

A DISCUSSION WITH SBA ADMINISTRATOR ISABELLA CASILLAS GUZMAN

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TUESDAY, NOVEMBER 16, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building and via Zoom, Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Golden, Davids, Mfume, Phillips, Newman, Bourdeaux, Chu, Evans, Delgado, Houlahan, Mr. Kim, Craig, Luetkemeyer, Hagedorn, Stauber, Williams, Meuser, Tenney, Garbarino, Ms. Young Kim, Van Duyne, Donalds, Salazar, and Fitzgerald.

Chairwoman VELAZQUEZ. Good morning. I call this hearing to order.

Without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements. Standing House and Committee rules and practice will continue to apply during hybrid proceedings. All Members are reminded that they are expected to adhere to these standing rules including decorum.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, please remember to remain muted until you are recognized to minimize background noise.

In the event a Member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available Member of the same party and I will recognize that Member at the next appropriate time slot provided they have returned to the proceeding.

For those Members and staff physically present in the Committee room today, in accordance with the attending physician's most recent guidance, all Members and staff who attend in person will be required to wear masks in the hearing room. With that said, Members will be allowed to briefly remove their masks if they have been recognized to speak.

Now, let's turn to why we are here today—a discussion with the Small Business Administration Administrator. First, I would like to welcome Administrator Guzman. Thank you for being here today. We appreciate you coming in for another appearance before this Committee during your short time as administrator.

Back in March when you were confirmed small firms were still reeling from 2020, a year when around 800,000 small businesses permanently closed their doors—roughly 30 percent more than in a typical year. Since then, you and the dedicated staff at the SBA have worked tirelessly to administer the relief programs that Congress created and help entrepreneurs get back on their feet.

The work of the agency should not go unheralded today. Small firms across the country are in a better place thanks to the American Rescue Plan and the economic relief programs Congress passed. The economy has added an average of 620,000 jobs per month since President Biden took office, and small firms are leading the way. These figures would not have been possible without the historic relief measures that this Committee put in place and the work of the SBA.

In addition to massive demand for the relief programs, the agency has had to operate its traditional lending offerings and core programs. I was pleased to see your recent announcement that traditional SBA loan programs provided a record amount of funding to small firms in fiscal year 2021—\$44.8 billion in financing through more than 61,000 loans, to be exact. These numbers are evidence of the extraordinary potential that the agency has to help entrepreneurs get back on track.

I look forward to hearing more about your vision for the agency and how we can all work together to highlight efforts that have been successful and thoughtfully examine the programs that need improving. This will require a substantive, focused, and measured conversation on SBA's programs and the issues facing us today.

America's small employers deserve nothing less. They do not have time for accusations, gotcha questions, and partisan bickering. They are 100 percent focused on their survival and future. I, too, want to look to the future. With COVID cases falling and vaccination rates rising, we are steadily putting COVID behind us. This new post-COVID economy may be unfamiliar for many entrepreneurs, but it also presents a great deal of opportunity.

I believe these opportunities will only increase with President Biden's agenda to build back better and correct decisions made in the previous administration that has led to many of the crises we face today—such as inflation, workforce shortages, supply chain disruptions, inequity in health care and childcare, and worst of all a slow recovery. So much time was wasted last Congress but now we are course correcting to address many of these issues by investing in America.

Earlier this month, House Democrats and a handful of our Republican colleagues finally delivered on the promises of infrastructure week by passing the Infrastructure Investment and Jobs Act. This legislation will rebuild roads and bridges, expand broadband access, and generally prepare the American economy to grow from the bottom up in the 21st century.

The bill will also allow small firms to play a role in revitalizing American infrastructure by creating many good-paying jobs that cannot be sent overseas. In fact, Republican Senator Rob Portman described these investments as adding “to the supply side of the economy and will be counter-inflationary at a time of rising inflation.”

Democrats are also busy providing small businesses with a substantial \$5 billion investment through the Build Back Better Act. The bill will tackle core small business issues by improving access to capital, boosting underrepresented firms, and creating opportunities for small contractors. The legislation will pave the way for recovery in the short term and prosperity in the future.

Taken together, the Infrastructure Investment and Jobs Act and the Build Back Better Act amount to a generational commitment to the success of American small businesses. You and the staff at SBA are a key component to these initiatives. I look forward to hearing your testimony and discussing these issues today.

I now yield to the Ranking Member, Mr. Luetkemeyer, for his opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chair. Thank you for joining us in person today to discuss the current small business landscape.

As you very well know, small businesses across the country have been facing a multitude of challenges, many of which have been caused by the overreaching grasp of the federal government. The Small Business Administration is tasked with assisting these struggling firms, especially in the wake of the pandemic. However, month after month, we have witnessed quite the opposite coming from this administration's SBA and other agencies.

Treasury Secretary Yellen, who is legally required to testify before our Committee, continues to ignore us. It appears that she has time to do many events even on the campaign side and meet with a variety of people, but she still refuses to fulfill her legal duty to testify before this Committee. Secretary Yellen's inability to appear before us is an insult to small business owners across this nation. She is blatantly turning her back on a sector of the economy that produces nearly two out of every three jobs and contributes just under half this nation's gross domestic product. Small businesses, entrepreneurs, and startups are an essential factor to America's economy and she still refuses to testify. This is unacceptable.

We are glad, however, that you are here representing the primary and sole federal agency that was created to defend and protect small businesses. It is no secret that the nation's smallest firms are still working tirelessly to recover from the everchanging and overreaching state and local shutdowns ordered during the pandemic.

If it was not bad enough, now they are facing some of the strongest economic headwinds in recent memory with the Biden and the Democrats' massive spending agenda. As Members of the Committee, we hear from small business owners every day. When we are back in our home district, we visit with their storefronts and listen to their stories. Unfortunately, the reports coming from main street USA are far from positive. Prices are soaring at the sharpest rate in over 30 years. Supply chain disruptions are making it nearly impossible to obtain good and products. Americans are refusing to get back to work because the government is paying them to stay home creating a labor shortage crisis.

Main street is still facing a looming vaccine mandate requirement for their already depleted worker pool, and now small business owners are being threatened with increased taxes due to the

trillions of dollars this administration plans to spend at the expense of middle class Americans. These are monumental issues that deserve a full and comprehensive discussion.

You can look at some of the recent small business surveys and they show the exact same thing. The top issue small businesses are struggling with today are the severe economic conditions that they face. Take for example the Job Creators Network Monthly Monitor Poll. Inflation is the top challenge reported by small business owners. Or the NFIB Jobs Report that shows 49 percent of small business owners cannot fill the open job positions they then have. These are fundamental and core issues to our country's distressed small business landscape.

I ask that you put yourselves in the shoes of a small business owner just for a moment. Your inventory is low because your products are stuck on a ship that is sitting off the coast of Los Angeles. You are forced to raise prices during the critical holiday season, and you cannot find any workers. With all these issues combined, I do not see how small business can be successful.

And what have we heard from the administration as a response? You plan to force through trillions of dollars in spending all on the back of small business owners. And as a reminder, a recent study from the left-leaning Tax Policy Center found that this administration's far-left spending spree would raise taxes on the middle class of our American friends and colleagues by 30 percent. Additionally, instead of allowing our small businesses to operate independently, this administration is imposing more mandates and regulations.

So the question remains, who is actually standing up for the nation's job creators within the Biden administration?

Ms. Guzman, that is your duty. The Small Business Administration has a duty to defend these small business owners. I plead with you to listen to them and hear what they have to say. These men and women are not asking for new programs so they can receive a direct loan from the federal agency. They want common sense, pro-growth policies that will provide them with the ability to run a well-rounded, efficient operation, free from the hand of government.

Ms. Guzman, if you took the time to hear from small businesses in urban, suburban, and rural areas of the United State you would hear a lot and learn a lot.

Today, I look forward to having a conversation on all of these topics and we expect our questions to be answered.

Before we begin, I must note that simply saying that your agency will get back to us in writing will not stand.

I would like to ask for unanimous consent to enter into the record more than 60 questions the Republicans submitted to Administrator Guzman after appearing before our Committee in May and more than 60 questions for the record the Republicans submitted to Administrator Mark Madrid after his appearance between our Committee in September.

Chairwoman VELAZQUEZ. Without objection, so ordered.

Mr. LUETKEMEYER. Thank you, Madam Chair.

I will note for the record that we have not received an answer to any of these questions thus far. And it is not just our questions during Committee hearings that go unanswered. My colleagues

have asked numerous questions posed to you on behalf of their small business constituents and they do not receive any responses. One of the many examples, questions about Economic Injury Disaster Loans go unanswered.

If it is your desire for this administration to be a direct lender, why is your current direct lending tool such a disaster? Not only is EIDL a black hole when it comes to customer service, but it is also riddled with fraud according to the SBA Inspector General. I will say it again. The SBA, which pushed through approximately \$1 trillion the last 18 months had better wake up. If you ignore and refuse to answer the representatives' questions that we were sent here on behalf of our constituents and our small businesses to ask. You have refused to implement countless recommendations from the Inspector General and your actions do not match what the small businesses say are the top concerns facing their operations. Over \$32 billion small businesses across the United States deserve better. Main street USA deserves better.

And Madam Chair, with that, I yield back.

Chairwoman VELAZQUEZ. Thank you, Mr. Luetkemeyer. The gentleman yields back.

With that, I will now introduce our distinguished witness, the Honorable Isabella Casillas Guzman. Administrator Guzman is currently serving as the 27th administrator of the Small Business Administration. Her previous experience as director of the California Office of the Small Business Advocate, coupled with her position as senior advisor and deputy chief of staff at SBA make her uniquely qualified to take the helm. Not only does she have the knowledge needed to assist small businesses in their recovery, but as a former small business owner and advisor to entrepreneurs, she has the understanding to advocate on their behalf. Administrator Guzman earned a Bachelor of Science from the University of Pennsylvania Wharton School of Business.

Welcome, Administrator Guzman. You are recognized for 5 minutes.

**STATEMENT OF ISABELLA CASILLAS GUZMAN,
ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION**

Ms. GUZMAN. Good morning, Chairwoman Velázquez, Ranking Member Luetkemeyer, and distinguished Members of the Committee. Thank you for the opportunity to be here to discuss the important work of the U.S. Small Business Administration and what we are doing to help America's 32.5 million small businesses and innovative startups continue to propel our economy forward.

Though we have made considerable progress fighting COVID and reopening small business and our economy thanks to the American Rescue Plan, the Delta variant has lingering impacts and many small business still need the SBA's help as a result and we continue to deliver billions of dollars in relief. At the same time, the American entrepreneurial spirit is stronger than ever with more than 9 million new businesses applying for filing since January 2020. At the SBA, we are working hard to ensure small businesses continue to drive our economic recovery.

Over the course of the pandemic, our agency has scaled from 40 billion per year output to distribute more than \$1.1 trillion in

emergency relief. Alongside our core programs, many of which have also delivered at record levels, today, the SBA is continuing to deliver for millions of small businesses. In the 8 months of my leadership, we have leveraged technology to streamline, automate, and deliver relief to small businesses with a customer service and an equity focus. We are working across our programs and services to better meet the needs of all small businesses, especially those that were left out of early rounds of relief, often our smallest businesses and those owned by women and people of color and other underserved small businesses.

In 2021, we have made important gains. After making key programmatic changes to the nearly \$800 billion Paycheck Protection Program, 96 percent of PPP loans went to small businesses with fewer than 20 employees with strong performance and low to moderate income communities and rural communities. In addition, a recent GAO report found that our reforms helped close those capital gaps in PPP. Now, we are delivering on the promise of forgiveness for PPP loans. We have ensured this process is being carried out at the highest standards and with utmost integrity.

We launched the SBA PPP Direct Forgiveness Portal to offer a pathway to relief for the 6.5 million small business owners who took out loans of \$150,000 or less.

We have seen similar positive results with our reforms and improvements to the COVID Economic Injury Disaster Loan Program, the last and most flexible of our SBA COVID lifelines with billions more available. We have approved more than 3.8 million COVID EIDL loans for a total of more than \$295 billion, plus an additional \$26 billion in COVID EIDL grants both targeted and supplemental. And we expanded our reach while protecting against fraud, waste, and abuse. We brought back tax record verification consistent with our historic approach. We have also implemented additional measures to help ensure good stewardship of this program's resources.

We are taking steps to improve outreach across all of our programs to small businesses in every corner of the nation, including our underserved communities. We recently announced the Community Navigator pilot program grantee organizations, which will deploy trusted community partners in underserved communities to better connect small business owners to government resources.

As the nation emerges from the COVID pandemic, the SBA will help try to path forward to a thriving and equitable economy that lifts all small businesses and innovative startups in communities across American building from the bottom up and the middle out to leave no one behind.

Access to capital remains one of the most critical factors for small business success. Yet, small businesses, particularly those from underserved communities lack access to the small dollar loans they need to survive and grow. The president's Build Back Better framework will help us increase access to capital for small businesses by creating a direct lending product that leverages the strength of our incredible growing lender network. We are also working to close the opportunity gap by increasing the number of small businesses that do business with the federal government. The Build Back Better framework will help us build equity in government procurement with nationwide investments in business in-

cubators and innovation accelerators and a specific program for veteran entrepreneurs. Now is the right time to ensure that more small businesses will be able to take part in the \$1.2 trillion in historic investments in the rebuilding of our nation's infrastructure made possible through the bipartisan infrastructure deal.

We know that many challenges remain. In the months ahead we will continue to harness the power of the entrepreneurial spirit to drive our economy and our nation forward.

Thank you so much, Chairwoman Velázquez, Ranking Member Luetkemeyer, and distinguished Members of the Committee, for the opportunity to appear before you, and I look forward to your questions.

Chairwoman VELÁZQUEZ. Thank you, Administrator Guzman.

Now we will turn to questions. I will recognize the gentleman from Maine, Chairman of the Subcommittee on Underserved, Agricultural, and Rural Business Development, Mr. Golden, for 5 minutes.

Mr. Golden, you are muted. Mr. Golden, we cannot hear.

I will then recognize the gentlelady from Kansas, Ms. Davids, Chairwoman of the Subcommittee on Economic Growth, Tax, and Capital Access.

Ms. DAVIDS. Thank you, Chairwoman. And thank you for holding this hearing today.

Administrator, it is good to see you. I appreciate you recently coming to visit the Kansas Third. You know, half of my job is spreading the good word of Kansas and so it was a pleasure to have you come visit alongside the First Lady where you heard firsthand stories of entrepreneurs and small business owners who are reeling from the effects of the pandemic.

I think that there is a couple of things. One, I would be very curious, and we will follow up about the assertion that you have not responded to nearly 60 questions submitted by Members of the House. And we will follow up just to discuss that with you. Our experience in my office has been a lot of response whether we agree on the issues that we are dealing with or not.

So I want to kind of turn to the programs that existed previously and the ones that we have seen emerge because of the pandemic, namely the Paycheck Protection Program. The SBA 7(a) and 504 loan programs have existed for a while and prior to the Paycheck Protection Program there were about 1,900 lenders engaged in those programs. With the Paycheck Protection Program coming online, we saw that there were 5,000 new lenders that participated in that.

I am curious what ways you all are looking at to kind of leverage the increase in participation by lenders, by the private sector with this federal program, and just what we need to be thinking about as we move forward and how we can assist in leveraging that.

Ms. GUZMAN. Thank you so much, Congresswoman, for the question.

We do think it is a historic opportunity to take advantage of these expanded networks, not only in our lending circles but just broadly the attention on small businesses and that is what we have been focused on.

Across our lending network, we have been able to really develop our relationships with community financial institutions, as well as community banks and others who require that technical assistance with the SBA as well. And so my Capital Access team stands ready to support them in using all of your products, transitioning from PPP to the 7(a) and 504 so that we can better distribute our loans into communities across the country. And we look forward if there are any lenders in particular that your office is focused on that we could pay attention to. It is partially why we launched the Director Forgiveness portal to simplify for those smaller banks that maybe did not have the technology to streamline processing of PPP so that they could take advantage of it and offer it to their constituents, their customers.

Ms. DAVIDS. So that is the lender side. I am also curious about ways that additional engagement or support has been given to the new entrants into all of these programs across the board during what has been a pretty chaotic time, not just for the SBA but for lenders and the entrepreneurs and small business owners. I am curious what you all are doing to facilitate additional growth and leverage the new engagement that we are seeing.

Ms. GUZMAN. It is definitely our goal to try to serve more of those 32.5 million small businesses. So across our network of resource partners, some of them have seen up to a 10x increase in the amount of businesses coming to them. We want to continue to direct individual businesses to them. We have recently launched the Community Navigator pilot program. Those grantees are trusted organizations that can authentically reach communities focusing on women, people of color, veterans, rural communities, and broadly try to further enhance our services, especially for these highly entrepreneurial communities that are starting up at the highest rates. And so we plan to expand those connections to small businesses, build more bridges so that they can work with the SBA. We want to be part of their team and let them know that resources are available to them.

Ms. DAVIDS. Thank you, Administrator.

And Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the Ranking Member, Mr. Luetkemeyer, for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Just a quick housekeeping situation here. We have got two of my Members today actually have birthdays, Ms. Van Dyne and Mr. Fitzgerald. So congratulations. You made it to another momentous day here.

Chairwoman VELÁZQUEZ. Happy birthday. Yeah.

Mr. LUETKEMEYER. With regards to Ms. Guzman, thank you for coming today.

You and I had a conversation this last week and I am going to be true to my word here. We are very concerned about the kind of communications or lack thereof that we are getting out of your office. You seem to ignore our letters and requests. In fact, I got a letter yesterday to my requests already several months ago. Still missing one from April 16th. There is a letter that I asked. Still no response to that. I know some of our Members got letters yester-

day to their letters which were a long time ago were asked. So apparently, we need to have you scheduled every week for 5 minutes before this Committee so we can get letters responded to from the previous week. Is that what is going to have to happen from now on?

Ms. GUZMAN. I can assure you that my team is working diligently. We have had about 90 requests and have responded to 80 of them and we continue to try to increase that pace as we do want you to have the information you need.

Mr. LUETKEMEYER. Okay. Well, we need to increase it a little more because getting a letter 6 months late does not answer my question. That is not acceptable. You have got to do better than that.

Also, from the standpoint that your testimony, we did not get it until 3 o'clock yesterday afternoon. And by the rules of this Committee, we are supposed to get it 72 hours. That is not acceptable either.

Also, with regards to Ms. Yellen and my testimony, and I mentioned it to you the other day, what have you done to contact her to have her live up to her responsibilities? The PPP program is a Treasury program. She is in charge of that program. The banks are administered from the standpoint of executing the program and SBA is administering the program. Have you talked to her at all about showing up at this Committee?

Ms. GUZMAN. We talk about small business issues. We have not talked about this—

Mr. LUETKEMEYER. Why have you not addressed that issue that is by law she is required to show up?

Ms. GUZMAN. Apologies. I know that the invitation went out to her and I am sure that her team will respond to you. I cannot respond on her behalf.

Mr. LUETKEMEYER. Six and a half months now she is past due at showing up at this Committee. That is not going to get it, Ms. Guzman, saying that her team is going to take care of it. She has totally checked out. She is not going to come to this Committee. You, as the SBA Chairman, Administrator, need to contact her and say, Ms. Yellen, you need to show up here.

Ms. GUZMAN. The SBA is working diligently to actually administer the PPP and the direct lending and so we can continue to report to you. I know that my team shares over 4 weekly reports with the Committee, including on PPP forgiveness, and so we will continue to provide the information you need.

Mr. LUETKEMEYER. Two more situations here.

Number one, the IG report. And we had a meeting with the IG. And he indicated to us that even now a lot of the, you know, they gave you a lot of suggestions on how to clean up the mess, especially in the EIDL program. This direct lending is a disaster quite frankly and when you have 30 percent, almost 30 percent of the program is fraudulent, that cannot happen. Cannot stand. And we do not need to put another direct lending program within your jurisdiction if that is what is going to happen to it as well.

So one of the comments that he made to me in our little group when we were discussing it is that even though he puts these programs in place and suggestions in place and you say they are going

to execute them, the staff does not execute on those recommendations. They refuse to do it. That is his words, not mine. How are you going to address that situation to get your staff to actually do their job to execute—

Chairwoman VELÁZQUEZ. Would the gentleman yield?

Mr. LUETKEMEYER. Sure.

Chairwoman VELÁZQUEZ. So I—

Mr. LUETKEMEYER. As long as it does not take away from my time.

Chairwoman VELÁZQUEZ. No, no, no. I will let you go on for a little more. We requested a bipartisan briefing with the IG and you did not accept that.

Mr. LUETKEMEYER. We had our meeting with the IG, Madam Chairman.

Chairwoman VELÁZQUEZ. Yes, you did. The version that you are presenting here is totally different from the version that he presented to us. Let's bring the IG here and let's discuss—

Mr. LUETKEMEYER. That would be great.

Chairwoman VELÁZQUEZ.—the fraud that occurred under the Trump administration. This is Administrator Guzman.

Mr. LUETKEMEYER. That is not my point. The point is that we have SBA staff that do not adhere to the recommendations that the administrator accepts from the IG. And as a result, those things are not getting done. The safeguards that we need to put in place are not being put in place and executed. This cannot happen. There is a reason for those recommendations.

Ms. GUZMAN. I meet biweekly with Inspector General Ware to ensure that we can be coordinated and that my team knows that we are sincere about implementing. We have satisfied multiple IG recommendations at this point and we continue to implement. And per the IG, the conversations I have had with him, we are making great progress towards that aim. And I will point out that COVID EIDL, specifically since you brought that up, previously in CARES the administration made decisions not to select 4506T transcripts. Those are the tax documents that we need to prevent fraud. Those have all been corrected per the IG's recommendation and thanks to the Economic Aid Act. And so I appreciate this Committee's advocacy to make sure we could do that.

Mr. LUETKEMEYER. Along that line, the IG as of 11-15, this is their report. They have 35 recommendations and 20 of them still remain open. And it has been like this for months. So there has to be some execution on your part to get this done and have the staff execute as well.

I have one more quick question before we leave you here.

With regards to the portal. It is not a bad idea and it works if they want to take advantage of it. The problem is, one of your staff Members threatened—I have an email—threatened the bankers and said if you do not use this portal, we are going to have—what was his exact word here? We are going to threaten an enhanced audit of you if you do not use this. What do you think about that?

Ms. GUZMAN. That was misconstrued. That was not a threat towards the bank.

Mr. LUETKEMEYER. I read the email, Ms. Guzman. It was pretty explicit.

Ms. GUZMAN. So what we have informed our banks is that we want to make sure that they are following the process and actually going through the forgiveness process for the loans. We saw some delays happening across our lending partners and we wanted to ensure that those delays were not impacting our small businesses and that they could process those forgiveness loans so we did not—

Mr. LUETKEMEYER. Ms. Guzman, all of my questions and all my comments this morning point to a lack of leadership at the top with regards to communication and oversight over your staff that lends to one of two things. Either you have a disdain for us. We have somebody here that just commented they have responses from you. Our side does not get them. Is that what is going on here?

Ms. GUZMAN. Absolutely not, Congressman.

Mr. LUETKEMEYER. Either it is disdain for our side or it is incompetence. It is one of the two. You cannot continue to do this and be expected to get something done with this agency. This is an extremely important agency. Our job here is not just legislative, it is oversight. And from our standpoint of oversight, you have failed with a true F.

I yield back.

Chairwoman VELÁZQUEZ. Your time has expired.

Now we recognize the gentlelady from Illinois, Ms. Newman.

Ms. NEWMAN. Thank you, Madam Chair. And thank you, Ranking Member. And thank you, Administrator Guzman. So good to see you.

So first of all, thank you for all your leadership. I have seen a steady incline in activity and the information disbursement of various PPP issues and EIDL issues. So thank you for all your help. Have heard it across the board on both sides of the aisle by the way. And then secondly, I do have a question for you regarding the 504 program.

So we know that a record has been made in 2021 that the SBA has approved \$8.2 billion I believe in loan value in fiscal year 2021, exceeding the \$7.5 billion cap. Is the \$7.5 billion enough to meet the increased demand for the 504 loans? And if there is and if you can share a little bit of editorial around it that would be great. Thank you.

Ms. GUZMAN. Thank you for that question.

The 504 program is an important economic development program creating jobs. We have that \$7.5 billion cap on the program and we exceeded it last year. So those additional loans, nearly a billion, did have to sit for up to 3 weeks waiting for us to enter into the new cycle. So we definitely feel that there is heightened demand on this product. It is a very popular product and our lenders are doing great work ensuring that their businesses are served, so we support the efforts to potentially increase the cap or have flexibility, just as we do on the 7(a) to adjust that if demand is increased towards the end of the year. And so we support both measures in terms of flexibility for the administration to adapt to the marketplace demands.

Ms. NEWMAN. Thank you, and I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now, we recognize the gentleman from Texas, Mr. Williams, Vice Ranking Member of the Committee for 5 minutes.

Mr. WILLIAMS. Thank you.

Administrator, I am a small business owner currently. I am a main street America guy. I have got a few simple questions, yes or no.

Number one, do you support the Build Back Better Act?

Ms. GUZMAN. Yes, I do.

Mr. WILLIAMS. Do you support raising taxes on small businesses particularly as businesses continue to recover from COVID-19?

Ms. GUZMAN. The Build Back Better Act does not raise taxes on small businesses.

Mr. WILLIAMS. No, my question is do you support raising taxes on small businesses?

Ms. GUZMAN. I support the Build Back Better's raising taxes on large corporations.

Mr. WILLIAMS. Let the record show Administrator Guzman supports raising taxes.

Ms. GUZMAN. On large corporations. Yes.

Mr. WILLIAMS. Do you support President Biden's vaccine mandate on small businesses with over 100 employees?

Ms. GUZMAN. Over 98 percent of businesses, small businesses would not be affected by that.

Mr. WILLIAMS. Do you support that?

Ms. GUZMAN. And yes, I do support—

Mr. WILLIAMS. Yes or no, do you support that?

Ms. GUZMAN. I do support that we should vaccinate as much as possible.

Mr. WILLIAMS. Okay. Are the current supply chain disruptions having a negative impact on small businesses?

Ms. GUZMAN. I am sorry; can you repeat the question?

Mr. WILLIAMS. Supply chain. Is it having disruption, a negative disruption on small business?

Ms. GUZMAN. Yes, supply chain is affecting small businesses.

Mr. WILLIAMS. All right. Administrator Guzman, you are tasked with leading the SBA, yet you do not know what policies will hurt or help small businesses. You just showed that a minute ago. You continue to back the Biden administration's claim that the Build Back Better plan would not raise taxes on individuals earning less than \$400,000 per year. However, a recent report by the bipartisan Joint Committee on Taxation debunked that pledge, exposing that this plan would have a significant tax increase for Americans of all income levels. Higher taxes force business owners to decide whether to reduce capital, lay off employees or pass the cost along to the consumers in order to offset increased costs and maintain profit margins. The bottom mathematics tells you 20 percent is more than 30 percent. So these are difficult decisions businessowners should not be forced to make and you should be protecting them.

On top of the looming tax increases, the NFIB reports that 49 percent of small business owners continue to struggle to find workers to fill open positions. Meanwhile, the Biden administration is imposing overreaching and unconstitutional vaccine mandates that will cause businesses to lose more employees. We are already facing a labor shortage and it hurts even more.

So as the administrator of the SBA, you are charged with aiding, assisting, and advising small businesses across the country but at every juncture it seems, at every juncture you have imposed or supported policies like this Biden administration things that we see that let businesses down and make doing business even more difficult. This administration's actions will lead to more layoffs and more inflation. Your failure to quickly implement or roll out critical business-saving programs like the Save Our Stages we talked about had dire consequences for main street businesses who had nowhere left to turn, and you continue not to assume any accountability for that failure. You have refused to respond in a timely manner we have heard today to Members of this Committee who have had urgent questions for businesses in their districts setting the tone that you and other bureaucrats that work at the SBA are above the taxpayers you represent is very poor service.

So my last question, Administrator, why should America's small business owners like myself and others, why should we put our trust in the SBA or you even and believe you have their best interest in mind when you have not demonstrated a single action that serves their best interests while promoting higher taxes and bigger government? How can we rely on you?

Ms. GUZMAN. The SBA has effectively delivered programs to small businesses that are helping them even navigate supply chain challenges, navigate the workforce issues that they are facing, as well as navigating the rising costs due to the pandemic. Further, we have been supporting them with access to markets, making sure that they can increase their revenues, access the federal government. So we believe the SBA is strongly positioned to help small businesses.

Mr. WILLIAMS. The SBA believes that. Okay. So let me move on. The SBA believes that. Not small business. Not main street America.

So, look. This Committee is charged with overseeing the SBA, and I strongly urge your administration to put the needs and concerns of America's small business first. And do what Chairman Luetkemeyer asked you to do. The SBA should be nonpolitical. It should be nonpolitical. You should be fighting every single day to cut taxes. You should be fighting every single day to cut regulations to help small business. It should be nonpolitical but you do not do that. Your support for the Biden administration's higher taxes, vaccine mandates and bigger government will shutter small businesses. We need to turn the SBA around before it is too late for main street America.

You mentioned about history. History will show that this Small Business Administration gave small business and main street a gut punch when we needed a lift more than ever.

I yield my time back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from Georgia, Ms. Bourdeaux, for 5 minutes.

Ms. BOURDEAUX. Thank you, Chairwoman Velázquez. And thank you, Administrator Guzman, for taking the time to join us today.

As we continue to recover from the COVID-19 pandemic, it is critical that SBA provide the resources and information necessary to support the growth of innovative job creating small businesses. I believe the Community Navigators program and its grantees will play a critical role in that and I really commend this Committee and Administrator Guzman for your leadership and the creation and implementation of that program. My district office has helped to recover over \$15 million for constituent small businesses through diligent work with SBA's Georgia District Office. So thank you so much for that.

