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

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HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

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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:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

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 economic 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:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

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 internal 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

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]