businesses will do substantive harm to every day Americans who are looking to finance their own American dream. Additionally, having the program operate at a zero subsidy is a point of pride for this committee and appropriating the funds to cover the shortfall would be less than ideal.

QUESTION 1:
If you are confirmed as the SBA Administrator, will you commit to re-evaluating the models used to make this decision and ensure that the process is transparent for Congress and relevant stakeholders?
As a nominee, I have not had visibility into current agency operational issues. If confirmed, I will try to come up to speed on this as quickly as possible, better understand the budget submissions, and work to ensure that the agency is engaged with Congress and stakeholders.

One of the programs that you will be responsible for as SBA Administrator is the Small Business Investment Company (SBICs) program. Since 2009, SBICs have invested in over 102 businesses in South Carolina totaling more than $452 million in investment. Since 2017, the number of licensed SBICs has dropped from 315 to 300 and there have been repeated reports of delays on issuing and renewing SBICs licenses.

QUESTION 2:
As SBA Administrator, would you commit to ensuring that the SBIC program runs smoothly and that SBIC licenses are processed in a reasonable timeframe?
Yes. Be assured that this will be a priority for me, if confirmed.

Ms. Carranza, one of the Trump Administration's initiatives that I am especially proud of is the continued efforts to reduce the regulatory burden across the economy, particularly for small businesses. In June, the Council of Economic Advisors estimated the Administration's regulatory relief actions will increase annual incomes by $3,100 per household in the next 5 to 10 years. This means that small business owners, who put everything into their businesses, will be able to hire more employees, pay higher salaries, and increase production.

QUESTION 3:
If confirmed, how will you work to ensure that this administration's regulatory relief afforded to small businesses continues to be a priority as a fundamental pillar of SBA's mission?
The negative impact of overly burdensome regulations is something that I have heard about frequently from small business owners over the years. If confirmed, I would pledge to review and evaluate how SBA, in conjunction with its federal partners and the Office of Advocacy, to can alleviate these burdens.

Now, I would like to switch gears and get your perspective on a different topic: HBCUs. Last March, GAO released a report on how the Small Business Administration coordinates with HBCUs. In the report, GAO stated, "SBA's key programs and outreach activities that foster entrepreneurship do not specifically target HBCUs, but collaboration exists with some HBCUs," and that the strategic alliance memorandums entered into between SBA and the HBCUs were "symbolic in nature." I find this report concerning, especially since this Administration and this Congress have prioritized support for HBCUs. In your testimony, you mention one of your goals is to "expand access to SBA resources among entrepreneurs in disadvantaged communities." According to the study "A Look at Black Student Success," by The Education Trust, it was found that 50% of HBCUs have a freshman class where 75% of students are from low-income communities. If I understand you correctly, then these institutions are the exact communities that you are trying to help.

QUESTION 4:
Under your leadership at SBA, how would you incorporate SBA's resources into supporting HBCUs?
I would want to first understand what the agency is currently doing before commenting on how, if confirmed, SBA might better incorporate our resources into supporting HBCUs. Please know that I share your interest and will keep your support in mind.

One recommendation I have is regarding the development of SBA's annual strategic plan. I think it would be great if your team worked with various HBCUs in developing the annual plan, because having their perspective in the room would be a value add for SBA.

QUESTION 5:
As SBA Administrator, would you be willing to work with leaders of HBCUs to address the needs of HBCU students?
Yes. If confirmed, I will evaluate how the agency may already be engaged with HBCUs through the agency's entrepreneurial development program office and through SBA's district offices, with a view toward fostering a strong partnership with those colleges and universities.

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Senate Committee on Small Business and Entrepreneurship Hearing
December 11, 2019
Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Senator Markey**

Immigration
Immigrants, including undocumented immigrants, make up an essential share of the small business economy. President Trump has attempted to enact numerous proposals that would restrict legal immigration and also increase the removal of non-violent undocumented immigrants from the United States, despite their contributions to the country and their communities. Immigrants represent one of the few bright spots of dynamism and entrepreneurship in an economy in its fourth straight decade of declining American entrepreneurs.

Undocumented Entrepreneurs
Research shows that nearly 10% of undocumented immigrants, or 778,539 individuals, are entrepreneurs and own their own businesses. Many are small businesses that bring in billions of dollars to local economies and create American jobs.

The Trump administration has broadened immigration enforcement priorities to include immigrants that pose no public safety threat. These policies put all undocumented immigrants at risk of removal, including the three quarters of a million individuals who operate their own small businesses.

QUESTION 1:
To the extent they harm small business owners, will you oppose the Trump administration's immigration enforcement policies targeting individuals who pose no public safety threat?
If confirmed, I intend to review the available research with the goal of understanding the full impact immigration policies may have on entrepreneurship and small businesses, and I look forward to learning more from you on the specific impact these policies may have on the Massachusetts small business community.

Deferred Action for Childhood Arrivals (DACA)
The Deferred Action for Childhood Arrivals program (DACA) afforded relief from removal to individuals brought to the United States as young children. This status allowed recipients to attend school and work in the United States — including the opportunity start their own businesses.

President Trump moved to end these protections, risking the livelihoods of these individuals and disrupting entire communities and local economies. DACA-eligible individuals contribute

billions of dollars to the U.S. economy and over 43,000 of these individuals are entrepreneurs, running their own small businesses.

QUESTION 2:
Will you oppose President Trump's decision to remove DACA protections on behalf of these 43,000 entrepreneurs?
If confirmed, I intend to look closely at and evaluate the specific impact this policy change may have relative to entrepreneurship and small businesses. As I do this, I would certainly welcome your perspective and your input.

Temporary Protected Status (TPS)
Temporary Protected Status (TPS) is a form of humanitarian relief that the Department of Homeland Security (DHS) can extend to noncitizens from certain nations when conditions in their home country temporarily prevent individuals from returning safely, or when the country is unable to adequately handle the return of its nationals. TPS entitles the recipient to a work permit, protection from deportation, and authorization to travel abroad. When President Trump came into office, ten countries had TPS status (Sudan, South Sudan, Honduras, Nicaragua, Haiti, El Salvador, Syria, Nepal, Yemen, and Somalia.) Since 2017, President Trump's Department of Homeland Security has announced plans to terminate TPS for six countries.

These actions have harmed TPS individuals who own small businesses. I have heard from small businesses in Massachusetts who are now having trouble acquiring loans for their businesses due to the uncertainty surrounding their status and their businesses in the near future.

