

Testimony of
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Committee on Small Business and Entrepreneurship
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Chairwoman Landrieu, Ranking Member Snowe and distinguished members of the Small Business and Entrepreneurship Committee. Thank you for the opportunity to testify today on the topic of Manufacturing Closures in North Louisiana: Impact on Small Businesses and Local Communities.

The U.S. Small Business Administration (SBA) is acutely aware of the difficult economic circumstances being experienced by many of our small businesses throughout the State of Louisiana and throughout our Nation. The recent closure of several large businesses in Northern Louisiana has severely impacted the many small businesses in our community that depend on these large firms for revenue and jobs. In addition, the compounding impact of these closures has resulted in reduced revenues for our local communities, thereby putting a strain on local municipalities. For example, the closure of Pilgrim Pride's processing plant has resulted in the loss of 1,300 jobs at the plant and nearly 300 local independent contract chicken growers that support the plant. In fact, since last fall, there have been at least seven other major plants that have closed or laid off employees. More than 3,000 jobs have been lost as a result.

SBA's Louisiana District Office stands ready to assist small businesses in the area by providing access to capital through our guaranteed and direct loan programs and through the provisions included in the American Recovery and Reinvestment Act of 2009; through entrepreneurial development programs in the form of business counseling and technical assistance and through government contracting opportunities via Procurement Center Representatives who work with Federal agencies to keep the small business community informed of available contracting opportunities.

SBA's entrepreneurial development programs are delivered by the Louisiana Small Business Development Center headquartered in Monroe, Louisiana and run by Director Mary Lynn Wilkerson. The Small Business Development Center (SBDC) works in partnership with the Louisiana Entrepreneurial Development Office and the University systems to operate 10 centers

across the State. There are six SCORE chapters across the State, run by Len Sedlin, State Director for SCORE, and two Women's business centers, and one in Lafayette whose Executive Director is Sheri Lazare, and the WBC in New Orleans run by Director Angele (an-jay) Von Der Pool. The counseling resource partners work together, leveraging the unique characteristics of all the organizations to provide effective support to Louisiana's small businesses. The numbers speak for themselves; last year our counseling resource partners served 13,380 clients, and based on performance this fiscal year to-date, we are expecting a 21 percent increase in demand. In these difficult economic times it's understandable that requests for assistance would increase, and SBA will work to increase the effectiveness of the entrepreneurial development programs.

Consistent with overall credit markets, SBA lending volume under our main guaranteed loan programs is below FY 2008 levels. In Louisiana SBA loan activity is currently at 72% of 2008 levels. Early indications are that the changes implemented by the Recovery Act are having a demonstrable impact on lending activity in Louisiana. Loan approvals over the last two week period have increased 148% above the weekly average from the preceding weeks of this fiscal year. Given the trends we are seeing, I believe it is possible that we could exceed last year's Louisiana loan volume when this fiscal year concludes in October 2009.

Providing guarantee percentages up to 90%, from the normal 75%, under our standard 7(a) loan program is a significant factor in increased participation by SBA lending partners. It is clear that these risk mitigation steps have been effective in increasing participation by our lending partners. The elimination of borrower and lender fees on SBA-guaranteed loans has also had a positive effect not only on lender participation, but has also provided substantial benefits to small business borrowers. While I was preparing this statement I took a call from one of our lending partners in Monroe Louisiana that told me that a restaurant and a pharmacy funded with a SBA loan in that city received a fee refund totaling \$15,000 and \$13,500 respectively and that these refunds were received from SBA's centers in a timely and efficient manner. It is this level of customer service that is a key component to increased participation by lenders, and demonstrates a pronounced commitment by the SBA to implement efficiently and effectively the policies needed to stimulate increased economic activity.

Government contracting under our 8(a) program has been robust. We have 115 certified 8(a) small business firms in our District Office portfolio. Over the last three fiscal years where we have complete data, a total of \$656,704,651 in contract dollar for 773 contracts and contract modifications have been earned by certified 8(a) firms. As Hurricane Katrina, Rita and Wilma recovery construction contracts reach their conclusion; we are seeing a drop in Federal construction contracting opportunities in Louisiana, though we are well above pre-Katrina/Wilma/Rita contracting activity this fiscal year. While Recovery Act contracting opportunities are in the process of being implemented, our District Office has been contacted by a number Federal contracting officers on proposed small business contracting opportunities which will be executed. We stand ready to assist these agencies to leverage Federal Contracting dollars for small business moving forward.

Many are rightly concerned about the SBA HUBZone certification program, but I can assure this committee that the Administration and this district office is committed to ensuring all eligible small businesses are given a fair opportunity to participate in the HUBZone program. We

currently have 291 certified HUBZone firms in Louisiana. The administration as begun an aggressive site visit plan to ensure program compliance and the district office is on track to meet our site visit goals this fiscal year. We have completed half of the required reviews and we expect to complete this task by the end of the fiscal year. Not all the HUBZone firms will be visited, but the Administration has set realistic targets this year for all district offices, with the overall goal of completely all reviews in a timely and cost effective manner.

Again I thank you for this opportunity to address the committee and I appreciate the opportunity not only to answer your questions, but to hear the testimony of the community leaders, and find ways that the SBA can best serve their needs.