

NATIONAL PRESS CLUB LUNCHEON WITH KAREN MILLS

SUBJECT: BOOSTING THE SMALL BUSINESS SECTOR

MODERATOR: DONNA LEINWAND, PRESIDENT, NATIONAL PRESS CLUB

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**DONNA LEINWAND:** (Sounds gavel.) Good afternoon. Welcome to the National Press Club for our speakers luncheon. My name is Donna Leinwand. I'm a reporter for *USA Today* and I'm President of the National Press Club. We're the world's leading professional organization for journalists, and we're committed to the future of journalism by providing informative programming and journalism education, and fostering a free press worldwide. For more information about the National Press Club, please visit our website at [www.press.org](http://www.press.org).

On behalf of our 3,500 members worldwide, I'd like to welcome our speaker and our guests in the audience today. I'd also like to welcome those of you who are watching us on C-SPAN. We're looking forward to today's speech, and afterwards I'll ask as many questions from the audience as time permits. Please hold your applause during the speech so that we have time for as many questions as possible. For our broadcast audience, I'd like to explain that if you hear applause, it may be from the guests and members of the general public who attend our luncheons and not necessarily from the working press.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. From your right, Nina Easton of *Fortune* magazine; Mark Drajem of Bloomberg; Carrie Lynn Mitchell of Federal News Service; Joe Adler, a reporter at American Banker; Mike Norton of Team Critical Care and a guest of our speaker; Doug Harbrecht of Kiplinger, and a past President of the National Press Club; Becca Gould, Vice President of Government Affairs for Dell, and a guest of our speaker.

Skipping over the podium, Angela Greiling Keane, Bloomberg News and Chair of the National Press Club Speakers Committee; skipping over our speaker for just a moment, Debra Silimeo, Hager Sharp and Speakers Committee member who organized today's event. Thank you very much, Debra. Grace Dittmar, Trusted Mission Solutions Incorporated, and a guest of our speaker; Marilyn Geewax, senior business editor of NPR; Nancy Waitz of Reuters; and finally, Paul Merrion, Washington Bureau Chief of Crain's Chicago Business. (Applause)

While the nation has trained its attentions on the excesses of Wall Street, Main Street has suffered quietly. Small businesses typically drive job creation, but the news from Main Street has been dismal lately. Banks have reportedly cut more than \$10 billion from their small business lending over the last six months. Businesses with fewer employees cut another 68,000 workers in November. At President Obama's job summit earlier this month, the message from small businesses was clear: no jobs without growth, no growth without credit.

As the recession continues and the rate of joblessness remains troubling, labor leaders and Democrats in Congress have suggested that the Obama Administration turn its attention and its bailout money to small businesses. The President prodded bankers today to make more small business loans.

Our guest today is one of the administration officials charged with trying to fix the situation. Karen Mills runs the United States Small Business Administration. The SBA is the nation's largest single financial backer of small business. The SBA was created in the 1950s when most banks did not like to lend to small business. The thinking was if you could provide the bank a guarantee in order to make the loan, you could spur credit in amounts large and small for American entrepreneurs. Today, SBA provides direct and guaranteed loans, technical help and training, government contracting programs, and even disaster assistance.

Karen Mills, who holds an economics degree and MBA from Harvard, was a venture capitalist and business manager before she came to Washington from Maine earlier this year to join the Obama Administration. She ran two successful capital ventures investing in and guiding a range of businesses and serving as a management consultant. In Maine, she also serves on the Governor's Council on Competitiveness and the Economy.

Her challenge today is to help millions of small businesses get back on solid ground. So we welcome hearing today from the head of the Small Business Administration to hear about the jobs, the economy and the outlook for small businesses. Please help me welcome to the National Press Club Small Business Administrator, Karen Mills. (Applause)

**MS. MILLS:** Thank you very much, Donna. Thank you for that introduction. Good afternoon, everyone. It is a great honor to be here. Donna said I'm from Maine, and first I want to take the opportunity to help the chef, to thank the chef at the Press Club

here for this Maine-oriented lunch. I understand we had Maine sea scallops. So, thank you.