We do have a concern that has come up. We have begun to hear in recent weeks from small businesses about the EIDL program. The deadline is approaching on December 31st, and so just a couple questions with respect to that.

First of all, does SBA have a plan to process the EIDL applications which are pending in queue between now and December 31st? And will you continue to process the applications after December 31st? Additionally, we are seeing some problems where small businesses cannot apply because of holdups and delays in the IRS processing of their 2019 returns. So they are kind of caught in this bind so the other part of this is SBA working with the IRS to expedite the processing of these returns or is there something that Congress can do to ensure some small businesses do not miss out on this needed relief?

Ms. GUZMAN. Thank you so much for the question.

When I arrived, I looked at all of our programs from top to bottom just to see what improvements could be made, especially focusing on customer service technology for process improvements. COVID EIDL is a program that had challenges but has delivered nearly \$300 billion to businesses across the country. It is affordable patient capital for our businesses. I have moved the COVID EIDL program to our Office of Capital Access to ensure that we could leverage industry best practices and improve the processing time. In fact, we went from 2,000 processed applications a day to 37,000. Over the summer, as a result, we were able to clear 600,000 in backlogs on the COVID EIDL program. And further, we were able by the fall to clear a total of a million across the entire COVID EIDL package, including the grants and the loans. This program, unfortunately, was challenged with issues in terms of not only processing but in terms of fraud as was mentioned earlier and we were able to reinstate a lot of the policies that have been in the EIDL program, the traditional disaster loan program for years where we have successfully put out \$67 billion of disaster loans over the years effectively without fraud. So we were very pleased to be able to reinstate these longstanding fraud controls onto our program and start to improve customer service as well, which speaks to your point in terms of being able to process the full demand by the end of the year. We feel good that we have billions available and that we will be able to distribute those effectively through the communities and we look forward to working with you and all your constituents in processing.

We currently do not have a backlog. The challenges that are in the system for individual borrowers that you might be hearing from oftentimes are due to appeals, multiple appeals. They are often-

times due to fraud flags. Again, we have instituted new fraud controls and so these people may have gone through the system previously without any fraud checks and so we are now going through that. So we do feel good about processing the applications. They will be allowed to apply through December 31st and then we will process them after that. So that is the deadline. The same for the targeted advance, that \$10,000 grant. Businesses can apply all the way through December 31st. The supplemental targeted advance is the only one that will have to be processed and distributed before December 31st. So that means your constituents who are eligible for that additional \$5,000 grant will need to apply by approximately December 10th.

In terms of the IRS processing, we have, as I have said, cleared the backlog on this important program. And so we have effectively been able to administer it. We do feel that, unfortunately, for those who did not file 2019 taxes, the processing time for a paper application without errors is about 30 days. We are seeing that that could be much longer, up to 20 weeks if they have an amendment. So unfortunately for that, processing times, they are going to need to coordinate closely with the IRS and make sure that all their documents are in order, but if they have their 2019 taxes, we are able to process them efficiently thanks to the improvements and the gains that we have made on the program.

Ms. BOURDEAUX. If we can continue to work with you on that because we are getting a ton of complaints into our office right now where people, I absolutely support the anti-fraud measures, of course, but also want to make sure we are actually able to get things done for the small businesses. But thank you so much for the answer.

I yield back.

Chairwoman VELÁZQUEZ. The gentlelady's time has expired.

Now, we recognize the Ranking Member of the Subcommittee on Underserved, Agricultural, and Rural Business Development from Minnesota, Mr. Hagedorn.

Mr. HAGEDORN. Thank you, Madam Chair, and Ranking Member Luetkemeyer. I appreciate the hearing. Administrator, it is good to see you.

I used to be a congressional relations officer for two nonpartisan Treasury agencies and I would always tell my boss, you know, before we go testify on Capitol Hill, let's make sure that we answer the questions of the Members that we are going to go testify in front of. What we actually tried to do was answer their questions. You did not do that. It looks like you did like kind of a data dump. You just got all of our letters that have been sitting around for months and months and then sent us back a form letter. I sent you a letter on May 20th talking about the Restaurant Revitalization program. A pretty important program which is still out there. A lot of America's restaurant owners are hurting. You did not send anything back talking about that. And then I asked, well, what is going on with this Biden Executive Order on equity? How are you going to be revamping things down at SBA in order to meet that? Again, I got nothing back. I got two paragraphs of just a bunch of form stuff.

So Madam Chair, I would like to introduce these into the record if I could at this time.

Chairwoman VELAZQUEZ. Without objection, so ordered.

Mr. HAGEDORN. But I think what is going on here is I really do not probably need an answer anymore to figure out what is happening with the whole equity exercise down at SBA because the Restaurant Revitalization Fund was really the first part of the woke agenda. That was the fund where it was decided there were going to be about \$28.5 billion for restaurant owners who were hurt during the COVID situation and the Democrats and Biden decided they were going to have a priority list. And everybody on the priority list could get their application in early and get their money first and the people who were not on the priority list, well, they had to wait in line and hopefully they get some money sometime. The people on the priority list were pretty much everybody but white males. And lo and behold, all sorts of applications came in, all sorts of money went out. A lot of people were paid, and of course, the monies ran out and Congress and the administration, nobody has done anything about it since. There are hundreds of thousands of people out there who own restaurants and bars who happen to be white males who never received any money.

Now, the people who did receive the money on the priority list, and I am for that. I want them all to get the money, but everybody should be treated equally. We should not be discriminating one way or the other. Every person who is a restaurant owner should be treated the same way. I think that is what everybody wants. But the folks that did get the money, do you know what they used it for? They went out and hired staff. They fixed up their restaurants. They paid bills. They did a whole bunch of things. Maybe advertised. They did everything they could to bring the customers back in the store. The people who did not get the money, some of them might be across the street, they probably went broke. They are hurting. They do not have that money to lure in new staff, increase their wages and so forth.

Do you think that is fair, Administrator, that people on the priority list were given this money and the people not on the priority list were not? Do you think that is fair?

Ms. GUZMAN. Thank you, Congressman. And just to address the letter concern, we will definitely continue to be in correspondence with your office, and I welcome any calls that you want to place to me. I know that several of you have been connecting with my staff but I will definitely make sure that those are addressed.

In terms of the Restaurant Revitalization Fund program, the SBA worked diligently to try to administer the program as quickly as possible working in close collaboration with key stakeholders like the NRA and others. We administered the program that was laid out by Congress.

Mr. HAGEDORN. I asked you if it was fair. Is it fair that some restaurant owners were given money and other restaurant owners still do not have it? It is an unfair competition; right?

Ms. GUZMAN. Well, my charge is to administer the programs that are given to me and ensure that—

Mr. HAGEDORN. Okay. Well, part of your charge then was to put together a bill with the administration which had the priority

list in there which gave people an advantage over other restaurant owners. Totally unfair. We do not need this in America. We want everybody to be treated equally. This whole equity stuff needs to go away. This woke stuff needs to go away. Treat every American citizen, every American business the same way. If you are going to be giving out government grants, let's make sure that everyone has the same opportunity. I think that is what America is all about. At least that is what I think.

Now, you are traveling the country quite a bit; right? You are getting around. I am, too, in the district in Minnesota. Can you tell me any small business owners that have come up to you in the last 4 or 5 months about this Build Back Better bill that want higher taxes, more regulations, that want higher energy costs through this Green New Deal stuff that is coming along? Is anybody begging for that?

Ms. GUZMAN. What small businesses are telling me is that they are having trouble finding workforce. That healthcare costs are high. Childcare costs are high. And Build Back Better will address those issues to try to help our small businesses with their workforce—

Mr. HAGEDORN. Well, you have not heard any business owner say please raise my taxes, increase my regulations, and make my energy costs go up; correct?

Ms. GUZMAN. Small businesses have not—

Mr. HAGEDORN. Thank you. I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now, we recognize the Chairman of the Subcommittee on Oversight, Investigations, and Regulations from Minnesota, Mr. Phillips, for 5 minutes.

Mr. PHILLIPS. Thank you, Madam Chair. And greetings, Administrator Guzman.

I want to thank you for your work on behalf of small businesses. I know how tough these days have been for small businesses all around the country and for you and your team at the SBA. You have played an integral role in America's recovery from the pandemic and most of us are grateful, especially small business owners.

I want to begin with the RRF, the Restaurant Revitalization Fund. When it was first opened to applicants as we all know, Congress reserved the first 21 days of the application period for priority groups, including women and veterans and socially and economically disadvantaged entrepreneurs, the people that needed the support the most. My colleague from Minnesota argues that we have got to get rid of equity. I just happen to believe that we should support those who have been denied access and opportunity. I think America is at its best when we support those who have big dreams, especially entrepreneurs, especially veterans. And when I talk about equity, not just economic and racial, but geographic, rural America. We should be supporting entrepreneurs in those parts of the country as well.

And while the SBA, of course, succeeded in distributing billions of dollars to disadvantaged groups, we all know that the lawsuits ruled that those were unlawful, and 3,000 priority applicants were left in the cold due to depletion of the funds. I know that you were

frustrated by this because, of course, the guiding purpose of the SBA in my estimation is to promote entrepreneurship and help underserved small businesses, the very ones that were denied funds.

So my first question is a simple one. Should we consider additional financial relief to the most hard-hit industries and small businesses in categories that have been denied funding?

Ms. GUZMAN. With similar programs like the Restaurant Revitalization Fund, the Shuttered Venues Operator Grant that we have been able to effectively distribute over \$12 billion in relief, these hard-hit industries do need additional assistance. As I am meeting with businesses around the country, they still need relief, which is why we are thankful that we have the COVID Economic Injury Disaster Loan to offer them but this is a loan, not a grant. And so we continue to try to support them though with resources and these loan offerings. And if Congress were to fund hard-hit industry grants, SBA would focus on effectively distributing them as equitably as possible.

Mr. PHILLIPS. Okay. And Administrator, do you know how much additional funding would be necessary to fully replenish the RRF and ensure that those that were denied funding that otherwise qualified can still receive it?

Ms. GUZMAN. Within the RRF, we still had a pending of over \$44 billion, \$44.1 billion of requests within the system.

Mr. PHILLIPS. So theoretically, small businesses that qualified but simply were denied because we did not allocate enough; is that fair?

Ms. GUZMAN. We did not finish processing all of those applications.

Mr. PHILLIPS. Okay.

Ms. GUZMAN. And so those are the pending, what we deem, what we can guess at eligible businesses that were not immediately remoted.

Mr. PHILLIPS. Okay. With my remaining couple of minutes, Administrator, I want to acknowledge in a very bipartisan fashion that one of our fundamental responsibilities on this Committee is oversight, especially considering the size of the support programs that Congress has initiated during the pandemic and the ones that you are administering. Every fraudulent dollar that goes out is one less that we can allocate to businesses that qualify. We would all agree with that.

So what can our Committee do to support oversight of the SBA programs, especially the recent pandemic programs, whether that be congressional directives or additional resources?

Ms. GUZMAN. SBA has been able to utilize administrative funding to continue to try to build in strong processes and technologies as well as controls to make sure that these funds get into the hands of the businesses it was intended to serve. We will continue to work with the IG closely and the GAO to make sure that we are implementing the remainder of the recommendations that are in place across our COVID EIDL, PPP, and all of our relief programs, as well as our CORE programs. And so that continued support and collaboration is what we deem necessary to continue to support anti-fraud measures.

Mr. PHILLIPS. Okay. And we all know that, of course, you are working hard and others to identify fraud and those who inappropriately received funding. What is the current process and what is the timeline for clawing back those fraudulent loans and disbursements?

Ms. GUZMAN. My apologies. Is that on a specific program, Congressman or just—

Mr. PHILLIPS. More of a broad question because I know there is fraud in a variety of programs.

Ms. GUZMAN. Yes.

Mr. PHILLIPS. But just in broad strokes, especially through the more recent programs.

Ms. GUZMAN. Thank you, Congressman. Yes, we are working closely with the IG and the Department of Justice to make sure that if there is identified fraud that they are able to fully prosecute and recover those funds. The IG has already worked to recollect millions of dollars across the PPP program and the COVID EIDL program and we continue to support their work as they do so across all of our programs.

Mr. PHILLIPS. Thank you. I see my time has expired. I yield back. Thank you so much.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

We recognize the gentleman from Minnesota, Mr. Stauber, for 5 minutes.

Mr. STAUBER. Thank you very much, Madam Chair.

Administrator Guzman, thank you for being here to testify. I have to say it has been difficult getting some response from you or your office.

But as you recall, back in May, when you were in front of this Committee over 6 months ago, I asked you a series of questions regarding the Biden administration's small business tax increase proposals that you could not answer. You said to me in this Committee at the time that you would follow up with my office with answers to my questions. It has been 6 months. No follow up to me or my staff. So at that time I was asking you about proposals but now we have in writing the tax increase the Biden administration plans to impose on small businesses. Given you have had 6 months to figure out a response, I am going to ask you once again these questions.

How many small businesses are organized as a subchapter C corporation?

Ms. GUZMAN. The majority of businesses are not organized as C corporations. I do not have the exact number of those businesses.

Mr. STAUBER. Does the Build Back Better legislation increase the corporate tax rate?

Ms. GUZMAN. The Build Back Better framework actually focuses on leveling the playing fields. And I agree with the 3/4 of small businesses polled who want to see large corporations pay their fair share. And so the Build Back Better framework focuses on that, making sure that our large corporations, those that pay zero including are the ones who are covering for this.

Mr. STAUBER. The question was does the Build Back Better legislation increase the corporate tax rate?

Ms. GUZMAN. It provides for a minimum corporate tax rate of 15 percent that will affect less than 200 large corporations so it will not affect our small businesses.

Mr. STAUBER. It will not affect the small businesses at all?

Ms. GUZMAN. It will affect less than 200 of the largest corporations, the 15 percent corporate tax. Correct.

Mr. STAUBER. So the Build Back Better legislation is going to increase the corporate tax rate as you just said on small businesses subchapter C. According to the Tax Foundation, this tax increase is going to reduce the GDP and cost about 25,000 jobs. How many small businesses are organized as pass-through businesses?

Ms. GUZMAN. Many more are pass-through entities. A majority of them are.

Mr. STAUBER. So the majority, 95 percent?

Ms. GUZMAN. I do not have those exact numbers.

Mr. STAUBER. Well, the answer is nearly 95 percent of all small businesses that you oversee in this country are pass-throughs.

Does the Build Back Better legislation increase taxes on pass-through taxes?

Ms. GUZMAN. President Biden's plan never focused on the—I am assuming you are talking about the 199A. And no, it did not ever propose that. President Biden's proposal in this current framework does not include the 199A either.

Mr. STAUBER. So you are telling us that legislation will not increase taxes on 95 percent of the businesses that are pass-through; is that correct?

Ms. GUZMAN. The current BBB proposal does not increase—does not affect the 199A. So small businesses will not be affected by that.

Mr. STAUBER. According to the Tax Foundation, this tax increase is going to eliminate 16,000 jobs. Do you agree with that?

Ms. GUZMAN. I know that economists are still debating what those final impacts are. We believe strongly that the Build Back Better plan will actually create jobs and will help small businesses, especially when it comes to their workforce, educating their workforce, creating workforce development opportunities, lowering the cost of childcare so we can get more people back to work. Those are really important things to small businesses, as well as the cost of healthcare which is rising and this Build Back Better framework will decrease those costs.

Mr. STAUBER. Have you ever owned a small business?

Ms. GUZMAN. I have, yes.

Mr. STAUBER. As a pass-through?

Ms. GUZMAN. Yes; correct.

Mr. STAUBER. Okay. Do you still own it?

Ms. GUZMAN. No, I do not.

Mr. STAUBER. Okay. Another thing I would like to have a short conversation with you. You were in our great state of Minnesota just a few months ago and we appreciate that. You came with my democratic colleagues to Minneapolis. There are two of us that sit on this Committee that were not invited. Was it for political reasons that we were not invited to celebrate and encourage small businesses in the state of Minnesota? Can you tell us why you did not reach out to us?

Ms. GUZMAN. Congressman, I would welcome a visit with you. And if an invitation is extended, I would love to travel with you to meet with your small businesses and see how we can further help them.

Mr. STAUBER. Did you even think about inviting us in rural Minnesota? You talk about rural America. We represent rural Minnesota. We were not even invited by somebody such as your stature to come into Minnesota and celebrate small businesses. Would you agree maybe that was a misstep on your part by not inviting us, two Members of the Small Business Committee?

Ms. GUZMAN. While I was not in your district? I would welcome the opportunity to extend my stay or go directly just with you in the future.

Mr. STAUBER. Last thing is—okay, my time is up. I yield back. Thank you, Madam Chair.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

Now we recognize the gentlelady from California, Ms. Chu, for 5 minutes.

Ms. CHU. Administrator Guzman, I believe that the Build Back Better bill will truly help small businesses. And in fact, I am proud that it includes \$275 million for the authorization and funding for the Community Advantage program. We know that Community Advantage is an effective tool for increasing access to capital for underserved small businesses with SBA data showing that the program reaches significantly more female and minority businesses. That is because Community Advantage lenders have the necessary relationships within their communities to facilitate lending to the small businesses that need it most. These mission-driven lenders are not only skilled in localized character-based lending but also provide hands-on coaching to borrowers, many of whom are overlooked by big banks.

Can you talk about how you see Community Advantage figuring into SBA's long-term recovery plans, particularly your plans to improve capital access for underserved businesses?

Ms. GUZMAN. Yes. Thank you so much for that question.

Community Advantage is an important pilot program that the Office of Capital Access administers and it does allow us to better reach those underserved communities through great community financial institutions like the CDFIs. We want to continue to expand all of our lending partnerships as we have been able to during PPP and continue to grow that. Permanence of the Community Advantage program will mean certainty for these lenders and that is what they need to continue to expand in the program and we look forward to Build Back Better's proposal to do that as well as fund it for a 10-year basis and definitely support our smallest entities and those underserved communities and have a far reach within every corner of our nation. In addition, that actually also helps us to fortify those banking relationships which we rely on to distribute our loans. They were great partners for us during PPP with the acceptance of fees and as we look towards direct lending we will rely on that strong network of community financial institutions to deploy small dollar loans into communities across the country.

Ms. CHU. Thank you for that. And there is another very positive thing that Build Back Better does for our small businesses and

that is provide \$60 million to improve the program's outreach with the Small Business Investment Company or SBIC program. And I am proud that my legislation to allow more bank capital to be invested in SBICs, the Investing in main street Act did pass the House earlier this month and, in fact, would enable these banks to invest up to 15 percent of their capital and surplus in SBA licensed small business investment companies which will significantly help startups that have grown into companies like Tesla and Apple.

So could you talk about how the SBIC program can help our small business recovery and discuss how the Build Back Better Act's investment can strengthen the program over the long-term?

Ms. GUZMAN. Thank you. Yes, we believe that the Build Back Better will strengthen our SBIC program. Right now we have 300 private SBICs distributing capital across the nation to our small businesses. We really want to focus on making sure small businesses outside of those venture capital rich areas of the nation and private equity rich areas have access to capital through our SBICs. And so with emerging managers as well as micro funds, we will be able to further expand our SBIC pipeline of strong private equity and venture firms to be able to support our small businesses with leverage from the federal government.

Ms. CHU. And finally, let me ask about the Community Navigator program. I understand that the grants have been awarded to 51 HUB organizations but it was very competitive. And I have heard from disappointed organizations like community groups and mission-based lenders who were not selected but remain eager to contribute to the program. I know that the Community Navigator program relies on community groups that can reach the hardest to reach businesses. Can these mission-based lenders still be part of the Community Navigator program?

Ms. GUZMAN. Thank you. Yes, we received over 700 applications for the Community Navigator pilot program and I think that really is exciting because it speaks to the heightened attention on small business development across our cities and counties and non-profits across our ecosystems. We believe that we can continue to integrate all partners within that hub and spoke framework, whether they are working directly as a spoke with one of those grantee organizations or as part of an ecosystem leveraging any of our programs, whether it is the capital programs or other grant programs. So we look forward to continuing to build that out with all of those community financial institutions and others.

Chairwoman VELAZQUEZ. The gentlelady's time has expired.

Now, we recognize the gentleman from Pennsylvania, the Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access, Mr. Meuser for 5 minutes.

Mr. MEUSER. Thank you very much, Madam Chairwoman. And thank you to our Ranking Member Luetkemeyer. Thank you, Administrator, for being here.

So small businesses are struggling. In spite of the high level of consumer spending that is taking place, small businesses are making less. They are dealing with inflation. All this should be nothing new to you. Organizations like the NFIB are stating this as loudly as they can to the administration. There are workforce shortages. Serious workforce shortages. Every small business I walk into, and

I am sure you, too, is beside themselves with being so busy and making less and trying to figure things out. Supply shortages. Their shelves, their inventory, their warehouses are much less than they would prefer. Energy costs are baffling them. Gasoline prices, heating, you name it for their trucks, for their deliveries. Everything is going up. Wages are going up. That is usually a good thing but in this case it is going up a little bit too fast. These mandates that are being discussed are very, very unclear and it is really making many businesses very, very nervous as to what to do. You know all this. Potential tax increases.

Now, Administrator, you said small businesses will not be facing any tax increases. That just is not accurate. The 3.8 percent Medicare surtax, which expands the Medicare surtax to invest in individuals actively involved in S corporations or partnerships. So in other words, if a company with 50 employees was bringing in \$10 million in revenues, they will maybe net \$1 million at the end of the year. They will be paying 3.8 percent on that \$600,000, the delta between the 400.

So, now it is a pass-through. So that business will be paying that extra. Now, he might be paying himself, or she, \$100,000, \$200,000, \$250,000, \$350,000 a year but they are still being taxed as a pass-through business. So stating that small business is not paying more tax—and by the way, that is a big number. That 3.8 percent, if I believe offhand, that is in the neighborhood of \$300 billion of new taxes, of revenues. So I do not know how we can say small business is not getting any new taxes when you are scoring it at \$300 billion.

And then, of course, NOL is being changed. The IRS enforcement. That is going to be wonderful for small business. I was former revenue secretary of the Commonwealth of Pennsylvania. The last thing you do without making it a higher quality level of information for those auditors to work off of is just add 87,000 new people and think they are going to go out and shotgun approach on small business because they are the easiest victims, to go in and audit them randomly. And the idea that it would raise \$400 billion is absolutely nonsense. Come on. You went to the Wharton School of Business. I mean, it just came back CBO I think said \$120 billion. That is about right. So there is a lot of phony-baloney stuff in here.

So I just want to ask you, do you advocate for small businesses? When you talk to the president, do you say, Mr. President, these taxes, inflation, gasoline prices, you know, you have your spokesperson Jen Psaki and a new potential controller of the banks saying how it is a great thing to ruin fossil fuel companies and oil companies and gasoline companies. Somehow that is a good thing because then we move into green energy. I mean, do you say, hey, we have got to rethink some of these things, Administrator?

Ms. GUZMAN. My responsibility is to, of course, administer the programs of the SBA as well as visit with these businesses and hear their concerns which, of course, I agree with you the supply chain and the workforce issues have been challenging for them. We have been focusing on getting them support so that they can navigate these issues.

In terms of some of the specific issues that you addressed, like the Medicare tax loophole, that really again is still focused on those individuals making more than \$400,000. So the majority of small businesses will not be affected and that really what it does is focus on making sure that investments are treated the same way as your business income. And so whatever the issue might be, the note that this Build Back Better agenda is focused on leveling the playing field and that is where small businesses have free——

Mr. MEUSER. I do not think it held any ROI whatsoever for the economy and you have got economists agreeing with me. The lending product you bring up. Now, we had two test programs, the RRF and the EIDL, all run by the SBA. And I think you have got a good staff. In Pennsylvania you have got a good staff. But they are completely understaffed. They have nowhere near the IT systems and the RRF was a disaster. Let's face it. And the EIDL had \$67 billion plus in fraud and yet you are saying you want a self-run, internally run lending product within the SBA to add onto what we know is already a disaster?

Ms. GUZMAN. The SBA has been doing direct lending for over 68 years. We have had a \$67 billion portfolio within our disaster products without these incidences of fraud. These are unique to the COVID EIDL product as a result of the CARES Act requiring that the SBA not collect tax documentation.

Mr. MEUSER. I am sorry, I have to yield back. But a joint partnership with banks and the SBA clearly worked a lot better.

I yield back, Madam Chairwoman.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from Pennsylvania, Ms. Houlihan for 5 minutes.

Ms. HOULAHAN. Thank you, Madam Chair. And thank you very much for being here as well.

My question is going to be forward-looking at a future program I am hoping and I very much thank you for being with me in our community. The last time we saw one another we were walking in the streets of Philadelphia and we were talking to small business owners back there. Sadly, since then, since your visit, my district was hit hard not just by the pandemic and supply chain constraints which I know a lot of folks have been hitting on today but also by Hurricane Ida, and we are under a federal state of emergency.

So today, I want to talk about relief for our small businesses and owners who have been impacted by natural disasters that are not pandemic. Following this devastating storm, I heard from many of our small businesses in our community who are continuing to recover through no fault of their own from the pandemic and now from this natural disaster. One of these businesses was Animated Brewing, a brewery in Coatesville. And during the visit to their business, the co-owners expressed their hesitancy around applying for an SBA loan. While they very much appreciated a low or no-interest option, they simply did not have the capacity at that time to pay it back. Their losses from the storm were too great and their losses from pandemic as well. And another business similarly informed my office that they would rather be closing their doors in the coming months rather than incurring yet another bill to pay.

These businesses represent nationwide concerns with the lack of direct aid that is available to small businesses that follow a natural disaster. Natural disasters, as we have mentioned, are not dissimilar to the shocks such as a pandemic and according to the Federal Emergency Management Agency, almost 40 to 60 percent of small businesses are never able to reopen their doors after such a disaster.

Which leads me to a question that I have heard over and over again since Hurricane Ida has hit my region. Why can there not be a loan forgiveness or grant program available similar to PPP to help small businesses recover from natural disasters just as Congress has provided to respond to the public health crisis of COVID? Given the anticipated increase in frequency of climate change-related natural disasters such as Hurricane Ida, I am interested in this concept and interested in your response. Do you think that the status quo is sufficiently meeting demand for natural disaster experiences by small businesses? Should the SBA play a bigger role in supporting small businesses that are recovering from a natural disaster beyond low interest rate loans?

Ms. GUZMAN. Thank you. Yes, we do agree that recovery is a long tail for communities and for businesses, and I would like to see the SBA engaging more in that recovery and providing support, whether it is connecting to affordable capital, if that is the right fit, or providing some other technical assistance to help those communities recover.

Ms. HOULAHAN. Or potentially similar to PPP loan programs that become grants with certain conditions met.

So Congress set up a PPP program in recognition of the importance to small businesses to the overall economy of communities nationwide and to the unique and historic nature of the pandemic. Perhaps maybe there could be a federal emergency protection program similarly that parallels something like this. Do you see the parallels that exist between incidents of climate-related disasters or natural disasters and pandemic?

Ms. GUZMAN. Businesses are dramatically affected during disasters. I mean, the FEMA data shows that if they do not reopen in 5 days, 80 percent chance that they will be closed within a year. So the effects are devastating which is why it is so important to invest in climate solutions and why we would want to continue to support our small businesses with whatever tools Congress provides to us.

Ms. HOULAHAN. Thank you. And what are the biggest lessons you think that we learn from PPP that could be considered when crafting a similar program for natural disasters?

Ms. GUZMAN. Well, one thing that we found is 11 million loans, and seen a lot of sole proprietors especially come into the program in 2021 and small employers, 20 and under that were not served previously. We think that those are key lessons learned to demonstrate that there is a demand out there for capital and that businesses can leverage capital to grow effectively which is why direct lending is such an important product because we are seeing that there is a decline in small dollar loans out there available to our smallest entities and we would like to try to solve for some of those huge market gaps.

Ms. HOULAHAN. Administrator Guzman, one of the things that I was struck by with the crisis of pandemic and with the PPP having been stood up so rapidly but also expanded as you mentioned to a vast array of businesses that would not have historically been considered in these sorts of opportunities and programs, we have created the neuropathways and the memory mechanisms. We have created the business banking relationships that small businesses now have with each other. We have also created the relationships that the SBA now has with the banking industry. We really ought to be able to take advantage of this and pivot this to what will be inevitably in the future increasingly more and more natural disasters and more people needing help with this.

Thank you so much once again for visiting our community and I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the gentlelady from New York, Ms. Tenney, for 5 minutes.

Ms. TENNEY. Thank you, Madam Chairwoman. And also to the Ranking Member. And thank you, Administrator, for being here today. I did send you a list of questions in May and I am hoping that at some point you will follow up since I have not received an answer yet. I know you are getting yourself organized in the position but we really have pressing questions that we need to ask.

My first question I want to ask you is during your confirmation hearing in the Senate, you promised to investigate why the SBA wrongfully approved small business loans for multiple Planned Parenthood affiliates. However, since the SBA has proceeded to confirm an additional six loans for Planned Parenthood affiliates, including \$10 million for Planned Parenthood of Greater New York. As you are aware, and as this legislation states, federal funds cannot be used to pay for abortions and all applicants for PPP loans must abide by affiliation rules and size standards. Since Planned Parenthood has over 16,000 employees nationwide that makes them ineligible. Has the SBA forgiven any of the PPP loans that have gone to Planned Parenthood?

Ms. GUZMAN. I do not have a status on individual loans to share with you.

Ms. TENNEY. Have any of them that you know generally been forgiven?