QUESTION 3:
Will you oppose President Trump's decision to end Temporary Protected Status on behalf of these individuals and help them secure access to capital for their small businesses?
If confirmed, I intend to take a close look at this issue with the goal of understanding the full impact this policy may have on small businesses. I look forward to learning more from you on the specific impact these policies may have in Massachusetts and to working with you to ensure businesses in your state are being well-served by the agency.

Refugees
Refugees contribute meaningfully to our economy and participate as entrepreneurs at higher rates than even U.S.-born individuals. In 2015, 181,463 refugees were entrepreneurs. This means that 13 percent of refugees were entrepreneurs, compared to 9 percent of U.S.-born individuals.

Between fiscal years 2008 and 2017, the United States admitted, on average, roughly 67,000 refugees to our country each year. In September 2017, President Trump announced that the cap for fiscal year 2018 refugee admissions would be set at a record-low 45,000, then lowered the cap in fiscal year 2019 to 30,000, and announced that the fiscal year 2020 ceiling will be a mere 18,000.

QUESTION 4:
Due to the harm it inflicts on entrepreneurship in the United States, will you oppose President Trump's ongoing efforts to reduce the annual refugee cap?
If confirmed, I intend to study the impact this policy may have on small businesses, and as I noted in my hearing, I intend to always be a vocal advocate in the Cabinet for small businesses.

Climate Change and Disasters
The Federal government provides critical disaster assistance funding to communities hit by hurricanes, tornadoes, floods, and other natural disasters. Climate change continues to make these disasters worse and more frequent. We need to recognize the threat of climate change and help our communities prepare for it.

QUESTION 5:
Will you affirm that climate change is real?
I believe changes in the climate are real – yes.

QUESTION 6:
Will you affirm that humans cause climate change?
I believe humans certainly contribute to the release of carbon dioxide, methane, and nitrous in the atmosphere.

QUESTION 7:
Do you believe that United States and Congress need to take immediate action to address it?
If I'm confirmed to lead the SBA, I'd like the opportunity to evaluate the impact that any proposed legislation may have on small businesses.

Under the SBA disaster loan program, small businesses who suffer a disaster can currently apply for a loan and apply 20 percent of that loan towards disaster mitigation efforts to protect themselves in the future.

QUESTION 8:
Do you believe that the 20% cap is appropriate?
If confirmed, I will examine this issue with the program office and assess the current threshold. I appreciate your interest in this and would welcome your input.

There is currently no federal program specifically for small businesses to prepare for disaster resiliency before they suffer the impacts of a disaster.

QUESTION 9:
Do you think the SBA should play more of a role in pre-disaster mitigation for small businesses?
If confirmed, I will work with the agency's disaster assistance office to review pre-disaster mitigation programs across the federal government and the capacity of SBA to play a larger role.

Net Neutrality

In December 2017, the FCC voted to repeal the 2015 Open Internet Order. The Open Internet Order prohibited internet service providers from blocking, slowing down, or discriminating against content online. Repealing the net neutrality rules removes the level playing field that small businesses need to compete against large businesses.

QUESTION 10:

Are you concerned that the absence of net neutrality will negatively impact small businesses?

In previous engagements with small business owners, I have heard of the challenges many face with access to broadband, the affordability of broadband and other IT infrastructure, as well as challenges with broadband speed. If confirmed, I would like to have the opportunity to meet with small businesses – including small businesses in Massachusetts – and hear directly from them on how this issue may affect them.

Questions from: **Senator Booker**

Concentration of Venture Capital
Venture capital is an important tool for financing promising small businesses that might look risky in the near term, but have tremendous long-term potential.

The problem is that in most parts of America it has become harder and harder for small businesses to access venture capital. In 2016, four metropolitan areas in three states—the San Francisco Bay Area, New York City, Boston, and Los Angeles—received nearly three-quarters of all venture capital investment nationwide.

QUESTION 1:
Are you concerned that small businesses across the country—outside a few big and expensive cities—are struggling to access venture capital to help them grow? How will you lead the Small Business Administration doing to in improving access to venture capital in underserved areas? Is this an area you'd like to explore further?
I share your concern, interest in, and desire for better investment in underserved communities, and if confirmed, it will be a priority of mine to evaluate how the agency's programs might be better focused to foster investment. I appreciate your raising the venture capital topic, and if confirmed, would like to explore this further with you.

Improving Conditions for Minority and Women-Owned Small Businesses
Since I arrived several years ago in the United States Senate, one of my goals for this committee has been to increase the number of African American, Latino, and women entrepreneurs as well as ensuring that our veterans have the tools they need to pursue their passions and thrive.

That's why I introduced the Startup Opportunity Accelerator Act (SOAR), which builds on SBA's Growth Accelerator Fund competition, in which accelerators and incubators compete for funding to grow and expand their reach to more underserved entrepreneurs and communities.

QUESTION 2:
What can the federal government do to improve the number of minority and women entrepreneurs?
Increased opportunity for women and minority entrepreneurs is a priority of mine, and if confirmed, will be a focus for the agency. I would want to review not only the agency's lending programs but contracting opportunities to see how we might optimize our programs to do better in this area and engage other agencies on that objective.

Disaster Relief
The Small Business Administration plays a critical role in disaster assistance, helping to ensure that homeowners and small businesses can access the capital they need to begin the recovery process in their communities.

New Jersey knows all too well the costs of the devastation caused by natural disasters, which is why I worked with my colleague Sen. Kennedy to pass the Rebuilding Small Businesses After Disasters Act, signed into law in November. This legislation will insure that families and business owners will be able to have the access to capital needed to rebuild their homes and businesses.

In your testimony, you pointed to your work at the Small Business Administration following Hurricane Katrina in 2005. Small businesses had a notoriously difficult time accessing assistance from both private entities as well as by the SBA. In fact, former Senator and Small Committee Chairwoman Olympia Snowe (R-ME) described SBA's disaster to natural disasters during Hurricanes Katrina and Rita as "the worst side of the Federal Government--slow, inefficient and incompetent".

QUESTION 3:
Since your tenure at the SBA, this Committee has striven to make significant improvements to SBA's disaster relief programs. If confirmed, what steps will you take to ensure that small businesses can quickly access the assistance they need?
In my previous service at the agency as Deputy Administrator, I was very involved in the disaster program and helped create the agency's first disaster recovery plan, which still serves as the foundation for the disaster program today. Making sure that SBA's disaster assistance program is operating at peak performance is a top priority of mine. If confirmed, I will ensure that the agency's disaster program continues to be a lifeline for disaster survivors.

