

Small Business Administration chief's status to be elevated

The head of the SBA will begin attending Cabinet meetings. But the change could be short-lived because of another proposal to combine the agency with five others.

By Jim Puzzanghera

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Reporting from Washington—

Small businesses scored a victory when [President Obama](#) said the head of the federal agency that provides them with loan guarantees and other assistance would begin attending Cabinet meetings.

Karen Mills, who leads the Small Business Administration, "is going to make sure that small-business owners have their own seat at the table in our Cabinet meetings," Obama said Friday.

His announcement was welcomed by small business advocates. For more than three years, they had been urging Obama to elevate the SBA administrator to Cabinet rank, the same top status as in the Clinton administration.

But some worried that the enhanced voice for small businesses at the highest levels of the Obama administration could be short-lived because of another proposal to combine the agency with five others.

The consolidation is part of a broader request Obama plans to make to Congress for authority to reorganize the executive branch.

The first step would be to combine the SBA and much of the Commerce Department, along with the U.S. trade representative's office, the Export-Import Bank, the Overseas Private Investment Corp. and the U.S. Trade and Development Agency.

"In this case, six is not better than one ... because it produces redundancy and inefficiency," Obama said. He proposed to consolidate them into one department with

"one website, one phone number, one mission: helping American businesses succeed."

The reorganization plan would streamline government, replacing a host of websites, toll-free numbers and customer service centers into a one-stop shop for businesses. Neither Obama nor [White House](#) officials would say yet what other steps would be taken.

If Congress grants Obama the authority, which is uncertain, his plan would save about \$3 billion over 10 years and lead to the loss of 1,000 to 2,000 jobs through attrition, a small percentage of the more than 100,000 employees at the six agencies.

But under the reorganization, the SBA head would no longer attend Cabinet meetings, said Jeff Zients, Obama's federal chief performance officer.

The new department, as yet unnamed, would be represented by its secretary. The head of the U.S. trade representative's office would continue to have Cabinet rank, as the position has since Obama took office.

Zients said that "small business and all business will be on the president's Cabinet in this new integrated department."

The concerns of small business, however, could get overwhelmed in a big department that includes large corporations, said Todd McCracken, president of the National Small Business Assn., which represents about 150,000 firms.

"On the one hand, reorganizing federal agencies to create a 'one-stop shop' for America's small businesses could streamline processes and make accessing information and assistance much easier," he said.

"On the other hand, such a reorganization could minimize the emphasis placed on small business by the federal government and lead to an even greater imbalance toward promoting the interests of large businesses over those of small business."

The White House has expanded the role of the 57-year-old SBA to help small firms weather the recession and try to spur job creation. The 2009 stimulus package temporarily increased the percentage of loans that could be guaranteed, and it reduced or eliminated fees.

Mills said in October that the agency set a record with \$30.5 billion in loan guarantees for the government's fiscal year, ended Sept. 30, topping the previous record of \$28.5 billion guaranteed in 2007.

The SBA, however, has had to cover more bad loans, which represented about three-quarters of its total expenses last year. The agency's total outlays have ballooned in the last two years — to \$6.2 billion last year and \$6.1 billion the previous year from \$2.1 billion in 2009.

"The SBA should be abolished," said Tad DeHaven, a budget analyst at the [Cato](#) Institute, a libertarian think tank. He called it corporate welfare that gives businesses that get the loans unfair advantages over those that don't.

"It is merely an instrument that the politicians in Washington use to feign concern about the small-business owner, which the American people have a soft spot for," he said.

The proposed reorganization of business agencies would be good if they were shrinking significantly, DeHaven said, but Obama's proposal is "a rearrangement of the deck chairs."