Ms. GUZMAN. That I am not aware of. I know that we have continued to process those loans in the order. And as you know, borrowers attest under PPP for their eligibility.

Ms. TENNEY. Will you forgive those loans? I started to reclaim my time. But will you forgive those loans at this point? Is that a policy that you are taking?

Ms. GUZMAN. Fortunately, it is not up to me to determine individuals loans. There is a process in place for all loans.

Ms. TENNEY. But you as the administrator have the ultimate say. Will you actually not allow those loans, not allow their forgiveness, and will you ask them to pay the money back?

Ms. GUZMAN. They will be processed according to the rules that were administered by the SBA that have been made public and that have been shared with our lenders.

Ms. TENNEY. So what you are saying is that based on the rules and based on the rules of the legislation that you will be denying that forgiveness and you will also be requiring them to pay back based on a rules based?

Ms. GUZMAN. I am not speaking to any individual PPP eligibility.

Ms. TENNEY. But can you say that based on the rules that we just outlined, the fact that they are not eligible, that you would say in a reasonable estimate that those loans would not be forgiven and therefore, you would ask for that money to be paid back?

Ms. GUZMAN. I am not the one who individually investigates specific eligibility.

Ms. TENNEY. I am asking you as the administrator. You obviously have a position. You would ultimately make this decision if it came to your desk; right?

Ms. GUZMAN. My positions and my political choices are not at play here. It is really just the process and the rules that are in place for both the borrowers to attest to their eligibility and for the lenders to determine if they will process based on that eligibility and that attestation.

Ms. TENNEY. Right. And so—

Ms. GUZMAN. Further—

Ms. TENNEY. Can I just add?

Ms. GUZMAN. Sure.

Ms. TENNEY. I do not mean to harp on this but if it was determined by your people and the people that work under you that they were actually forgiving the loans, would you overrule that decision because it is not based on the rules that are set forth in the statute?

Ms. GUZMAN. I would not overrule the processing that is in place that is abiding by the rules. So the process does abide by the rules and determines eligibility. Again, the borrower attests to the eligibility. The bankers are then processing those PPP loans.

Ms. TENNEY. Do you know the rules that say that they are not eligible. Is that something you are aware of?

Ms. GUZMAN. I know our affiliation rules broadly but I have not investigated any particular loans of the 11 million loans that we have processed at the SBA.

Ms. TENNEY. Okay. Just one more question because I have a little time left.

In your remarks, you talked about gaps in access to capital and you make no mention of SBA initiatives addressing the fact that most venture capital and early stage funding flows to just a few cities around the country and many are left behind, including my upstate rural suburban district. And you make no mention of the fact that very little investment, including SBA's own programs goes to innovative capital-intensive businesses that are in the manufacturing sector that once supported our middle class. Is that something you are going to be considering as adding more options and supporting the legislation that I have and others that would give more loans to businesses that have long-term prospects, long-term manufacturing, and would rebuild and reindustrialize the regions such as mine that were once the home of the beginning of the industrial revolution?

Ms. GUZMAN. Yes. We completely support building up a manufacturing base in America. The Made in America initiative focuses on that and we have key programs to support that, whether it is on our lending program or encouraging manufacturing support within our SBIC program.

Ms. TENNEY. One last thing that my colleague alluded to. The current nominee for control of the currency is talking about ending private bank accounts and putting them in the hands of the federal reserve. Do you support that initiative?

Ms. GUZMAN. I just support that small businesses have options to find banking institutions that can support them or lenders that support them and my job as the administrator is to make sure that those—

Ms. TENNEY. So you do not support them giving their bank accounts over to the federal reserve?

Ms. GUZMAN. I do not have information on that to share anything further.

Ms. TENNEY. Thank you.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now, we recognize the gentleman from New Jersey, Mr. Kim, for 5 minutes.

Mr. KIM. Thank you. Thank you, Madam Chairwoman. Administrator, thank you for coming today.

I hope you take away from this hearing that there is a lot of bipartisan engagement when it comes to our restaurants. That this is something that I think we need to make sure that we are prioritizing to the level that we are hearing. I want you to know that from my district that is still the number one issue that I hear about when it comes to small businesses. And the job is not done. I wish we were able to put in additional funds into the Restaurant Revitalization Fund. I certainly supported that from the outset to avoid the problem that we had that was foreseeable. We knew there was going to be a challenge there. And I want to find a way to fix it. But you know, you have talked about this already, but we talked about it in terms of the amount of money to be able to put in. And I certainly support funding this more. But I also wanted to ask you what flexibility does SBA need from Congress in statute if we were able to provide additional funding for the Restaurant Revitalization Fund. We want to make sure that we ensure that no applicant at the end of the queue is left off without relief again. My understanding it is not just about the funding; that there are other elements here that we need to be considering here. So I just wanted to get your take on this.

Ms. GUZMAN. Congress would need to fully fund the Restaurant Revitalization Fund program so that we could support the remainder of the restaurants who have applied or put a cap on the program so that whatever the funds allocated to lessen the \$44.1 billion would be enough to cover those applications in the pool. We would be happy to work with you to further look at those numbers.

Mr. KIM. Yeah. Because I think we are hearing, again, in a bipartisan way a desire to make sure that our restaurants and our communities are getting that kind of support. And I hope that my colleagues across both parties work together to be able to do that. I certainly stand ready to do that myself.

What I also wanted to talk to you about is just as you were talking to my colleague about sort of the long road to recovery head that we have when it comes to small businesses. And I agree with you that right now we are certainly having a crisis point. But I think we understand that this is not going to just go away overnight. This is going to be a long road to recovery. So I guess I wanted to just get a sense from you how you see this unfolding here. There are particular industries and small businesses that you think are going to have a longer road to recovery and a tougher time. How do you sort of see this unfolding over the course of the next few years, over the course of the next couple years of this administration for instance?

Ms. GUZMAN. Small businesses polled, as well as those that I meet with project that there will be months of uncertainty still remaining for them as we fight the pandemic. The number one thing is to fight the pandemic and make sure that we can get more people vaccinated so that people start to consume services as much as they have been consuming our products and goods. And so that first and foremost has to be the priority. Saving our small businesses means vaccinating and implementing strong protocols to help recover from the pandemic which is underlying as economists agree the supply chain challenges and the workforce challenges that including our small businesses are facing.

So as we move forward, we really believe that we need to have the tools in place around access to capital to make sure that we are supporting small businesses, especially those startups, those over 9 million business applications I referenced earlier. We want to make sure that they can be equipped with the technical assistance, the capital, and the access to markets that they need to grow strong businesses for our communities and for our economy.

Mr. KIM. Look, I am glad to hear that, and the reason why I mentioned this question is I was reading through your testimony and you used a phrase to describe SBA. You said it was first responders. And I understand what you are getting at with that, saying that SBA is the first responder in terms of this crisis and certainly the struggles that have been there. But I think I would like to push back with you a little bit on that. What I have heard from the small businesses in my district is that it is about a relationship. It is about a deeper engagement. A lot of the small businesses in my community up until the last 18 months had very little, if any, connection with SBA. Had very little understanding of what SBA, what tools you had and things like that. You now have an opportunity here not just to connect with them for the Restaurant Revitalization Fund or the Paycheck Protection Program, but I urge you to build off of that. Now that you have connected with so many small businesses in their time of need, build off of that in terms of letting them know what next. As a first responder, yes, you provide that kind of initial support but I do not want you to think that they are just going to then move on off and that is not your responsibility. And I just want to make sure that we are engaged on that over the course of the long term. Thank you. I yield back.

Ms. GUZMAN. Yes. I would be happy to do that.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from New York, Mr. Garbarino, for 5 minutes.

Mr. GARBARINO. Thank you, Madam Chair. Thank you, Administrator, for being here today.

I have been watching the hearing in my office and I walked over. My colleague before had asked you if you had spoken to the president and let them know whether you agree with some of the policies that are coming back in BBB and your answer was your job is to administer programs and to meet with small businesses and hear their concerns. So what do you do with those concerns after you hear them? Where do they go? I mean, you are hearing their concerns. Do you just not share them with the president or—

Ms. GUZMAN. No, that was perhaps taken out of context or not fully communicated properly. But yes, of course, I share what I am hearing in the field from our small businesses, from our district offices, from our resource partners to relay that they are having supply chain concerns. That they are having workforce challenges. This is a whole of government approach to fighting this pandemic and making sure that we implement solutions to help our small businesses, as well as our economy broadly recover from COVID. And of course, I share as much as I can in terms of that outreach that I have been doing and the results that I receive.

Mr. GARBARINO. So with Build Back Better coming and as you said, small businesses are coming out of COVID, one of the increases in taxes which small businesses are going to see even though they are saying there is going to be no increase on small businesses is the permanent extension of the loss limitation deduction. I mean, that is something that right now it is law but this would extend that. And spend \$167 billion by extending this permanently. How is that not seen as a tax increase, especially for businesses that are coming out of this COVID debacle which everything was shut down and they could not make any money. They have probably taken tons of losses. How is making this loss limitation deduction permanent not an increase on taxes on small businesses, something that they were probably planning on getting back?

Ms. GUZMAN. Businesses will definitely continue to be able to take their business losses against their business. This was dealing with investments specifically. And the most important thing is that this is broadly about leveling the playing field for our small businesses and they do agree that large corporations, those 55 large corporations, profitable corporations that paid zero was just not enough. They would like to see parity and I agree that that should be the case that everyone pays their fair share and that we are able to ensure that the resources are available to support our infrastructure as well as build back better with strengthening our care economy and fighting climate change. And so I believe wholeheartedly that small businesses will benefit greatly from Build Back Better and that they will not see the effect. They will see a level playing field instead.

Mr. GARBARINO. So you do not think raising taxes on certain corporations which other small businesses do business with, whether it is energy or transportation, that when these businesses have to pay more in taxes, these major corporations you call them have

to pay more in taxes, you do not think they are going to have to pass that down to the small businesses and increase their costs for those small businesses that do work with them or that do business with them in addition to taxes and not having a loss deduction which we are making permanent here and some other things? They are already dealing with inflation. They are already dealing with high cost of products going up, supply chain issues. Now, their business partners, whether they deal with energy or transportation issues, those costs are going to go up with these additional taxes. Are they not concerned about that? Or have they not shared their concerns with you about that?

Ms. GUZMAN. I have not heard those concerns and I know that there are even large corporations that will be affected that believe that this could still, nonetheless, be a strong positive impact on our economy because they know that it will strengthen the people. It will strengthen the workforce. It will strengthen care economy and healthcare economy as well. So I know that that 15 percent corporate minimum tax is, again, only affecting less than 200 corporations and those are not small businesses and they will not be impacted.

Mr. GARBARINO. Okay. You talk about the workforce and strengthening the workforce. In your meetings with all the small businesses, I am sure you have heard about how they cannot hire people, they cannot get the proper workforce to do the jobs. Has anybody brought up to you their concerns about the new OSHA ruling? And I know you do not oversee OSHA with the vaccine mandates, but you deal with small businesses. You said yourself you meet with them daily, or weekly, or whenever. They have to be concerned about what this is going to do to small businesses and the fact that they already cannot staff, they are already having trouble staffing their businesses, this additional vaccine requirement of OSHA, what are you hearing and what are you sharing with the president about maybe this is not the best idea right now?

Ms. GUZMAN. Well, I mean, first to consider is that 98 percent of the businesses would not be affected because of that 100 employee rule. So your mom and pops, your main street businesses, you know, those businesses also, and for the most part small businesses support vaccine mandates. They support facemasks. They want to keep their employees safe. They want to also attract customers who want safe environments. And so I think that from the majority of what we have heard is that small businesses support this. They know that we need to fight the pandemic and that this is the way to do that.

Mr. GARBARINO. I think we are talking to different small businesses but I will yield back because I am out of time.

Ms. GUZMAN. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now, we recognize the gentleman from Pennsylvania, Mr. Evans, for 5 minutes.

Mr. EVANS. Thank you, Madam Chair. Thank you for this opportunity to talk to the administrator.

The question I would like to ask earlier this month, the Committee held a hearing on entrepreneurship, and we learned that the applications to start new businesses increased significantly in

2020, more than any other year over the past 50 years. As someone who is on the ground talking with new businesses every day, what happened during the pandemic that led to so many people starting a new business?

Ms. GUZMAN. I believe it was a mixture of both opportunity entrepreneurship, as well as necessity entrepreneurship. For those who were either part of that, either decided to go on a different course and wanted to find a different opportunity as so many people left their professions. And so amongst this group though, we are still seeing high trends across women and people of color starting businesses at really high rates and it is across the country.

Mr. EVANS. How can SBA and Build Back Better programs help those budding entrepreneurs survive and thrive in a post-pandemic economy?

Ms. GUZMAN. Access to capital is always one of the top issues that small businesses share and is a challenge for them. Obviously, they are trying to expand and grow and enter new markets and so they need not only the capital but also the technical assistance and SBA is uniquely positioned to support these small businesses as they start up and launch their firms with capital and as well as technical assistance. Better connecting, especially through the Community Navigator pilot program small businesses to resources that exist strengthening local ecosystems so small businesses can be supported. So the SBA is working hard to make sure that we are building those relationships extensively across the country to support especially underserved businesses who have not been able to necessarily connect in the same way, and we are trying to expand our product pool as well so that we can fill some of the market gaps that we see out there especially in small dollar loans or in investment capital as we see these businesses and know that they are going to need support to create the jobs that they do. They create 2/3 of net new jobs and 40 percent of our output and we need to continue to support them with that charge.

Mr. EVANS. I would like to also thank you for the visit that you did to Philadelphia and talking down 52nd Street was a very important part. A lot of things have happened in that neighborhood just recently, along with an organization called Phila TEC entrepreneur Della Clark, along with Wells Fargo Bank that like rebuilding the businesses on the corridor. And certainly, your presence was very important just to show people, to give a sense of hope and optimism. So again, I thank you for your leadership of coming down and walking down the street. So I want to personally say on record thank you.

And I yield back, Madam Chairperson.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from California, Mrs. Young Kim, Ranking Member of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development.

Mrs. YOUNG KIM. Thank you, Chairwoman Velázquez, and Ranking Member Luetkemeyer, and Vice Ranking Member Williams. Thank you very much for holding this hearing. I would like to thank Administrator Guzman for joining us today.

Yesterday, California gas prices hit yet another record with \$4.70 per gallon. This is the highest in the country. To further compound

the higher prices facing Californians in my district, our country is confronting a deep labor shortage and a supply chain crisis disrupting small businesses' inventories and pushing prices even higher.

Administrator Guzman, with your main function as the most important small business advocate in the Biden administration, how often are you in direct communication with President Biden to counsel him and with the White House staff regarding some of the challenges small businesses are facing with labor shortages and an inflation rate not seen in 31 years? And does your office perform economic analyses of how different policies impact small businesses?

Ms. GUZMAN. We are coordinating with the White House on a daily basis across various taskforces and communicating to the National Economic Council and the Domestic Policy Council regularly in terms of the programs that we see that could help on our supply chain or on workforce issues. So that—

Mrs. YOUNG KIM. When you say regularly, how often is that—weekly, daily?

Ms. GUZMAN. Daily. Daily we have been communicating with the White House, various components because there are so many, of course, important issues and taskforces that we are trying to—

Mrs. YOUNG KIM. What about the economic analysis?

Ms. GUZMAN. The Office of Advocacy within the SBA conducts economic analysis and research on a regular basis. And we rely on them for those insights. And so they regularly publish with notices the intended economic research so that different institutions can fulfill that and they publish those results.

Mrs. YOUNG KIM. Well, thank you.

President Biden's supply chain announcement mentioned his commitments from large companies like UPS, FedEx, Walmart, and Target to use expanded hours to move those goods. As you know, small businesses lack the pricing flexibility and purchasing power to compete with the big businesses. And so from the small trucking companies, supply houses, small business operations and storefronts, small businesses continue to be harmed and left out in times of supply chain shortages. So what solutions are you offering small businesses during these disruptions? And how are we using the entrepreneurship programs to help small businesses navigate through the supply chain crisis?

Ms. GUZMAN. On the capital front that is really key for businesses to navigate disruption. As an example, a Texas manufacturer that was able to secure our loan to acquire a manufacturer because the part that they were getting from abroad was taking too long. And so they built that and had actually 30 percent savings and that was as a result of an SBA loan. Another aerospace exporter in the Northeast was able to use one of our loans recently to be able to drive down that price because they were able to, with our export financing, prepay for goods and so that enabled them to get the goods faster. So capital is really important, as well as entrepreneur development. And SCORE chapters, SBDCs, WBCs have been increasing their support around vendor relationships and financial management and supply chain.

Mrs. YOUNG KIM. Thank you.

I want to turn my attention to another matter. Last month, this Committee passed reconciliation instructions that included \$2 billion funded over the next 10 years to allow SBA to offer direct lending options. Can you talk to the Committee about the intent of the program? And my question is more, why are we moving away from a public-private lending partnership that we know is more efficient in preventing fraud than direct lending programs like EIDL?

Ms. GUZMAN. SBA would not move away from its current programs. The 7(a) and 504 portfolios are strong programs and we will continue to work with our direct lenders. Where we see gaps is on small dollar loans. Note that less than 50 percent—I think it is 43 percent of businesses have been able to access a bank loan when seeking capital. You see people going more and more to online fintech lenders for financing. There are gaps in this marketplace of small dollar loans and the direct lending program focuses on addressing those gaps. Even within our lending programs, although we had a record year of \$44 billion, we only did 18,000 loans under \$150,000. Our own SBA loans are in decline and there are less lenders willing to do those loans.

Mrs. YOUNG KIM. Well, thank you, but when SBA lowers interest rates, it is unfair competition if the government is offering lower interest rates and is putting smaller local lending institutions out of business. So I would urge you to analyze the direct lending provisions and its impact on smaller businesses before considering its implementation.

And thank you for joining us today.

Ms. GUZMAN. Thank you. Thank you.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentlelady from Texas, Ms. Van Duyne, Ranking Member of the Subcommittee on Oversight, Investigations, and Regulations.

Ms. VAN DUYNE. Thank you very much for your time.

It seems like you have been all around the country with my Democrat colleagues. You have visited their areas. You have talked to their small businesses. You have taken their questions and you have answered them. I appreciate that for those folks. But I am going to take you up on your offer. I have offered this before numerous times. Come to my district. Come talk to the businesses that I am talking to. Listen to what their concerns are. Because from your testimony here today and your testimony in the past, I have no idea who it is that you are talking to because it is not what I am hearing.

On Friday, I had over 30 small businesses come at a roundtable and tell me about what they are experiencing right now. Their number one complaint was the blockades that the federal government continues to put in their way as they are trying to open back up. You said that you saw that most small businesses are supportive of the vaccine mandate. Are you aware that 90 percent of small business employers are concerned that they are going to have to actually lose workers? Workers are going to quit over the vaccine mandate? Are you aware of that?

Ms. GUZMAN. Well, 98 percent of those businesses would not even be affected by the mandate, so—

Ms. VAN DUYNE. Ninety percent of small businesses are concerned that they are going to lose employees because of this vaccine mandate. Forty-nine percent of small business employers have job openings that they cannot fill. We have lost 5 million people out of the workforce in the last several months. Five million. We are at what, 61 percent now. Have you done any kind of impact about what this vaccine mandate is going to mean to small businesses?

Ms. GUZMAN. And I appreciate the invitation to come to your district. And yes, my understanding is that 98 percent of all the——

Ms. VAN DUYNE. No, no, I am asking has the SBA done any kind of a fiscal impact report on what the vaccine mandate will mean to small businesses?

Ms. GUZMAN. Our Office of Advocacy has not yet done that analysis.

Ms. VAN DUYNE. Okay. So we are already starting about putting this in and we have not even given any advice. We have no idea what the financial impacts are going to be.

Supply chain. Ninety percent of small businesses are impacted by supply chain shortages right now. What we are looking at is an administration who is supporting killing our energy industry and increasing those costs, a vaccine mandate that is actually going to get truckers and folks who are delivering packages and logistics even later. I mean, those are businesses that have been dying for workers. Cannot find them now and we are going to fire them. Have you done any fiscal impact statements on what the supply chain effects are going to be on small businesses?

Ms. GUZMAN. SBA, specifically, no. But of course, the Biden-Harris administration has economists——

Ms. VAN DUYNE. I have not seen them. Have you seen them? Because we wrote to your office and we asked. And we have not gotten a response back.

Ms. GUZMAN. Well, economists have weighed in that, in fact, the bipartisan infrastructure deal is going to make huge impacts in terms of improving our supply chain.

Ms. VAN DUYNE. Huge. Do we have any numbers?

Ms. GUZMAN. Well, I mean, that still does not apply to the immediate needs that I know small businesses are strained with. And so I think it speaks back to what the SBA can do around capital access——

Ms. VAN DUYNE. It would be great if we knew this. If we actually knew the numbers.

So the newest spending spree is going to be about \$400 billion in taxes on small businesses. That is going to result when you look at all the increases of a top federal tax rate increase of approximately 50 percent. Fifty percent. Are you aware that small businesses actually purchase regular gas and that has gone up 50 percent in costs?

Ms. GUZMAN. I am aware. I am——

Ms. VAN DUYNE. Trucks rentals are up almost 40 percent. Energy costs are up almost 30 percent. We have seen the highest inflation level in over 30 years. Inflation is taxation. And yet, from the SBA, we still cannot get any reports on what those impacts are going to be to small businesses.

Ms. GUZMAN. We know that pandemic-induced inflation is affecting our small businesses. And economists largely agree that this is something that will go away in the coming months and we continue to try to implement—

Ms. VAN DUYNE. And I hear that and I appreciate that. The last time you were here I asked you a number of questions about what the financial impacts were going to be on small businesses and you told me that you would get back with me. You have not. What you told me over and over again, and we have heard from other people from this administration, is that none of these effects are supposed to be on anybody over than \$400,000 or large businesses. The fact that the SBA has not even looked into the fiscal impacts shows how completely out of touch you are with the needs of the small businesses and the impacts, the consequences that are going to happen with these fiscal policies that continue to go down. And I have to ask, if you cannot give me those answers, who is advising this administration on what costs their policies are having on small businesses?

Ms. GUZMAN. The analysis, I continue to share information about our small businesses and the impacts that—

Ms. VAN DUYNE. Information is great, but fiscal impacts are important. And if you, as the administrator of the SBA, do not have the answers to these immensely significant questions, who in the administration does? Who is advising the president of the financial impacts of these fiscal policies? Who is advocating for the 31 million small businesses across the country? These are basic questions. Trillions of dollars are being spent and they are being shoved down the throats of small businesses and we cannot even tell you what the impacts are going to be.

Ms. GUZMAN. The Department of Treasury has analyzed. And again, the largest corporations, those less than 200, will be impacted.

Ms. VAN DUYNE. Fifty percent. Fifty percent.

I yield my time. Thank you.

Chairwoman VELAZQUEZ. The time has expired.

Now we recognize the gentlelady from Minnesota, Ms. Craig, for 5 minutes.

Ms. CRAIG. Thank you so much, Madam Chairwoman. It is a real honor to be back here in the Committee room and thank you, Administrator Guzman, for your testimony today, and for your dedicated service to America's small business owners.

You and I had a chance to visit together with Representative Phillips in Minnesota this summer, and we were able to get together several small business owners from across our districts to hear about the struggles that they have continued to face. I would just pause to make sure that my colleagues across the aisle understand that 98 percent of small businesses are fewer than 100 employees. Ninety-eight percent. So I appreciate your tolerance of some of the past testimony here today.

Look, we have worked tirelessly to keep small businesses open and frankly, on a bipartisan basis over the last couple of years. I am very grateful to see that we have had such strong take up of the Shuttered Venues Operator grant program. I know we talked a lot about that when you were in Minnesota. That program, quite

frankly, had a bit of a rough start and I was glad to see the administration worked to tirelessly to get that on a better path. That program has been an absolute lifeline for many, many of our small businesses. But there is a clear need to do more, and I want to make sure that this Committee understands that COVID is not over. The way we get to COVID being over is COVID is still here. Minnesota has some of the highest positivity rates in the country right now. In fact, yesterday, I think we were the highest. And our businesses are just going to extraordinary lengths to keep my constituent safe on a day-to-day basis.

But I am hearing from business owners and local leaders in the district about those businesses that have been left out of the recovery. It is not any fault of their own but it is really important that the Small Business Committee not choose winners and losers. So I really do hope, Madam Chair, that this Committee can come together in a bipartisan manner again just like we did under the previous administration, to make sure that we do not lose any more of our small businesses that make up really the fabric of our local communities.

And I will pause here to say 98 percent of small businesses are less than 100 employees. Just yesterday, I sent a letter to House leadership urging support for a small business relief package to come together for businesses that have been left out of our previous efforts and to replenish other programs like the Restaurant Revitalization Fund. There were some of us on this dais today who said that the amount of money in the American Rescue Plan was never going to be sufficient for the demand and the cost.

So Administrator, if you have been touring the country, I am sure you have heard from businesses that are saying the same thing as you heard in Minnesota's 2nd District. Do you see need for further action from Congress to ensure businesses are not left out of these programs, especially as the holiday season comes into full swing?

Ms. GUZMAN. We would welcome the opportunity to continue to work with you and your district to make sure that the COVID EIDL program in particular and those grants that are available for small businesses get into the hands of those who have not been able to benefit from recovery and we are making great efforts to try to increase our outreach on those programs in particular. We know that there was unmet demand with the Restaurant Revitalization Fund. It looks like Shuttered Venues will have enough funding for not only the initial grants but also the supplemental, but we know that these high-impact industries are still being impacted and we would happily administer any program that Congress would see fit to pass.

Ms. CRAIG. Let me just make sure I make the point that the support we gave to the economy, to small businesses on a bipartisan basis, as well as Americans under the CARES Act, the previous administration, as well as the American Rescue Plan, that is one of the reasons why we are seeing such a strong recovery of demand. People are out trying to spend their money. And, of course, we have seen a once in a lifetime global pandemic which has disrupted our supply chains. Can you say a little bit more about what the administration is doing to help with those supply chain disrup-

tions, the increased gas prices, more expensive shipping and overhead costs like rent and utility increases? We have to be honest with ourselves in that we have a challenge here. We have got a lot of demand and we do not have the supply to meet it right now.

Ms. GUZMAN. We have definitely had global pandemic shifts in our supply chain that have affected our small businesses and their ability to get inventory. And as well, of course, influencing inflation and the demand, the prices, rather. So for our small businesses, obviously, they fit within the overall administration's priorities of trying to improve the supply chain, the investments in the bipartisan infrastructure deal that will be made over the year will go a long way to improving, of course, some of those bottlenecks, our ports and our roads and our bridges. And so we are looking forward to those key investments. On an immediate basis, of course, the administration took immediate action to try to solve some of those bottlenecks as well.

Ms. CRAIG. Sadly, my time is expired so I will yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from Florida, Mr. Donalds, for 5 minutes.

Mr. DONALDS. Thank you, Madam Chair. Thank you, Ranking Member Luetkemeyer, and the Committee for this important hearing.

Real quick a couple things. It has kind of been debated amongst the Members about how 98 percent of the 31 million small businesses in our country are less than 100 employees. Obviously, that is true. But also, the other truth is that with the OSHA mandate, which is unconstitutional, by the way, this OSHA vaccine mandate being pushed by the administration would start at 100 employees. The administration has already signaled that they want to push it to all small businesses, not just stopping at those with 100. So let's be very clear for the record what the intention of Joe Biden and his presidency is. I actually want to thank the 5th Circuit and any other courts that have struck down that mandate because it is unconstitutional. Congress never gave OSHA any authority whatsoever to tell employers what they must require employees to inject into their body. We have such a thing called HIPAA in the United States. It is surprising to me that we have forgotten our HIPAA laws considering the fact that we are largely dealing with COVID-19 in the best possible ways.

Secondarily, I think it is also important to note that any president that has the authority to make you take an injection is frankly a totalitarian president and that flies in the face of our constitution the way it was written, the way it was drafted, the way it was conceived. Even the very framework of our nation. So it is unconstitutional. That thing is going to go away. Hopefully, the courts continue to do that and the Supreme Court follows suit in short order.

Real quick, Administrator Guzman, thanks so much for coming. I do appreciate you being here. You mentioned earlier you believe inflation is pandemic induced. Do you hold the view that it is purely pandemic induced? Can you explain that?

Ms. GUZMAN. I am relying on our economists who are sharing with us and most agree that the pandemic is causing these supply chain disruptions globally.

Mr. DONALDS. Do you think it is that the pandemic is causing it or do you believe that it is now work-related issues associated with massive social spending and also in conjunction with environmental policy in the State of California which has made it harder for truckers to access the ports of Long Beach and Los Angeles?

Ms. GUZMAN. The pandemic is underlying all of the inflation. Yes.

Mr. DONALDS. Is there any reason why the social spending that frankly this Congress and this president started back in February, if we did not actually continue that social spending, do you think that we would have employees basically sitting at home or taking less hours?

Ms. GUZMAN. What I am hearing from small businesses and I am not sure what you are hearing in your district, but their workers are staying out because of care issues, because of healthcare concerns. Because there also was——

Mr. DONALDS. So quick question. When a local 7-Eleven down the street from my house has in the window that they want to give somebody a \$500 signing bonus to come to work, that is because they are concerned about care issues or is it because they are concerned about money? Or is it that there is now a bargaining chip from the federal government that gives them more money than actually going in and taking more hours at work? Which one is it?

Ms. GUZMAN. What I was about to say as well is the final thing is, you know, what I heard recently when I was convening a group of resource partners at the Institute for Veterans and Military Families that there is this great resignation as well and people are shifting careers. So these are the more dominant factors that are affecting our workforce. And yes, they are in control in terms of the opportunity that they have to demand higher wages.