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Questions from: **Senator Coons**

7(a) loan program
The recent changes to the 7(a) subsidy model, inputs, and/or weightings for Fiscal Year 2020 have resulted in an estimated $99M subsidy. I'm concerned that SBA's model is overestimating the cost of the program.

QUESTION 1:
Will you work with the committee to open up the model's data and assumptions so that members can review the changes?
As a nominee, I have not had visibility into current agency operational issues. If confirmed, I will try to come up to speed on this as quickly as possible, better understand the budget submissions, and work to ensure that the agency is engaged with Congress and stakeholders.

QUESTION 2:
If there were to be an increase in program fees to cover the subsidy, how do you think that would affect 7(a) borrowers? Please comment both on their access to credit as well as follow-on effects such as their growth and job creation.
During meetings with Senators and in discussion at the hearing, I shared my interactions with small business owners and feedback on fees as a potential barrier to access to capital. If confirmed, I would want to better understand current dynamics in the 7(a) program and I would look forward to further engaging you on this topic.

QUESTION 3:
Will you work with the committee to find ways to avoid fee increases and keep borrowing affordable for our small businesses?
Yes.

SCORE
I believe SCORE is one of the SBA's highest-impact resource partner. While I was disappointed to learn of the Office of Inspector General's (OIG) findings in April, I believe it is an opportunity to improve the program through a reauthorization bill.

QUESTION 4:
Will you work with the Office of Entrepreneurial Development to ensure SCORE makes the necessary changes and improvements to comply with the OIG's recommendations?
Yes, I share your interest, and as I stated at the hearing, I support SCORE and appreciate the role of the thousands of volunteers in counseling small business owners and entrepreneurs.

Community Development Financial Institutions (CDFIs)
I understand that you would like to bring a commitment to CDFIs and non-traditional lenders to the position of Administrator and that you currently serve on the CDFI's Community Development Advisory Board at the Department of the Treasury. I believe CDFIs are critical lenders in low-income communities.

QUESTION 5:
How would you specifically strengthen the relationship between CDFIs and small businesses?
I appreciate the question and would like to work with you to explore ways to strengthen this relationship. While I have benefited from my experiences at Treasury, and I do have some thoughts in mind, I would want to, if confirmed, have the opportunity to evaluate the agency's lending programs first, before offering ideas on how we might foster and enhance their role. I look forward to discussing this further with you.

Senate Committee on Small Business and Entrepreneurship Hearing
December 11, 2019
Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Senator Hirono**

Sexual Harassment
Ms. Carranza, as a U.S. Senator and a member of the Senate Small Business and Entrepreneurship Committee (the Committee) I am responsible for ensuring the fitness of nominees to serve within the U.S. Small Business Administration (SBA) and other federal agencies.

You have indicated on your written questionnaire submitted to the Committee that you have never formally or informally been accused of committing sexual harassment or discrimination, but I am still asking all nominees to the SBA and other federal agencies answer to the following two questions for the record:

QUESTION 1:
Since you became a legal adult, have you ever made unwanted requests for sexual favors, or committed any verbal or physical harassment or assault of a sexual nature?
No.

QUESTION 2:
Have you ever faced discipline, or entered into a settlement, related to this kind of conduct?
No.

District Offices
Ms. Carranza, I have worked closely with SBA's Hawaii district office, which serves as the agency's lead contact for local businesses and resource partners in the state. Generally, the Hawaii district office and SBA headquarters have maintained a good working relationship over the years, and it is important to me that this relationship continues under the next administrator. Furthermore, I appreciated that the last administrator made it a priority to visit every district office in the United States, and visited Hawaii more than once during her time as administrator:

QUESTION 3:
How would you prioritize outreach to SBA's district offices as the next administrator?
I understand the value of the SBA district offices from my previous service as Deputy Administrator. It is at the district office level where entrepreneurs experience the agency's program and services. If confirmed, I would work to ensure that our field operations staff works closely with the program office leadership at SBA headquarters and our resource partners, that they have what they need, and that we are all aligned in our mission.

QUESTION 4:
Can you commit to working closely with the Hawaii district office, which serves as an important resource for many local businesses and resource partners in the state?
Yes.

QUESTION 5:
Have you ever been to Hawaii?
Yes, for pleasure. If confirmed, I would welcome the opportunity to visit again and learn from Hawaii small business owners as to where the agency is being successful in assisting them and where we might do better.

If YES: I look forward to having you back to our state to meet with local businesses if you are confirmed. Like other states, Hawaii relies on small businesses to drive innovation and growth in the local economy, and the vast majority of Hawaii's businesses are small businesses.

If NO: I would be happy to show you around the state to meet with local businesses if you are confirmed, and would encourage you to reach out to the Hawaii district office to learn about these businesses as soon as possible.

QUESTION 6:
Based on your previous experience as Deputy Administrator, what more do you think SBA could be doing to support its district offices?
In my service as Deputy, I oversaw our national field offices. If confirmed, I would want to hear from our district directors how they might be operating differently today than back then, and also explore ways in which they can be better aligned with the SBA program offices. I know that was an initiative of the previous Administrator, and I look forward to continuing that.

<u>Resource Partners</u>
Ms. Carranza, I have also worked closely with SBA's Hawaii resource partners, which include the state's network of small business development centers (Hawaii SBDC), its Women's Business Center (Mink Center for Business and Leadership), and our Veterans Business Outreach Center (VBOC Pacific). These resource partners play an important role in the local economy, providing business counseling, technical assistance, and related services for businesses and entrepreneurs, and it would be difficult to overstate how important they are to the different populations they serve. With highly dedicated staffs and relatively limited resources these partners provide important services, but in recent years the administration has tried to reduce funding for their programs:

QUESTION 7:
How would you prioritize outreach to resource partners as the next administrator?
I share your support for SBA's resource partners, as they play a valuable and important role in assisting small business owners and entrepreneurs. If confirmed, I will want to understand how the program office is currently coordinating with resource partners and I will assess with agency leaders if we are best maximizing that outreach.

QUESTION 8:
Can you commit to fully supporting these resource partners as the administrator?
Yes.

QUESTION 9:
Given how closely resource partners work with local businesses and entrepreneurs, they often understand these businesses better than anyone else. How would you solicit feedback from resource partners to learn from their experience and expertise?
I had the opportunity to work with the SCORE association for a number of years following my service as Deputy Administrator. I strongly support the agency's resource partners. Like the SBA district offices, they are the front line of outreach, counseling, and education to aspiring business owners. If confirmed, I will work with our program office leaders to ensure that they are working cooperatively and closely with each resource partner.