I know that many of you recognize that Maine is the home to many small businesses. And in fact, this weekend I was home, and I was walking down Maine Street, which we spell with an E, and I saw many of the people who really are the reason why come to work every day. And they are the force that is behind the American economy. So I'm walking down Maine Street and I was looking at Henry and Marty's Restaurant. Henry and Marty retired three years ago, and they were able to sell their restaurant to their employees and continue the tradition of great scallops and lobster and Maine food on Maine Street because of an SBA loan

And then I went by Penobscot Bay Porch Swings. And this is an entrepreneur who was the school nurse at the elementary school. And she had an historical design for an authentic Maine porch swing. And right now, she makes those in Brunswick, Maine, and she exports them all over the country and all over the world.

So on Maine Street, you can really feel the pulse of small business community. And even in tough times like this, it's easy to see how small businesses are the engine of our economy. So here are the facts. Half the people who work in this country own or work for a small business. And 64 percent of the jobs that were created in the private sector over the last 15 years came from small businesses. It's our entrepreneurs, it's the small business owners that are also going to be able to drive America's ability to innovate and stay competitive across the globe.

You know, this week is an anniversary for me. A year ago this week, the President asked me to come and serve at the Small Business Administration. It was a tough time a year ago. We had just had a meltdown in the financial markets. We had a freeze in credit in both conventional and in SBA loans. But, the new administration and Congress got behind small business because we knew that they would be an essential part of the recovery. So today, I want to talk about the progress that we're making in helping small business put the brakes on recession. And I want to describe how we're going to continue to build small businesses and create jobs in 2010.

At the SBA, our mission is to help small businesses start and grow. We do this in three main areas: access to capital, opportunities in federal contracting, and developing entrepreneurs. Or more simply, the 3 Cs: capital, contracting, counseling. The first C is capital. As you might know, small businesses rely on access to bank credit much more than big businesses. At the SBA, you may not be aware, but we have a portfolio of over \$90 billion in loans and loan guarantees. These are helping businesses get the credit they need to grow and create jobs. And we do this by partnering with over 5,000 banks, credit unions, and other institutions.

A year ago, credit had frozen. With the Recovery Act, we needed to get this credit flowing again. So we made two temporary changes to our major programs, the 7A and the 504 program. First, we reduced or eliminated our loan fees so that we could let small

businesses keep more of that money and put it to work in their businesses. Second, we increased the guarantee on 7A loans to 90 percent. And that helped banks be more likely to lend. The formula worked. Our average weekly loan volume increased more than 80 percent from the weeks before the Recovery Act. And as of now, in the past few months, we are back up to higher loan levels than in 2007 and in 2008.

Here's the headline: we leveraged \$375 million in stimulus funds into more than \$16 billion in the hands of lending to America's small business. Not only is that a good return on investment for tax payers, but it's \$16 billion in the hands of the people who know exactly how to put that money to work.

In addition, we brought more than 1,200 lenders who had not made an SBA loan since October when the credit markets froze until the Recovery Act. We brought 1,200 lenders back to SBA lending. And our goal in 2010 is to keep adding to this, because we want to focus on having more points of access for small business to come and be able to get SBA loans.

The impact of this is very real. For people like Mike Norton, who's sitting up here, you can wave, Mike; and Katie Quick is here, too, his partner in the business. Come on, wave up. They own a company called Team Critical Care in Maryland. And it runs the ambulances that serve the local hospitals. I asked them before, did they ever drive the ambulance? I think they did at the beginning of the business. They started their business three years ago. Everything was fine until they had a conventional line of credit and it was unexpectedly called in. So in June, they had to go find a new lender and that lender helped get them an SBA loan for \$300,000. Now, they saved \$8,000 from reduced fees, and they've hired 18 more employees. So Mike told us that this loan literally saved their business. (Applause) So thank you for being here. Thank you for coming, Mike and Katie, and also for the work that you do to save lives every day.

We can't stop there. We have progress with our access to capital. But now we're working on small businesses benefiting from Recovery Act contracts, the second C. At the SBA, we help insure that small businesses get access to 23 percent of all federal contracts. Now, I describe this as a win/win because contracts are like oxygen. They're the revenue that small businesses need to grow their business and create more jobs. And especially at this time, when revenues are tight, Recovery Act contracts are even more helpful.

And this is good also for the taxpayers. Because the federal government gets access to some of the most nimble and innovative small companies sometimes with even a direct line to the CEO. In August, the Vice President asked Commerce Secretary Gary Locke and me to make sure that federal contracts were heading to small businesses, especially those owned by women, minorities, and veterans. And since then, we've worked together and our teams have created about 300 outreach events. They're called matchmaking events. Our goal is to put the right procurement officer together with the right small business. Some people say that's like speed dating. We prefer to think that we're creating long-term relationships, maybe like Match.com.

