

**National 8(a) Association Summer Meeting**

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Anchorage, AK

As Prepared For:  
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**SBA Administrator**



Thank you, Ron. It's great to be here in Alaska with our federal agency partners, prime contractors and – of course – our 8(a) firms which include Hispanic, African-American, Native-owned, and other small businesses.

I want to recognize a few members of my team:

- Last year, you met our Associate Administrator for Government Contracting and Business Development, Joe Jordan. Joe has been to Alaska a few times over the last year.
- Our Regional Administrator Cal Goings and Alaska District Director Karen Forsland.
- And the Director of our Office of Native American Affairs from Navajo Nation, Clara Pratte, who has been tireless in reaching out on a number of issues.

Today, I want to talk about where we are with the new 8(a) regulations, with parity, and with other contracting issues...

But I thought I'd start by mentioning where I'm from – which is Maine. I feel like Alaska and Maine are kindred spirits.

For example... Here in Alaska, you call people from the Lower 48 as “from Outside.” We feel the same way in Maine, but we call them “from Away.”

Also...Both Maine and Alaska are out at the edge of America. I think there is something about the extreme weather and terrain that gives both states a reputation for having an up-by-the-bootstraps, independent streak. We call it “Maine values,” and even though I've only been here a day, I can tell that those values also exist here.

And you may not be aware of this... But Maine also has several federally-recognized tribes – five, in fact.

I told this story once before (at RES – which a few of you may have attended). I brought something with me from the Passamaquoddy people... This basket sits on a shelf in my office. It was made by Molly Neptune Parker. She gave it to me for good luck and to remind me of Indian Country when I took this job. In fact, she bought her house and paid for her grandson's college by making these.

When I look up at this from my desk, it reminds me that America's entrepreneurial spirit is strong, and it stretches to every corner of America.

We all know the facts: More than half of working Americans either own or work for a small business. They created about 65% of the net new jobs each year. And, as the drivers of innovation and competitiveness, they're the key to the growth of our economy.

*So, at SBA, how are we helping?*

We help in three main ways – our 3 Cs. Capital, counseling, and – of course – contracting. Let me just briefly mention the first two.

First, capital.

Remember back to October 2008. Lending was completely frozen and credit lines were cut. Fast forward to today: *conventional* lending is still very tight, but SBA lending has rebounded.

We attribute that to the Recovery Act, which passed with the help of people like Senator Begich. Through the stimulus, we raised the guarantee and lowered the fees in our top two loan programs.

As a result, we've seen an increase in SBA loans across the country. We've nearly doubled the weekly SBA loan volume compared to the weeks before the stimulus.

In Alaska, we've nearly tripled the dollar amount of SBA loans when you compare fiscal year 2009 to fiscal year 2010.

Recovery loans have been a lifeline for nearly 200 small businesses around this state, and thousands more across the country.

We've got more work to do, though.

Too many creditworthy small businesses still can't find the capital they need to grow and create jobs. There are still gaps in the credit market that we need to fill.

That's why the Administration and Congress are working together this week on a Jobs Bill for Small Business.

The House has already passed the President's plan for a Small Business Lending Fund. It is targeted to help the smaller "Main Street" banks, not the big guys. Some of these smaller banks simply need more capital to do what they do best – which is to lend to creditworthy small firms in their community.

In addition to the Fund, we're working with Congress right now to enhance and expand a number of SBA programs. For example, we need to: extend the Recovery loans through this year, increase SBA loan sizes in our top programs, and expand other programs that give taxpayers a strong bang-for-their-buck.

Already, we've brought 1,300 lenders back to the SBA... and we're working to bring even more. I know Cal is going to help with our outreach to credit unions, in particular.

Overall, we want a small business owner to be able to walk into a bank and to hear, "Yes, we can give you an SBA loan." But if they can't get a "Yes," we want to help them find the path to "yes..."

...Which leads me to our second C at the SBA, which is counseling.

Yesterday, I had the chance to visit our local office and I met our field staff and the counselors from our Small Business Development Center.

Alaska's SBDC has counselors in Ketchikan, Juneau, Soldotna, Wasilla, Fairbanks, and here in Anchorage. They're assigned to help small business in every region of the State – and their advice is free.

And how many of you are not from Alaska?

We have about 14,000 SBA-affiliated counselors throughout the U.S. This network includes about 900 SBDC offices, 110 Women's Business Centers, and 350 chapters of SCORE, our mentoring program.

I've worked with small businesses all my life, and I strongly believe that every small business owner should have a counselor. So, please take advantage of the SBA's strongest asset – our people.

Our third C is contracting, and it's the reason you're all here.

As you know, the SBA works across the federal agencies to meet the 23% small business contracting goal.

We also have smaller goals for socially and economically disadvantaged firms which include 8(a), as well as HUBZone, women-owned and service-disabled veteran-owned firms. (And I know that Alaska has many firms in each of these programs.)