QUESTION 10:
Based on your previous experience as Deputy Administrator, what more do you think SBA could be doing to support its resource partners?
I would ask for the opportunity to first learn what the agency is doing today, and if confirmed, I will review our relationship with resource partners with this question in mind.

<u>Native Community Development Financial Institutions (Native CDFIs)</u>
Ms. Carranza, during your recent interview with Democratic Committee staff members I understand you discussed your commitment to serving underserved communities, and your experience working with Community Development Financial Institutions (CDFIs) and other nontraditional lenders. Locally, in Hawaii, we have a number of CDFIs and Native CDFIs that are working to promote community development and economic opportunity in their communities, and I have continued to support federal funding for CDFIs and Native CDFIs, so I was glad to hear about your experience with these organizations.

QUESTION 11:
Could you elaborate on your experience with CDFIs, Native CDFIs, and other nontraditional lenders?
In my current role as U.S. Treasurer, I have worked closely with the CDFI community, and I consider these experiences a strength that I would bring to the agency. If confirmed, I look forward to evaluating existing relationships and where the agency might be better engaged through the respective program offices.

QUESTION 12:
What would you take from this experience to improve the relationship between CDFI fund programs and partners and the SBA as the next administrator?
As a nominee, I have limited visibility into current agency operations. I would ask for the opportunity to better assess the agency's program offices, and if confirmed, would keep your interest in mind as I evaluate them.

QUESTION 13:
What else would you do to support nontraditional lenders as the next administrator?
As with the previous answer, and if confirmed, I would ask for the chance to become better educated on current agency policies and operations so that I might have a more informed discussion with you on this.

QUESTION 14:
What specific policies would you put in place?
As a nominee, I have had limited visibility into agency policies and operations. If confirmed, I would ask for the chance to be better informed and would be happy to engage further in discussion.

Native Businesses
Ms. Carranza, federal programs that support Native Hawaiian, Alaska Native, and Native American businesses and entrepreneurs have been an important priority for me, and I have continued to advocate for SBA programs that support Native businesses through business workshops, contracting opportunities, and related resources, including through the introduction of S. 2191, the Native American Business Outreach Act, which would permanently authorize SBA's Native American Outreach Program.

When it comes to Native contracting opportunities, SBA has recognized that entity-owned businesses, like Native Hawaiian Organizations, Alaska Native Corporations and tribally-owned businesses, all have unique responsibilities to the Native stakeholders in their communities, which makes them different from other businesses – particularly individually-owned businesses.

QUESTION 15:
Can you commit to fully supporting SBA's programs for Native businesses and entrepreneurs, including through its contracting programs for entity-owned businesses?
I support Native businesses and entrepreneurs, and I look forward to learning more, if confirmed, from the agency's program offices on how SBA is currently fostering opportunity for these businesses.

QUESTION 16:
Can you commit to fully supporting SBA's Native American Outreach Program?
I appreciate knowing of your support, and if confirmed, I will work with our program office leaders to review the outreach program with your interest in mind.

QUESTION 17:
Do I have your commitment to work with me toward improving these programs?
Yes.

Disaster Programs
Last year, in 2018, Hawaii was impacted by several natural disasters, including severe storms, floods, and mudslides, volcanic eruptions and earthquakes, and hurricanes. These disasters

displaced homeowners and families, disrupted businesses, and strained state, local and community entities, which even today are working to recover.

During these disasters I appreciated SBA's responsiveness to local communities and assistance to businesses, homeowners, individuals, and families, which, to date, has exceeded $48 million in disaster assistance to 500 disaster survivors – primarily through SBA's low-interest disaster loan programs.

During your testimony you highlighted your previous work as Deputy Administrator to process "tens of thousands of disaster recovery loans" at SBA.

QUESTION 18:
Can you commit to fully supporting local communities affected by natural disasters if confirmed as the next administrator?
Yes. One of my main priorities, if confirmed, is to ensure that the agency's disaster assistance programs remain a vital, important, and accessible lifeline to communities.

Veteran Businesses
Ms. Carranza, federal programs that support veteran businesses and entrepreneurs have also been a priority for me, and I have worked to make sure our veterans have access to the resources they need to succeed in business. Locally, in Hawaii, we are lucky to have the Veterans Business Outreach Center of the Pacific (VBOC Pacific), which provides business counseling and training services for transitioning service members and their families.

I have been working to make sure veterans have access to capital so they can start and grow their own businesses – including through the Veterans Small Business Export Promotion Act (S. 2189), which I introduced with Senator Rounds (R-SD) to make it easier for veterans to access SBA's trade and export promotion programs. More recently, I also introduced a bill with Senator Sullivan (R-AK) to expand commercial lending to veteran business through credit unions (S. 2834, the Veterans Members Business Loan Act).

Supporting our veteran businesses and entrepreneurs is an important priority for me:

QUESTION 19:
How would you work to improve programs that support veterans as the next administrator?
Please be assured that this is also a priority for me, and I welcome the chance, if confirmed, to work with you on this. I would ask for the opportunity to first review and assess the current programs and their effectiveness before posing ways in which they might be improved.

QUESTION 20:
Based on your previous experience as Deputy Administrator, what more do you think SBA could be doing to support veterans?
As mentioned in the previous response, if confirmed, I would ask for the opportunity to learn more about current agency operations and to meet with the program office leaders. I assure you I will keep your interest in mind, and I would look forward to discussing this further with you.

Women and Minority Businesses

Ms. Carranza, SBA's programs that support women and minority businesses and entrepreneurs play an important role in broadening participation in the U.S. economy and making sure the U.S. remains competitive. Locally, in Hawaii, we are fortunate to have resources like the Mink Center for Business and Leadership (Mink Center), which, as our state's only Women's Business Center (WBC), provides business counseling programs for women-owned businesses and others.

Supporting our women and minority businesses and entrepreneurs is an important priority for me:

QUESTION 21:

How would you work to improve programs that support women and minorities as the next administrator? In my testimony, I laid out several priority areas of focus, should I be confirmed as Administrator. Among them is a goal of optimizing SBA programs related to women and minority entrepreneurs. In my current role as U.S. Treasurer, I have had the opportunity to participate in the development of a women's digital training platform, working alongside SBA and other federal agencies. I am anxious for the launch of that platform, as it will help modernize, and make more convenient across a variety of providers, business counseling and learning for current and aspiring women business owners.