So far, we are actually exceeding our goals in the Recovery Act. We're exceeding those goals. We've got about \$5 billion in Recovery Act dollars in the hands of small businesses, and we're exceeding some of our sub goals also, such as those with service disabled veterans. We're also very focused on the women and minority owned firms getting access to federal contracts because these two sectors, the women and minority owned businesses, are some of the fastest growing sectors in all of small business. So we have capital, we have contracts.

The third C is counseling. I want to touch on this because many of you don't know about the extent of our counseling network. I call it the SBA bone structure. The backbone is our SBA employees. We have over 100 field offices all across the country. We're a small agency with a big mission. Our most valuable asset in achieving that mission is our people. We also have 14,000, 14,000 affiliated counselors. These include 900 small business development centers mostly located at community colleges, local universities. We have more than 100 women's business centers. We say that we have a counselor within 45 minutes to an hour of most small businesses that are out there. And we have 370 chapters of our mentoring program, which is called SCORE. All together, these folks serve more than a million clients a year.

This past year, they've been working particularly hard because small business owners have had to shift gears in order to survive. Many of them have come in to redo their business plan. And, these people are helping new entrepreneurs start up businesses. I want to point out Ken Yancey, who's right here, who runs SCORE. He has an entire volunteer army of retired executives, and he has challenged them over the next five years to help create over a million small businesses. I always tell small business-- (Applause)

You know, I come to these gatherings, I do them all over the country and there are small business owners there. And I always ask them to raise their hand if they have an SBA counselor, if they have a counselor who helps them. And if they don't, I tell them they should because our data shows that when you have a long-term counseling relationship, you have better sales, higher profits, and you hire more people. The best part of that is that all of these services are free.

Another tool in our counseling toolbox is SBA's partnership with the private sector. On that note, I'm very happy to be here to announce that we are launching a new online partnership today called Strategies for Growth with Dell, which is a company that knows something about growth. They started in 1984 with \$1,000 in startup capital. Some of the best advice that a small business owner can get is from someone who has been in their shoes. That's what's in Strategies for Growth. It's video and it's online and it shows you how to get contracts and how to export, how to create jobs. And I want to thank Becca Gould, who's here from Dell, for being here today. And Grace Dittmer who's here who is the CEO of Trusted Mission Solutions. That's one of our great IT companies. She has a number of federal contracts, and she's a star in the video as well.

And has anyone in this room ever eaten a cupcake from Cake Love, right? Yeah? All right, Warren, you're going to have to stand up because Warren Brown is here and he started Cake Love. He told me earlier that he's expanding. He's going to open a new location, can't tell you where yet, maybe he'll say, and hire more employees. So thank you very much. He's also a star of Strategies for Growth, telling other people how to grow their business. So thank you, Warren, thank you Grace, thank you Rebecca for being here today to kick this off. Thank you. (Applause)

So, we've covered capital, we've covered contracting and counseling. And through those, we at the SBA have helped small businesses come a long way in 2009. But what about now? The president said, I'm going to quote, "We will not rest until businesses, small businesses, are investing again, businesses are hiring again, and people have work." In each recession, we know that job growth lags behind the economy. So we're seeing the economy tick up, and we are focusing on how to make sure that small businesses have the tools and the incentives that they need to create jobs and to create them as quickly as possible.

So what are we doing? Well, the first thing that we did is that we listened. And some of you actually were in attendance, or have seen that Tim Geithner and I held a forum last month on small business lending. And that, in turn, set the stage for the small businesses job summit where Tim and I had another forum. We had small businesses there, we've had banks there, community banks, large banks. And that, in turn, contributed to the rollout last week of the jobs plan in which small business was a priority.

Process has been a great way for us to get input directly from small business owners. So it's not surprising that this plan, this jobs plan, has very broad support from the small business community. Because it's built on things that work. I mentioned before the waived fees, the increased 90 percent guarantees in our loan program, did exactly what they were supposed to do. They worked so well, in fact, that we ran out of stimulus funds before Thanksgiving, was months before the authorization is going to expire. Small business owners and our lending partners are very vocal about the need to continue these provisions. And that's why the jobs plan calls for them to be extended through the end of 2010.

In addition, we're asking Congress to increase our loan size from \$2 million to \$5 million. Based on what we've heard from small business owners, as well as our own hard data, we know that demand exists out there for these larger loans. And there's no reason that we can't meet that demand and help these small business owners create jobs.