Mr. DONALDS. Let me ask you this question because I know you said earlier you support obviously the budget reconciliation package, Build Back Better, Build Back Broke. You know, everybody likes their little acronyms. Come on. This thing is building us back broke. You can acknowledge that. But I digress.

Do you think that the social spending aspects of that bill will make it easier or harder for small business owners to find employees?

Ms. GUZMAN. I think actually it will make it easier. And there are key investments within the Build Back Better framework that involve workforce development, apprenticeships, as well as——

Mr. DONALDS. I almost gave you a title increase.

Administrator, can we honestly have a conversation and sit here that if you do something like Child Tax Credit which will give people \$300 per child that that is going to make it easier for them to go back to work or is it going to make an economic decision where they are going to make the choice of, you know what, maybe I do not need the additional 5 hours. If you cascade that through an economy across the 31 million small businesses in the United States, do you think it is going to be easier or harder for small businesses to staff their companies in order to be effective for their customers?

Ms. GUZMAN. As President Biden says——

Mr. DONALDS. Well, we all know President Biden does not know much about the economy. We know this.

Ms. GUZMAN.—against the American people and workers who want to work, who want to have the protections in place and the care for their elders or for their children that is affordable——

Mr. DONALDS. Administrator Guzman, the President of the United States has never worked a day in his life outside of Washington, D.C. You have done more than he has. Come on now. You were a small business owner. If the federal government was providing outside spending that competed directly with your ability to pay people to come to work, do you think it would make it harder for you as a small business owner which you were, not an administrator now in the administration, would it make it easier or harder for you to keep people under your employ?

Ms. GUZMAN. Again, these investments in Build Back Better will strengthen——

Chairwoman VELÁZQUEZ. If you will excuse me.

Ms. GUZMAN. Apologies.

Chairwoman VELÁZQUEZ. Decorum is important in this Committee and respecting——

Mr. DONALDS. Madam Chair, I was just referring to the president——

Chairwoman VELÁZQUEZ. Respecting the President of the United States is part of that.

Mr. DONALDS. Madam Chair, the President of the United States has never worked in our economy. Those are facts. That is not about decorum. That is the truth of the matter. He has never worked a day in our economy. He has always worked in Washington, D.C. So to point out that fact, and to illustrate the fact that we are talking about major economic policies that do impact the 31 million small business owners in our country is not about decorum. I did not trash the man. I am just speaking facts.

Chairwoman VELÁZQUEZ. Your time has expired.

Mr. DONALDS. I yield.

Chairwoman VELÁZQUEZ. Now we recognize the gentlelady from Florida, Ms. Salazar.

Ms. SALAZAR. Thank you. Thank you, Chairman Velázquez and Ranking Member Luetkemeyer, for holding this necessary hearing. And I also want to thank you, Administrator Isabella Guzman, for being present and willing to answer our questions. Because unfortunately, Madam, your people, the SBA office in my district just do not answer the phones. And I have consulted with other congressional offices and the same thing. A small business owner is desperate looking for a loan and he just cannot get through.

Let me just give you an example. His name is Marquis McLemore. He lives in South Miami and he finally reached a human being, not a machine. The SBA lady who answered the phone was unaccountable and unable to answer basic questions. And I know the situation very well, Madam Guzman, because in my district office I created a division called the Prosperity Center to help my people achieve the American Dream, and for us immigrants it is to have their own business. And you know the SBA is instrumental for that Prosperity Center.

There are other scenarios. When an individual who has been able to start the process, thank God, but gets stuck in the middle of it because every time they call there is a new person to talk to, they have to re-explain their problems, they have to reupload the documents. You know, Madam, SBS is not a MasterCard or a Visa to be bouncing people around. People have a choice to get another credit card but in this case there is no other SBA for small business. And your agency can make it or break it for millions and millions of small businesses in America.

Let me tell you so bad that my congressional office and my Prosperity Center has a hard time getting information from your agency. So just imagine if a congressional office cannot get through, what about Rosa Lopez from Little Havana or John Rogers from Cutler Bay?

Madam Guzman, I understand that you are responsible for this and I also understand that this is uncomfortable, very uncomfortable for you for what I am describing but it is more painful to lose your business because of a bureaucrat. And I am sure you agree with me. These are real people and these are real life-changing problems.

Let me just give you one more piece of information and then maybe you can answer me. There are 2 million small business owners in South Florida. Two million. There is one office. One office that serves 2 million people. During the pandemic, as you have said, the SBA received 3 billion to hire more people and provide a better service.

Now, let me ask you something. How many people have you hired in the last 10 months? How many of those in South Florida? How many new call centers and how many of them are bilingual?

Ms. GUZMAN. Thank you for that. We do value customer service experience and that has been a priority of mine since I came in which was what instigated our overhaul. And I think you are referencing mostly to the COVID EIDL program where it has been very challenging to get answers. So we have——

Ms. SALAZAR. So you know that we have a problem with customer service?

Ms. GUZMAN. We completely agree with you and we are trying to fix it. And what we have done so far is we have three times the amount of customer service resources that we have available. We have switched vendors as well and we have, of course, bilingual capacity is available within this network. We have also tried to increase in the field and so we will take back your concerns about the Florida District Office in particular.

Ms. SALAZAR. Thank you.

Ms. GUZMAN. We have also tried to increase the district connection to our platform. Previously, they did not have——

Ms. SALAZAR. I am going to get back to you in 30 days and I am going to tell you if my Small Business Administration office in South Florida is working according to what you are telling me.

Let me just give you one more concern. A month ago, and this is even worse, a month ago the General Inspector, or Inspector General I should say, the Inspector General found that women and minorities, you and me, women and minorities are not getting their fair share of receiving small business government contracts. For me

that is lethal because I promised this to my constituents through my Prosperity Center and I have to deliver, Madam. And the SBA has to help me because it is instrumental. My question is how are you going to fix this, that we do get the fair share of what we need? Women and minorities.

Ms. GUZMAN. Thank you for the question. Yes, government contracting is a priority and equity across our programs. We want to make sure all of our small businesses access the federal government. And right now we have seen over the past 10 years a decline of 40 percent.

Ms. SALAZAR. Those are stats. What are you going to do in order to right now under your administration being able to, for women and minorities, to get more government contracts?

Ms. GUZMAN. So we have a multi-prong approach. The first is working collaboratively with the White House and OMB on the policies like category management and other policies to make sure that businesses can access all contracts across the federal government. We have increased the budget for the president's request for an increase on the government contracting business development teams resources so that we can increase outreach and get more—

Ms. SALAZAR. Can you give me in 30 days a report of what have you done in South Florida in order to improve the access for these women and minorities?

Ms. GUZMAN. We would be happy to sit down with you and your team to go over specific initiatives that we can implement.

Ms. SALAZAR. To help my constituents. Thank you, Madam.

Chairwoman VELAZQUEZ. Time has expired.

Now we recognize the gentleman from Wisconsin, Mr. Fitzgerald, for 5 minutes.

Mr. FITZGERALD. Thank you, Madam Chair. And thank you, Administrator Guzman.

Back in I think it was February-March timeframe, we started to get some numbers back on just exactly what did the PPP loan program look like and hindsight is 20/20. I think you would find agreement that there was a lot of successes and may have saved main street.

Also, obviously, at the same time we were getting the reports that the direct loans made by the SBA were not only a high percentage that resulted in fraud and that money that was being distributed after individuals—crooks—I do not know how else to explain this—had gotten into the portal and obviously, you know, put in bogus facts and figures and got a check in the mail. We then had discussions with the IG and with others in law enforcement saying that they were working on claw backs and that SBA was working on claw backs and that also there had been some individuals ultimately who had been charged for fraudulent activities.

So like I said, hindsight is 20/20. We learned our lesson. We kind of know, we have always known, that direct loan programs by the federal government result in a high percentage of fraudulent claims. So as we move forward and after this Committee was involved in, and this was referred to by some of the other Members here today, when the SBA got the \$2 billion in loans directly to the borrower, you said earlier that financial institutions do not necessarily want to get involved with loans of 150 or less, but I am

not finding that that is the case. Just a couple of weeks ago, Wisconsin Bankers Association, I think the credit unions are saying, whoa, whoa, whoa. Time out. Why would we not be involved in this, especially because the due diligence was done by those financial institutions and we now know that that makes for a much more legitimate process. And it seems like you are abandoning that and it does not make much sense to me right now.

Ms. GUZMAN. Thank you so much for that. Well, one of the first things, just to mention on COVID EIDL and the fraud that the IG had outlined, that was all affecting, that was all reviewing 2020 loans. And so controls have been restored thanks to the Economic Aid Act. The SBA was given again the right to collect tax documents, which we have. And so we have \$67 billion in disaster portfolio over the years of SBA that does not have high incidence of fraud. So our direct lending programs across EIDL programs broadly do not suffer from that same effect and that is specifically to deal with COVID EIDL and the restrictions that were placed on the Agency at the time and the administration's choices.

Mr. FITZGERALD. So do you believe that, in fact, there were vulnerabilities that now have been addressed and if we get together a year from now that you will be able to say that stuff was fixed and that is not going to be the case again?

Ms. GUZMAN. Yes. And we have been working with the IG closely to make sure that we are implementing all the recommendations. So not just the tax document collection but other identity verifications across the COVID EIDL program. And we are making great progress.

Within the direct loan proposal specifically, some banks are still doing those loans. I said 18,000 within the SBA's portfolio last year. We just continue to see large gaps. Of course, we have 32.5 million small businesses and especially as we have seen the footprint of so many banks shrink across the country where there are actual banking deserts, half of them in rural communities, we need to make sure that there are alternatives and that all our small businesses can connect to capital. And so we believe that SBA has a role to play to work with the lending partners similar to how we did with PPP, and with a fee-based program, distribute these loans through our lenders as well as directly.

Mr. FITZGERALD. Let me shift gears real quick for a final question.

There has been a lot of discussion about the vaccines and the 100-person mandate. What is the magic behind 100 employees? I have not been able to figure this out. I have been lectured. Everyone in America has been lectured about follow the science, follow the science. What is the 100-person threshold? And if we have an employer that has got 105 employees and another one that has got 95 and they are side by side, some of them would be subject to fines and others would not. I mean, what is the logic behind that?

Ms. GUZMAN. Of course, with the proposed rule there will be comments and so we will find out more about how people feel about that analysis but my understanding was that it was done based on where they thought a company of that size would have the capacity to be able to administer a program like that and be able to comply. That is my understanding.

Mr. FITZGERALD. So it has nothing to do with health or COVID itself or science?

Ms. GUZMAN. As well as that. Yes, correct. You are correct, sir, that there is, of course, you know, in larger.

Mr. FITZGERALD. I do not get it. I do not understand why 100 is the magic number.

Ms. GUZMAN. In larger facilities there have been, you know, of course there are more concerns of COVID outbreaks and so being able to control for vaccines and that matter would be helpful.

Mr. FITZGERALD. Okay. I yield back.

Chairwoman VELAZQUEZ. Time has expired.

Now I will be asking questions. I will recognize myself for 5 minutes.

Ms. Guzman, the Department of Defense administered 17 different vaccines and children are required to get vaccines prior to enroll in school. I just cannot see what the issue is with the vaccine mandate when we know that because of it we have been able to control the spread of COVID-19. Also, when people use the argument that it is impacting small businesses more than any other sector, 98 percent of small businesses are exempt from the 100 employee rule. There are other issues that were raised and I just want to give you an opportunity to answer.

Administrator, since you have been in office as the head of the SBA, have you refused to provide access to data or information requested by the IG?

Ms. GUZMAN. We have a very transparent and collaborative relationship with the IG and our teams meet regularly and we have disclosed all information that they have requested.

Chairwoman VELAZQUEZ. When people talk about fraud in the EIDL program, that fraud was connected to the fact that the guardrails and protections under the previous administration were lowered. What steps have you taken to put those guardrails in place?

Ms. GUZMAN. Yes. The IG report was focused on 2020 where the guardrails did not exist. We have implemented the collection of tax documents across the portfolio as well as implemented additional identity measures to make sure that our overall fraud control framework is in place and that we are following suggestions of the IG and the GAO.

Chairwoman VELAZQUEZ. Let's talk about taxes and how in the BBB Act it impacts small businesses. People this morning have been referring to the tax provision under the Build Back Better Act and how those provisions will be impacting small businesses. I have here the Committee's Ways and Means section by section of the bill and I invite my colleagues to read it so that we can make the statement or the questions related to small businesses. I want to know how many small businesses will be impacted by the provision of the 15 percent corporate minimum tax to those businesses that are making \$1 billion a year in profits. How many small businesses? How many businesses are operating overseas because of the global minimum tax for large multinational corporations, and how many small businesses will be impacted by that provision? How many businesses that have income over \$25 million will be impacted with the surcharge of the wealthiest .02 percent of busi-

nesses? How many small businesses have a structure where they do corporate stock buybacks? Nowhere in this bill can you find where corporate or individual tax rates have been modified or will be modified.

Let's go to the print so that we can say and have an honest discussion as to how those provisions will be impacting small businesses. Then, the Medicare surcharge closes the loophole that allows some wealthy taxpayers to avoid paying the 3.8 Medicare tax on their earning. Those are not pass-through. Let's go to the source because it seems to me that people are discussing a bill that does not exist. Let's go now to some of the programs under SBA and the Build Back Better Act.

Administrator, you discussed how the data shows small dollar loans have declined significantly as a share of the 7(a) portfolio with loans of less than \$150,000 down by almost 53 percent over the past years. The average 7(a) loan has more than doubled over a decade. Do you agree that a direct loan product will help fill this gap in the 7(a) program? Are you confident that the agency will be able to stand up and deliver this product in a timely manner?

Ms. GUZMAN. Yes. We definitely have seen that gap in the marketplace and we believe the SBA is equipped, especially having learned from the great lessons of PPP and EIDL and implemented some incredible private sector best practices and expanded our network. We do have the tools to implement this effectively.

Chairwoman VELAZQUEZ. What steps will you take to cure potential fraud in a direct loan program?

Ms. GUZMAN. As we have on our previous disaster loan programs a \$67 billion portfolio where fraud was not an issue, we will continue to follow those great standards as well as implementing new technologies as fraud evolves to make sure that we are fighting fraud on a regular basis and getting the funds into the hands of those businesses it was intended for.

Chairwoman VELAZQUEZ. The USDA Business and Industry Loan program—and this is an important topic for me—so the USDA Business and Industry Loan program does not require co-ops to provide a personal guarantee but the SBA still does which prevents them from getting 7(a) loans. Instead of requiring a personal guarantee, USDA requires co-op Members to sign a profit nondistribution covenant. If this works for USDA issued work for the SBA, why will the SBA not provide this option for co-ops?

Ms. GUZMAN. I know that, you know, thanks to your main street Act we have been exploring the options to expand the use of the 7(a) products across our ESOPs and our worker cooperatives broadly. I am happy to explore this a little bit further. We have made some changes within the program to open it up to ESOPs and co-ops and we have committed to making sure that we can continue to see how those loans perform and make additional changes.

Chairwoman VELAZQUEZ. Will you commit to working with this Committee to ensure co-ops can access 7(a) loans?

Ms. GUZMAN. Yes. I think it is a priority for us to make sure that there are options for especially exiting businesses to have a success plan that can work.

Chairwoman VELAZQUEZ. Data shows that Black and Hispanic borrowers only received 3 and 6 percent of 7(a) dollars lent in 2021,

respectively. CDFIs and MDIs are better able to reach small businesses owned by people of color. They are recording that PPP is the latest example. How do you plan to bring more CDFIs and MDIs into the 7(a) program?

Ms. GUZMAN. The Community Advantage pilot program that would be made permanent within the Build Back Better will help create certainty within a program that attracts our CFIs and enables them to leverage our 7(a) portfolio. We would use that, as well as other tools, to make sure that we are engaging with them and continuing the relationships fortified during PPP.

Chairwoman VELAZQUEZ. Thank you.

Every Member has had their 5 minutes. I just want to really thank you. I am looking forward to working with you and the Committee in terms of how we can strengthen the programs we have under SBA and the new programs that will be implemented. I really want to thank you and your staff for your service on behalf of American small businesses. I also appreciate your willingness to appear before and work with this Committee. Transparency, accountability, and responsiveness are critical to a positive working relationship between the agency and this Committee. When I say "this Committee," I mean all of the Members of this Committee. Everyone in the room today has the same goal—to help our main street employers. I look forward to collaborating with you and all of the Committee Members as we work to get small businesses to full recovery. This is not a small task. We have laid out complicated issues today that need addressing. Given the monumental obstacles that SBA has overcome over the past 18 months, I am confident that you can correct these problems and make these programs better serve entrepreneurs.

I ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Mr. LUETKEMEYER. Madam Chair?

Chairwoman VELAZQUEZ. Yes, sir.

Mr. LUETKEMEYER. You went over 2 minutes and 34 seconds and now you have had a closing statement. I think I get time to be able to rebut that.

Chairwoman VELAZQUEZ. To rebut what?

Mr. LUETKEMEYER. To rebut your 2 minutes and 34 seconds versus my 5. And now you have had a closing statement so I have another closing statement.

Chairwoman VELAZQUEZ. I always give a closing statement. You never have.

Mr. LUETKEMEYER. That was a lengthy closing. It is one thing to do 30 seconds but that was about 2 minutes worth of closing statement.

Chairwoman VELAZQUEZ. I am the Chair of this Committee. I run this Committee and I try to run this Committee in a bipartisan way. I did it with Mr. Chabot. I have got to tell you, this has been the most partisan Committee ever, and I resent that because I try to be fair and balanced.

Mr. LUETKEMEYER. Well, Madam Chair—

Chairwoman VELAZQUEZ. I have always made a closing statement. As Chair, I have—

Mr. LUETKEMEYER. That is wonderful you made a closing statement but I think if you are going to have a lengthy one—it is one thing to say thank you to the witnesses and just a recap, a small recap, but for——

Chairwoman VELÁZQUEZ. Reclaiming my time, sir, I have always given a closing statement. It does not have to be 2 minutes long or 3 minutes long or 1 minute long. I just simply——

Mr. LUETKEMEYER. If you have a closing statement of a significant length, I have the option to be able to have a closing statement as well.

Chairwoman VELÁZQUEZ. You are not the Chair.

Mr. LUETKEMEYER. That is in the rules. That is not the Chair's prerogative. It is in the rules.

Chairwoman VELÁZQUEZ. You are not the Chair. So——

Mr. LUETKEMEYER. So you are going to do it because you can. Is that what you just said?

Chairwoman VELÁZQUEZ. Well, I am the Chair, sir. I am the Chair. Mr. Chabot never gave——

Mr. LUETKEMEYER. So next term, whenever I am the Chair, you are going to sit here and we will just make sure you have 5 minutes and not go on for 20. Is that what you just said?

Chairwoman VELÁZQUEZ. I gave you the right to run your minority Members. I give you access in terms of your budget. I am the Chair. I give a closing statement and that has always been the tradition of the Committee.

Mr. LUETKEMEYER. Madam Chair, with all due respect, there are rules in place to allow each——

Chairwoman VELÁZQUEZ. You want to give an opening? You want to give a closing statement? Make a closing statement, sir. You are recognized.

Mr. LUETKEMEYER. Okay. Very good.

Chairwoman VELÁZQUEZ. You are recognized.

Mr. LUETKEMEYER. Thank you.

We could have been out of here 5 minutes ago if we would have just recognized it right off the bat but here we are.

Chairwoman VELÁZQUEZ. You know——

Mr. LUETKEMEYER. Again, going through some of the last comments by the Chairman, the vaccine mandate, I think Ms. Guzman, you said 98 percent of small businesses are exempt. The problem is only about 40 percent. About 35 to 40 percent of the people are going to be exempt from that. There is about 60 to 65 percent according to what our information is that are going to be affected by the vaccine mandate. So let's be honest about your statistics here.

The Chairman talked about guardrails on things and I think that is great. We need to have guardrails on what is going on, especially in the EIDL program and some of the direct lending programs. The program is the staff do not follow the guardrails. The IG report says that this is happening so therefore, we need to make sure that the staff does its job, which is to adhere to the new challenges, new guardrails, new protocols that are in place. That is your job, Madam Administrator.

One of the things that is frustrating to me is when you make these wild statements about we are going to raise taxes on the

wealthy, in this BBB there is a huge tax break for the wealthy. It is called SALT. You cannot take on one side and give on the other and get away with just saying part of what is going on and not explain what is going on on the other side of this argument. So it is very frustrating to see that a lot of the information is not necessarily given in a frank form for both sides to understand the depth and problems that we have.

Again, I thank you for being here, Ms. Guzman. I think that you have got a large job ahead of you. I think you found this morning the concerns that we have on this side of the aisle with regards to the inability to answer questions, the inability to provide studies to show that you are actually doing your job and making sure that the information you are giving us is actually done by a think tank or a study of some sort, that you can verify and back up what you are saying. This is very important. You talk about the COVID thing and right here I have got something from the Job Creators Network that says higher prices inflation by 40 percent versus 14 percent is the number one issue for small businesses. I hope that you have information like that because that is what you need to be able to make good decisions. So I am very concerned with the direction that we are going. This Committee hearing has not allayed my fears and we are going to be watching very carefully and providing what we are supposed to do, oversight.

Thank you for being here, and with that, Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. Yes. Let me remind the gentleman that almost every economist in this country is saying, including Senator Portman yesterday in his speech, that when it comes to inflation, no better to make investment in the infrastructure of this country. You know what is the problem here? That for the last 40 years America has been expecting an infrastructure bill. People and previous presidents make pronouncements of infrastructure bills and this one delivered. The President of the United States delivered yesterday.

I ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the Committee, we are adjourned. Thank you.

[Whereupon, at 12:29 p.m., the committee was adjourned.]

A P P E N D I X



**Testimony of Isabella Casillas Guzman
Administrator
U.S. Small Business Administration**

**before the
House Committee on Small Business
Hearing on “A Discussion with SBA Administrator Isabella Casillas Guzman”
November 16, 2021**

Testimony of Isabella Casillas Guzman
Administrator
U.S. Small Business Administration

Good morning, Chairwoman Velazquez, Ranking Member Luetkemeyer, and distinguished members of the committee. Thank you for the opportunity to be here to discuss the important work the U.S. Small Business Administration is doing to help America's 32.5 million small businesses and innovative startups continue to propel our economy forward.

When I was last here in May, just two months into my role as SBA Administrator, I talked about how, working with Congress, we'd already made considerable progress fighting COVID and reopening small businesses and our economy. At that time, the Delta variant was just beginning to appear in the United States. Our small businesses were starting to see what looked like light at the end of the tunnel – the possibility that there would be relief from the pandemic.

Today, as we know all too well, the Delta variant continues to cause uncertainty for our small businesses – with revenue impacts, increased costs, supply chain delays, and workforce issues. Many still need the SBA's help and we continue to deliver billions of dollars in relief.

At the same time, it fills me with hope to say that America's small businesses, and our nation, are in a much better place than six months ago, or a year ago.

And that incredible progress is thanks in large part to the American Rescue Plan, which many of you helped bring to life, and to President Biden's efforts to fight this pandemic with vaccinations and bold economic policies. In addition, many others deserve credit -- including SBA's dedicated staff, our counseling and lending partners, and the many on-the-ground community advocacy groups and local governments, who have all stepped up in remarkable ways to support our nation's small businesses.

America's recovery and return to employment are happening much faster than many predicted. More and more Americans are getting vaccinated every day, and we now have the strong economic and public health scaffolding to help us fight this pandemic.

And with 9.1 million new business applications since the beginning of 2020 -- the American entrepreneurial spirit is stronger than ever. At the SBA, we're working

to ensure our nation's entrepreneurs have the tools and resources they need to innovate, create jobs, and deliver economic output to advance our global competitiveness.

The SBA has delivered for small businesses

Over the course of the pandemic, the SBA has delivered lifelines for millions of America's small businesses and innovative startups. We've scaled from an agency that provided nearly \$40 billion per year in loans and investments to one that has distributed more than \$1.1 trillion in emergency relief – alongside our core programs, many of which have also delivered at record levels.

Over the past few months, I've been traveling all over the country, visiting with entrepreneurs -- listening and always looking for new and better ways that the SBA can adapt to improve its offerings. And everywhere I go, I hear story after story of the SBA's outsized impact.

In Minnesota, I visited Mercury Mosaics, a small manufacturing company that produces handmade mosaic tiles in the middle of Minneapolis. Mercury's founder Mercedes Austin told me that Paycheck Protection Program (PPP) funds allowed her to cover her rent and keep her 30-person staff intact during the pandemic. The Mercury team recently opened a third manufacturing location in Wadena, Minnesota and the company expects to keep growing.

In Colorado, I met with three generations of the Ortega family, who own and operate three Mexican restaurants across the state. Alvaro Ortega showed me the new outdoor patio space at one of their locations – which was built with capital they received from a Restaurant Revitalization Fund (RRF) award. That outdoor patio allowed the Ortegases to continue serving their customers throughout the pandemic. All three restaurants have now reopened – and the Ortega family has been able to give back to their community, contributing food to local food banks and school lunch programs.

And I connected with Martin Miller, with Theater Squared in Northwest Arkansas, a crucial cultural center for the region. Funds from the PPP and COVID Economic Injury Disaster Loan (EIDL) programs allowed Martin to keep his team intact and provide innovative, digital programming until live performances could resume. And, SBA's Shuttered Venue Operators Grant program gave him the ability to reopen safely and drive local economic activity. Today, Theatre Squared is up and running with a full season of shows -- both in-person and online.

These are just a few of the many, many small business owners and communities that the SBA has touched during this challenging period.

SBA staff: First responders to this economic disaster

Local businesses and community and civic leaders have recognized that without the incredible dedication of the mission-driven SBA staff who have stepped up and continued to go above-and-beyond, month after month, millions of America's small businesses wouldn't have survived. COVID-19 relief implementation and operations continue full force. The SBA team has been so dedicated to our mission, and they continue to work tirelessly as the demand endures.

The SBA team and resource partners have truly been the first responders to this economic disaster.

Technology-forward, customer-first, and equitable

Today, the SBA is continuing to deliver for millions of small businesses by being as entrepreneurial as the entrepreneurs we serve. In the eight months of my leadership at the SBA, we've leveraged technology to streamline, automate, and deliver relief to small businesses with a customer service-first and equity focus.

Just like the small business owners throughout the country who constantly adapt to meet their customers' needs, we are engaging with stakeholders and adapting our programs and outreach to meet their needs.

And in the same way that so many small businesses have implemented technology at high rates during this pandemic, our SBA team is leveraging automation across our processes, providing mobile device options, and using tools like machine learning to deliver our services swiftly, effectively, and equitably.

Raising the bar and leveling the playing field for our smallest businesses

The SBA is doing all of this and more to build on President Biden's government-wide directive to deliver programs and services equitably for the American people.

We're working across our programs and services to better meet the needs of all small businesses, especially those that were left out of early rounds of relief – often our smallest businesses and those owned by women and people of color.

These underserved businesses have faced disproportionate hardship during the pandemic, and they continue to grapple with longstanding inequities and persistent

barriers to the capital, markets, and networks they need to survive and thrive in any economic conditions.

In 2021, we've made important gains in reaching these businesses.

Delivering Paycheck Protection Program Forgiveness

With the nearly \$800 billion Paycheck Protection Program, we made key programmatic changes to expand our reach – improving access for sole proprietors, ITIN holders, and ensuring America didn't slam the door on small business owners with past non-violent convictions or student loan borrowers who may have fallen behind on payments.

We saw impressive results -- 96 percent of our 2021 PPP loans went to small businesses with fewer than 20 employees, with especially strong performance in low-to-moderate-income communities.

In addition, a recent Government Accountability Office report found that our reforms helped close capital gaps – expanding equity and securing more COVID lifelines in those historically left-behind communities.

Now, we're helping to deliver on the congressionally-directed promise of forgiveness for our more than 11 million PPP loans. Under my leadership, SBA has ensured that this process is being carried out at the highest standards and with utmost integrity.

In 2021, after the development of an in-depth loan review process and completion of a significant number of manual reviews – the SBA deployed a machine learning model that ensured our manual reviews were directed to high-risk loans. To date, the SBA has conducted over 76,000 manual reviews to identify potential noncompliance with eligibility requirements, fraud, or abuse. And, for all 2021 PPP loans, we used a fraud control framework that prevented loan authorizations from being approved without a compliance check process.

So far, more than three out of every four loans have been forgiven, at a total of more than \$610 billion -- sending that money back to work in the economy.

To simplify and streamline the experience for our small business customers as Congress intended, we launched our SBA PPP Direct Forgiveness Portal to offer a pathway to relief for the 6.5 million small business owners who took out loans of \$150,000 or less. We've been able to bring more than 1,400 lenders into the portal to date.

This innovation alone has shown how technological advancements can help us expand our reach and simplify our processes – 60% of our 1.5 million direct forgiveness applicants have used a mobile device to complete what is now a six-minute process.

Revamped and retooled COVID EIDL

We've seen similar positive results with our reforms and improvements to the EIDL program—the last and most flexible of our SBA COVID lifelines.

For context, the SBA has provided close to five times more COVID EIDL loans during this crisis than the combined total amount of all EIDL loans delivered during all other disasters for the entirety of our 68-year existence.

So far, under the COVID EIDL program, we've approved more than 3.8 million EIDL loans, for a total of more than \$292 billion in long-term, patient capital for America's small businesses, plus an additional \$26 billion in COVID EIDL grants. We are engaging industry groups, stakeholders, and partners to conduct extensive outreach to deliver billions more in COVID EIDL funds as quickly as possible.

And we expanded our reach while protecting against fraud, waste, and abuse.