QUESTION 22:

During your testimony you highlighted your previous work as Deputy Administrator "to elevate women-owned businesses and expand access to federal contracting for underrepresented small businesses." Could you elaborate on this work?

In my previous experience as Deputy Administrator, I worked closely with federal agency OSDBUs to support contracting opportunities for small business and to ensure that federal agencies were meeting their contracting goals. If confirmed, I would bring that same focus to the agency and would expect our program office to be a champion for small business within the federal government.

QUESTION 23:

Based on your previous experience as Deputy Administrator, what more do you think SBA could be doing to support these businesses?

I appreciate your question and share your interest. If confirmed, I would ask for the opportunity to better assess current program operations before recommending ways in which the agency might do more.

Export and Trade Programs

Hawaii is the gateway to the Asia-Pacific, and Hawaii businesses have had success promoting their products in international markets with the support of SBA's State Trade Expansion Program (STEP). I was proud to support the creation of STEP, which has allowed the state of Hawaii to provide local businesses with comprehensive export and trade assistance and related services to reach overseas customers through Hawaii STEP (HiSTEP). Since 2012, HiSTEP has helped more than 600 Hawaii businesses increase export sales by nearly $90 million.

QUESTION 24:

Will you continue to support the STEP program,[5] which has been an effective tool for small businesses in states like Hawaii?

During the time I had served as Deputy Administrator at SBA, the STEP program was not yet in existence. I appreciate knowing of your support for STEP. Several other members have also

made their support known, and if confirmed, I will better familiarize myself with the program and assess ways to maximize its effectiveness.

QUESTION 25:
Will you work with Congress to promote small business expansion into international markets?
Yes.

Category Management
Last year the federal government purchased nearly $500 billion in goods and services from the private sector, which included around $105 billion in goods and services from small businesses. However, even as federal government purchases have increased over the last decade, the overall number of businesses receiving contracts has declined by about 27 percent, and by even more for small businesses (32 percent).

Some have attributed these declines to the federal government's category management approach to awarding federal contracts:

QUESTION 26:
Do you have concerns about the decline in the number of businesses, and particularly the number of small businesses, that are being awarded federal contracts?
I strongly support small business opportunity in federal contracting and would expect, if confirmed, the agency to be a champion for small businesses with other federal agencies. Before engaging in further discussion, I would first like to understand the reasons for the decline and review the factors that might be contributing to the current situation.

QUESTION 27:
Do you acknowledge that these declines could negatively impact the federal government's competitive marketplace for goods and services and the U.S. supplier base?
I would ask for the opportunity to research this more thoroughly, and if confirmed, can assure you that I will review this with your concerns in mind.

Follow up: The Small Business Act states that "it is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as possible, the interests of small-business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government (including but not limited to contracts or subcontracts for maintenance, repair, and construction) be placed with small-business enterprises."

Furthermore, the Act also charges the SBA with ensuring that "to the maximum extent practicable, procurement strategies used by a Federal department or agency having contracting authority shall facilitate maximum participation of small business concerns as prime contractors."

QUESTION 28:
Can you commit to working to address these declines in order to ensure maximum small business engagement in the economy and support innovation and growth, a competitive marketplace for goods and services, and a strong U.S. supplier base?
Yes.

HUBZone Program
Ms. Carranza, the Historically Underutilized Business Zone (HUBZone) program has been important for Hawaii, which during FY2018 received $91 million through the program. Earlier this year SBA committed to simplify this program to make it more accessible for businesses.

QUESTION 29:
Can you commit to fully supporting the HUBZone program, and to continue working to improve the program for businesses?
Yes.

QUESTION 30:
In recent years the federal government has fallen below expectations in meeting its contracting goals for HUBZone. Can you commit to working to improve HUBZone performance?
Yes.

QUESTION 31:
Based on your previous experience as Deputy Administrator, what more do you think SBA could be doing to support businesses in historically underserved areas?
First, I would want to evaluate, if confirmed, how the program office was operating then versus today, to understand what the agency could potentially be doing to foster greater opportunity. I will keep your support and interest in mind should I have the opportunity to lead the agency as the next Administrator.

Follow up: During your interview with Democratic staff you indicated that during your previous tenure at SBA there were procedural and process holdups in the HUBZone and Women-Owned Small Business (WOSB) contracting programs, and furthermore that many of these challenges remain.

QUESTION 32:
Could you elaborate on the procedural and process holdups the programs faced during your tenure?
With respect to the HUBZone program, I recall that there existed challenges with the process of accurately identifying HUBZones, as well as with inefficiencies in the process of certifying HUBZone businesses. During my tenure as the Deputy, the WOSB program was still in its infancy and the agency was confronted with the threshold issue and challenge of determining which industries/NAICS codes women businesses were underrepresented in federal contracting.

QUESTION 33:
What did you do to address these holdups?
The agency engaged in a series of process improvements to address HUBZone certification issues, but it is my understanding that subsequent IT and data improvements have done much to alleviate the challenges that we faced during my time as the Deputy. With respect to WOSB, I believe the challenges that we faced a decade ago in the initial identification of qualifying industries have been also been addressed.

QUESTION 34:
What challenges do you still see with the programs?
Although I have not had the opportunity to delve into these programs in-depth, I am aware that HUBZone requirements have historically made it difficult for small businesses to remain HUBZone certified (with the uncertainty causing some contracting officers to not award these contracts), and that standing up the WOSB certification program in a timely fashion is both a priority and significant challenge.

QUESTION 35:
How would you address these challenges?
If confirmed, I welcome the opportunity to work closely with our program office leadership and staff as to what proposals are currently on the table, the pros and cons of each, and to develop new or updated proposals (policy and process) in consultation with our stakeholders that will address these issues in the most efficient and cost-effective manner possible.

Contracting Goals
Ms. Carranza, making sure the federal government and individual agencies are meeting their small business contracting goals has been an important priority for me. Not only do small businesses drive innovation and growth in the economy, but locally, in Hawaii, they also employ more than half of the private sector workforce.

The federal government has mandated that 23 percent of federal government contracting dollars should be awarded to small businesses, and that smaller percentages should be awarded to WOSBs (5 percent), small, disadvantaged businesses (5 percent), service-disabled, veteran-owned small businesses (3 percent), and HUBZone (3 percent).

However, the government has frequently underperformed these goals – particularly for WOSBs and HUBZone.

QUESTION 36:
Do you recognize the importance of the federal government's small business contracting goals?
Yes.