Extending our Recovery Act loan provisions, increasing our loan sizes, those are good first steps. But, they're also complemented by the administration who is working to encourage more conventional small business loans. In fact, I'm sure that you know that right this morning, maybe not at this very minute but just in the last hour, the President himself met with the top U.S. banks on this very topic.

We're also not going to stop there. The small business community told us that tax incentives are critical. For example, you might remember that in the stimulus, we had the carry back provision for small businesses and that has been actually renewed. The President signed legislation extending that to 2009, as well, and already I think it's accounting for about \$5 billion in tax relief for small businesses. That's money right in the hands of small businesses off their taxes this year.

We're going to build on this in the jobs plan. Calls for Congress to extend the tax write-off, the accelerated depreciation for investment and equipment, and to completely eliminate capital gains taxes for people who invest in small businesses in 2010.

Furthermore, the administration is talking with Congress about a short-term tax cut that will accelerate new hires. With this tax cut, we want to be able to say to small business owners, "Don't wait, go ahead, make that hire. You can do it now."

Jobs plan benefits for small business don't stop there. The money for energy retrofits also helps many small businesses that specialize in weatherization and renewable energy. And in fact, we have some experience already with that because the SBA approved in the Recovery Act over 300 loans, \$100 million, for businesses that put solar panels on rooftops, that installed wind turbines and that provide energy efficiency and environmental services.

So this leads me to a key focus that I have set for the SBA. We're focused both on creating jobs in the short-term, and at the same time we are working to help those small innovative businesses that are the foundation stones for America's long-term competitive positions. In fact, there are really two kinds of small businesses. There's the small businesses on Main Street, and these are the restaurants and the dry cleaners and the car repair operations that are part of the fabric of our everyday lives. The SBA serves those small businesses on Main Street, and we have since we were founded in 1953, and we're going to continue to do so.

But in addition, we have a unique opportunity to build America's future by investing in the high growth, high impact small businesses. They're sometimes called gazelles. There's one study, it shows there are about 375,000 of these small businesses and they're not all young, high tech startups on one coast, east coast or the west coast, no. Instead, they exist in every county, both rural and urban, all across the country. They're in every industry including manufacturing. Some are the young high tech startups and alternative energy and healthcare information technology. Others are hundred year old, third generation companies that have found a way to reinvent themselves for the 21<sup>st</sup> century.

At the SBA, we are committed to helping these important job generators. I'm going to tell you two quick ways that we're going to do that. The first is exporting. Trade has been global for America's big companies for decades. But with the growth of global networks and communications, new markets have opened up for small businesses. Since 2003, America's small business exports have grown about 80 percent. They're nearly

\$500 billion now in sales. But the problem is that these exports are now only 30 percent of the total exports of the country. And more than half of the small businesses that export, they only export to one country.

We're helping lead an inter-agency group, cross government, that's going to change that. We're going to increase both the number of entrepreneurs who export and the number of countries that they export to. I'll just give you one quick success story. I love this company. Southwest Wind Power; it was founded in 1987 in a garage, really in a garage, in Flagstaff, Arizona. In 1995, they got an SBA loan, and since then this company has made 160,000 small wind turbines. And they power offshore oil platforms and telecommunication towers and homes and schools in 90 countries. They have a hundred employees, and they're hiring even more because they have a whole supply chain they're building up to expand. They saw the demand abroad, they're meeting it, and we're going to create more exporting successful small businesses just like this.

The second quick idea is something I've worked a lot with some of my friends from Brookings who are here; regional innovation clusters. Several years ago, up in Maine, we knew that our naval air station in my hometown of Brunswick went on the base closure list and were going to lose a lot of jobs. And the governor asked me to find some innovative small businesses who would help and go there. So we looked around to see what our assets were, and we saw that Maine has been building boats for over 400 years. And at the University of Maine, there was new technology, cutting edge technology, in composites that made boat hulls that were the fastest and the lightest in the world.

So we formed a cluster of these independent Maine boat builders, and we leveraged this new technology, branded it Maine Builds Boats, and now Maine is exporting boats as far away as Shanghai. At the SBA this year, we did it again. We saw that there were all these small automotive suppliers in a hard hit area, Michigan. And I actually went to Detroit and kicked off this cluster. They had expertise in the state of the art area of robotics. And this expertise was very interesting to our Department of Defense. So, we put this cluster together. And as I said, I went out and it is extraordinary how when you get the universities with the expertise, the small businesses with the expertise, and at this time the Department of Defense, how many opportunities we are creating because these suppliers are now diversifying out of the automotive industry and supplying unmanned military vehicles and much more.

