



Photograph Courtesy of the SBA

Interview with Karen Mills

In April 2009, President Obama appointed Karen G. Mills to lead the U.S. Small Business Administration. Mills brought to the job a wealth of small business background as an owner and investor. She also had chaired Maine's Council on Competitiveness and the Economy and had written for the Brookings Institution on regional industry clusters.¹ This *Communities & Banking* interview was conducted by Michael Gurau, founder of Clear Venture Partners in Freeport, Maine.

What did you hope to achieve when you joined SBA?

Addressing the three Cs—capital, contracting, and counseling. We're a small agency with a big mission. Two out of three new jobs are created by small businesses. Half of U.S. residents own or work for a small business. When I arrived, small business was in the middle of one of its most difficult periods in recent history. So first we had to address the need for capital. Thanks to the American Recovery and Reinvestment Act and the Small Business Jobs Act, we did help provide capital for small businesses—\$42 billion that cost taxpayers only \$1.2 billion.

Second, the government contracting program has been putting \$100 billion

do we get enough liquidity to hire that next person?" We're deeply engaged in helping them grow and create jobs, with particular attention to businesses in underserved communities, where there are lending gaps.

Another area of interest is innovation. SBA sees small businesses in two groups. The first comprises Main Street, the street-level shops like drycleaners and restaurants that are critical elements in communities. But most of the net new job creation comes from the second group—innovative, high-growth companies. We need to support those entrepreneurs differently. That's why the Obama administration launched Startup America, a public/private effort to accelerate high-growth entrepreneurship.² We'll deliver impact capital—especially to

listening at our "Startup America: Reducing Barriers" roundtables. And we're taking action.

What did you actually find yourself doing once you became Administrator?

I originally got involved as part of the president's transition team. It was late 2008, and the credit crunch was in full swing. Once I became SBA administrator, we set goals, and thanks to the Recovery Act and the Jobs Act, we've been able to achieve much of what we thought would help as understood by our analysis during that period. Our current plan involves Startup America and working to fill the remaining gaps in the marketplace.

Do you have funding concerns given today's environment?

People from both sides of the aisle in Congress understand and support small business activity. And we've been able to prove that we give a good bang for the buck. Throughout the budget process, we've focused on programs that put resources directly into small businesses and the programs that strengthen oversight. We're keeping a good watch over taxpayer dollars.

What's on the horizon for underserved communities?

We have a strong effort across all programs to focus on underserved communities and people. And thanks to Deputy Administrator Marie Johns, we now have the Council for Underserved Communities, chaired by entrepreneur Cathy Hughes.³

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into small businesses annually, with special programs for businesses that are socially and economically disadvantaged, women-owned, or veteran-owned. The third C is represented by our powerful counseling operation, which includes 900 Small Business Development Centers and 110 Women Business Centers. We also partner with 170-plus microloan intermediaries who provide critical training and financing.

Counseling and mentoring are extremely important. And now that we're coming out of the recession, businesses are asking, "How

underserved communities or clean energy projects—through programs serving early-stage and later-stage ventures. As you know, high-growth companies need different approaches to capital, mentoring, and barrier reduction.

You're reaching out to entrepreneurs with a listening tour.

The president wrote a memorandum in January about reducing barriers for small businesses, and we're getting started. We're

Our role is to provide access and opportunity. If the market will give a loan to a business, taxpayers don't need to. But if you have excellent small businesses that don't have access to opportunity and just need a little wind at their back, our loan guarantees can be effective. According to the Urban Institute, SBA is three to five times more likely to make loans available to women- or minority-owned businesses than others do.

Even though we're starting to see small business lending return, there are still gaps, especially with lower-dollar loans. So SBA has two new programs: Small Loan Advantage and Community Advantage. Both offer a streamlined application process for SBA-guaranteed 7(a) loans up to \$250,000. The loans have the regular 7(a) government guarantee: 85 percent for loans up to \$150,000, and 75 percent for those greater than \$150,000. The programs are aimed at getting lower-dollar loans into

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the hands of small businesses. SBA and U.S. Department of Commerce studies have shown the importance of lower-dollar loans to formation and growth of small businesses in underserved communities.