QUESTION 37:
As the next administrator, how would you work to ensure the government meets these goals?
I will work internally, with our program office staff, as well as externally, with OSDBU representatives and our federal partners, to identify maximum practicable opportunities for small businesses. SBA cannot do it alone.

QUESTION 38:
What policies will you put in place to ensure the government meets these goals?
I shared in a previous answer my experience as Deputy and in working across the federal government on meeting small business goals. If confirmed, I will make this a priority focus for SBA so that it is also a continued priority focus across the federal government.

7(a) Program
The 7(a) loan guaranty program is considered SBA's "flagship" loan program for small businesses. Lenders issue loans that are partially guaranteed by the SBA, which businesses then use to fund working capital and other needs. During your confirmation hearing you expressed your support for SBA's capital access programs.

QUESTION 39:
Can you elaborate on your support for capital access programs like the 7(a) loan guaranty program?
If confirmed to lead the SBA, as I did in my previous service as Deputy, I will strongly support the agency's main lending programs, as they represent a core government program in providing access to capital for small business entrepreneurs.

QUESTION 40:
How do you plan to work with Congress to ensure that we can expand these programs?
Many Senators have discussed with me potential ways in which the agency's lending programs might be updated to meet current market dynamics, and also ways in which the programs might better focus on underserved communities. If confirmed, you can be assured that I will evaluate our programs and I will work with you, with these goals in mind.

QUESTION 41:
What policies will you put in place to expand these programs?
I would ask for the opportunity and some time, if confirmed, to evaluate and review existing programs.

SBIR/STTR
The U.S. remains a global leader in technology and innovation, and many great ideas have come from small firms. However, getting a good idea from the drawing board to the market can be a challenge for many small businesses and entrepreneurs. The federal government provides assistance through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, which set aside certain percentages of research and development funds for small businesses.

QUESTION 42:
Will you work to ensure that federal agencies follow through on their SBIR/STTR commitments to small businesses?
Yes.

QUESTION 43:
Do you support increasing the amount of funding set aside for small businesses through the SBIR/STTR programs?
I understand the importance of the program and SBA's role in facilitating small business opportunity across participating federal agencies. If confirmed, I would ask for the chance to review this issue with the program director and leadership.

QUESTION 44:
Do you support making these programs permanent?
I would be open to that, but before committing to any position, I would ask for the chance to become better informed from program office leaders, if confirmed.

Cybersecurity for Small Businesses
As the global economy becomes more digital protecting intellectual property, consumer data, and other systems has become more important for businesses. However, cybersecurity measures can be complicated and expensive and many times small businesses lack the resources they need to invest in these measures. Furthermore, recent reporting indicates that this may become an issue for businesses and contractors that handle sensitive data from federal agencies – particularly from the Department of Defense.

QUESTION 45:
What policies will you put into place to help small businesses implement cybersecurity measures and improve cyber hygiene?
During the confirmation process and individual meetings with Senators, I have had good discussion with several Senators on this topic. I have been involved in aspects of this through my current role as U.S. Treasurer. If confirmed, I will look closely at how SBA programs might facilitate affordable options for small business owners looking to make IT investments. I will also review our entrepreneurial programs to assess where we might do more with outreach and education.

QUESTION 46:
Can you commit to improving cybersecurity for small businesses through additional technical assistance, training, and resources for those businesses?
If confirmed, I will closely review this with our program offices. I share your interest and will keep your support in mind.

Immigration Policies
Ms. Carranza, as a member of the President's National Hispanic Advisory Council you previously defended the President's immigration policies, and it has been reported that you believe the President understands immigrants and immigrant communities because he has employed immigrants in his businesses. However, I have serious concerns about the President's policies when it comes to immigration (whether it be the border wall, family separation, or other policies), and do not think he understands the challenges immigrants face when they come to our

country to make a better life for themselves and their families. Immigration is very personal for me, as I am sure it is for you – as the daughter of first generation Mexican Americans.

QUESTION 47:
Do you continue to believe the President understands immigrants and immigrant communities?
Yes. I have had opportunities to share my perspective and I hope that this might continue to help inform, if confirmed, as a member of the Cabinet.

QUESTION 48:
Do you continue to support his immigration policies?
In my role as Administrator, if confirmed, I would continue to review and would look closely at the potential impact of any policies on agency programs and services, and their continued availability to all small business entrepreneurs.

If YES: While we may disagree on whether the President understands immigrants and immigrant communities, I still hope we can work together to support small businesses and entrepreneurs if you are confirmed.

If NO: That is reassuring to hear, and I look forward to working closely with you to support immigrants and immigrant communities if you are confirmed.

QUESTION 49:
As the next administrator, can you commit to serving all businesses and entrepreneurs in the United States – including businesses owned by immigrants and immigrant entrepreneurs?
Yes.

Senate Committee on Small Business and Entrepreneurship Hearing
December 11, 2019
Follow-Up Questions for the Record

Questions for Ms. Jovita Carranza

Questions from: **Senator Kennedy**

Question about the oversight of the Small Business Investment Company Program
Background:
The Small Business Investment Company (SBIC) program provides licenses to private equity firms to make equity and debt investments in qualifying small businesses, using their own capital plus funds borrowed with an SBA guarantee. SBICs have invested more than $489 million in 75 small businesses in Louisiana since 2009.

The Office of Investment and Innovation at the SBA oversees the SBIC Program. SBIC funds have been reporting increased management challenges in all stages of the SBIC program. The number of license approvals has decreased, delays have increased, and SBA approval requests take months to process.

The total number of licenses issued has been around 26 for the last eight years, and the total number of licenses issued was 18 this year. Coincidentally, eight of the licenses issued in FY2019 were licensed from July-September.

There have been serious management challenges and delays, resulting in a significant decrease in SBIC investment and the licensing of new funds recently. The SBIC program is vitally important to providing capital to American small businesses, including many in Louisiana.

QUESTION 1:
Will you commit to working with me to ensure that the SBIC program is approving or disapproving applications within a reasonable timeline?
Yes, if confirmed, I plan to thoroughly evaluate the SBIC program to ensure that its processes and procedures are working effectively for current and future participants.

SBIC licensing is a long, complicated, and expensive process. When applicants are turned down for licensure, the SBA provides no written explanation and often no clear reason as to why they have made the decision. There is often no opportunity to remedy the perceived deficiency that triggered SBA's adverse decision. Further, instead of denying a license, applicants are sometimes asked to simply withdraw their license application.

