

**Statement of Lillian Salerno, Administrator, Rural Business-Cooperative Service
United States Department of Agriculture**

**Before the House Committee on Small Business Subcommittee on Agriculture, Energy and
Trade**

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Chairman Tipton, Ranking Member Murphy, and members of the subcommittee, I am pleased to have this opportunity to discuss, as a follow-up to last year's hearing on the Government Accountability Office (GAO) report on "Entrepreneurial Assistance," the coordination of the Business and Industry (B&I) Guaranteed Loan program with the Small Business Administration's (SBA) 7(a) program and improvements we have made in our performance measure verification. Rural Business-Cooperative Service (RBCS) is committed to ensuring that entrepreneurs in rural communities have every opportunity to succeed.

As a former entrepreneur and rural small business owner, I have firsthand knowledge of the value of Federal financial assistance programs. In fact, the medical device company I founded in 1994 began with a Small Business Innovation Research (SBIR) grant and has grown to approximately 150 employees in rural north Texas.

In the August 2012 report on Entrepreneurial Assistance, GAO recommended that we do more to coordinate our programs and that we help entrepreneurs more efficiently identify the program that can assist them. Outreach and collaboration with other Federal agencies regarding our programs here at a national level and educating and encouraging our field staff to work with other Federal agencies in promoting our programs at a local level have been top priorities for me since I became Administrator in July 2013.

B&I Guaranteed Loan Program

Rural communities have historically lacked adequate access to private investment capital to support business development and job creation. The B&I Guaranteed Loan program helps to improve the economic condition of rural communities by enhancing the existing private credit structure through loan guarantees. Over the course of the past year, RBCS has provided \$939 million in B&I loan guarantees to over 400 businesses across the country.

We appreciate that other agencies' programs may provide assistance to rural businesses. However, the distinguishing and critical feature of RBCS programs in general, and the B&I guaranteed loan program in particular, is our mission - to provide assistance to rural businesses in rural communities. While both the B&I program and the Small Business Administration's 7(a) loan program have the goal of ensuring small businesses have capital, Congress has determined that B&I serves the distinct purpose of providing resources to rural businesses that have greater individual capital needs. The B&I program is a critical component to increasing economic opportunity and improving life for rural Americans. The delivery system of our agency, with personnel and offices in rural areas, is particularly suited to assisting rural businesses and helping them to succeed.

Furthermore, the universe of borrowers is broader for participants under the B&I program. The 7(a) program limits eligible borrowers to for-profit businesses, while the B&I program allows eligible borrowers to be for-profit, cooperatives, non-profit, individuals, corporations, or partnerships located in rural areas with a population of less than 50,000. Also, the guarantee loan limits for the B&I program are greater than those for the 7(a) program.

USDA & SBA Coordination

My agency works diligently to ensure effective coordination of the B&I program (as well as our other programs) with our partners, especially with SBA. While the National Office meets with SBA frequently because of our participation on Administration-wide, cross-cutting initiatives, the coordination is even more evident at the state and local levels. Although our field staff has worked closely with SBA offices for many years, the Memorandum of Understanding (MOU) signed by former SBA Administrator Karen Mills and Department of Agriculture (USDA) Secretary Thomas J. Vilsack in September of last year provides an opportunity for even more collaboration. The intent of this MOU is to benefit small businesses and agricultural producers through a joint effort and to encourage sustainable growth and development through financial assistance from both SBA and USDA.

On a recent visit to a Small Business Lender roundtable with bankers and small businesses, the State SBA representative highlighted the efficacy of the new MOU in an email to me, which reads in part:

At the district level, we cut through red tape and bureaucracy much of the time because our leaders give us that ability. The MOU lays out the guide – which is very good in that it gives more details and specific achievements desired, but lets us design specific applications to fit our markets. I think this could be a best practice for other government programs to “virtually” consolidate ourselves around those common areas we naturally have. This is achieved without the cost and time involved in a full-blown reorganization and consolidation but achieves the same thing faster and better.