In 2010, we're going to expand this cluster to other locations in the United States, and we're going to establish even more regional innovation clusters. We're also going to push exports because we know we can help these high growth small businesses turn innovation into jobs.

So, in closing, we have three Cs. We've got capital, we've got contracts, and we've got counseling that are really part of the bone structure of the whole Small Business Administration. At the same time, we're going to push ahead in exports and clustering.



And we know that if we do this, we can give small businesses the tools they need to grow and prosper, create jobs and drive our economy once more.

I've been working in small business most of my life. I've had the chance this year to see their resiliency, strength throughout the whole United States, heard the great success stories. Here in D.C., we've had Trusted Mission Solutions and Team Critical Care, Cake Love, many more. I've traveled all around the country. I met this guy, Samuel Cull, in Chicago and he had walked into one of our small business development centers with technology that does titanium infused molds for the automotive industry. He had zero business experience, and now he has a company that is supplying state of the art technology and he has offices in Ohio and Michigan and Wisconsin and he's still growing. Stories like these that inspire me.

When I go home for the holidays, I'm going to see the familiar shops on Maine Street, with an E, and I'm going to see all of these high growth businesses that are operating all around the country. These are the businesses that inspire me personally, they inspire everyone at the SBA, and they are the inspiration for all Americans because they are the force that are going to create the jobs that we need and the innovation that is going to keep the American economy competitive all across the globe. Thank you for having me here. (Applause)

**MS. LEINWAND:** We have all kinds of questions and we'll get started right away. Risky lending is part of the reason the U.S. economy tanked. How do you balance the call for more lending with the desire to not repeat past mistakes?

**MS. MILLS:** Thank you. You know, right now, as you know, we are still looking at an environment where there is not enough lending to small business. And we know that there are still good companies out there that can't get the credit that they need. Our credit scores on our loans have actually gone up in this environment. They've gone up. So we are not making riskier loans, we're actually seeing more great companies out there. And this is why today, across the administration, we have urged banks to come back in this market and make the loans to those good companies. Because without the credit, as the economy perks up and they need to expand their inventory and hire that next worker, they're going to need that capital to grow.

**MS. LEINWAND:** So how does the SBA protect itself against people who are irresponsible in getting loans, like the mortgage borrowers who cannot meet their obligations?

**MS. MILLS:** It's very important, as you know, we work through our 5,000 banking partners that are out there. And we have very strict credit standards about what is an appropriate SBA loan. So when we go out there, we are providing access and opportunity to viable businesses that the market isn't serving. We actually have fairly low default rates in our SBA lending. But what's important is that we are providing access and opportunity through 5,000 lending partners who have strict credit procedures that we also oversee. Because this is taxpayers' money, so it's very important that we not put it at

risk, in risky situations. That we instead find those viable businesses and make sure that they have access.

**MS. LEINWAND:** What leverage do you really have with the big banks?

**MS. MILLS:** Well, these banks are our partners. You know, we have 5,000 banks and we have many, many community banks that are our partners. But we also have SBA operations in pretty much all of the large lending institutions. So we talk to them every single day, and they have-- I will have to say, they have stepped up in these Recovery Act programs, they have put more emphasis in their SBA lending. And, as I say, we have 1,200 banks who had stopped lending who have come back to our program today. So we know that when we have these relationships with them, they will come back and they will serve this market.

**MS. LEINWAND:** Why do the banks want to work with the SBA?

**MS. MILLS:** The SBA provides a very important function. The conventional marketplace operates for most bank lending. If you can get a loan from a bank, why should the taxpayers subsidize your loan? You should just get that loan. But if you are a viable business, and for various reasons the market is not serving you, that's where the SBA comes in. So banks are able to get our help with a little more credit support to stretch for those viable businesses that for some reason they need some additional credit help with. And that's why they want to work for us, because we expand their possibility, we partner with them so that we work very often through their processes and procedures. And we allow them to serve more clients who then very often grow and take out conventional loans.

