

SBIC Announcement & Small Business Jobs Act Update

High-Impact Entrepreneurship Symposium

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Thank you, Susan, for that introduction. Good morning, everyone. I hope you've had a good meeting so far today.

I want to thank our Chief Counsel in the SBA's Office of Advocacy, Winslow Sargeant. It's great to have you on board, and thanks to everyone in your office for putting this together.

I also want to recognize Raghav Lal, the Head of Global Small Business from VISA who you'll hear from in just a few moments. VISA is stepping up as an important private sector partner to SBA. Thank you for all you're doing, Raghav.

Supporting small, high-growth firms is crucial to new job growth and prosperity in the 21st century. Everyone already knows that small businesses create two out of every three new jobs... More than half of working Americans own or work for small businesses... And small businesses are driving innovation and competitiveness that will continue to strengthen our economy.

What we've realized at the SBA is that we serve 2 kinds of small businesses. Yes, we serve Main Street small firms. But we also serve high-growth small firms. These are the firms that not only have customers in their local area, but across the country and around the world.

Some folks are surprised when I tell them that the SBA has played a pivotal role in the early stages of many of these firms. Two examples:

In the recession of the mid-1970s, Frederick Smith needed financing to start a national distribution system for air cargo. He was able to get \$5.8 million through the SBA's Small Business Investment Company program. Today, that company is known as FedEx.

Similarly, in the recession of 1969-70, an SBA Small Business Investment Company invested about \$300,000 in a semiconductor chip manufacturer in California. At the time, it had 218 employees and about \$500,000 in revenues. Today, it's Intel, and it has about 86,000 employees with revenues of nearly \$40 billion.

Overall, a study by the Kauffman Foundation shows that more than half of Fortune 500 companies were born in tough times. Today, our challenge is to make sure we're planting the seeds for even more success stories. The question is, "How do we do it?"

We've been working on how to answer that question a lot this year at SBA. Some of you here today have probably been involved in the discussions we've had with Brookings and others.

We've developed five recommendations for fostering more innovation and job growth through high-growth firms. I'll share two right now, and I'd encourage you to find the others online at sba.gov.

One recommendation was to help increase the availability of capital across all stages of the life cycle for high-growth firms. We know that venture and angel funding dropped by about 40 percent in the recession. Too many good small firms still can't cross the so-called Valley of Death.

A second recommendation was to ensure that federal programs are as effective and user-friendly as possible. It's not easy to navigate Washington. We want to make sure SBA programs that target high-growth firms, in particular, are becoming more understandable and more broadly used.

I'm very pleased today to make an announcement that lies at the intersection of these two recommendations – and it relates to the SBIC program I mentioned.

Let me just set the stage by explaining how SBIC works. SBICs are privately owned growth capital firms which are licensed and regulated by SBA. They use a combination of funds

raised from private sources and from SBA guarantees to make equity and mezzanine investments in small firms.

Since they began back in 1958, their impact has been huge. Our SBICs have invested about \$56 billion in more than 100,000 small American firms, including Intel, FedEx and many others.

This program is a strong catalyst for job growth, and it costs very little to taxpayers...

So when the recession hit, and angel and venture funding dropped, Congress and the Administration looked to SBIC to help fill the gap in access to growth capital.

That's why the Recovery Act did some calibrations to the SBIC program that freed up even more capital. The goal was to help fill the gap we saw – while still ensuring that the SBIC was on solid footing.

Those adjustments and other efforts led by our Investment chief Sean Greene, worked. The results have been remarkable. I'm pleased to announce them now.

For Fiscal Year 2010, we saw a dramatic 23% increase over the average of the previous 4 years in total financings to small firms through SBIC. I'm proud to announce that this is a 50-year, record high with a total of nearly \$1.6 billion dollars in overall financing in the hands of high-growth small firms.

And it gets better.

A big problem for SBIC was the licensing process, so we streamlined the process for new applicants and renewals. We decreased processing times from over a year to less than 6 months. As a result, the number of new SBICs licensed in fiscal 2010 grew 130% compared to the previous 4 years, providing more access points to capital around the country.

And it gets even better.

The new SBIC Funds that are now on-board are ready to get to work. Already, we have available over \$1.2 billion for these new funds, a jump of 135 percent, another 50-year record.

Overall, SBIC is now a bigger, stronger pipeline for small, high-growth firms who need growth capital. This increased capacity is good news for small firms that will be using these SBICS in the coming years, driving us to even greater heights.

I know that you just had a panel on the topic of financing high-growth firms. I look forward to hearing what came out of that discussion to help us continue to strengthen and grow programs like SBIC.

But some entrepreneurs and small business owners simply need an SBA loan or a good tax cut in order to hire that next worker.

That's why I want to mention the most important piece of small business legislation in over a decade. It was signed just two weeks ago – the Small Business Jobs Act.

Through the Recovery Act, we were able to waive SBA loan fees and increase our loan guarantee. As a result, we were able to support nearly \$30 billion in lending to nearly 70,000 entrepreneurs and small business owners. Nearly one-third of those loans went to new businesses -- less than two years old.

Today, thanks to the Small Business Jobs Act, we are well on our way to providing \$14 billion more. I'm pleased to say that over \$1 billion is already out the door to about 2,500 small firms.

And it gets better.

The Jobs Act also provides \$12 billion in small business tax cuts so that small business owners can put more of their resources into growing their companies.

This includes zero capital gains for those who buy and hold small business stocks for five years, higher deductions for buying new machines and equipment, and an increase in the maximum deduction for startups.

And it gets even better.

There are provisions in this new law, which will strengthen opportunities for small businesses in areas like federal contracting and exporting. As you know, these two areas are crucial to giving entrepreneurs and high-growth firms the oxygen they need to grow and create good, well-paying jobs.

Overall, I hope you can see that the new Jobs Act and programs like SBIC show our commitment to serving both kinds of small businesses – both Main Street and high-growth.

In closing, we'll continue to build on what works, remove what doesn't, and give taxpayers a big bang for the buck by putting the most effective tools in the hands of America's entrepreneurs.

Thank all of you for being here – because you obviously share a belief in those same goals.

All of us at SBA look forward to working more closely with all you to help small business do what they do best – create the jobs we need and drive America's economy forward.

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