Further, my agency, together with SBA, is committed to providing \$175 million in micro-capital to rural small businesses and small farms over Fiscal Years (FY) 2013 and 2014 to support entrepreneurship in rural communities across America. This commitment represents a ten percent increase from FY 2012 micro-lending levels at both agencies. Through our coordination with SBA, we are able to increase access to private investment capital for small rural businesses, which helps ensure that rural communities are economically thriving and can compete in the global economy. This coordination includes outreach and promoting each agency’s programs, resulting in better access for entrepreneurs and, in a number of instances, jointly funded projects. For example, last year, a lender in Sumter, South Carolina, was able to leverage both the B&I program and the SBA 7(a) program to help finance two projects that involved common ownership. Because the SBA 7(a) program has an exposure cap of \$5 million, the lender needed to finance the remaining \$6.5 million using the B&I guaranteed loan program.

Measuring Performance

RBCS has been, and continues to be, focused on improving our metrics by improving processes, increasing human resources, and investing in Information Technology. In the past year, RBCS has taken steps to improve its data collection and data validation. In the second quarter of FY 2013, we published guidance to our field offices to provide clarification and guidance regarding the collection, tracking, recording, and verifying of jobs created/saved and other measures of

impacts and outcomes of RBCS programs (e.g., energy saved or produced, producers of local foods projects).

The Agency undertook an extensive data validation effort of FY 2013 data. National Office personnel reviewed all of the performance measures for FY 2013, identifying in particular data that were deemed “outliers.” The data was distributed to our state offices and program offices for validation. We asked all offices to carefully review the data and to pay special attention to the information identified by the National Office as “outliers.” Once the data was confirmed or amended by the state and program offices it was resubmitted to the National Office.

Concurrently, we created a specific spreadsheet that will be updated on a periodic basis to compile performance measures. The spreadsheet will improve the consistency and accuracy of our performance outcomes when we submit reports to the various oversight organizations, such as OMB, USDA’s Office of Budget and Policy Analysis (OBPA), the Office of the Inspector General (OIG), and the Government Accountability Office (GAO).

For FY 2014, we are now able to undertake several actions as we have certainty in the amount of funding made available to us. Our first priority is a critical hire to oversee our data collection and verification activities. We are also revising the personnel description of one of our senior staff to address reporting consistency. Further, we will begin making IT enhancements including making it easier for our lenders and intermediaries to report the performance measures we request of them.

Importance of RBCS Programs

As Administrator, I have had the opportunity to meet with many small business owners and listen to their struggles to acquire needed capital to start, improve, or develop their businesses. Numerous small business owners have told me that without the B&I program the bank would not have made the loan.

To more efficiently and effectively deliver our programs, RBCS utilizes ten team leaders and two regional leaders. This allows us to better coordinate activities with the states and most

importantly to assist rural Americans on a “horizontal” basis rather than the slower, less efficient “vertical” basis. For FY 2014, we are proposing to hire additional people. These additional positions will enable RBCS to further focus our resources on the economic needs at both the regional and community levels, thereby ensuring that our resources support the rural development needs specific to that region or community.

In sum, no other Federal agency is positioned as well as we are to meet the needs of rural America. Our extensive physical presence in rural communities distinguishes us from other Federal programs. We have the expertise and experience with the particular economic, social, and geographic characteristics of rural communities. Through our 47 State Offices and hundreds of local offices and service centers, we overcome the physical distance barriers that alone can hinder service delivery in rural areas.

Concluding Remarks

I appreciate the opportunity to testify before members of the Committee alongside colleagues from SBA and GAO. We are committed to helping entrepreneurs and small businesses succeed. As you can see from the testimony above, we work well together and I anticipate that we will continue to do so in the future. I welcome the chance to engage in a dialog on even more ways we can further support American competitiveness and growth. Thank you for your support of Rural Business programs. And at this time, I am happy to answer your questions.