**MS. LEINWAND:** Do you blame bank regulators like the FDIC for the trends of tightening credit?

**MS. MILLS:** We work very closely with all of the regulators. We were just talking to the FDIC, who are trying very hard to work and repair banks and make sure that the crises and the dislocations that we've had, which are very bad for small business, are put to rest and that we move forward with a strong and viable banking system. From our perspective, we have enormous faith in our banking partners right now who are stepping up and partnering with us. One of the benefits of an SBA guarantee is that portion doesn't have to go against their balance sheet. So at the moment, it's a very good way for banks to partner with us, stretch out and make some of the credit available that they know the marketplace needs. So, we have very good, I think, balance at this time.

**MS. LEINWAND:** What conditions would need to occur for the administration to consider making direct loans to small businesses?

**MS. MILLS:** Well once again, I want to mention that we have a network out there of banks that we work through. So for us to be in every corner of every state, as we are now, we have 5,000 partners who have an SBA loan. We have just under 3,000 who

have made an SBA loan in the last year. That's a pretty powerful network. So, our choice and what we are advocating, is to continue what works. We know that we're able to get 1,200 banks back to lending who had stopped with the 90 percent guarantees and the fee reductions. So we know that if we can continue to do that, and we can get, as the President is urging today, banks back making conventional loans, and we can increase the size of our loan limits, which allows us to reach a broader group, we believe that that will be the right formula to serve the marketplace that's not getting served today.

**MS. LEINWAND:** Isn't access to capital threatened since the stimulus funds ran out in November?

**MS. MILLS:** Yes. As I mentioned, the stimulus funds did run out. Now, we went from a 90 percent guarantee to a 75 percent guarantee, so we're still in business. And we created a queue for small businesses who want to wait for the 90 percent guarantee if Congress comes back with that activity. So, if you've ever been to the airport and you've seen your name on the standby list, it's a new technology, an open portal, and you can go in and see where your name is on the queue. And we think that those things combined with still being in business with our current product, is going to be able to serve the market.

**MS. LEINWAND:** What are the prospects of SB 2869 passing before Congress adjourns? Do you know that one?

**MS. MILLS:** No, I don't. Whoever asked--

**MS. LEINWAND:** So if you ask a question, try to avoid the acronyms and Senate Bill numbers. But we'll move on to a psychological question for you. Do you feel misunderstood by Congress? Do you think Congress understands your agency?  
(Laughter)

**MS. MILLS:** I absolutely feel Congress understands our agency. When you're in Congress and you go home to your district, they're hearing from our small businesses, from their small businesses, every day. So when I go to the Hill, I know that each member is really focused on solving these issues for small business. We have two terrific committees who oversee us, one in the House and one in the Senate. They've been doing this a long time. They provide enormous attention to these issues and are really focused on solving some of these problems. So we have actually quite a good partnership.

**MS. LEINWAND:** Many displaced workers look at starting a business as an alternative. However, banks are hesitant to fund startups. Are there any plans to enhance funding resources for startup businesses?

**MS. MILLS:** Well, having been in a startup business, and funded startup businesses, this is very dear to my heart. We have terrific resources. We were able to get \$50 million of additional micro loan money to put out into the communities through our network of micro loan lenders. So, we are every day actively helping people start up their

businesses. Sometimes, it's just a cookie store on Maine Street, and sometimes it's going to be the next Dell. So, we also have our SCORE counselors, remember, who are 12,000 of them out there with a mission: to help create a million small businesses. These are people who have been in maybe that very business and they also do their counseling online. So we're quite active right now with both the capital and the counseling for small business startups.

**MS. LEINWAND:** Small manufacturers say they have special hardships that make it next to impossible to get an SBA loan. What specifically will you do to help factory owners?

**MS. MILLS:** Actually, factory owners are very, very a much a part of the core SBA lending. So, I'll have to hear more, whoever said that, about what issues. We have particular higher limits on our 504 loans for manufacturing operations so that they can buy their building, or more equipment. And we have quite a few in our 7A program. So, I would have to say that SBA is quite focused on manufacturing operations. I'm particularly focused on it because most of my small business experience is in manufacturing.

**MS. LEINWAND:** Apart from financial institutions, do you see a deeper partnership with larger companies who are supplies to small businesses?

**MS. MILLS:** Well, as you know, we are responsible for helping insure that 23 percent of all federal contracts go to small business. Very often, in all agencies, but Department of Defense, for instance, this happens through partnerships we call mentor/protégé. Small businesses and big businesses partnering together. Because big businesses, more than ever before, need a whole supply chain of small businesses behind them. And they've really focused on this. So they've come to us and asked for even additional help. And this is for real partnerships. This is not for a big company masquerading as a small company. This is for big companies to make sure they have the best innovation, which very often happens in a small company, and has a partnership with those small companies so that their supply chain allows them to operate with the best possible products in an uninterrupted fashion.