QUESTION 2:
When a license is denied or an application is asked to be withdrawn, the SBIC applicant, who expended numerous resources, is not provided with a reason or a chance to fix the issue. Do you believe it would be beneficial to have an appeals process where the SBA provides a specific set

of reasons why an application was denied (or asked to be withdrawn), as well as a way in which the applicant can appeal their application?
In my previous service at the agency as Deputy Administrator, I worked closely with the program office and was a member of the SBIC Licensing Committee. If confirmed, I plan to examine past and present practices, assess how the program is operating today, and will consider process improvements like those that you reference.

QUESTION 3:
Will you commit to implementing a more communicative and transparent SBIC licensing process?
If confirmed, I would like to first assess how the program is presently operating. I will review if it is meeting the goals you outline, and if not, what steps need to be taken to more satisfactorily meet the needs of program participants.

Question about the management of the Small Business Innovation Research (SBIR) program:
Background:
Similar challenges exist in the staffing and efficient management of the Small Business Innovation Research (SBIR) program, which is also housed in the Office of Investment and Innovation.

The SBIR program was established to allow the federal government to benefit from cost effective research performed by small businesses, as well as to stimulate the development and commercialization of innovative ideas from small businesses. Each participating agency must allocate 3.2% of its extramural R&D budget on awards to small businesses who can meet the agency's needs and support their mission. The SBA monitors the overall program and issues policy directives setting the parameters of the program, but it is operated on a day-to-day basis by each participating agency.

Within the Office of Investment and Innovation, there is a program called the Federal and State Technology (FAST) Partnership Program, which provides $125,000 grants to entities in states to establish a one-year SBIR outreach and training program intended to facilitate more awards in their state. The competitive grant is awarded by SBA to entities, taking special consideration if the entity is located in a state that has historically lacked awards.

The FY 2020 SBA Budget Justification did not request funds for the FAST Program, but my FSGG bill included $3,000,000 for the Federal and State Technology (FAST) Partnership Program for fiscal year 2020.

Currently, to my knowledge, there are only three staffers managing the SBIR program, which includes working with agencies, the FAST program, reporting, etc. Additionally, it is my understanding that in their FY 2020 Congressional Budget Justification the SBA did not request funds for the FAST Program. To no one's surprise, the Office of Investment and Innovation houses these programs as well.

QUESTION 4:
As a Senator from a rural, underserved state, FAST awards are critical in helping small businesses prepare, submit, and win SBIR awards. Without the necessary staffing and with a lack of funding, I am concerned that this program is not being taken seriously. Will you commit to ensuring that this important program is operating to the best of its ability?
Yes, if confirmed, I will conduct an in-depth analysis of program operations and institute any changes needed to optimize program performance.

QUESTION 5:
Will you report back to me on what changes you plan to make with the Office of Investment and Innovation?
If confirmed, yes, I would be happy to follow-up with you.

Question about the SBA 7(a) Loan Guarantee Program
Background:
The President's FY20 budget request included a subsidy for the Small Business Administration (SBA) 7(a) program of $99 million. As a result, Congress must either appropriate $99 million to the 7(a) program, or amend the Small Business Act to raise the current caps in order to collect more fees from borrowers and lenders to cover the cost of the program.

For each loan that the SBA guarantees, the 7(a) program requires lenders to charge a one-time "guarantee fee" based on the size of the loan in order for the program to run without being subsidized by the federal government. These fees are charged to the lenders, but the banks typically pass these costs on to the small businesses.

The Continuing Resolution (CR) provided a temporary appropriation to ensure the SBA can continue to operate its 7(a) loan program.

As Chair of the Senate Appropriations Subcommittee on Financial Services and General Government (FSGG), it concerns me that the 7(a) program requires a subsidy for FY2020, because this is taking away funding from other important programs. Further, an increase to fees is not a great alternative, because it would be passed down to the small business essentially as a tax.

QUESTION 6:
Are you aware of OMB's recommendation for a 7(a) program subsidy?
As a nominee, I am removed from present agency operations and considerations. If confirmed, I will quickly get up to speed on the OMB recommendation and 7(a) subsidy proposals.

I had an amendment to the SBA Reauthorization and Improvement Act of 2019, which would have required the Small Business Administration to submit timely reports on the status of the 7(a) loan portfolio. As you may know, the markup of this bill unfortunately never happened, so my questions remain as to why the SBA is projecting an increased cost.

As the next SBA Administrator, you will have the opportunity to bring much needed transparency to this process and make sure that 7(a) loans are not priced out of reach due to subsidy estimates that over-estimate the price of the program. I would like to have your commitment to work with us by opening up all of the data—the inputs and assumptions—behind the calculations so we can make sure we are all doing everything possible to help the 7(a) program remain available to small business borrowers.

QUESTION 7:
Would you be open to having discussions with the appropriate committees before you finalize any regulations regarding SBA's 7(a) program, so that you may understand the concerns we have about the policies the proposed regulations addressed?
Yes, if confirmed, I would work to ensure that the agency and program offices are advising and updating the appropriate committees.

Question about the Office of Advocacy Travel
Background:
The Office of Advocacy (Advocacy) is the voice for small business. Advocacy, an independent office within the SBA, solicits and represents the views, concerns, and interests of small businesses before Congress, the White House, Federal agencies, Federal courts, and State policymakers. Advocacy engages in a significant number of outreach activities related to its role with the Regulatory Flexibility Act (RFA), and Advocacy's regional advocates regularly interact directly with small businesses, small business trade associations, governors, and state legislatures, which requires a significant amount of travel.

Currently, Advocacy employees gather comments on which regulations are most impactful for small businesses by traveling around the country and engaging in a significant amount of outreach.

QUESTION 8:
While Advocacy is doing important work, we need to ensure they are not wasting taxpayer dollars by traveling unnecessarily across the country. Will you ensure that the Office of Advocacy is conducting travel responsibly?
In my previous service at the agency as Deputy Administrator, I recall that the Office of Advocacy operated as a quasi-independent office within SBA and that SBA leadership had limited authority over their operations. If confirmed, I will share your concerns with Advocacy leadership.

Question about SBA Travel in General
Background:
Previous Administrators made a point of traveling around the country at great cost to the American taxpayer. We need to ensure that taxpayer dollars are going to good use.

Ensuring that taxpayers' hard-earned money is well-spent is one of our most important responsibilities. While the SBA's outreach efforts are important, we need to ensure that they are

being good stewards of taxpayer dollars. The SBA needs to get back to its roots of helping small businesses, and not racking up expensive travel bills.