Also, we have a program ensuring that 23 percent of all government contracts go to small businesses—\$100 billion a year. It's probably the largest program to benefit small businesses across government. The only cost to taxpayers is for managing and oversight. Moreover, government agencies purchasing from small businesses often get lower costs because they aren't paying for big-company overhead and because the most innovative approaches frequently come from these entrepreneurial companies.

We have strong programs that serve socially and economically disadvantaged companies. The 8(a) program not only gives companies opportunities for contracts but also provides advice and counseling.⁴ We have mentor-protégé programs, too. And we're proud that we implemented the women's contracting rule passed by Congress back in 2000. Women business owners will start receiving contracts during the fourth quarter of this fiscal year.

In another initiative, we work with

inner-city entrepreneurs through the Emerging Leaders program.⁵ And we've done significant work with the Native American community by bringing in their entrepreneurs for mentoring and education. People who come out of that program have a strong track record of increased sales and loan approvals. They go back home and hire more people, improving prosperity in tribal communities. That program is now in 27 cities.

Can you speak to the cohesion of programs across different federal agencies?

We work all the time with Treasury, Labor, HUD—also with the State Department. In regard to programs such as procurement, we supervise all agencies.

There is also a distinct interagency collaboration that focuses on fostering the growth of clusters of small businesses. Through clustering, we can maximize the

unique strengths of particular regions and help them compete more effectively on a global scale. Ginger Lew, of the White House Economic Council, has been driving that collaboration. Having written a paper on clusters for Brookings before joining SBA, I was pleased to see the energy throughout the White House and the other agencies behind joining in this effort.⁶ SBA is supporting more than 10 regional clusters nationwide, and the clusters are already building businesses and creating jobs. We're joining with other agencies in hopes of doing more.

What are the challenges regarding clusters?

The main challenge is to ensure that we have a sustainable structure for implementing and funding cluster activity. As we begin to see successes in local districts, members of Congress are getting interested in cluster-related economic development for their districts. So far, however, funding has come from traditional program categories. There aren't many ways to do interagency funding. We need to break down silos. A small amount of money galvanizing bottom-up, industry-led cluster activity could lead to vibrant regional economic development.

In 2010, we put together the Taskforce on Advancing Regional Innovation Clusters (TARIC), which led to efforts like the Energy Regional Innovation Cluster (E-RIC) program. We now have a cluster in Philadelphia focused on energy efficiency in buildings. Recently, we worked with the Environmental Protection Agency to launch a clean-water cluster around one of EPA's national labs. The University of Cincinnati, the mayor, the EPA's Lisa Jackson, and SBA all collaborated to make this happen.

Where are clusters that benefit economic development more likely to be found?

I don't know if there is any definitive any research on whether they are more likely to emerge in one kind of region or another, but I can tell you that there are clusters in every kind of community—urban, rural, underserved. In Maine, as you know, I was active with the boat-builder cluster, and there's no group less likely to cluster than boat builders in Maine! But it worked. What they saw was that, when they got together, they had more economic power. They were able to attract trained workers and conduct research and development. You can apply that model almost anywhere.

Endnotes

¹ Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Companies that are part of a cluster can compete more effectively with other companies.

² See <http://www.sba.gov/startupamerica>.

³ See <http://www.whitehouse.gov/blog/2011/01/04/sba-s-new-initiatives-underserved-communities>.

⁴ See <http://www.sba.gov/content/8a-business-development>.

⁵ See <http://www.sba.gov/content/sba-emerging-200-initiative>; and <http://www.sba.gov/content/sba-expands-%E2%80%9898e200%E2%80%99-emerging-leaders-initiative-maintains-focus-underserved-communities>.

⁶ See http://www.brookings.edu/reports/2008/04_competitiveness_mills.aspx.

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