**MS. LEINWAND:** With the passage of the recent appropriations bill, how great a reduction in fees can borrowers expect when obtaining an SBA loan?

**MS. MILLS:** In the Recovery Act, we are able to fund the full elimination of borrower fees for our 504 and for our 7A loan as well. We are now in a point where the President has asked Congress, and we've asked Congress, to continue that for the next year. So, we are hoping to have that fee elimination for borrowers continue through the whole of 2010.

**MS. LEINWAND:** Do you think the Senate will approve the bill to increase 7A and 504 loan maximums?

**MS. MILLS:** In fact, both Senator Snow and Senator Landrieu have put in bills to increase the maximum to \$5 million. We feel that this actually can bring a lot more small businesses into our network and allow us to fund them, particularly in these times of tight credit. But we will not let those big loans crowd out the small loans. We're going to make sure that we also keep taking care of all of our small customers as well.

**MS. LEINWAND:** So Congress was giving you love, but somebody else wants to ask, what do you say to small business groups that argue the best way to help small business is for government to get out of the way?

**MS. MILLS:** One of our responsibilities is to make sure that we watch out for small business, and that small businesses do not suffer unintended consequences of other regulation. This is something we take very seriously and we have a great office of advocacy that operates independently and focuses quite a bit on this issue. We have an entire group that you may not know about, called the ombudsmen. And their sole job is to help small businesses navigate through regulatory issues. So if you are a small business and you are out there, one of our main missions is to help you navigate these kinds of issues.

**MS. LEINWAND:** What help can SBA offer in reducing taxes on small businesses, such as payroll taxes?

**MS. MILLS:** Well, right now we're in discussion to do some kinds of new tax reductions. The administration is talking to Congress about all kinds of plans that might reduce various kinds of payroll taxes or other things to support new hires. In addition, the tax incentives that have been proposed in the jobs plan are proven benefits for small business. I just want to spend a minute on the accelerated depreciation, which is very beneficial. If you are going out and you're going to buy a piece of equipment, you're going to be able to write off much more of it right now. So, this is directly into small businesses to help them expand. The same with the tax loss carry back. Very powerful. Five billion dollars already out helping small business. It allows a small business to get immediate benefit. When they file their taxes, they can write off losses against the last five years. So that can mean cash right back in the pocket of a small business right in April.

**MS. LEINWAND:** The federal tax incentives are admirable, but are financially pressed cities and states going to hurt small businesses through higher taxes and fees and by reducing services?

**MS. MILLS:** Well, this issue of what's going to happen in state and local governments is very much on everyone's mind. I know Bruce Katz is here from Brookings, runs the metropolitan division there, and really focuses on the hundred metros that really drive our economy. These are critical pieces of our economy, small businesses operate there, they depend on them. And we need to make sure that they can operate so that small businesses can operate there.

**MS. LEINWAND:** Are there any particular parts of the country or industries in trouble that have really kept you up at night?

**MS. MILLS:** You know, I traveled around really every week since I think July, all the way through until quite recently. And I've been in every region, every region. And we have an economy in many places that's in transformation. We have to make sure that we work in those regions to make sure we have, for instance, the clusters of activity that are going to allow the companies and the jobs to turn to what is going to be successful in this next era going forward.

And we have a lot of tools out there that can do it. We have a great emphasis at the federal level on workforce training, and a lot of resources going down there. We have all of our SBA network and bone structure that lives in every one of these metropolitan areas in every one of these states. We have universities and innovation creation all across these areas. That's one of the reasons why I'm such a big fan of these clusters, of these innovation hubs. Because lots of them will involve small businesses, and lots of them in these more troubled areas-- I was in Kokomo, Indiana. Twenty-five percent of the employment in that town is Chrysler. But, they already have an accelerator, they already have innovation. They got trained engineers. Our job is to make sure we've got entrepreneurs starting businesses, creating environments where we can take that innovation, turn it into jobs, turn it into products that are competitive around the country. We're very focused on that.

**MS. LEINWAND:** The small business investment company program is part of the SBA. This program is operating at only 20 percent of capacity, leaving \$2.4 billion unused in FY 2009. What are you doing to get this unused money out to small businesses?