We brought back tax record verification, consistent with our historic approach. We have also implemented additional measures to help ensure good stewardship of this program's resources.

We also made major strides in improvements to our efficiency, accelerating daily processing from 1.86 applications to 20 per loan officer, and clearing a backlog of almost 1 million loan increase and grant applications.

And we enhanced the program to better meet the changing needs of small businesses as the pandemic continued – restoring the statutory maximum \$2 million loan size by removing the controversial \$150,000 lending limit, providing for 24 months of deferment, and allowing for flexible use of funds including paying down commercial debt.

Building bridges: Community Navigator Pilot Program

We're also taking steps to vastly improve outreach across all our programs to small businesses in every corner of the nation including in our underserved communities.

We recently announced 51 grantee organizations as part of the \$100 million Community Navigator Pilot program, funded through the American Rescue Plan,

which will deploy trusted community partners in underserved communities to better connect small business owners to federal, state, and local resources.

These Navigators will greatly enhance SBA's existing resource partner networks -- supplementing the incredible technical assistance support offered by Small Business Development Centers, Women's Business Centers, SCORE Chapters, Veteran Business Outreach Centers, Regional Innovation Clusters and Growth Accelerators.

And, we've greatly expanded the footprint of our Women's Business Centers to meet a rising need and urgent opportunity -- today, at 140, we have more WBCs than ever before, including several located at Historically Black Colleges and Universities. In addition, our Veteran Business Outreach Centers have provided invaluable support during the COVID pandemic to our highly entrepreneurial veterans -- serving more than 60,000 clients in FY2021.

Taken together, over the past year, our network of more than 1,000 resource partners and grantee networks have provided millions of hours of counseling, supported close to 1 million jobs and helped more than 60,000 entrepreneurs launch their businesses, laying the groundwork for local ecosystems that give small business owners the knowledge, skills, and opportunities they need to succeed in a post-COVID world.

Closing capital and opportunity gaps

As our nation continues to emerge from the COVID pandemic, the SBA will continue to chart a path forward to a thriving and equitable economy that lifts all small businesses and innovative startups in communities across America, building from the bottom up and middle out -- to leave no one behind.

Closing the capital, opportunity, and connection gaps that persist must be the first steps on that path.

Access to capital remains one of the most critical factors for small business success. Yet small businesses continue to lack access to the small dollar loans they need to survive and grow -- from 2015 to 2020, just 44% of small firms obtained funds from a bank, according to a 2020 Federal Reserve study. And during the first year of the pandemic, 53% of small employer firms had unmet financial needs, according to a 2021 Federal Reserve study.

This problem is particularly acute for our smallest businesses and those from underserved communities. Many unbanked small businesses go online or to predatory lenders – where they can face fees or interest rates that are far more costly than conventional terms.

This capital gap grew wider during the pandemic and kept many small businesses from receiving relief. During the pandemic's first year, small businesses without pre-existing banking relationships and those from historically underserved communities had a hard time accessing emergency relief from PPP and other COVID rescue programs. According to the Federal Reserve 2021 report, only 13% of Black-owned businesses and 20% of Hispanic-owned firms received all the capital they needed in 2020, compared to 40% of white-owned firms.

Disparities in access to capital and other resources run deep, but they are not inevitable. At the SBA, we're committed to addressing those disparities and closing those gaps – not just because it's the right thing to do, but also because there's a promising rate of return.

For the past decade, entrepreneurs from underserved communities have been starting businesses at record rates. Even over the almost two years of the pandemic, they faced down barriers and inequities and continued to start businesses. Our economic recovery depends on our ability to help these entrepreneurs thrive and grow to deliver more jobs and economic impact.

The President's Build Back Better framework will help us increase access to capital to these entrepreneurs by creating a direct lending product that leverages our incredible, growing lender network -- including the Community Development Financial Institutions, Minority Depository Institutions and other mission-oriented lenders that have expertise working with the entrepreneurs we're trying to reach.

We're also working to close the opportunity gap by increasing the number of small businesses that do business with the federal government. Over the past decade, the number of small business federal contractors has decreased by close to 40%. And underserved businesses still receive a disproportionately small share of government contracts.

SBA is working to change that by providing underserved entrepreneurs with a fair shot at competing for billions of dollars in federal contracts, by helping them get contract ready and access capital to pursue opportunities.

The Build Back Better framework will help us build equity in government procurement – with nationwide investments in business incubators and innovation accelerators, and a specific program for our veteran entrepreneurs.

Now is the right time to ensure that more small businesses will be able to be part of the \$1.2 trillion in historic investments in the rebuilding of our nation's infrastructure, made possible through the Bipartisan Infrastructure Deal. This plan is a game-changer, providing unprecedented investments in infrastructure, broadband and enhancing our global competitiveness, and we want all our small business contractors to participate.

President Biden's Budget

The President's proposed Fiscal Year 2022 budget for the SBA will help us close gaps and continue to deliver at our newly scaled level to meet the growing demand for our services.

Our PPP and COVID EIDL programs represent the majority of our rapid growth over the pandemic. However, many of the millions of small businesses that have come to us through these COVID relief programs, are also using our core products and services. For example, we announced a record year in lending and our lending partners have repeatedly pointed to long-term rising demand for capital through our 7a and 504 loan programs, and our Small Business Investment Company program reported a steady increase with a cumulative total for private and public capital of \$34.2 billion.

The President's 2022 budget request includes added support for our underserved entrepreneurs, investments to help strengthen our innovation ecosystem, and significant efforts to help small businesses and communities prepare for and manage the growing threats of climate change.

In addition, the President's budget prioritizes funding for programs that help small disadvantaged businesses and veterans get contract-ready.

Challenges

We know that many challenges remain, and the unknowns continue. The SBA's role as first responder to this economic crisis is far from over. A recent survey from Goldman Sachs found 88 percent of small business owners support the federal government providing additional financial emergency assistance given the rise of new COVID-19 cases.

Because of this, the SBA will continue to provide relief, and maintain rigorous oversight of our COVID relief programs.

We're also working with our partners across the Biden-Harris administration, and in Congress, to continue to address lingering challenges brought on by the pandemic -- such as supply chain bottlenecks, workforce attraction and retention, and cybersecurity with the increased digitization of our small businesses.

Conclusion

Over the past eight months, the SBA has used a customer-first, technology-forward and equitable approach to successfully implement programs at scale.

We have shown what we can do as a renewed, revamped agency.

In the months ahead, we will continue to harness the power of the entrepreneurial spirit to drive our economy, and our nation, forward. And we will do that by ensuring that every entrepreneur in every corner of our nation can achieve their dream of small business ownership and build prosperity for their families and communities.

As President Biden said recently: "It's about expanding opportunity – not opportunity denied."

Thank you, Chairwoman Velazquez, Ranking Member Luetkemeyer, and distinguished members of the committee, for the opportunity to appear before you today and I look forward to your questions.

Questions for the Record
House Small Business Committee
Hearing: A Discussion with SBA Administrator Isabella Casillas Guzman
November 16, 2021

Questions for the Record from Rep. Nydia M. Velázquez, Chairwoman of the Small Business Committee

- In 2019, after spending millions of dollars, SBA decided to abandon Certify.SBA.gov. It was initially reported that the development of this IT system would be migrated to another platform. Yet it is unclear if this continues to be the plan because in October 2020, SBA said it would perform a strategic review to ensure the best technical approach. Has this review been conducted? Could you expound on SBA's plan and timeline to deliver an effective IT system for the contracting programs?

Certify.sba.gov remains in active use, processing all applications for participation in the 8(a) and the Mentor-Protégé Programs, as well as firms' annual eligibility reviews in those programs. At the same time, beta.Certify.sba.gov continues to service all Women-owned Small Business (WOSB) applications, while the HUBZone Certification Tracking System (HCTS) continues to service all HUBZone certification applications. Since January 2021, GCBD's program offices have made incremental improvements to the certification application IT systems, including to Certify, beta.Certify, and HCTS. These changes have come in two forms—(1) as client-facing improvements to the system itself, such as improved webpage performance, enhanced firm dashboards, clearer instructions on how to navigate the application process, and streamlined document upload requirements; and (2) as staff-facing improvements to the system, such as automated ticketing responses to handle technical issue tickets, auto-generated response letter language when a staffer has a Request for Information from a firm, and other streamlining efficiencies that have heavily cut down on processing times. Because of these efforts, the average processing and certification wait times for firms in the 8(a) and HUBZone programs have declined over the past year, with 8(a) processing times decreasing from an average of 108 days in January 2021 to 77 days in January 2022; and with HUBZone processing times decreasing from an average of 40 days in January 2021 to 26 days in January 2022.

To provide a timeline on our efforts surrounding these IT systems over the past three years, in February 2019, SBA paused its plans to incorporate the HUBZone and Women-owned Small Business (WOSB) certification systems within Certify.sba.gov and instead, began an internal evaluation of how best to improve the certification process, given the project's historic underperformance. In preparation for the newly Congressionally mandated WOSB certifications, development was resumed in September 2019 in an entirely different Microsoft cloud architecture now deployed as beta.Certify.sba.gov, servicing all WOSB applications. This system's workflow represents a significant improvement over previous versions in that woman-owned firms with existing 8(a), Veteran-Owned, and/or Third-Party certifications are fast-tracked through the review process, in some cases receiving certification near-automatically. The beta.Certify system supporting the WOSB Program is

complete, functioning as designed, and in a state of continuous improvement based on user feedback. In November 2020, a second pause in development was implemented to perform a technical and strategic review, given the rapid and significant IT development across other SBA offices in support of COVID relief measures.

In April 2021, leaders from the Office of Government Contracting and Business Development (GCBD) and the Office of the Chief Information Officer held a Lessons Learned review, which produced a refreshed approach to the certification management technology build. In FY2021, SBA:

- Established a formal governance body for Certify, co-chaired by the CIO and the Deputy Associate Administrator for Government Contracting and Business Development (DAA/GCBD) with the CFO and the Office of Field Operations as principal implementation partners.
- Obtained authorization to increase the existing GCBD technical staff from 1 FTE to 3 FTE in FY22 (note: hiring actions are underway) with an additional two hires planned in FY23 for a total of 5 federal personnel dedicated to maintaining, advancing, and improving SBA's certification IT ecosystems.
- Contracted with MITRE, a federally funded research and development center, to perform a comprehensive study of existing processes, identify gaps, and develop program management solutions to support the implementation of a strategic roadmap for the completion of an expanded Certify program. SBA's next steps will be informed by the results of the MITRE study, which is expected to be complete no later than September 2022. This comprehensive report will include the following components, which will guide our certification IT systems' development going forward:
 - Gap Analysis & Recommendations
 - Analysis of Alternatives
 - Technology Roadmap
 - Customer Experience Service Blueprints
 - Life Cycle Cost Estimate, Assessment, and Recommendations
 - Future State Design Recommendations

While MITRE conducts its study, SBA continues to be proactive in researching and utilizing applicant feedback to improve the Certify and beta.Certify customer experience so that small businesses seeking an SBA certification have as straightforward, smooth, and efficient of an application process as possible.

- Last year, Congress passed legislation transferring the responsibility to issue certifications for veteran owned businesses from the VA to SBA and requiring formal certification for SBA's Service-Disabled Veteran-Owned Small Business program. SBA will need an IT system to implement this legislation. Does SBA's plans contemplate integrating these certification programs to the bigger certify project? Will it implement these certification programs in the same IT system?

SBA intends to stand up a new system to handle application intake and processing for the VOSB/SDVOSB certification program. Given the statutory deadline of January 1, 2023, and

the longer projected timeline of the certify modernization project, this tech build will run separately from the larger certify project and will focus narrowly on the tech requirements for VOSB/SDVOSB certification but will take into account the goal of being able to integrate with SBA's other certification programs in the future.

- Five years after legislation was enacted, SBA began issuing formal certifications for the Women-Owned Small Business program in October 2020. According to SBA's Office of Inspector General, the SBA has received 15,000 applications, of which 12,000 were screened and returned to the applicant for more information. What is the agency doing to deal with this backlog? What efforts is SBA taking to educate small firms on the information they need to provide to ensure they can submit a complete application package right from the start?

Following the significant amount of WOSB applications in just the first quarter of FY2021, SBA's Office of Government Contracting reorganized internal resources to provide the WOSB program with additional staff to pre-screen, screen, and process WOSB applicants' cases. This included the reallocation of other Government Contracting staff to the WOSB team to implement the new formal certification process. SBA's Office of Government Contracting continually evaluates the distribution of staffing and resources for the program to ensure that we are delivering for our applicants in a timely and customer-service-focused manner. Because of these efforts, more than 4,800 women-owned small businesses have received their certification since the program started. SBA continues to collect and analyze feedback on the certification process, while tracking both application drop-off and processing time metrics, to improve the overall WOSB experience for our small business applicants.

To that end, SBA formed an internal working group to evaluate current application processes, identify best practices, and implement incremental improvements to the application experience for all GCBP Certification Programs. Over the past year the WOSB program has made concerted efforts to educate our small business stakeholders on the application process by utilizing the agency's various communication channels, including social media, and the Agency's national newsletter and national resource guide. We have also enhanced our internet presence, which includes readily accessible online resources such as an [application checklist](#), an expansive [knowledge base](#) of frequently asked questions, online webinars on the application process, and educational videos on navigating beta. certify, which have received over 30,000 views. The WOSB program has also provided training to SBA resource partners and women-owned business groups so that they also have the background necessary to support WOSB firms in their networks. The WOSB program will continue to conduct and expand these education programs, instruction updates, and user-feedback analyses to improve the application process going forward.

As a final note on the reference to SBA's OIG report, the number of WOSB applications currently in SBA's backlog for pre-screening, screening, and processing is roughly 2,000 as of February 2021. Over the past year, the WOSB program has refined the initial pre-screening process and implemented new practices to accelerate application review, where possible, while maintaining review integrity. SBA has also taken action to streamline the application process for WOSB applicants with existing qualified certifications, such as 8(a) Minority Business Development Program participants, VA Center for Verification and

Evaluation participants, and Third-Party certified firms. All of this has helped to facilitate a more efficient review process for these applicants, while also providing the team with more time to work to reduce the existing backlog.

- SBA listed the hubs awarded under the Community Navigator Pilot Program as part of the October 28th press release. However, SBA has yet to provide a list of spokes who will be the boots on the ground for this program. Please provide a list of spokes so Members, and their communities, will be able to fully utilize this program.

Please see a list of spokes as an attachment at the end of this document.

- Establishing and accessing local technical assistance networks can be a challenge for many small business owners. The CARES Act provided \$25 million in funding to SBA Resource Partner Associations to create a consolidated platform on COVID-19 information, but funding for this project expires in April 2022. How do you think the consolidated platform can be used post-pandemic to assist America's small business owner and SBA counselors?

This CARES Act funding has enabled America's SBDC (ASBDC) and the Association of Women's Business Centers (AWBC) to jointly launch a web platform (<http://covid-sb.org>) as a Content Management System (CMS) to provide resource information to small businesses and an online Learning Management System (LMS) for SBA Resource Partner mentors and service providers in year one of the Resource Partner Training Portal (RPTP) project.

The two target audiences are: 1) small business concerns for the CMS and 2) business mentors and service providers of the SBA Resource Partners (SBDCs, WBCs, VBOCs, and SCORE) for the LMS.

The platform can be used post-pandemic to deliver timely small business recovery and growth content, produce workforce development webinars and deliver turnkey toolkits to empower the small business ecosystem to access resources. Additionally, the Resource Partner Training Portal will continue to increase coalition building and resource sharing between our Resource Partners, our service providers, and the SBA.

Follow-up: In your opinion, is there a need for a small business networking hub with information about accessing legal, accounting, and human resource services in their local communities?

What we have observed through our Resource Partner network and through the beginning of Community Navigators is that the smallest of small businesses are not connecting substantively with legal, accounting and/or human resources. Through the Community Navigator Pilot Program and through building more bridges to our Resource Partner network, we will close these resource gaps and promote best practices across these networks.

- Banks play an important role in the SBIC program by providing funds with investment capital. They also have access to larger talent pools of investment professionals than most SBICs. The Committee hears about the need to improve diversity and geographic representation in the SBIC program, which would improve access to patient capital for underrepresented entrepreneurs. To that end, the Build Back Better Act invests \$60 million in the MicroCap SBIC license and the Emerging Managers Program to make the program more accessible for diverse investors. MDIs have expressed their support for these initiatives. Do you believe there is a way to leverage bank participation in the program to help in that effort? What steps will you take to improve diversity in the SBIC program?

Yes, the SBA sees several opportunities to increase and leverage bank participation in the SBIC program to improve the diversity and geographic distribution of SBIC fund managers and the entrepreneurs they fund. SBA looks forward to working with the Committee on this important issue.

- What steps will you take to improve diversity in the SBIC program?

Improving diversity, as well as inclusive culture and broader equity participation in the SBIC program is at the top of the SBA's agenda and aligned with the Biden Administration's equity agenda.

Our approach focused on three key themes: (1) data and transparency, (2) evolving legacy rules and regulations, and (3) outreach and education.

- Data and transparency: by defining metrics, starting to track information, and produce reporting on diversity at the SBIC fund manager level as well as the underlying portfolio company level we can better understand vulnerabilities in the program and work with industry to take steps to improve.
- Evolving legacy rules and regulations: by identifying program regulations which present disproportionately high barriers to SBIC program participation, we can rethink our current framework while still maintaining the program's zero-cost status. We are in the midst of this work as part of the SBIC regulatory modernization initiative.
- Outreach and education: by conveying to current program participants the importance of diversity to the SBA and engaging with prospective diverse fund managers directly or through industry groups, we are working to grow the network of future SBIC fund managers with more diverse representation. We understand that by licensing more diverse SBIC fund managers, more diverse entrepreneurs will, in turn, be positioned to access long-term debt and patient equity investment.
- At a recent hearing, one witness representing SBICs testified regarding staffing shortages in the Office of Investment and Innovation. Reportedly, front-line regulators are overseeing close to 50 funds at a time, when it should be closer to 10 or 12. Will you commit to staffing up OII?

Yes, we recognize the need to rebuild and grow the SBIC program staff, particularly in areas impacting due diligence and monitoring of SBIC funds. SBA believes, that in-line with institutional consulting organizations, an SBIC operations analyst can manage a portfolio of 20-25 SBIC funds, 10-15 fund managers, with appropriate, professional, IT and administrative support. Since, joining the office in mid-August, I have advocated for increasing SBIC program staff. 10 additional FTEs were approved, and we are in the process of hiring for the new positions, giving high priority to hiring SBIC operations analysts. This Administration is committed to meeting staffing needs.

- The Committee has been concerned about Restaurant Revitalization Fund (RRF) awards that were made to ineligible entities, such as an amusement park with food service or a hotel that has a non-independently operated restaurant. Why were these awards made, and what steps is SBA taking to retrieve awards made to ineligible entities?

Award recipients self-certified as to their eligibility for RRF awards. SBA is also conducting a post-award review in which it is reviewing 10% of the awards to include a statistically valid sample as well as awards identified as potentially ineligible based on the recipient NAICS code and other indicators. If an award was made to an entity that was later determined to be ineligible, SBA is demanding repayment of the award, and in some cases may be referring the matter to the Office of Inspector General.

- In a report from May 2021, the OIG found that the SBA did not have processes to update EIDL fraud victims' status; protect or resolve victims' credit-related issues; cease billing fraudulent loans to victims; prevent collection actions; release victims from loan liability; charge-off or remove the fraudulent loans if funds are not recovered by SBA; or cancel filing fees and release any Uniform Commercial Code liens associated with loan collateral. What steps have you taken to address the issues facing innocent victims of EIDL fraud?

The OIG report on SBA's Handling of Identity Theft for the COVID EIDL Program was published on May 6, 2021. It included five recommendations, three of which have already been closed. The SBA has developed a process maintain and track all identity theft complaints. The SBA has developed a process to provide status updates to each complainant alleging identity theft. The SBA has also complete and formalized a process to restore identity theft victims to their condition prior to the fraud. Our process includes steps to stop the loan billing statements, prevent delinquency collections, and release identity theft victims from loan liability and UCC liens. We have also taken steps to address the two remaining recommendations to remove fraudulent loans and related UCC filing fees from financial records and to review returned billing statements and resolve any that may be associated with identity theft. Our Office of Internal Controls is working closely with the OIG to close the two outstanding recommendations.

Question for the Record from Rep. Kweisi Mfume

- While in recent years the federal government has been successful in achieving the statutory goal of awarding 23 percent of all prime contracts to small businesses, the federal government has continued to achieve this goal by awarding fewer contracts worth higher values. This has led to the decline in overall participation by small firms. What is SBA doing to address this trend and ensure that the small business base does not continue to shrink?

SBA has co-led a governmentwide effort to identify and reverse the causes for the decline in small-business and socio-economic firm participation in government contracting. In coordination with SBA, the White House, and major contracting agencies, OMB issued a series of whole-of-government reforms aimed directly at increasing the small business base. The major policy changes are discussed in OMB Memorandum M-22-03:

- (1) increasing the Small Disadvantaged Business (SDB) goal to 11% for FY22, with an end goal of 15% by FY25;
- (2) releasing publicly for the first-time disaggregated data on the federal government's FY20 performance in contracting with minority-owned small businesses;
- (3) reforming the Category Management tiering system to provide automatic credit for contracting with socioeconomic small businesses in Tier 2 of Spend Under Management;
- (4) including SBA and the Department of Commerce as voting members on the Category Management Leadership Council so that small business voices are always at the table;
- (5) tracking and identifying best practices for increasing the number of new small business entrants to the federal marketplace; and
- (6) holding agency Senior Executive Service (SES) staff accountable to achieving the Congressionally mandated small business procurement goals by including those goals in their annual performance evaluations.

SBA's leadership and advocacy on these issues was instrumental in shaping policies to reverse the downward trend in small business participation in federal procurement, and the Agency will continue to foster transparency in the process. The national health and resiliency of the U.S. economy is dependent on a strong small business industrial base, and the reforms outlined above are designed to expand the number of firms who can fulfill the federal government's contracting needs with the agility and innovation uniquely provided by small business.

Questions for the Record from Rep. Troy Carter

- I commend you for raising the EIDL loan limit to \$2 million. However, I am concerned about the processing times for EIDL loans. I have been hearing reports that it takes up to 12 weeks for EIDL loans to be processed, and another 4-6 weeks for funds to be disbursed. What has been causing these delays, and what steps are you taking to ensure applicants are able to get clear information from SBA regarding their applications?

The 12-week response time was only a small sub-set of applications (specifically final appeal applications). These are applicants that have been declined two previous times and are seeking a third review of their application. During this time the staff was focused on new application and increase requests. This appeal processing timeframe has been reduced significantly and appeal requests are currently averaging 12.58 days once all documents needed for processing are received.

- Average Age by Group
- Original - 9.56 days
- Reconsideration - 12.29 days
- Appeal - 12.58 days
- Loan Modification - 9.37 days
- The times above only include the processing time once the application is in processing with all documents necessary to process the application. These times do not include the time the applicant takes to provide documents or the time needed to get the IRS Transcripts. The IRS transcripts are currently taking 8 calendar days on average prior to the application being assigned to a loan officer to work.

- Given the increase in natural disasters such as Hurricane Ida that devastated my district, how does SBA manage when someone who has current SBA disaster loan years is impacted by a second natural disaster and applies for a second loan? Assuming the applicant is eligible, does SBA make a second loan and this borrower now has two separate disaster loans? Or is there anything else that comes into play when it comes to providing disaster assistance to victims of previous disasters?

SBA places loan conditions on every borrower to reduce costs associated with future instances of similar damages. For instance, Hurricane Ida caused flood and wind damage. If the borrower(s) sustained those types of damages, SBA would place a flood insurance and/or hazard insurance requirement as a condition of a loan. This helps to protect from future instances of the issue. If the same borrower experienced another flood or wind event, they would likely be covered by insurance, and would not need to obtain an additional SBA loan.

If a borrower received a disaster loan for flood damages and a year later sustained fire damage, SBA would offer additional disaster assistance via the loan program.

Unfortunately, SBA would not be able to refinance the preexisting flood damage loan. Instead, SBA would offer a second disaster loan. The borrower would have full eligibility for both loans, up to the amount of damages sustained.

SBA also allows mitigation on all physical loans. Mitigation is a specific program that allows a borrower to build protective devices to mitigate future occurrences of disaster damages. If a borrower sustained flood damage, mitigation would allow them to install french drains or other flood protective devices. SBA has had success in the past using these models but is in the process of modifying regulations to extend mitigation coverage to allow mitigation for all disaster damage types, not just specific to the type of damage sustained.

At this time, SBA is not allowed to refinance existing disaster loan debt, however, SBA works with all of our borrowers to make loan terms affordable. SBA has the ability to defer existing loans in periods of disaster. For instance, during the COVID pandemic, SBA automatically deferred all disaster loan borrowers for up to 30 months. In addition to deferments, SBA loans interest rates are well below market rates. SBA also has the ability to amortize loans over a 30-year period, keeping loan payment low.

Questions for the Record from Rep. Blaine Luetkemeyer (MO-03):

- In October, the Consumer Price Index (CPI), a key inflation index, hit a 30-year high. Small businesses owners were told by your administration that this is only temporary and transitory. When do you and your economic experts predict that inflation will go down and small businesses will experience relief from rising prices?

The Administration's Budget assumptions — formulated in November 2021 — see inflation moderating over the course of 2022 and 2023 as disruptions to supply-chains improve and as the service-sector continues to recover from the pandemic. Moreover, the Federal Reserve is currently expected to raise its policy interest rate several times over the next two years for the purpose of pursuing price-stability. However, note that the ongoing Russian invasion of Ukraine is expected to accelerate inflationary pressures in certain energy and food sectors, which creates additional uncertainty for inflation forecasting over the short-term.

- Americans are paying more for almost everything because of inflation. Have you spoken to the President about these rising costs that are harming small businesses?
 1. If yes – When did this meeting take place and could you share with us the solutions that were discussed?
 2. If no – Who is advocating for small businesses in this administration? Do you have plans to meet with the President on this problem?

I am a constant advocate for small businesses within the President's Cabinet. I am proud of the substantial, multi-billion-dollar investment in small business, from capital access to contracting to innovation, that stands as a major pillar of the President's agenda.

- Small businesses have been known to provide a good barometer of economic optimism. Now we see only their uncertainty. Do you find small business owners' optimistic right now?

Entrepreneurship in America is booming. In no year prior to 2021 did more Americans start a business. In 2021, Americans submitted 5.4 million applications for new businesses, the highest level ever recorded.¹ That 2021 level surpassed the previous record for new business applications by more than 1 million, and it was 53% higher than the average of the previous five years.

SBA also notes the U.S. Chamber's recent update to its Optimism Index for small businesses, which is at a pandemic high: [Small Business Index - Q1 2021 Summary \(uschamber.com\)](#). We will continue working to drive that optimism higher and recover even more ground lost during the pandemic.

- A recent Bloomberg headline read "U.S. Small Business Optimism Falls to a Seven-Month Low", citing the most recent NFIB Economic Trends reports which found the biggest problems for small businesses are a lack of workers and inventory shortages. What is your agency doing to address the biggest problems for small businesses?

Helping small businesses hire and retain workers is a critical element of our economic recovery. Several sources, including the US Chamber cited above, have shown that small business optimism is high and rising right now. Small businesses looking for assistance in filling job openings consult with SBA resource partners, including their local area Small Business Development Centers, which provide tailored advice that reflects the labor market conditions in their local area. The President's legislative agenda includes a major emphasis on helping working-age individuals join or rejoin the workforce, including by helping them access affordable childcare and paid family and medical leave, so that parents no longer have to choose between raising a family and sustaining a career. To that end, SBA is working to support the growth and establishment of child care provider businesses.

- As the administration's advocate for small businesses, are you concerned about the rising costs of energy on small businesses?

The President is working to lower costs of a range of input prices for small businesses, including those that are energy related. Energy conservation and the transition to clean energy sources are both priorities embedded in the enacted infrastructure law.

- Have you consulted with the SBA's Office of Advocacy regarding inflationary pressures impacting small businesses?

The SBA's Office of Advocacy works to represent small business voices in the regulatory process and serve as a source of small business statistics and research. The Office of Advocacy makes its statistics and research for the public at advocacy.sba.gov/category/research/. The office has not published a report on inflation recently.

- NFIB's October small business jobs report found that 49% of small business owners had job openings they could not fill. How you are encouraging Americans to return to work, specifically at small businesses?

Helping small businesses hire and retain workers is a critical element of our economic recovery. Small businesses looking for assistance in filling job openings should consult with SBA resource partners, including their local area Small Business Development Centers, which can provide tailored advice that reflects the labor market conditions in their local area. The President's legislative agenda includes a major emphasis on helping working-age individuals join or rejoin the workforce, including by helping them access affordable child care and paid family and medical leave, so that parents no longer have to choose between raising a family and sustaining a career. Small childcare providers are one of the industry sectors most reliant on SBA 7(a) and 504 loans. SBA will continue supporting childcare providers through these core programs.

- There are 10.4 million job openings in the United States. Worker shortages are surely a contributing factor to rising costs, empty shelves, and thousands of containers backlogged on cargo ships. How is your office supporting small businesses in addressing these skills and labor shortages?

Helping small businesses hire and retain workers is a critical element of our economic recovery. Small businesses looking for assistance in filling job openings should consult with SBA resource partners, including their local area Small Business Development Centers, which can provide tailored advice that reflects the labor market conditions in their local area. The President's legislative agenda includes a major emphasis on helping working-age individuals join or rejoin the workforce, including by helping them access affordable child care and paid family and medical leave, so that parents no longer have to choose between raising a family and sustaining a career.