QUESTION 9:
If confirmed, will you commit to being a good steward of taxpayer dollars by engaging in thoughtful travel and by limiting the SBA's travel to trips you feel are most important to the SBA's core mission of helping small businesses?
If confirmed, I would certainly view any agency expenditures through that lens.

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Questions from: **Senator Duckworth**

Last month we discussed the need to finalize the regulations implementing my bipartisan Veteran's Small Business Enhancement Act, legislation that President Trump signed into law January 3, 2019. As I mentioned, Veterans and Veterans' small business interests across the country want this law implemented as soon as possible, so that they can access the Federal Surplus Personal Property Donation Program through the General Services Administration (GSA).

Treasurer Carranza, I want to thank you for your commitment you have already made to working with GSA and me on implementing these regulations quickly and efficiently.

QUESTION 1:
If confirmed, will you commit to having your staff provide my office with detailed, monthly updates on the drafting and implementation of these regulations, until they are finalized?
I appreciated our conversation and knowing of your leadership on this bill. If confirmed, yes, I will ensure that agency staff provides you with regular updates on our progress in implementing the new law.

The Small Business Administration's (SBA) Microloan program continues to serve women-owned and minority-owned businesses at a higher rate than the regular 7(a) loan program, the 504 loan program, and Small Business Investment Company program. In our meeting, you mentioned that, if confirmed, one of your top priorities will be working with underserved markets. It is clear that the Microloan program is leading the charge at SBA to do just that.

The Microloan Program Enhancement Act would streamline the program by eliminating the 1/55th rule, and would require SBA to increase program transparency by posting its lending data online.

QUESTION 2:
Treasurer Carranza, do you support these common-sense improvements to the Microloan program?
I have heard very positive things about the agency's Microloan program and I support efforts to better reach underserved communities. If confirmed, I would need some time to engage with the agency team and our stakeholders to become better informed on current successes within the program and to review enhancements like those you reference.

When Congress passed the Small Business Act, we enshrined in Federal law the following principle: the mission of each agency's Office of Small and Disadvantaged Business Utilization (OSDBU) must be a priority. However, reviews by the Government Accountability Office reveal widespread lack of compliance with this clear statutory requirement.

QUESTION 3:
Treasurer Carranza, why do you think Congress made sure to elevate the prestige of OSDBUs in the Small Business Act, specifically that every OSDBU directly reports to the head of the agency, AND that a full-time small business technical advisor is assigned to each office with a procurement center representative?
In my previous service at the agency as Deputy Administrator, I worked closely with OSDBU representatives. I believe those changes were intended to ensure the priority within agencies of the role of OSDBUs in maximizing small business contracting opportunities. If confirmed, I will work to ensure that SBA is actively engaged with OSDBU representatives, promotes best practices, and fully supports their mission.

The Interagency Committee for Women's Business Enterprise was established in 1979 to promote full employment and economic growth for women-owned small businesses and women entrepreneurs in the United States. Unfortunately, the Interagency Committee has been inactive since 2000.

There is bipartisan support in Congress to reestablish the Interagency Committee on Women's Business Enterprise to work with SBA, the National Women's Business Council and several Federal agencies and departments to help them increase their efforts to promote women-owned businesses.
Review

QUESTION 4:
Treasurer Carranza, I understand one of your top priorities is to create more opportunities for women-owned small businesses. If confirmed, would you support re-establishing the Interagency Committee for Women's Business Enterprise, an Interagency Committee dedicated to promoting women-owned businesses?
If confirmed, I would like to learn more about the history of the Interagency Committee, the federal and private sector participants, and how the Committee may have contributed to enhancing women's business opportunities. I assure you that I will take a close look at this.

In 2015, SBA commissioned a study with the Library of Congress that found that women working at Small Business Investment Companies (SBICs) are more likely to have leadership positions than in the broader private equity community, and that diverse investor groups are more likely to invest in companies with diverse representation. In 2016, SBA created the Open Network for Board Diversity (ONBOARD) Initiative, a public-private partnership that seeks to address the need for more talented women and minority business professionals serving in leadership roles in high-growth small businesses.

Unfortunately, it is my understanding that SBA is no longer pursuing the ONBOARD initiative.

QUESTION 5:
Treasurer Carranza, if confirmed, will you re-activate and enhance the ONBOARD Initiative to help increase the number of women and minorities in leadership positions in high-growth small businesses within the first 30 days as SBA Administrator?

I agree that we should foster greater diversity and involvement in SBICs and other agency programs. Before agreeing to start or restart initiatives, and if confirmed, I would want to understand the history of the initiative, funding related to it, and the impact of the previous initiative relative to the stated goals.

Treasurer Carranza, as was discussed at length during the hearing, there is bipartisan concern that the model and assumptions used to calculate the 7(a) lending program's subsidy rate is inaccurate. For FY2020, SBA projected that the 7(a) program will no longer be able to run on zero subsidy, and instead will need a minimum of $99 million to run the program.

QUESTION 6:
Treasurer Carranza, if confirmed, will you commit to working with my office and this committee to make sure the 7(a) loan program's model and assumptions are transparent?
Yes, I look forward to working with you and your office on this issue, if confirmed.

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Questions from: **Senator Hawley**

Small Business Investment Corporations (SBIC) are important for providing capital to growing small businesses across the country. This especially true in my state of Missouri where they are responsible for investing over $700 million in 172 small businesses over the past ten years. At past hearings I've raised concerns about some of the serious management challenges that currently plague this program, which have resulted in a decrease in both SBIC investment and a delay in the licensing of new funds.

QUESTION 1
If confirmed, what are your plans to address these management and program challenges?
A priority of mine, if confirmed, is to ensure SBA programs are optimized and operating effectively for our small business entrepreneurs. I assure you that I will look closely at the SBIC program and assess staffing, budget, leadership, and operations, and that I will keep your concerns in mind while assessing the program.

Missouri has suffered from severe storms and natural disasters this past spring and summer, resulting in significant wind and flood damage. The Small Business Administration has to date approved over $15 million in federal disaster loans for Missouri businesses and residents impacted by these events. It is very important to me that we are getting timely assistance to those who need it.

QUESTION 2:
If confirmed, what are your plans to ensure that the current disaster loan programs are operating at peak efficiency?
In my previous service at the agency as Deputy Administrator, I was very involved in the disaster program and helped create the agency's first disaster recovery plan, which still serves as the foundation for the disaster program today. Making sure that SBA's disaster assistance program is operating at peak performance is a top priority of mine. If confirmed, I will ensure that the agency's disaster program continues to be a lifeline for disaster survivors.

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