I always describe small business contracting as a “win-win.”

- Small businesses get the revenue – the “oxygen” – to increase their top-line, to grow, and to create jobs.
- The federal government gets the chance to work with some of the most responsive, innovative and nimble companies — often with a direct line to the CEO.

President Obama himself knows the importance of this. He recently signed a Presidential Memorandum in this area:

- It emphasized that, despite many competing priorities, contracting with small businesses should be a top priority for contracting officers.
- It requires agencies to develop an online dashboard to show exactly how much progress they're making.

- And it created an interagency task force that I'm chairing to develop recommendations on how to maximize contracting opportunities for small businesses.

We already have some good news, such as the fact that about 30% of Recovery Act contracts have gone to small business. This includes nearly \$2.9 billion to 8(a) firms alone, including many here in Alaska.

In short, we're working to make more handshakes happen... which is good news both for small businesses and for the federal government.

But we also need to make sure that the *right* handshakes are happening... And we've been working hard to do just that – in a number of ways.

First, across all of our contracting programs, we're working to remove any elements of waste, fraud and abuse. In general, we're focused on three steps in the process.

1. On the front-end, we want efficient and effective certification, so that only eligible firms are getting into our programs.
2. "In the middle," we want to maintain compliance through ongoing surveillance and monitoring. For example, we dramatically increased HUBZone visits and sent letters asking them to certify, under penalty of perjury, that they're still eligible.
3. And finally, we have to hold bad actors accountable. That means we refer firms that break the rules to the Inspector General or to the Justice Department for prosecution or debarment.

My commitment to Congress has been that the SBA will not be the agency of waste, fraud and abuse. Some problems have built up over time, and – one-by-one – we will continue to remove them.

But sometimes removing problems means digging a little deeper – to look at the foundation of our programs.

In other words – every now and then – we need to do the heavy lift of completely reevaluating our programs to make sure they're functioning as intended. That's why we undertook the first 8(a) regulatory review process in over a decade.

The process actually began back in 2007. At that time, the SBA held a few key meetings in places like Fairbanks to get initial ideas for what the 8(a) program needed to become better and stronger.

From there, we started asking tough questions:

- What should the mentor-protégé relationship look like?
- What are reasonable parameters for joint ventures between an 8(a) firms and larger firms?

- And, how can we make sure we're addressing the wide-ranging needs of all 8(a) applicants and participants?

Then, we put out the proposed regs last October and started a listening tour.

We went around the country to 10 cities and held two tribal consultations as well as a videoconference with ANCs here in Alaska.

We extended the comment period, and, in the end, we received over 230 comments.

I want to thank all of you who participated in this process, which was actually praised by the Government Accountability Office. Your insights are extremely valuable to our team that is – right now – working on the final regulations.

So stay tuned, because we'll be issuing these new regulations soon – and we'll need your help in making sure everyone knows the new “rules of the road.”

The other major 8(a) issue that we're working on right now is parity.

For years, both Congress and the federal agencies have been clear that all of the SBA's small business contracting programs should be on equal footing. This includes 8(a), HUBZone, service-disabled veterans, and – soon – women.

However, as you may have heard, a recent court decision potentially undermines this policy. It interprets the Small Business Act to provide for a HUBZone preference over the others.

The Administration is supporting Congress' efforts to fix that.

It's a relatively simple fix: Remove the word “shall” from the HUBZone section of the law, and replace it with “may.”

That simple change will give contracting officers the flexibility they need to find the right small business to work with.

The fact is, \$16.2 billion went to 8(a) firms in FY 2008. If the Court's ruling was applied across the board, billions of dollars from 8(a) and the other programs could be redirected to HUBZone.

The last thing we want is to paralyze the procurement process and make contracting officers' jobs even more challenging than they already are.

I've talked with many of them. They'd much rather spend their time finding the right small business for the federal government – NOT spending that time avoiding lawsuits.

In the meantime, the Administration continues to stand behind parity, which remains in force. And we're working closely with the Hill to get this fixed as soon as possible.

So, to sum it all up, we are working very hard to make *more* handshakes happen between small businesses and the federal government... and we're making sure that the *right* handshakes are happening.

All of our 8(a) participants deserve that – and so do America's taxpayers. My commitment today is this:

- We'll continue to work with federal agencies to open up contracting opportunities...
- We'll continue to help small businesses become federal contractors, enter programs like 8(a), and compete on a level playing field...
- And we'll continue to do all this while rooting out waste, fraud, and abuse.

And I'll remember our partnership every time I look up from my desk. I'll never forget when Molly Neptune Parker reached out and gave me this Passamaquoddy basket – telling me to remember Indian Country.

I have that basket on the shelf to remind me – and to remind everyone who comes through my office – that we are here to help 8(a) firms and others as they lead us to a brighter tomorrow.

Thank you for working with us to build your business, to create jobs, and to lead America to a full economic recovery.

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