- How will you improve the level of communication from the SBA to small businesses and Members of Congress? When should we expect answers to our questions that are borne from conversations with our small business constituents?

Small businesses have multiple avenues to communicate with SBA, including SBA's resource partners, district offices, and its Office of Congressional and Legislative Affairs (OCLA). It is a priority of the SBA to provide timely and substantive answers and feedback in response to Members of Congress and their staff. In support of that goal, the SBA has recently increased staffing on the team that handles congressional EIDL casework inquiries. We encourage Congressional offices to contact OCLA at CLAIquiry@sba.gov. I also welcome the opportunity to speak with members of this committee upon their request.

- As small businesses enter the important fourth quarter, where some rely heavily on holiday sales, inflation continues to shoot upward, supply chains are preventing goods from reaching stores, and businesses, no matter what they try, are having trouble finding workers. These are fundamental problems facing the small business ecosystem. Beyond this economic storm, small businesses are also facing a vaccine mandate and potential tax increases. As the head of the only agency dedicated to the nation's smallest firms, what are you doing to ensure that the nation's job creators aren't impacted by this firestorm?

Helping small businesses hire and retain workers is a critical element of our economic recovery. Small businesses looking for assistance in filling job openings should consult with SBA resource partners, including their local area Small Business Development Centers, which can provide tailored advice that reflects the labor market conditions in their local area. The President's legislative agenda includes a major emphasis on helping working-age individuals join or rejoin the workforce, including by helping them access affordable child care and paid family and medical leave, so that parents no longer have to choose between raising a family and sustaining a career. Please see other answers in this document for other actions the SBA and Administration are taking to address supply chain issues.

- As you know, around \$300 billion dollars have been disbursed to small businesses through either loans or grants under the Economic Injury Disaster Loan Program, also known as EIDL. Of this \$300 billion, the SBA Inspector General has indicated that approximately a third of it could be potentially fraudulent. Additionally, the customer service provided under the SBA's disaster loan program is underwhelming. In the past, the Inspector General has said that "despite continuously increasing the number of available agents, a significant number and percentage of calls went unanswered." In the quote, the IG is commenting on the SBA's disaster loan program. Have you specifically considered the poor performance of these direct lending programs when you were analyzing the Democrats direct lending proposal?

SBA made major improvements to the COVID EIDL program, such as obtaining IRS verification through the 4506-transcript verification, that were prohibited under the CARES Act. These improvements significantly reduced the fraud exposure in the program. Additionally, SBA improved the COVID EIDL customer service experience. SBA continues to review, assess and implement systems that strengthen all of the business loan programs including direct lending.

- In your opinion, why do you believe the labor force participation rate remains at a stagnant 61.6 percent?

During the last 12 months the economy has added 6.5 million new jobs and the overall labor force participation rate has increased 0.9 percentage points to 62.4 percent. Notably, the prime-age participation rate has increased markedly over the last three months alone, rising 0.6 percentage points, and now sits only half a percentage point below the pre-pandemic high. During March 2022, the prime-age female participation rate rose 0.7 percentage points. If you have additional questions, I would refer you to the Labor Department for more information.

- According to this past month's Jobs Openings and Labor Turnover Survey published by the U.S. Bureau of Labor Statistics, there were approximately 4.4 million workers that quit their job. Why do you believe this is the case?

Economists point to several factors as to why workers leave their current places of employment. Some of these reasons include seeking better pay or advancement opportunities, as well their responsibilities as caregivers. The quits rate does not reflect a trend of workers leaving the labor force; on net, the civilian labor pool grew by more than 3 million in 2021.

- President Biden's supply chain announcement mentioned commitments from large companies like UPS, Fedex, Walmart, and Target to use expanded hours to move goods. Small businesses lack the pricing flexibility and purchasing power to compete with the big businesses. From the small trucking companies, supply houses, small business operations and storefronts – small businesses continue to be harmed and left out in times of supply chain shortages. What solutions are you offering small businesses during these disruptions?

SBA is offering support to small businesses through all of the agency's core programs. For example, Entrepreneurial Development resource partners are offering training programs on supply chain management. The New Jersey SBDC, based at Rutgers University, for example, has offered broadly available trainings on supply chain management. SBA's capital programs are extending credit to businesses to invest in their own capital equipment and machinery, as evidenced by the record pace of lending in the SBA's 504 Loan Program.

- Are small business owners you have talked to experiencing supply chain problems and difficulty finding workers?

The pandemic and pandemic recovery have certainly brought challenges for small businesses, including supply chain interruptions and limited labor supply. Please see responses to other questions for analysis on the sources of those issues and what the SBA and the Administration are doing to address them. It is also important to note the record-setting pace of new business creation that has occurred during the economic expansion of the last year. And it is important to note that small business owners also tell me that America's small business owners is the importance that we, as a nation, invest in physical infrastructure, clean energy, affordable health and childcare, education, and access to capital for entrepreneurs, so that we remain competitive on the world stage. To finance these investments, President Biden's FY23 Revenue Proposals will ensure that large corporations pay their fair share.

- Have you met with President Biden on supply chain disruptions impact on small businesses?
 1. If yes – When did this meeting take place and could you share with us the solutions that were discussed?
 2. If no – Who is advocating for small businesses in this administration? Do you have plans to meet with the President on this problem?

I am a constant advocate for small businesses within the President's Cabinet. I am proud of the substantial, multi-billion-dollar investment in small business, from capital access to contracting to innovation, that stands as a major pillar of the President's agenda.

- In your [response](#) to President Biden's "100 Day Review Report on America's Supply Chains" in June, you stated "*the SBA looks forward to partnering across the federal government to strengthen domestic competitiveness and supply chain resilience.*" For months, a significant number of small business owners have reported that supply chain disruptions have a mild-to-significant impact on their business. Could you provide us an update on your actions to "*strengthen domestic competitiveness and supply chain resilience*"?

In November, the President signed the historic, bipartisan Infrastructure Investment and Jobs Act (IIJA) which will modernize America's airports, roads, bridges, ports, waterways, broadband, water systems, electrical grid and more—all in service of making the country's physical infrastructure more competitive and resilient. At SBA, our network of counseling and technical assistance providers has been reaching out to small businesses to help them through supply chain challenges.

- The Democrats most recent budget reconciliation proposal includes \$400 billion in taxes on small businesses, resulting in a top federal rate when all increases are combined of approximately 50%. Do you support increasing taxes on small businesses?

For too long, the tax code has been tilted in favor of large corporations. The reconciliation bill mentioned would have raised the vast majority of its revenue by closing loopholes and rolling back unfair tax treatment for the largest corporations and wealthiest households and invest that revenue in the American worker and small business owner, empowering them to compete in the global economy more effectively. More affordable healthcare benefits, help transitioning to clean energy, affordable childcare and paid leave for workers, and tax cuts for parents and working Americans would all enhance the productivity of small businesses and their workers.

- The SBA was created in 1953 to “*aid, counsel, assist and protect the interests of small business concerns, preserve free competitive enterprise and maintain and strengthen the overall economy of our nation.*” Would increasing taxes on small businesses harm that mission?

The President's agenda, including the FY23 budget, directly supports SBA's mission and would unquestionably strengthen the overall economy, for all the reasons discussed in prior answers.

- Given that some business planning takes years, have you heard from small businesses that are concerned with the tax proposals that have been circulated?

What I hear often from America's small business owners is the importance that we, as a nation, invest in physical infrastructure, clean energy, affordable health and childcare, education, and access to capital for entrepreneurs, so that we remain competitive on the world stage. To finance these investments, President Biden's FY23 Revenue Proposals will ensure that large corporations pay their fair share.

- Do you believe that small businesses that are still recovering from COVID-19, should pay for any enhanced spending at the federal level?

I believe it is appropriate for public investments in climate, workers, children, and economic competitiveness should be financed by modest tax increases on the largest corporations and wealthiest individuals, those earning over \$400,000 annually in taxable income. The vast majority of small business owners do not belong to either of those

categories. I also support the President's Budget framework, which would reduce the federal deficit.

Do you believe the tax code can incentivize investments by small businesses and investments into small businesses?

Yes

- Have you had conversations with small businesses on how the vaccine mandate will affect their bottom line?

I agree with the President that vaccines are the best way to end this pandemic and get small businesses back to normal. The more we can obtain higher vaccination rates, the safer workplaces will be and the more comfortable workers still on the sidelines will feel reentering the labor market.

- Do you support this administration's vaccine mandate on businesses?

I agree with the President that vaccines are the best way to end this pandemic and get small businesses back to normal. The more we can obtain higher vaccination rates, the safer workplaces will be and the more comfortable workers still on the sidelines will feel reentering the labor market. Also, it is important to note that OSHA has withdrawn its Vaccine and Testing ETS. Please contact OSHA for more details.

- The OSHA rule is coming more than a year-and-a-half into the pandemic when many employers have already implemented safety measures. How can the administration justify the timing of this ETS?
 - Why do you believe the rule is being rolled out now?

OSHA has withdrawn its Vaccine and Testing ETS. Please contact OSHA for more details

- Please explain to this committee how OSHA can justify a "grave danger" necessitating an ETS nearly two years into the pandemic, with 70 percent of people having already received one dose of a vaccine. Small businesses have been working tirelessly to keep their doors open since March 2020. Do you believe small businesses and workers are suddenly in grave and imminent danger?

OSHA has withdrawn its Vaccine and Testing ETS. Please contact OSHA for more details.

- Was the SBA consulted by the White House or the Department of Labor on the 100-employee number in the ETS?
 - Do you support this number?

I did not object to the ETS, although as previously stated, it is not in effect.

- Currently, there are three agencies that are required to convene Small Business Regulatory Enforcement Fairness Act panels or SBREFA panels. OSHA is one of these agencies. To your knowledge, has OSHA conducted any outreach to small businesses regarding this vaccine mandate?

OSHA has withdrawn its Vaccine and Testing ETS. Please contact OSHA for more details.

- The small business economy is extremely fragile with labor shortages and supply chain challenges. Do you believe the vaccine mandate will exacerbate the labor shortage?

OSHA has withdrawn its Vaccine and Testing ETS. Please contact OSHA for more details.

- Has the SBA evaluated the financial impact the vaccine mandate will cause to small businesses?
 - Please explain how you are following the SBA mission statement if you are not “protecting the interests of small businesses” and helping them succeed?
 - Can your team please submit that assessment to the committee?

Virtually any policy decision affects small businesses indirectly. I understand the OMB Director has concluded that COVID-19 workplace safeguards, including a vaccination requirement for covered contractor employees, will advance economy and efficiency in Federal contracting. In addition, implementation of COVID-19 workplaces safeguards for Federal contractor workplaces pursuant to Executive Order 14042, including a vaccination requirement for Federal contractor employees, is paused during the pendency of an applicable nationwide injunction.

- Do you agree with the federal contracting vaccine mandate and what are you going to do, if anything, to protect small contractors?

I agree with the President that vaccines are the best way to end this pandemic and get small businesses back to normal. Implementation of COVID-19 workplaces safeguards for Federal contractor workplaces pursuant to Executive Order 14042, including a vaccination requirement for Federal contractor employees, is paused during the pendency of an applicable nationwide injunction.

- Has the SBA heard from small businesses opposing the federal contracting vaccine mandate? If so, can you describe some of this opposition and your agency's position in response?

SBA has heard a variety of responses to the policy. I agree with the President that vaccines are the best way to end this pandemic and get small businesses back to normal. Implementation of COVID-19 workplaces safeguards for Federal contractor workplaces pursuant to Executive Order 14042, including a vaccination requirement for Federal

contractor employees, is paused during the pendency of an applicable nationwide injunction.

- According to the most recent PPP statistics, almost 75 percent of all PPPs have been submitted for forgiveness. As you know, numerous safe harbors were created in the CARES Act and the PPP Flexibility Act. How many PPPs have utilized these safe harbors?

SBA did not track the use of lender safe harbor and did not collect the information in the application or forgiveness forms that were approved by SBA in conjunction with UST.

- Please describe in detail how the agency has and continues to communicate with private sector lenders that have participated within PPP? Who is the main contact for these lenders at the SBA?

SBA employs multiple ways to communicate with lenders that participate in all of its loan programs, including PPP. These include the following:

- IFRs
- Notices
- Conferences
- Conference Call and Webinars
- CAFS platform
- Paycheck Protection Platform (direct emails, requests, etc.)
- FTA (emails, webpage, etc.).
- OCRM email blasts
- Call center support

SBA's Office of Credit Risk Management is the main contact for SBA all participant lenders, including PPP lenders.

- Please describe your interaction with Treasury Secretary Yellen when it comes to PPP.

SBA has not interacted directly with Treasury Secretary Yellen on PPP matters. SBA interacted with US Treasury employees in the creation of Interim Final Rules, FAQs, and other guidance documents for the PPP program.

- How many active lenders were there within the 7(a) Loan Program prior to COVID-19? Please compare this number to how many have participated within PPP?

In the two years prior to COVID-19, 1,959 lenders approved a 7(a) loan. 5,467 lenders participated in PPP.

- On average how long does it take to disburse dollars to a small business under the disaster loan program? Please compare that to the time it takes to disburse dollars under the 7(a) Loan Program.

For the disaster loan program, SBA makes the initial disbursement within 5 days of receiving the signed loan closing documents from the borrower. In Fiscal Year 2022, SBA has surpassed its goal of 95 percent of disaster loans with an initial disbursement within 5 days and is currently at 97 percent. For the 7(a) Loan Program, the loan closing and disbursement is the responsibility of the lender, and the amount of time to disbursement varies depending upon the business practices of the lender and the size and complexity of the loan. Small unsecured loans can be disbursed within 5 days of loan closing, and larger loans secured by real estate and other fixed assets can take longer than 5 days due to lien recording requirements in local jurisdictions.

- Please provide a status update on how well the IRS 4506t forms are being transferred to the SBA with regard to EIDL applications? Have there been any delays in this transfer? What is the average timeline for this transfer?

Once the 4506T is e-signed by the applicant, it is downloaded to the SBA network and sent to the IRS for processing. There have been no delays in the transfer process and they process takes hours to complete. The 4506T document is e-faxed to the IRS who then provides the IRS Transcripts. This process is currently taking 8 calendar days to receive IRS Transcripts.

Additional delays to the applicant can occur when the 4506T is not completed correctly. A common occurrence is an invalid zip code. The IRS compares the zip code on the 4506T with the zip code on the 2019 Federal Tax Return, if these do not match, a reject occurs and the transcript will be returned with an "Invalid Zip Code" message. The applicant is then required to submit a new 4506T with the correct zip code that matches.

- Why did the SBA pull back from direct lending in the past? Were there any specific reasons why they stopped direct lending?

SBA made the decision to stop direct lending and to rely on its lending partners to make 7(a) loans due for various reasons, including the ability to leverage private sector lenders to expand access to the 7(a) program. The 7(a) program generally operates with no or minimal subsidy. Given the existing statutory restrictions on rates and fees, direct lending was more costly for the taxpayers.

- What was the subsidy rate the last time the SBA offered direct lending to small businesses?

The 7(a) Direct program never had a subsidy rate calculated. The 7(a) Direct program has not approved loans since the enactment of the Federal Credit Reform Act of 1990 and therefore was not subject to requirements that SBA calculate a subsidy rate for the program.

- Can you detail how the SBA monitors the credit elsewhere test within the 7(a) Loan program?

The requirement is provided to lenders in regulations contained in 13 CFR 120.101. Detailed procedures for compliance are published in SOP 50 10. Lenders must maintain in their files documentation of the credit elsewhere determination. OCRM reviews this information when conducting lender oversight.

- Given the high levels of lending within the 504/CDC Loan Program and the 7(a) Loan Program this past year, what are your projections next fiscal year for these programs?

We expect the 7(a) and 504 programs to continue at or above the FY 2021 lending volumes.

- Does receiving an EIDL loan impact accessing capital in the future?

No, Disaster loans (including EIDL) do not impact a small business applicant's eligibility for the regular business programs, specifically it does not affect the statutory loan amounts for 7(a) or 504. Future eligibility for the programs would however be impacted if the Disaster loans are in default or are delinquent at the time an applicant applies for a 7(a) or 504 guaranteed loan.

- How many EIDL applications for loans and grants have been flagged for identity theft concerns thus far?

As of January 13, 2022, SBA has flagged 1,371,456 COVID EIDL applications for potential or confirmed identity theft. Approximately 90 percent of the applications flagged for identity theft were stopped before loan funds were disbursed. Of the more than 1.3 million COVID EIDL applications flagged for identity theft 143,708 loans were funded for a total of \$7,529,885,938. Some of these funds may have been seized/recouped by law enforcement or returned by the bank.

- What are the top three reasons why small businesses were rejected from participating within the EIDL program?

Credit - Does not meet credit score requirement - All Applicants have a credit score <570 (Non-Profit excluded)

Does not meet eligibility criteria - Fraud indicators are present (i.e. Device associated with fraud, Failed online ID verification)

Does not meet revenue requirement - Gross economic loss is \$0 or negative. This decline reason was most common in the first 6-9 months of the declaration.

Note: These reasons are inclusive of all applications submitted since the inception of Covid EIDL.

- What is the purchase rate, or the default rate, of the Community Advantage Pilot Loan Program vs. the SBA's 7(a) Loan Program?

The calculation for last 12-month purchase rate is: last 12-month purchases divided by last 12-month purchases plus outstanding balance. At the end of FY21, the last 12-month purchase rate for the 7(a) program was 0.78%. The last 12-month purchase rate for Community Advantage was 2.13%.

- Please provide an update on the implementation the 504 Express program which was created in the bipartisan Consolidated Appropriations Act of 2021 this past December.

SBA has drafted the program rules and expects to complete OMB review and approval to move forward in Q3 2022.

- Can you detail the number of staff vs. the number contractors that your agency has in place that work on the capital access programs?

SBA has 362 staff positions in the Office of Capital Access and 10 contractors working on capital access non-COVID19 related programs

- Is the SBA queuing applications for the Restaurant Revitalization Fund program? If so, how many applications have been submitted?

SBA is not queuing applications for RRF.

- Do you think most entrepreneurs know about the SBA and its resources?

We are always on a mission for more small businesses to know about SBA resources. Accordingly, we are promoting our Resource Partner network, leveraging the Community Navigator Pilot grantees, and working across Agency units to expand the small business awareness footprint. Now, given that 72% of small business owners said they sought government relief during the pandemic, it is certainly probably that the majority of entrepreneurs know about SBA.

- What are you doing to increase awareness of SBA's resource partners?

The Office of Entrepreneurial Development has taken a multi-pronged approach to increasing awareness of the SBA's Resource Partners. The SBA supported America's SBDC in its use of some of the CARES Act funding on marketing their services to reach new and existing clients, and as our Resource Partners have moved into virtual promotion strategies such as Search Engine Optimization and social media engagement to reach small business owners in new ways.

Also, we are supporting our Resource Partners as they ensure that they reach the maximum number of small business owners by offering business advising sessions in languages that are relevant to the community. For example, the New York SBDC network offers sessions in 13 languages including Bengali, Cantonese, Dutch, Hakka, Hebrew, Korean and Mandarin.

Our Community Navigator Pilot Program will strengthen community-centric organizations serving as community liaisons in areas with small business ecosystems that have historically been left behind for resourcing. This program empowers traditional business assistance organizations to enlist trusted, culturally and linguistically knowledgeable partners who conduct targeted outreach to specific sectors of the entrepreneurial community. As well, first time SBA small business clients will learn about the Resource Partner network. The Office of Entrepreneurial Development will ensure that all grantees have a full awareness of the Resource Partner network to encourage coalition building and increase referrals between ecosystems. We appreciate your continued support of our Resource Partners, the Community Navigator Pilot Program, and all SBA programs.

- Have the SBA's resource partners (SBDCs, WBS, VBOCs, and SCORE program) tailored their services to meet the needs to small businesses in recovering from the pandemic?

Yes, we are proud of how our resource partners have worked tirelessly throughout the pandemic to support small businesses and tailor their support to new needs that have emerged, including their utilization of CARES Act funding to increase support of our small businesses over this past year and a half.

For example, the CARES Act funding has enabled America's SBDC (ASBDC) and the Association of Women's Business Centers (AWBC) to jointly launch a web platform (<http://covid-sb.org>) as a Content Management System (CMS) to provide resource information to small businesses and an online Learning Management System (LMS) for SBA Resource Partner mentors and service providers in year one of the Resource Partner Training Portal (RPTP) project. This helped our Resource Partners adapt to this new environment and rapidly scale their support of small businesses.

- Have the SBA's Resource Partners improved services to support small businesses in finding labor and inventory? Has the SBA encouraged these partners to do so?

A number but not all SBDCs and WBCs support small businesses with workforce development and inventory management. One example is the WBC at Winston Salem State University in North Carolina, which partnered with Army Community Services from Fort Bragg to host the Milspo Career Expo which aimed to address employment needs and opportunities. This event gave small businesses opportunities to share their job openings and aimed to bridge the gap between military spouses who want to be employed and the need for positions to be filled. Also, a number of SBDCs and WBCs are offering workforce development webinars and online resources, such as the WBC in Grand Rapids online learning platform (which provides resources to support small businesses with hiring and managing employees).

- When will the Community Navigators Pilot Program start to help small businesses as they recover from the pandemic?

The period of performance for the Community Navigator Pilot Program began on December 1, 2021.

- Given the fact that the SBDCs, WBCs, VBOCs, and SCORE program have been assisting small businesses since the start of the pandemic, would it have been better to utilize existing programs rather than establish a new program?

The SBA does not see the Community Navigators Pilot Program as duplicative with our network of Resource Partners including SBDCs, WBCs, VBOCs, and SCORE. Today small businesses have an evolved ecosystem of need in the United States. The small business that we are serving at the SBA are only a drop in the bucket compared to the 32.5 million small businesses in the U.S. At the same time, we've seen an explosion of entrepreneurship, with a record 5.4 million new business applications in 2021, surpassing the previous record by over 1 million. We must keep in mind that 20% of small business die in year 1, which presents a tremendous opportunity to save and cultivate these small businesses that are being born at an unprecedented rate. Finally, we have a commitment to support those small business owners who were accessing, or attempting to access, SBA resources for the first time during the pandemic, including those who did not qualify. Community Navigators aim to connect with those small business owners who we haven't yet reached, this massive cohort of new entrepreneurs, and those that came to the SBA for the first time in the pandemic.

Perhaps most critically, the Community Navigators will also be a critical tool in progressing the Biden-Harris Administration's goal of advancing equity for the chronically underserved. During early rounds of pandemic relief, we saw not only that woman, minority and other disadvantaged business owners had difficulty accessing federal resources, but also that it took longer on average for them to receive loans.¹ Narrowing opportunity gaps disadvantaged small businesses helps Main Street flourish and positions all American businesses to succeed. Community Navigators enable us to build authentic relationships with these entrepreneurs that we must reach.

The Community Navigator Pilot Program was born of the American Rescue Plan as a tool to support small businesses that were suffering due to the downturn caused by the COVID-19 pandemic. The Program was designed to provide high quality technical assistance with pandemic relief programs and recovery services to small businesses and entrepreneurs, to help them weather the economic downturn. When any small business is shuttered, it has cascading effects on the communities that it's a part of. It is critical that we buoy all small business, as when they thrive, our economy thrives.

¹ Sifan Liu and Joseph Parilla. "New data shows small businesses in communities of color had unequal access to federal COVID-19 relief." Brookings. September 17, 2020. <https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/>

- If SBDCs, WBCs, VBOCs, and SCORE representatives have questions on tax policy, who do they talk to at the SBA?

If SBDCs, WBCs, VBOCs, and SCORE representatives have questions on tax policy, they speak with The Ombudsman or Office of Advocacy.

- How has the SBA assisted the SBDCs, WBCs, VBOCs, and SCORE in providing small businesses with resources on labor and supply shortages?

A number of but not all SBDCs and WBCs support small businesses with workforce development and inventory management. One example is the WBC at Winston Salem State University in North Carolina, which partnered with Army Community Services from Fort Bragg to host the Milspo Career Expo which aimed to address employment needs and opportunities. This event gave small businesses an opportunity to share their job openings and aimed to bridge the gap between military spouses who want to be employed and the need for positions to be filled. Also, several SBDCs and WBCs are offering workforce development webinars and online resources, such as the WBC in Grand Rapids online learning platform (which provides resources to support small businesses with hiring and managing employees).

- In light of multiple concerning OIG audit reports, do you believe the SBA is providing adequate oversight of its resource partners to ensure proper stewardship of taxpayer dollars?

Yes, SBA is providing adequate oversight of its Resource Partners under this Administration. We are integrating Administrator Guzman's values of being technology-forward and customer-centric into our oversight processes to strengthen them and make them more robust. As such, OED has implemented a sustainable and collaborative tracking system to effectively manage audit findings.

- Has your office taken any additional steps to protect taxpayer dollars and improve oversight of the WBC and SCORE programs' use of federal funds?

Yes, the Office of Women's Business Ownership has undertaken the following steps to protect federal funds:

- Implemented GrantSolutions, which is an automated grant management system which the Office of Women's Business Ownership will use to manage awards from announcement to closeout
- Utilized targeted financial analysis (TFA) to 1) ensure compliance when issues of potential fraud waste and abuse are identified and 2) as preventative strategy, as grantees can be asked at any time for the documentation needed to conduct a TFA; and
- Hosting "Office Hours" to providing training and technical assistance to grantees on program management and compliance issues.

- How do you ensure that resource partner employees comply with OIG recommendations once closed and implemented?

To ensure that our WBCs comply with OIG requirements once closed and implemented, the Office of Women's Business Ownership uses the Risk Assessment process and targeted financial analysis to ensure WBCs are compliant with addressing the recommendations of the OIG. In addition, if WBCs fail to comply with recommendations, they are subject to payment holds, suspension, or termination.

Our Office of Entrepreneurship Education (OEE) meets with SCORE's Compliance Manager weekly to ensure SCORE is compliant with policies, procedures, and internal controls. Finally, when the Office of Small Business Development Centers receives OIG recommendations, the office promptly follows up with the SBDC Networks to help ensure internal controls, mitigate fraud waste and abuse, and strengthen compliance with OSBDC policies and procedures to ensure future compliance

- What SBA staff resources have you committed to the oversight of the SBA's Entrepreneurial Development Programs and how many staffers are responsible for implementing the OIG's ED recommendations?

Currently 7 staff members oversee Small Business Development Centers, 9 staff members oversee Women's Business Centers and 1 staff member oversees SCORE (with supervision from the head of the OED Office of Entrepreneurship Education). Additionally, the Office of Entrepreneurial Development Financial Examination Unit (FEU) is instrumental in the oversight process by conducting biennial financial examination reviews of SBDC recipient organizations. Also, the FEU is responsible for Women's Business Center financial examinations which are conducted every three years.

- What do you see as the mission of the Community Navigator Pilot Program? Will this program also assist small businesses in overcoming the inflationary pressures that we are currently experiencing following the pandemic?

The Community Navigator Pilot Program's mission is to connect America's entrepreneurs to SBA and federal, state, and local resources so they can recover and thrive. Community Navigators will provide counseling and support to small business owners, helping them overcome challenges that they may face during this critical period of recovery.

- In SBA's annual report, SBA notes that approximately 65% of total FY19 SBIR and 57% of FY19 STTR award dollars were concentrated in California, Massachusetts, Virginia, Maryland, Colorado, Ohio, Pennsylvania, New York, and Texas. How can SBA better promote geographic diversity in these programs?

The Small Business Administration (SBA) is committed to ensuring equitable and customer-centric delivery and design of programs to support small businesses and innovative startups. There is a strategic objective to build a thriving national innovation ecosystem that promotes

investments in all small business communities, including SBIR/STTR program participants.² We are focused on three primary strategic areas to drive geographic diversity.

First, an integral tool to enable SBA to continuously promote and expand the geographic opportunities within these programs are the Federal and State Technology (FAST) Partnership Program and Growth Accelerator Fund Competition (GAFC). Through our FAST and GAFC accelerator resource partners, the SBA can reach into communities across the country to increase awareness and grow the number of applicants for SBIR and STTR funding.

Second, the COVID-19 pandemic has demonstrated we can expand our reach through a virtual and enhanced digital strategy. We are investing in SBIR.gov to build out digital resources that help connect prospective SBIR/STTR awardees to innovation ecosystem support organizations, participating agencies and Technical and Business Assistance (TABAs) providers to grow participation and fill access gaps.

Third, President Biden's 2023 Budget request for SBA included \$30 million to strengthen the Innovation Ecosystem, by investing in Growth Accelerators, Regional Innovation Clusters, and the FAST program. The Budget would enable SBA to scale these programs and build staffing capacity, enabling SBA to expand the geographic and demographic reach of the SBIR/STTR programs.³

The FAST program provides funding to support organizations to execute state-based programs with a specific emphasis to increase the number of SBIR/STTR proposals leading to awards from underrepresented communities – typically rural states, women, and socially/economically disadvantaged individuals. FAST awards address outreach, technical and business assistance, and proposal or application support. In FY21, SBA awarded FAST awards to 32 States and Puerto Rico, however this funding is limited to \$125,000 per year based on the \$4M annual allocation.⁴ The funding level requested in the 2023 Budget would meaningfully strengthen the network of FAST resource partners, who can in turn better support SBIR/STTR program access and guidance.