**MS. MILLS:** I want to point out Brett Palmer here and the whole SBIC groups, there are several of you here, and I know that you're going to be out there helping us use this money. We actually have a terrific person now who's heading that area. I want to introduce Sean Greene, I don't know if he's here, but who has great experience in this area. And I'll tell you what we're finding. Our applications for these SBICs have gone way up. We're getting the highest quality people coming in. We have tremendous new innovation in how we are working with those applicants. We're taking our lead times down. He announced the fast track program for a particular set of folks that we've been working with already. We're going to get your applications through much faster. So, I would anticipate that we are going to be very able to put that money to work over the coming year.

**MS. LEINWAND:** With the increased focus in financing available, will you be able to hire more people to manage SBICs? In particular, the approval process?

**MS. MILLS:** Well, I think just answered, I think yes. There's a great community out there that we're partnered with. We have folks at the SBA with great expertise in this area. And, there is a capital gap, there's a valley of death and we are helping people at the

early stages and we're helping them get all the way through that area. We must fill that valley of death with access to capital and opportunity if we are going to create these innovative companies that I described earlier. So we are focused on it, and I think we're going to have the expertise and the partnerships with the entrepreneurs and the fund managers that are going to allow us to do it.

**MS. LEINWAND:** You often hear people say government should run like a business. Since you have run a business, is this reasonable? And how are your challenges now different from when you were running a business?

**MS. MILLS:** You know, I have a great team at the SBA. And when you're running any kind of operation, you know that your greatest asset is your people. When you look at what is available in the Small Business Administration, \$90 billion loan portfolio, 14,000 affiliated counselors, 5,000 banks who are our network, our partners, all across the country. And we have a relationship with all of our fellow agencies to work together in order to get small businesses these contracts.

What I find in the SBA is that we have enormous assets, so it makes my job as a leader quite easy because I have only to empower these great people, and help us, I think, work together, not in silos, but as a team to help our constituent, small business. I also find that if you have a great mission, it's pretty easy to get a passion and enthusiasm and energy against the problem. And that's what we've got today.

**MS. LEINWAND:** We are just about out of time, we have a few more questions. But before I ask the last question, I have a few important matters to take care of. First of all, let me remind you of our future speakers. On December 21<sup>st</sup>, Francis S. Collins, M.D., Ph.D., and Director of NIH, will discuss biomedical research, new horizons for human health.

On January 11<sup>th</sup>, Richard Trumka, newly elected President of the AFL/CIO will discuss major domestic legislative initiatives. And second, I'd like to present our guest with the traditional and much-coveted NPC coffee mug.

**MS. MILLS:** I need this. Thank you very much, I'm delighted. I need this mug, thank you.

**MS. LEINWAND:** Something to wake up early in the morning with. So here's your last question. Knowing the economy was on the verge of collapse and you'd be in the hot seat, what persuaded you to take this job? Did President Obama make any specific pledges regarding the SBA and small business? And how'd you get on his radar screen?

**MS. MILLS:** Well, I actually had a job interview. About a year ago, maybe today, and I went out to see the President. I was on the transition team. And what I realized, and I told you the economy was in a meltdown, I have a passion for small business. This President really cares about small business. And I was out at Landover, Maryland. We did an event where we were at a small business, and the President was

talking and I was standing behind the President. And he finished his prepared remarks, and I knew he was finished. So, I didn't know what he was going to say.

And he said this, he said, "To all the small businesses who are out there, I can't imagine how difficult things might be and how tough it is to run your business in these times. But you should know this; this administration is committed to small business because we know when you succeed, America succeeds." The President believes that, I believe that, so I'm honored to serve. Thank you very much for having me. (Applause)

**MS. LEINWAND:** I'd like to thank you all for coming today. I'd also like to thank the National Press Club staff members Melinda Cooke, Pat Nelson and Joann Booz who organized today's lunch. Also, thanks to the National Press Club Library for its research. The video archives of today's luncheon is provided by the National Press Club's Broadcast Operations Center. And our events are available for free download on iTunes, as well as on our website. Nonmembers may purchase transcripts, audio and videotapes by calling 202-662-7598 or emailing us at [archives@press.org](mailto:archives@press.org). For more information about the National Press Club, please visit our website at [www.press.org](http://www.press.org). Thank you very much for your time, and we are adjourned. (Sounds gavel.) (Applause)

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