The SBA Growth Accelerator Fund Competition (GAFC) recognizes the important contributions of business incubators and accelerators – cultivating an innovation ecosystem and providing mentorship, support services and technical assistance resources to early-stage and growth ventures. The GAFC is a prize competition targeting incubators and accelerators aiding STEM/R&D entrepreneurs from rural areas and underrepresented groups. The FY21 competition resulted in \$5.4M through 92 prizes up to \$50,000 each, including eight winners of a SBIR Catalyst competition (up to \$150,000 each) focused on facilitating collaborative regional partnerships. The SBIR Catalyst initiative motivates shared and collaborative support from multiple underserved states to mitigate individual state ecosystem support

² FY 2022 - 2026 Strategic Plan ([sba.gov](https://www.sba.gov))

³ [Budget of the United States Government, Fiscal Year 2023 \(whitehouse.gov\)](https://www.whitehouse.gov/budget/fiscal-year-2023/)

⁴ [SBA Awards Grants to 33 Organizations to Help Underserved Communities Succeed with the Small Business Innovation Research Program](https://www.sba.gov/press-releases/sba-awards-grants-33-organizations-help-underserved-communities-succeed-small-business-innovation-research-program)

gaps.⁵ Like with the FAST program, we believe the funding level requested in the 2023 Budget would be a force multiplier for the spread of innovation across the country.

- Do you believe it make sense to standardize some of the paperwork requirements across agencies to help speed the application process? Perhaps even having a standardized contract template that all agencies could use?

Yes, the SBA fully supports mechanisms to reduce burden in application process. We believe that simplification and streamlining, where possible, can increase the number of applications, as well as enable participating agencies to capture more market information on U.S. invention and innovation. We see opportunities to evaluate the participating agencies guidelines and, where positive, harmonizing processes to improve the 'customer experience' by acting as one coordinated U.S. Federal Government.

- Can you talk about the gap between Phase II and commercialization?
 - What more can the SBA do to help more businesses successfully reach commercialization?

Commercialization (and Federal transition) of SBIR and STTR Phase II technologies remains a critical aspect of the program. There is significant commercialization of SBIR and STTR Phase II technologies. National Economic Impact studies done by the Department of Defense (DOD) and the National Cancer Institute (NCI) published in 2019 and 2018 indicated a Phase II commercialization rate of 58 and 53 percent, respectively.⁶ Federally designated Phase III SBIR contracts –funded with non-SBIR dollars to continue the development, transition, or otherwise procure SBIR/STTR innovations – have averaged more than \$1 billion, primarily through DoD, during fiscal years 2018 and 2019.

Despite the significant success of SBIR/STTR Phase II companies, we believe more can be done and commercialization is a priority for SBA. To build a thriving national innovation ecosystem innovative startups and small businesses need access to capital and a support network to scale and grow. The phased process of the SBIR/STTR program de-risks technology and funds prototype development, but innovators may need additional bridge funding, capital, or technical assistance to transform the prototype into commercial products.

SBA is also focusing on ensuring a customer-centric approach by creating broad linkages between the U.S. private investment community, inclusive of licensed SBA SBIC funds, and the rich portfolio of innovative SBIR/STTR Phase II companies to ensure innovative small businesses have access to the technical assistance and capital needed to scale, manufacture, and commercialize technologies.

⁵ [SBA Administrator Guzman Announces \\$5.4 Million in Prizes to Nearly 100 Awardees to Support Inclusive Entrepreneurship in the Innovation Ecosystem](#)

⁶ [Economic Impact Reports | SBIR.gov](#)

I support the President's 2023 Budget request and have made it a priority to increase the resources within and available as it is necessary to enhance SBA's role in enabling commercialization of SBIR/STTR technologies.

- In your experience, which agency or few agencies are administrating the SBIR and STTR programs the best?

For nearly 40 years the SBIR program has served as critical and needed innovation seed funding for advanced technology firms by allowing the participating Federal agencies to implement the program in accordance with their unique missions, consistent with legislation and the Policy Directive. This approach provides a broader, more comprehensive, national ecosystem for our innovators – as those proposing to the National Science Foundation (NSF), for example, are often distinct and unique from those proposing to the Department of Defense (DOD). The distinct missions, and SBIR/STTR program implementation in support of those missions, ensures broad and vast opportunities for all innovators.

- Based on your experiences with the SBIR and STTR programs, do you have any specific recommendations for Congress to help improve the programs?

Building a thriving national innovation ecosystem that promotes investments in all small business communities is the most effective mechanism to ensure geographic diversity and opportunity for awards. President Biden's 2023 Budget request for SBA included \$30 million to strengthen the Innovation Ecosystem, by investing in Growth Accelerators, Regional Innovation Clusters, and the FAST program. The Budget request would enable SBA to scale these programs and build staffing capacity, thus enabling SBA to expand the geographic and demographic reach of the SBIR and STTR programs. These initiatives will ensure innovative small businesses are empowered through resources, technical assistance, and mentoring to engage in the innovation economy more fully, and enhance program equity, opportunity, and American competitiveness.

- What SBA staff resources have you committed to raising awareness and helping first time applicants of the SBIR/STTR programs succeed?

The SBA office coordinating the oversight of the \$4 billion SBIR/STTR programs currently has 5 FTEs. I, and supported by the President's Budget request, have made it a priority to increase the resources within and available to this team. Furthermore, this office instituted and expanded on several initiatives during recent years:

- **National SBIR Road Tour** – SBA partners with state-based organizations and resource partners to bring SBIR/STTR program managers to engage directly with innovators and startups. The SBIR Road Tour has visited every state, including multiple visits to many of the geographically underserved over the last five years.

- **Train-the-Trainer** – instituted a training initiative to enhance the support capacity of entrepreneurial support organizations across the United States to ensure knowledgeable and capable localized support.

SBA through its Office of Investment and Innovation is currently executing a customer centric modernization of the SBIR.gov platform to ensure a simplified message and navigable experience with a specific focus on new innovators and first-time applicants.

During FY20, 46 percent of companies were first-time winners. Through additional resources and authorizing and supporting appropriations for FAST and GAFC we can continue to increase both the percentage of first-time winners, as well as diversify the award portfolio both geographically and demographically.

- How has COVID-19 affected the SBIR/STTR programs?

The SBIR/STTR community has responded aggressively during COVID-19. SBIR/STTR awardees have been engaged in supporting the Nation in responding the pandemic.

- SBIR awardee Cepheid developed the first COVID Point of Care diagnostic test that received FDA Emergency Use Authorization in March 2020. Cepheid received an SBIR award in 1998 from Army to develop a portable, hand-held, high speed DNA diagnostic instrument.
- Numerous SBIR/STTR awardees made use of their equipment and technologies to address the initial PPE shortages. For example, Propel, Inc. made use of SBIR-supported 3D knitting technology to print masks.
- A group of SBIR/STTR awardees began offering their SBIR-funded learning games and technologies at no cost for use in distance learning settings with internet access to address the mass closures of schools around the world.

SBIR/STTR participating Federal agencies have supported innovators in several ways:

- **Performance Flexibilities:** several agencies provided contract and grant flexibility to address potential schedule impacts due to staff or quarantine disruptions resulting from COVID-19.
 - **Submission Flexibilities:** agencies with scheduled solicitations provided extended deadlines or otherwise delayed activities.
 - **Additional Funding Opportunities:** many agencies used the flexibility provided through the SBIR/STTR programs to provide supplemental funding opportunities to active awardees and new applicants.
- The SBA's Scorecard for Fiscal Year 2020 shows that, while overall small business dollars went up, the overall number of small businesses went down. What is the SBA going to do, to reverse this trend and welcome small businesses of all kinds back into the fold?

SBA has co-lead a governmentwide effort to identify and reverse the causes for the decline in small-business and socio-economic firm participation in government contracting. In coordination with SBA, the White House, and our partner agencies, OMB issued a series of whole-of-government reforms aimed directly at increasing the small business base. The major policy changes are discussed in OMB Memorandum M-22-03:

- (1) increasing the Small Disadvantaged Business (SDB) goal to 11% for FY22, with an end goal of 15% by FY25;
- (2) releasing publicly for the first-time disaggregated data on the federal government's FY20 performance in contracting with minority-owned small businesses;
- (3) reforming the Category Management tiering system to provide automatic credit for contracting with socioeconomic small businesses in Tier 2 of Spend Under Management;
- (4) including SBA and the Department of Commerce as voting members on the Category Management Leadership Council so that small business voices are always at the table;
- (5) tracking and identifying best practices for increasing the number of new small business entrants to the federal marketplace; and
- (6) holding agency Senior Executive Service (SES) staff accountable to achieving the Congressionally mandated small business procurement goals by including those goals in their annual performance evaluations.

SBA's leadership and advocacy on these issues was instrumental in shaping policies to reverse the downward trend in small business participation in federal procurement, and the Agency will continue to foster transparency in the process. The national health and resiliency of the U.S. economy is dependent on a strong small business industrial base, and the reforms outlined above are designed to expand the number of firms who can fulfill the federal government's contracting needs with the agility and innovation uniquely provided by small business.

- We've held several hearings this year focused on some of the biggest issues facing small contractors, namely, category management pushing small businesses out of the federal marketplace and the Department of Defense's Cybersecurity Maturity Model Certification or CMMC imposing significant cost and compliance burdens on small contractors. Are you aware of these issues and is the SBA taking any action addressing them?

Please see our response above regarding the policy changes that SBA, the White House, OMB, and our partner agencies have taken to improve small business utilization under Category Management.

On the issue of the Cybersecurity Maturity Model Certification (CMMC), SBA and agency OSDBUs have worked closely with DoD to contribute to the CMMC 2.0 information-gathering process and to inform small businesses of DoD's new version of CMMC. At the December governmentwide meeting of the Small Business Procurement Advisory Council (SBPAC), CMMC Director Buddy Dees informed participants that CMMC's 2.0 version will use three levels of certification, rather than the original five

levels. He also discussed DoD's use of public rulemaking to inform CMMC's implementation. SBA and the OSDBUs inform small businesses of these changes through periodic regulatory updates and a link on SBA's webpage to DoD's small-business-focused cybersecurity website, Project Spectrum, which is a free resource to interested firms.

- A 2019 Inspector General report found that the SBA's suspension and debarment office delayed action, with some cases pending over 620 days, leading to tens of millions of dollars awarded to entities demonstrating cause for debarment. Please share:
 1. How many suspension and debarment officials are employed by the agency,

There are two Suspension and Debarment Officials ("SDO") at the agency, the SDO for Financial Assistance Programs and the SDO for All Other Programs.
 2. How many suspensions or debarment proceedings have been initiated by the agency this fiscal year and the last,

In fiscal year 2022, SBA's SDO for All Other Programs initiated ten suspension or proposed debarment proceedings. In fiscal year 2021, SBA initiated eight suspension or debarment proceedings.

In addition to proceedings initiated by notice of suspension or proposed debarment in FY 22, SBA reviewed eleven actions through referral from other agencies, contractor self-disclosure, or internal agency sources. These reviews resulted in either suspension or debarment actions by another agency or no formal action taken by SBA.
 3. How many suspensions or debarment proceedings have been resolved ending in suspension or debarment of a company, and

In fiscal year 2022, SBA issued seven notices of suspension or debarment. Three proceedings initiated in FY 2022 are pending the 30-day notice and response period required by FAR.

In fiscal year 2021, SBA debarred eight entities. The agency also entered into an administrative agreement on one proceeding initiated in FY 2020.
 4. How many cases are currently pending and if egregiously long cases like the ones identified by the IG have been resolved?

Since the report on September 18, 2019, SBA has suspended or debarred eleven entities referred by OIG. Only one case, referred in August 2021, is currently under review and pending a decision by the SDO.

- Section 862 of the National Defense Authorization Act of Fiscal Year 2021 mandated the creation of a service-disabled veteran small business certification program at the SBA while also transitioning away from a similar program at the Department of Veterans Affairs. The law mandates implementation by 2022.
 1. Can you provide us with a detailed update on these efforts and explain if the agency will or will not be able to meet this deadline?
 2. What additional funding is the agency seeking to implement this provision and can you justify this figure in detail?
 3. Are there any programs or functions utilizing resources within the SBA that can be redirected to support this new statutory requirement, in order to offset any costs?

SBA recognizes that our nation's veterans deserve the highest standard of support, and the Agency acknowledges the excellent support the VA has delivered to VOSB and SDVOSB firms through the CVE program. Accordingly, the SBA and VA are working jointly to ensure veteran-owned businesses experience a seamless transition by the January 1, 2023 deadline. The 2023 Budget requests \$20 million for SBA to manage this transition and maintain the program.

- Last Congress we held a hearing examining the state of the SBA's technology systems, ultimately finding that the SBA has largely been irresponsible in managing its technology and funding for said technology. A prime example is the SBA's significant expenditures on a single, streamlined platform for its federal contracting programs called certify.sba.gov. The hearing revealed that SBA intended to transition away from certify.gov, moving toward some sort of off-the-shelf Microsoft cloud product instead.
 1. Please share what is the status of certify.sba.gov and the SBA's intended shift toward Microsoft?
 2. Has the SBA made any, more fiscally responsible changes as far as its approach to acquiring technology?

[Certify.sba.gov](https://certify.sba.gov) remains in active use, processing all applications for the 8(a) Business Development Program and the Mentor-Protégé Program, as well as firms' annual eligibility reviews in those programs. At the same time, [beta.Certify.sba.gov](https://beta.certify.sba.gov) continues to service all Women-owned Small Business (WOSB) applications, while the HUBZone Certification Tracking System (HCTS) continues to service all HUBZone certification applications. Since January 2021, GCBBD's program offices have made incremental improvements to the certification application IT systems, including to [Certify](https://certify.sba.gov), [beta.Certify](https://beta.certify.sba.gov), and HCTS. These changes have come in two forms—(1) as client-facing improvements to the system itself, such as improved webpage performance, enhanced firm dashboards, clearer instructions on how to navigate the application process, and streamlined document upload requirements; and (2) as staff-facing improvements to the system, such as automated ticketing responses to handle technical issue tickets, auto-generated response letter language when a staffer has a Request for Information from a firm, and other streamlining efficiencies that have heavily cut down on processing times. Because of these efforts, the average processing and certification wait times for firms in the 8(a) and HUBZone programs

have declined over the past year, with 8(a) processing times decreasing on average from 108 days in January 2021 to 77 days in January 2022; and with HUBZone processing times decreasing from an average of 40 days in January 2021 to 26 days in January 2022.

To provide a timeline on our efforts surrounding these IT systems over the past three years, in February 2019, SBA paused its plans to incorporate the HUBZone and Women-owned Small Business (WOSB) certification systems within Certify.sba.gov and instead, began an internal evaluation of how best to improve the certification process, given the project's historic underperformance. In preparation for the newly Congressionally mandated WOSB certifications, development was resumed in September 2019 in an entirely different Microsoft cloud architecture now deployed as beta.Certify.sba.gov, servicing all WOSB applications. This system's workflow represents a significant improvement over previous versions in that woman-owned firms with existing 8(a), Veteran-Owned, and/or Third-Party certifications are fast-tracked through the review process, in some cases receiving certification near-automatically. The beta.Certify system supporting the WOSB Program is complete, functioning as designed, and in a state of continuous improvement based on user feedback. In November 2020, a second pause in development was implemented to perform a technical and strategic review, given the rapid and significant IT development across other SBA offices in support of COVID relief measures. In April 2021, leaders from the Office of Government Contracting and Business Development (GCBBD) and the Office of the Chief Information Officer held a Lessons Learned review, which produced a refreshed approach to the certification management technology build. In FY2021, SBA:

- Established a formal governance body for Certify, co-chaired by the CIO and the Deputy Associate Administrator for Government Contracting and Business Development (DAA/GCBBD) with the CFO and the Office of Field Operations as principal implementation partners.
- Obtained authorization to increase the existing GCBBD technical staff from 1 FTE to 3 FTE in FY22 (note: hiring actions are underway) with an additional two hires planned in FY23 for a total of 5 federal personnel dedicated to maintaining, advancing, and improving SBA's certification IT ecosystems.
- Contracted with MITRE, a federally funded research and development center, to perform a comprehensive study of existing processes, identify gaps, and develop program management solutions to support the implementation of a strategic roadmap for the completion of an expanded Certify program. SBA's next steps will be informed by the results of the MITRE study, which is expected to be complete no later than September 2022. This comprehensive report will include the following components, which will guide our certification IT systems' development going forward:
 - Gap Analysis & Recommendations
 - Analysis of Alternatives
 - Technology Roadmap
 - Customer Experience Service Blueprints
 - Life Cycle Cost Estimate, Assessment, and Recommendations

▪ Future State Design Recommendations

While MITRE conducts its study, SBA continues to be proactive in researching and utilizing applicant feedback to improve the Certify and beta.Certify customer experience so that small businesses seeking an SBA certification have as straightforward, smooth, and efficient of an application process as possible.

- Subcontracting opportunities are rising in importance for many small contractors as prime contracting opportunities for these businesses continues its downward spiral. As such, subcontracting plans required by prime contractors play an increasingly critical role in small business' ability to obtain federal work, yet, this Committee has heard numerous issues with primes either failing to comply, agencies failing to hold primes accountable, and other similar concerns. Are you as concerned about this issue, and what is the SBA going to do to strengthen oversight over these subcontracting plans?

One of SBA's top concerns in the Office of Government Contracting is prime contractors' compliance with the goals and obligations in their subcontracting plans. In the last fiscal year, SBA redesigned its processes and procedures for our Commercial Market Representatives (CMRs), who conduct compliance reviews to ensure that companies with subcontracting plans follow through and comply with their contractual obligations. In addition, this fiscal year, SBA's Office of Government Contracting began offering monthly training sessions on a variety of topics to companies that have subcontracting plans. Since the subcontracting plan is a contractual document between an agency and the contractor, SBA has also stressed to each agency their responsibilities for measuring their contractors' compliance with the subcontracting plans. To ensure that they understand their role in this process, the Office of Government Contracting is reaching out to each federal agency to conduct subcontracting plan trainings, which include important updates on the revised FAR 19.507-7, "Compliance with Subcontracting Plan," (revised in September 2021, *ref.* RIN 9000-AN87). This revision outlines the procuring activity's steps to determine whether a good faith effort was made to achieve the subcontracting goals and comply with the plan, and it outlines the steps for holding the prime contractor accountable and for applying liquidated damages if they are found not to have made a good faith effort to live up to their subcontracting obligations.

- In the last hearing in the Subcommittee on Contracting and Infrastructure, Members became aware of prime contractors leveraging their increasingly powerful positions to take advantage of small contractors. Are you aware of what is happening here, and do you intend to do anything about it?

Prime contractors commit in their federal contracts to work with small businesses in good faith and to the maximum extent practicable. SBA has learned of unfair business practices that do not rise to the spirit of the good-faith standard. The Agency issued a list of practices that, as a matter of SBA's policy, violate good-faith requirements. These include:

- Failure to submit the acceptable individual or summary subcontracting reports in eSRS by the report due dates or as provided by other agency regulations within prescribed timeframes;
- Failure to pay small business concern subcontractors in accordance with the terms of the contract with the prime;
- Failure to designate and maintain a company official to administer the subcontracting program and monitor and enforce compliance with the plan;
- Failure to maintain records or otherwise demonstrate procedures adopted to comply with the plan including subcontracting flow-down requirements;
- Adoption of company policies or documented procedures that have as their objectives the frustration of the objectives of the plan;
- Failure to correct substantiated findings from federal subcontracting compliance reviews or participate in subcontracting plan management training offered by the government;
- Failure to conduct market research identifying potential small business concern subcontractors through all reasonable means including outreach, industry days, or the use of federal database marketing systems such as SBA's Dynamic Small Business Search (DSBS), SUBNet Systems, or any successor federal systems;
- Failure to comply with regulations requiring submission of a written explanation to the contracting officer to change small business concern subcontractors that were used in preparing offers; or
- Falsifying records of subcontracting awards to small business concerns.

Any of these violations can be grounds for the government to take contract remedial action against the prime contract, including assessing liquidated damages.

Additionally, in the last year, the Agency has established an avenue by which subcontractors can submit their concerns and complaints via a general email address at subcontracting@sba.gov. The email address is actively monitored by our Commercial Market Representatives (CMRs). SBA now considers the feedback it receives provided from firms' submissions when determining which prime contractors will have an in-depth subcontracting plan compliance review.

When SBA became aware of reduced, late, or non-payment issues, wherein firms were misled into believing they would receive a subcontract given their involvement at the contract proposal stage, SBA created additional regulations, requiring that these situations are reported to the Contracting Officer (see 13 CFR 125.3(c)(4) and (5), which have now been promulgated into the FAR at 52.219-9(d)(12), (13) and (15)). In addition, another regulation was established to allow the subcontractor to discuss any material matter pertaining to payment or utilization directly with the contracting officer (13 CFR 125.3(c)(1)(iii) and FAR 52.219(d)(14)).

- One of the main concerns with the SBA's Scorecard is that it is not an accurate reflection of the true state of the small business supplier base. For instance, dollars reported as going to small businesses may actually be ending up in the hands of large businesses, yet,

agencies are permitted to credit all of these dollars as going to small businesses. Do you think this is misleading to the public and to Congress, and would you support Congressional efforts to rectify these inaccuracies?

The National Defense Authorization Act for Fiscal Year 2016 authorizes SBA to issue an annual scorecard to federal agencies evaluating whether each agency is creating the maximum practicable opportunities for the award of prime contracts and subcontracts to small business concerns, Small Disadvantaged Businesses (SDB), Women-owned Small Businesses (WOSB), HUBZone firms, and Service-disabled Veteran-owned firms (Pub. L. 114–92, div. A, title VIII, §868(b), Nov. 25, 2015, 129 Stat. 933). The scorecard reports all awards to small business concerns. On set-aside awards, section 46 of the Small Business Act, 15 USC 657s, sets forth limitations on subcontracting, which are included in every set-aside contract and which state that the small-business set-aside awardee is not permitted to pass through more than a certain, limited percentage of the contract to an other-than-small business.

While the scorecard alone does not provide a complete picture of the current state of the small business supplier base (namely, in that the number of small business contractors may be decreasing even as small business spending is increasing), the SBA nonetheless believes that the scorecard accurately reports the dollar amount awarded directly by federal agencies to small and socioeconomic businesses that have contracted with the government in a given fiscal year (after statutory adjustments for contracting with businesses in Puerto Rico and other territories, disaster contracting, and Department of Energy subcontracts). To address concerns about the supplier base and to ensure that the scorecard provides a more complete picture of the current state of government contracting, SBA recently introduced a new element to the scorecard to measure the increase or decrease in the number of small businesses awarded contracts by each agency in a given year. This new metric will allow SBA and the agencies to track their performance in utilizing new entrants to the federal marketplace, and it will help to hold agencies accountable to expanding the American supplier base.

Questions for the Record from Rep. Dan Meuser (PA-09):

- How much funding is currently left in the Shuttered Venue Operators Grant (SVOG) program?
 - a) Do you anticipate there will be leftover funding after the supplemental grants are distributed?

As of February 2, 2022, the SBA has awarded over \$14 billion in SVOG funding to more than 12,800 grantees in every state and territory across the country—including more than \$426 million to 434 grantees in Pennsylvania. As of February 2, 2022, the SVOG program has reviewed all initial applications; however, the SVOG program is ongoing as SBA finalizing decisions, including appeals and reconsideration for award amount. The SBA anticipates there will be funding remaining after all supplemental grants are distributed, but due to the on-going nature of this program we do not have a precise figure.

- A Pennsylvania-based company that designs, manufactures, and produces live events by performing artists was denied an SVOG grant. They were given no details as to why their application was denied prior to filing an appeal and, subsequently, had their appeal denied.
 - a) Was the SVOG program designed to help venues and operators who produce live events by performing artists?
 - b) Is it standard practice for the SBA to provide no detailed information to an entity whose application was denied prior to them filing an appeal?
 - c) Since companies cannot request additional information on the denial of their application until after the appeal process, what recourse exists for companies who were wrongly denied an SVOG grant?
 - d) How is SBA responding to complaints that substantially similar companies within the same industry are getting different decisions from the SBA on their eligibility for an SVOG grant?
 - e) Can I have your assurance that your staff will follow up with my office regarding these discrepancies and look at what can be done to help struggling businesses that haven't yet received, or have been denied, an SVOG grant?

The SVOG program was designed to support the performing arts industry and the statute provides seven specific eligible entity types. The SBA has implemented this program to evaluate each application against the eligibility criteria specific to each eligible entity type—there are 83 criteria in all and the SBA has publicly posted an [eligibility matrix](#) to make these criteria clear.

The SVOG program provides each application a robust review and provide a high-level reason for any application declinations. Upon appeal, the SVOG program has a fresh set of eyes review the appeal and come to an eligibility determination. For applications where the decline is upheld in appeal, the SVOG program provides a checklist for the possible declination reasons and checks the reasons applicable to each applicant. The applicant is further invited to request additional information for the declination if they choose to do so.

Companies with similar sounding names, or presumably similar services may be structured differently or have slight variations that result in different eligibility determinations for the SVOG program. For example, if two museums are on the same block, but only one has a theater with fixed seating, then only one would be eligible for an SVOG grant. The SVOG robust review process ensured that each application was reviewed by at least two team members prior to making an eligibility determination, and they looked at all relevant criteria from the statute for each applicant.

SBA would be happy to follow-up further with your office to discuss any additional questions.

Questions for the Record from Rep. Claudia Tenney (NY-02):

- During your confirmation hearing in the Senate, you promised to investigate why the SBA wrongfully approved small business loans for multiple Planned Parenthood affiliates. However, since then the SBA has proceeded to confirm an additional six loans for Planned Parenthood affiliates including \$10 million for Planned Parenthood of Greater New York. Has the SBA forgiven any of the PPP loans that have gone to Planned Parenthood?

In the responses to Associate Administrator Patrick Kelley's March 24, 2021, hearing, SBA stated to the Senate Committee on Small Business and Entrepreneurship on August 18, 2021, that Planned Parenthood loans would be viewed consistent with other PPP loans from an affiliation standpoint, and provided detailed information on the procedures surrounding PPP loan hold codes

Subsequently, in response to the SBA Administrator's May 26, 2021 hearing, SBA provided information on the number of Planned Parenthood loans made and forgiven.

As of 1/9/22, SBA has forgiven 35 Planned Parenthood loans.

- a) When do you plan on requiring Planned Parenthood return the money it wrongfully received?

SBA has not determined that any Planned Parenthood PPP loans were wrongfully approved, or that any forgiveness payments for Planned Parenthood loans were wrongfully disbursed.

- b) How does the SBA plan on changing its internal controls processes to ensure that these loans are not forgiven—and that future SBA loans are not granted to ineligible entities?

If SBA determines that a Planned Parenthood loan is not eligible for forgiveness, SBA will deny forgiveness. As stated above, SBA has forgiven 35 Planned Parenthood loans, and therefore did not determine that they were ineligible for PPP.

- In May I submitted six questions to your office asking about how the SBA plans on addressing nationwide employee shortages and ensuring that small businesses are empowered to recover from the impacts of the COVID-19 pandemic. I never got a single answer back on any of those questions. If SBA leadership is unwilling to work with Congress to help employers and small businesses, why should we trust the SBA with any additional powers or taxpayer funds?
 - a) How can you advocate in good conscious for the reconciliation bill, which would drastically increase the role of the SBA, when the agency cannot live up to its current obligations and responsibilities?

SBA works very hard to answer all Congressional inquiries as fast as we can. Each inquiry takes time to review and respond appropriately. SBA leadership works directly with Congress on a weekly, if not daily, basis. I'm proud of the SBA's accomplishments under

President Biden, successfully delivering over \$450 million in pandemic relief to small businesses and helping support a record-setting year in new business formation. I am also proud to support the President's legislative agenda, which will ensure small businesses throughout the Nation have access to the resources and information they need to start and grow their business.

- Equal protection is a fundamental foundation of the American system. The government must treat individuals in similar conditions and circumstances in the same manner. However, under Biden Administration OSHA mandate a company with 101 employees will be hit with an enormous fine for not forcing expensive and burdensome mandates on their workers, while a company with 99 employees is still allowed to respect the rights of their workers. Do you think it is fair to small businesses for the government to set such an arbitrary threshold for this burdensome and probably unconstitutional rule?
 - a) Should there be a different financial penalty for a family-owned company with 105 employees compared to a giant company?

OSHA has withdrawn its Vaccine and Testing ETS. Please contact OSHA for more details.

Questions for the Record from Rep. Beth Van Duyne (TX-24):

- In our last meeting, I expressed concerns about who is standing up for small businesses in this Administration. These concerns are only growing because of what we've seen from President Biden. Americans and small employers are increasingly paying more for just about everything, the state of the labor market is shuttering businesses, and supply chains are faltering. Can you tell me if you have recently spoken with the President or the Administration about these issues and what solutions were discussed?

Yes, I am a constant advocate for small businesses within the President's Cabinet. I am proud of the substantial, multi-billion-dollar investment in small business, from capital access to contracting to innovation, that stands as a major pillar of the President's agenda.

- OSHA recently published their rule requiring vaccines or negative tests for companies of 100 employees or more. As businesses are unable to fill 10.4 million job openings on top of other challenges, this rule would crush small businesses and further devastate our labor market. Has the SBA reviewed this rule and what is the Administration going to do to help the small businesses and workers impacted by the added administrative burdens and shrinking labor pool?

The SBA's Office of Advocacy works to represent small business voices in the regulatory process. I support the mission and role of that office in ensuring regulations are fair and appropriate with respect to their impact on small businesses.

The labor pool is not shrinking. When President Biden took office, the civilian labor pool was 160.1 million. In January 2022 it was 163.7 million. That was the largest increase in the labor pool in any calendar year since the Carter Administration (1978).

- The last time you were before this committee, you said you weren't aware of how proposed tax hikes would affect small businesses. The Build Back Better Act will expand taxes on pass-through entities which make up three-quarters of small employers. According to the National Federation of Independent Business, the BBB tax changes create a 48.8% federal effective tax rate on pass-through business income even before considering state and local taxes. How does that level of taxation help achieve the SBA's mission to "protect the interests of small business concerns and preserve free competitive enterprise?"

The Administration's proposed revenue increases do not raise taxes on those earning under \$400,000, and revenue raised will be used to reduce the deficit and finance public investments that help workers, raise productivity, help small businesses access capital and markets, and improve the economic competitiveness of the U.S. economy such that small business on the whole will exist in a more prosperous economy.

- Do you believe increasing taxes on small businesses to pay for increased millionaire SALT deductions, as proposed by the Build Back Better bill, helps small businesses grow and compete?

The Administration's proposed revenue increases do not raise taxes on those earning under \$400,000, and revenue raised will be used to finance public investments that help workers, raise productivity, help small businesses access capital and markets, and improve the economic competitiveness of the U.S. economy such that small business on the whole will exist in a more prosperous economy.

ATTACHMENT 1: COMMUNITY NAVIGATOR SPOKES

Project Tier	Spoke State	Spoke Name	Associated Hub
1	AZ	19North	INTERNATIONAL RESCUE COMMITTEE, INC
1	CA	ABAOC	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	CA	ACCESS	INTERNATIONAL RESCUE COMMITTEE, INC
1	ID, OR, WA	Affiliated Tribes of Northwest Indians Financial Services	OWEESTA CORPORATION
1	TN	AgLaunch	LOCAL INITIATIVES SUPPORT CORPORATION
1	SD	Akiptan, Inc	OWEESTA CORPORATION
1	UT	Asian Association of Utah	INTERNATIONAL RESCUE COMMITTEE, INC
1	AZ	Asian Chamber of Commerce	LOCAL INITIATIVES SUPPORT CORPORATION
1	OH	ASSETS Toledo	LOCAL INITIATIVES SUPPORT CORPORATION
1	TX	Austin Area Urban League	NATIONAL URBAN LEAGUE, INC.
1	SC	Beaufort County Black Chamber	USBC COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
1	CA	BeChinatown	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	AL	Birmingham Urban League	NATIONAL URBAN LEAGUE, INC.
1	SD	Black Hills Community Loan Fund, Inc.	OWEESTA CORPORATION
1	OH	Bon Secours Mercy Health Foundation	LOCAL INITIATIVES SUPPORT CORPORATION
1	Regional	Bowers & Co.	SYRACUSE UNIVERSITY
1	NY	Buffalo Urban League	NATIONAL URBAN LEAGUE, INC.
1	UT	Cache Refugee and Immigrant Connection	INTERNATIONAL RESCUE COMMITTEE, INC
1	WA	Chehalis Tribal Loan Fund	OWEESTA CORPORATION
1	IN	Chi Ishobak, Inc	OWEESTA CORPORATION
1	IL	Chicago Urban League	NATIONAL URBAN LEAGUE, INC.
1	IL	Chicagoland Chamber of Commerce	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF

			COMMERCE EDUCATION FOUNDATION
1	OK	Citizen Potawatomi Community Development Corporation	OWEESTA CORPORATION
1	CO	Colorado Hispanic Chamber of Commerce	UNITED STATES HISPANIC CHAMBER OF COMMERCE
1	CA	Community Health Councils	LOCAL INITIATIVES SUPPORT CORPORATION
1	AK	Cook Inlet Lending Center	OWEESTA CORPORATION
1	CA	Destination Crenshaw	LOCAL INITIATIVES SUPPORT CORPORATION
1	DC	Dog Tag Bakery	SYRACUSE UNIVERSITY
1	IA	Drake University	INTERNATIONAL RESCUE COMMITTEE, INC
1	OH	ECDI	LOCAL INITIATIVES SUPPORT CORPORATION
1	TX	El Paso Hispanic Chamber of Commerce	UNITED STATES HISPANIC CHAMBER OF COMMERCE
1	WI	First American Capital Corporation	OWEESTA CORPORATION
1	FL	Florida State University	SYRACUSE UNIVERSITY
1	SD	Four Bands Community Fund	OWEESTA CORPORATION
1	ME	Four Directions Development Corporation	OWEESTA CORPORATION
1	GA	Friends of Refugees	INTERNATIONAL RESCUE COMMITTEE, INC
1	UT	GK Folks Foundation	INTERNATIONAL RESCUE COMMITTEE, INC
1	MD	Greater Baltimore Urban League	NATIONAL URBAN LEAGUE, INC.
1	IL	Greater Chatham Initiative	LOCAL INITIATIVES SUPPORT CORPORATION
1	IL	Greater Englewood CDC	LOCAL INITIATIVES SUPPORT CORPORATION
1	NJ	Greater Newark Enterprises Corporation (GNEC)	LOCAL INITIATIVES SUPPORT CORPORATION
1	AZ	Greater Phoenix Urban League	NATIONAL URBAN LEAGUE, INC.
1	DC	Greater Washington Black Chamber	USBC COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
1	HI	Hawaiian Lending and Investments	OWEESTA CORPORATION
1	MO	Heartland Black Chamber	USBC COMMUNITY ECONOMIC DEVELOPMENT CORPORATION

1	TX	Hello Alice	UNITED STATES HISPANIC CHAMBER OF COMMERCE
1	Regional	Hiline	SYRACUSE UNIVERSITY
1	FL	Hillsborough Community College	SYRACUSE UNIVERSITY
1	NE	HoChunk Community Capital, Inc.	OWEESTA CORPORATION
1	UT	Holy Cross Ministries	INTERNATIONAL RESCUE COMMITTEE, INC
1	TX	Houston Area Urban League	NATIONAL URBAN LEAGUE, INC.
1	LA	Iberia Industrial Development Foundation	LOCAL INITIATIVES SUPPORT CORPORATION
1	IL	Illinois Hispanic Chamber of Commerce	UNITED STATES HISPANIC CHAMBER OF COMMERCE
1	IA	Immigrant Entrepreneur Summit	INTERNATIONAL RESCUE COMMITTEE, INC
1	CA	Inclusive Action for the City	LOCAL INITIATIVES SUPPORT CORPORATION
1	OH	Inclusive for Women	LOCAL INITIATIVES SUPPORT CORPORATION
1	IN	Indianapolis Urban League	NATIONAL URBAN LEAGUE, INC.
1	NJ	Institute for Entrepreneurial Leadership (IFEL)	LOCAL INITIATIVES SUPPORT CORPORATION
1	NY	Iona College	SYRACUSE UNIVERSITY
1	IA	Iowa Center for Economic Success	INTERNATIONAL RESCUE COMMITTEE, INC
1	GA	IRC Atlanta	INTERNATIONAL RESCUE COMMITTEE, INC
1	AZ	IRC Phoenix	INTERNATIONAL RESCUE COMMITTEE, INC
1	UT	IRC Salt Lake City	INTERNATIONAL RESCUE COMMITTEE, INC
1	CA	IRC San Diego	INTERNATIONAL RESCUE COMMITTEE, INC
1	FL	Jacksonville Urban League	NATIONAL URBAN LEAGUE, INC.
1	CA	Karen Organization of San Diego	INTERNATIONAL RESCUE COMMITTEE, INC
1	KY	Kentucky Highlands Investment Corporation	LOCAL INITIATIVES SUPPORT CORPORATION
1	CA	LA SBDC	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	AZ	Lagos Phoenix	INTERNATIONAL RESCUE COMMITTEE, INC

1	NV	Las Vegas Urban League	NATIONAL URBAN LEAGUE, INC.
1	GA	Latin American Association	INTERNATIONAL RESCUE COMMITTEE, INC
1	CA	Latino Business Action Network	UNITED STATES HISPANIC CHAMBER OF COMMERCE
1	CA	Los Angeles Chamber of Commerce	LOCAL INITIATIVES SUPPORT CORPORATION
1	CA	Los Angeles Urban League	NATIONAL URBAN LEAGUE, INC.
1	KY	Louisville Urban League	NATIONAL URBAN LEAGUE, INC.
1	IA	Lutheran Services Iowa	INTERNATIONAL RESCUE COMMITTEE, INC
1	Regional	Major Market Broadcasting	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	Regional	Military Spouse JD Network	SYRACUSE UNIVERSITY
1	MN	Montana Native Growth Fund	OWEESTA CORPORATION
1	OK	Mvskoke Loan Fund, Inc.	OWEESTA CORPORATION
1	MN	NACDC Financial Services, Inc	OWEESTA CORPORATION
1	MN	Nakoda Aaniiih Credit Agency	OWEESTA CORPORATION
1	Regional	National Veteran Small Business Coalition	SYRACUSE UNIVERSITY
1	MT, ND, SD, WY	Native American Development Corporation	OWEESTA CORPORATION
1	NE	Native360 Loan Fund, Inc.	OWEESTA CORPORATION
1	IL	New Covenant CDC	LOCAL INITIATIVES SUPPORT CORPORATION
1	NY	New York Urban League	NATIONAL URBAN LEAGUE, INC.
1	WI	NiiJii Capital Partners	OWEESTA CORPORATION
1	ID	Nimiipuu Community Development Fund	OWEESTA CORPORATION
1	CA	Northeast Community Federal Credit Union	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	WA	Northwest Native Development Fund	OWEESTA CORPORATION
1	IL	Northwest Side CDC	LOCAL INITIATIVES SUPPORT CORPORATION
1	Regional	Nu Media	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF

			COMMERCE EDUCATION FOUNDATION
1	Regional	OneGroup	SYRACUSE UNIVERSITY
1	MO	Ozarks Small Business Incubator	LOCAL INITIATIVES SUPPORT CORPORATION
1	MN	Plenty Doors Community Development Corporation	OWEESTA CORPORATION
1	NY	Pursuit	SYRACUSE UNIVERSITY
1	IL	Quad County Urban League	NATIONAL URBAN LEAGUE, INC.
1	AZ	RAIL CDC	LOCAL INITIATIVES SUPPORT CORPORATION
1	AZ	Refugee and Immigrant Community for Empowerment	INTERNATIONAL RESCUE COMMITTEE, INC
1	GA	Refugee Women's Network	INTERNATIONAL RESCUE COMMITTEE, INC
1	NJ	Rising Tide Capital (RTC)	LOCAL INITIATIVES SUPPORT CORPORATION
1	IL	Rogers Park Business Alliance	LOCAL INITIATIVES SUPPORT CORPORATION
1	IL	Roth & Co	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	NC	Sequoyah Fund	OWEESTA CORPORATION
1	PA	Shenango Valley Urban League	NATIONAL URBAN LEAGUE, INC.
1	CA	Silicon Valley Black Chamber	USBC COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
1	IA	Sioux City / Iowa's West Coast Initiative	INTERNATIONAL RESCUE COMMITTEE, INC
1	GA	Somali American Community Center	INTERNATIONAL RESCUE COMMITTEE, INC
1	AZ	Somali American Council	INTERNATIONAL RESCUE COMMITTEE, INC
1	CA	Somali Family Services	INTERNATIONAL RESCUE COMMITTEE, INC
1	AZ	Southwest Human Development's Early Childhood Business Management Program	LOCAL INITIATIVES SUPPORT CORPORATION
1	PA	St. Joseph's University	SYRACUSE UNIVERSITY
1	AR	Startup Junkie LLC, DBA The Conductor	LOCAL INITIATIVES SUPPORT CORPORATION
1	WA	Taala Fund	OWEESTA CORPORATION
1	TX	Texas A&M University	SYRACUSE UNIVERSITY

1	TX	Texas African American Chamber	USBC COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
1	NJ	The Center for Urban Entrepreneurship and Economic Development (CUEED)	LOCAL INITIATIVES SUPPORT CORPORATION
1	TX	The Korean Association of Forth Worth	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	TX	The Law Office of Lauren J. Kwon	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	Regional	The Streetshares Foundation	SYRACUSE UNIVERSITY
1	GA	The Trusted Lawyers - a Desai Law Group	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	OH	Toledo Area Chamber Foundation	LOCAL INITIATIVES SUPPORT CORPORATION
1	AZ	Trellis	LOCAL INITIATIVES SUPPORT CORPORATION
1	CA	Union of Pacific Asian Communities	INTERNATIONAL RESCUE COMMITTEE, INC
1	Regional	Universal Processing	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	GA	Urban League of Greater Atlanta	NATIONAL URBAN LEAGUE, INC.
1	TN	Urban League of Greater Chattanooga	NATIONAL URBAN LEAGUE, INC.
1	OH	Urban League of Greater Cleveland	NATIONAL URBAN LEAGUE, INC.
1	OH	Urban League of Greater Southwestern Ohio	NATIONAL URBAN LEAGUE, INC.
1	LA	Urban League of Louisiana	NATIONAL URBAN LEAGUE, INC.
1	WA	Urban League of Metropolitan Seattle	NATIONAL URBAN LEAGUE, INC.
1	MO	Urban League of Metropolitan St. Louis	NATIONAL URBAN LEAGUE, INC.
1	PA	Urban League of Philadelphia	NATIONAL URBAN LEAGUE, INC.
1	CA	Urban League of San Diego County	NATIONAL URBAN LEAGUE, INC.
1	NY	Urban League of Westchester County	NATIONAL URBAN LEAGUE, INC.

1	NJ	USPAACC Northeast Chapter	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	GA	USPAACC Southeast Chapter	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	CA	USPAACC Western Chapter	UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE EDUCATION FOUNDATION
1	TX	UTA VBOC	SYRACUSE UNIVERSITY
1	CA	Vermont Slauson Economic Development Corporation	LOCAL INITIATIVES SUPPORT CORPORATION
1	HI	Waianae Economic Development Council	OWEESTA CORPORATION
1	WY	Wind River Development Fund	OWEESTA CORPORATION
1	WI	Wisconsin Native Loan Fund	OWEESTA CORPORATION
1	NJ	Women's Center for Entrepreneurship (WCEC)	LOCAL INITIATIVES SUPPORT CORPORATION
2	DC	2Gether-International: Virtual Disability Small Business Incubator and Accelerator:	NATIONAL DISABILITY INSTITUTE
2	MS	Ad Astra Consulting, LLC (AdA)	COMMUNITY STUDENTS LEARNING CENTER
2	GA	Albany Community Together	GEORGIA MICRO ENTERPRISE NETWORK
2	GA	Allen Entrepreneurial Institute	GEORGIA MICRO ENTERPRISE NETWORK
2	DC	Alpha Phi Alpha (APA)	NATIONAL DISABILITY INSTITUTE
2	AR	Arkansas Human Development Corporation	ARKANSAS SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER
2	AR	Arkansas State Chamber of Commerce	ARKANSAS SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER
2	FL	Ascendus	FLORIDA INTERNATIONAL UNIVERSITY
2	NH	Belknap Economic Development Council/Wentworth Economic Development Corporation	COMMUNITY DEVELOPMENT FINANCE AUTHORITY

2	SC	Benedict College Women's Business Center	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	MS	Bolo Works, LLC(BoLo)	COMMUNITY STUDENTS LEARNING CENTER
2	DC	Boston Media LLC	NATIONAL DISABILITY INSTITUTE
2	FL	Branches	FLORIDA INTERNATIONAL UNIVERSITY
2	VT	Center for Women and Enterprise-VT	VERMONT STATE COLLEGES
2	AR	Central Arkansas Library System	ARKANSAS SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER
2	MS	Central Mississippi Planning and Development District (CMPDD).	COMMUNITY STUDENTS LEARNING CENTER
2	VT	Champlain Valley Office of Economic Opportunity	VERMONT STATE COLLEGES
2	GA	City of Atlanta	GEORGIA MICRO ENTERPRISE NETWORK
2	SC	CLIMB Fund	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	SC	CommunityWorks	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	DE	Delaware Hispanic Commission	UNIVERSITY OF DELAWARE
2	DE	Delaware Black Chamber of Commerce	UNIVERSITY OF DELAWARE
2	DE	Delaware Main Street Network	UNIVERSITY OF DELAWARE
2	DE	Delaware State University	UNIVERSITY OF DELAWARE
2	SC	DESA, Inc	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	DC	Disability:IN	NATIONAL DISABILITY INSTITUTE
2	AR	East Arkansas Enterprise Communities	ARKANSAS SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER
2	FL	Economic Development Council of South Miami-Dade	FLORIDA INTERNATIONAL UNIVERSITY

2	MS	EDGE Incubator and Accelerator	COMMUNITY STUDENTS LEARNING CENTER
2	DC	Gallaudet Innovation and Entrepreneurship Institute (GIEI)	NATIONAL DISABILITY INSTITUTE
2	GA	Georgia Hispanic Chamber of Commerce	GEORGIA MICRO ENTERPRISE NETWORK
2	NH	Grafton Regional Development Corporation/Coos Economic Development Corporation	COMMUNITY DEVELOPMENT FINANCE AUTHORITY
2	DC, MD, VA	Griffin-Hammis Associates (GHA)	NATIONAL DISABILITY INSTITUTE
2	NH	Hannah Grimes Center for Entrepreneurship/River Valley Community College Upper Valley Entrepreneurship Center	COMMUNITY DEVELOPMENT FINANCE AUTHORITY
2	MS	Holmes County Quality of Life Association (QLA)	COMMUNITY STUDENTS LEARNING CENTER
2	ID	Idaho Black Community Alliance	IDAHO HISPANIC FOUNDATION, INC.
2	ID	Idaho Hispanic Chamber of Commerce	IDAHO HISPANIC FOUNDATION, INC.
2	ID	Idaho Small Business Development Centers,	IDAHO HISPANIC FOUNDATION, INC.
2	ID	Idaho Veteran Chamber of Commerce	IDAHO HISPANIC FOUNDATION, INC.
2	SC	Increasing H.O.P.E. Financial Training Center	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	DE	Independent Resources, Inc.	UNIVERSITY OF DELAWARE
2	GA	Invest Atlanta	GEORGIA MICRO ENTERPRISE NETWORK
2	DC	League of United Latin American Citizens (LULAC)	NATIONAL DISABILITY INSTITUTE
2	DC	Life Asset	NATIONAL DISABILITY INSTITUTE
2	VT	Main Street Alliance-Vermont	VERMONT STATE COLLEGES
2	GA	Metro Atlanta Chamber of Commerce	GEORGIA MICRO ENTERPRISE NETWORK
2	FL	Miami-Dade Chamber of Commerce	FLORIDA INTERNATIONAL UNIVERSITY
2	DE	NCALL	UNIVERSITY OF DELAWARE

2	ID	Nez Perce Tribe	IDAHO HISPANIC FOUNDATION, INC.
2	NH	NH Small Business Development Center	COMMUNITY DEVELOPMENT FINANCE AUTHORITY
2	MS	North Central Planning and Development District (NCPDD)	COMMUNITY STUDENTS LEARNING CENTER
2	ID	North Idaho Native Fund (CDA Tribe)	IDAHO HISPANIC FOUNDATION, INC.
2	GA	Operation HOPE	GEORGIA MICRO ENTERPRISE NETWORK
2	SC	Optus Bank	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	AR	Phoenix Youth and Families	ARKANSAS SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER
2	FL	Propsera	FLORIDA INTERNATIONAL UNIVERSITY
2	VT	Regional Development Corporation-north	VERMONT STATE COLLEGES
2	VT	Regional Development Corporation-south	VERMONT STATE COLLEGES
2	NH	Regional Economic Development Center for Southern NH	COMMUNITY DEVELOPMENT FINANCE AUTHORITY
2	DC	Results One LLC	NATIONAL DISABILITY INSTITUTE
2	VA	ServiceSource	NATIONAL DISABILITY INSTITUTE
2	ID	Shoshone Bannock Tribe CDFI	IDAHO HISPANIC FOUNDATION, INC.
2	SC	South Carolina Hispanic Chamber of Commerce	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	SC	South Carolina Small Business Development Centers	SOUTH CAROLINA ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT
2	ID	South Central Hispanic Chamber of Commerce	IDAHO HISPANIC FOUNDATION, INC.
2	GA	Southwest Georgia United Empowerment Zone, Inc.	GEORGIA MICRO ENTERPRISE NETWORK
2	FL	Startup FIU Procurement	FLORIDA INTERNATIONAL UNIVERSITY

2	DE	State of Delaware - Division of Small Business & Office of Supplier Diversity	UNIVERSITY OF DELAWARE
2	DC	The Disability Opportunity Fund (DOF)	NATIONAL DISABILITY INSTITUTE
2	MS	The Institute for Evaluation and Research (TIER)	COMMUNITY STUDENTS LEARNING CENTER
2	WY	The Laramie County Library System	UNIVERSITY OF WYOMING
2	WY	The Local Crowd (TLC)	UNIVERSITY OF WYOMING
2	AR	UA Cooperative Extension	ARKANSAS SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER
2	DE	United Way of Delaware	UNIVERSITY OF DELAWARE
2	WY	University of Wyoming Extension	UNIVERSITY OF WYOMING
2	VT	Vermont Law School	VERMONT STATE COLLEGES
2	VT	Vermont Principals' Association	VERMONT STATE COLLEGES
2	VT	Vermont Professionals of Color Network	VERMONT STATE COLLEGES
2	VT	Vermont Sustainable Jobs Fund	VERMONT STATE COLLEGES
2	ID	Veteran Entrepreneur Alliance	IDAHO HISPANIC FOUNDATION, INC.
2	MS	WEM Consulting Group, LLC	COMMUNITY STUDENTS LEARNING CENTER
2	WY	Wind River Development Fund (WRDF)	UNIVERSITY OF WYOMING
2	WY	Wyoming Smart Capital Network (WSCN)	UNIVERSITY OF WYOMING
2	WY	Wyoming Women's Business Center	UNIVERSITY OF WYOMING
3	TX	West Central Texas Council of Governments	ABILENE CHAMBER OF COMMERCE
3	MI	100k Ideas	FLINT, CITY OF
3	OH	1159 South	S B D C INC
3	TX	Abilene Black Chamber of Commerce	ABILENE CHAMBER OF COMMERCE
3	TX	Abilene Industrial Foundation	ABILENE CHAMBER OF COMMERCE
3	IL	AD-V Business Consulting, Inc.	CHATHAM BUSINESS ASSOCIATION INC

3	MN	Agricultural Utilization research Institute at Waseca	MINNESOTA STATE UNIVERSITY, MANKATO
3	AK	Alaska Association of School Business Officials	ARCTIC SLOPE COMMUNITY FOUNDATION, INC.
3	TN	Alcy Ball Development Corporation	BUILDING MEMPHIS
3	IN	Allen County Public Library	NORTHEAST INDIANA INNOVATION CENTER, INC.
3	PA	Altoona Blair County Development Corporation	SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
3	MO	Anders CPA & Advisors	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	MN	Asian Media Access	CHINESE AMERICAN CHAMBER OF COMMERCE
3	IL	Austin African American Business Networking Association	CHATHAM BUSINESS ASSOCIATION INC
3	VA	B Cubed	STAUNTON CREATIVE COMMUNITY FUND, INC.
3	IN	Bankable	NORTHEAST INDIANA INNOVATION CENTER, INC.
3	TX	BCL of Texas	DALLASEC, THE
3	PA	Bedford County Development Association	SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
3	MI	Berston Field House	FLINT, CITY OF
3	MI	Best Practice Consulting Services	FLINT, CITY OF
3	GA	Blaze Leadership	FULTON, COUNTY OF
3	CO	Boyd's Bookkeeping & Admin Svcs	SOUTHERN COLORADO ECONOMIC DEVELOPMENT DISTRICT, INC
3	PR	Brands of Americas, Inc.	FOUNDATION FOR PUERTO RICO, INC.
3	MA	Brockton Workers Alliance	ASSOCIACAO CABOVERDIANA DE BROCKTON
3	NY	Business Insights Center at Rochester Public Library	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	RI	Center for Southeast Asians	SOCIAL ENTERPRISE GREENHOUSE
3	NY	Center for Urban Entrepreneurship at Rochester IT	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

3	AR	Central Arkansas Development Council (CADC)	UNIVERSITY OF ARKANSAS COSSATOT DEPARTMENT OF ECONOMIC DEVELOPMENT
3	MI	Centro Multicultural La Familia	PONTIAC COMMUNITY FOUNDATION, INC.
3	PR	Centro para Emprendedores	FOUNDATION FOR PUERTO RICO, INC.
3	TX	Cisco College	ABILENE CHAMBER OF COMMERCE
3	TX	City of Abilene	ABILENE CHAMBER OF COMMERCE
3	AR	City of De Queen	UNIVERSITY OF ARKANSAS COSSATOT DEPARTMENT OF ECONOMIC DEVELOPMENT
3	OH	Cleveland State University	BURTON, BELL, CARR DEVELOPMENT, INC.
3	MA	Co-Creative Center	NEW BEDFORD ECONOMIC DEVELOPMENT COUNCIL, INC.
3	PR	Colmena 66	FOUNDATION FOR PUERTO RICO, INC.
3	NJ	Community Advocacy Resources & Education Services (CARES)	LAKEWOOD COMMUNITY SERVICE CORPORATION
3	OH	Conscious Connect	S B D C INC
3	NY	Consumer Credit Counseling Services of Rochester	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	SD	Dakota Resources	ZEAL
3	AK	Dale L. Nelson Cope	ARCTIC SLOPE COMMUNITY FOUNDATION, INC.
3	TX	Dallas College	DALLASEC, THE
3	GA	David M. Walker, Esq.	FULTON, COUNTY OF
3	OH	Del Pueblo	S B D C INC
3	OH	Developmental Disabilities of Clark County	S B D C INC
3	CO	Digital Hart MediaCoaching	SOUTHERN COLORADO ECONOMIC DEVELOPMENT DISTRICT, INC
3	NC	Durham Tech Small Business Center	FORWARD CITIES, INC.
3	MO	East Central Workforce Development	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	OR	East County Community Health	COMMUNITY DEVELOPMENT CORPORATION OF OREGON

3	OH	East End Neighborhood House	BURTEN, BELL, CARR DEVELOPMENT, INC.
3	MA	EforAll Southcoast	NEW BEDFORD ECONOMIC DEVELOPMENT COUNCIL, INC.
3	SD	EmBe	ZEAL
3	MO	Enterprise Bank & Trust	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	MO	Enterprise University	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	IL	Entrepreneur Success program	CHATHAM BUSINESS ASSOCIATION INC
3	MO	eTransX (Wellbeing)	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	MI	Evergreen Community Development Initiative	FLINT, CITY OF
3	MI	Factory Two	FLINT, CITY OF
3	WI	Florence County EDC	NICOLET AREA TECHNICAL COLLEGE
3	OH	Food Council	S B D C INC
3	IN	Fort Wayne Urban League	NORTHEAST INDIANA INNOVATION CENTER, INC.
3	TN	Frayser Community Development Corporation	BUILDING MEMPHIS
3	OH	Friendly Inn Settlement House	BURTEN, BELL, CARR DEVELOPMENT, INC.
3	AR	Funding Retention and Increasing Efforts for Notable Economic Development in Sevier County (FRIENDS)	UNIVERSITY OF ARKANSAS COSSATOT DEPARTMENT OF ECONOMIC DEVELOPMENT
3	GA	Georgia Certified Development Corporation (GCDC)	FULTON, COUNTY OF
3	WI	Great Lakes Inter-Tribal Council (GLITC)	NICOLET AREA TECHNICAL COLLEGE
3	MO	Greater St. Louis, Inc.	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	TN	Greater Whitehaven Economic Redevelopment Corporation	BUILDING MEMPHIS
3	NY	Greater Works Collaborative	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	MN	Greenseam	MINNESOTA STATE UNIVERSITY, MANKATO

3	MA	Groundwork	NEW BEDFORD ECONOMIC DEVELOPMENT COUNCIL, INC.
3	WI	Grow North Regional EDC	NICOLET AREA TECHNICAL COLLEGE
3	VA	Grow Waynesboro	STAUNTON CREATIVE COMMUNITY FUND, INC.
3	MA	Haitian CommunityPartners	ASSOCIACAO CABOVERDIANA DE BROCKTON
3	HI	Hawai'i Small Business Development Center (HSBDC)	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	TN	Heights Community Development Corporation	BUILDING MEMPHIS
3	NC	Helius Foundation	FORWARD CITIES, INC.
3	TX	Heru Community Development Corporation	ABILENE CHAMBER OF COMMERCE
3	OH	Hispanic Business Center	BURTEN, BELL, CARR DEVELOPMENT, INC.
3	RI	Hope&Main	SOCIAL ENTERPRISE GREENHOUSE
3	TN	Humanitarian Outreach Development Group	DAUGHTERS OF ZION ALL WOMENS BIBLE COLLEGE
3	PA	Huntingdon Coutny Business & Industry	SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
3	CA	HwarangYouthFoundaon	KOREATOWN YOUTH AND COMMUNITY CENTER, INC
3	TN	I Care Credit Counseling LLC	DAUGHTERS OF ZION ALL WOMENS BIBLE COLLEGE
3	NY	IBERO-American Action League	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	AK	Ilisagvik College	ARCTIC SLOPE COMMUNITY FOUNDATION, INC.
3	MA	Immigrants Assistance Center	ASSOCIACAO CABOVERDIANA DE BROCKTON
3	MN	Indian Cultural Association of Minnesota	CHINESE AMERICAN CHAMBER OF COMMERCE
3	NC	Infinity Bridges	FORWARD CITIES, INC.
3	PR	INprende	FOUNDATION FOR PUERTO RICO, INC.
3	AK	Iñupiat Community of the Arctic Slope	ARCTIC SLOPE COMMUNITY FOUNDATION, INC.
3	MO	Jefferson County EDC	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION

3	TN	Jesus People Church	DAUGHTERS OF ZION ALL WOMENS BIBLE COLLEGE
3	PA	Johnstown Area Regional Industries	SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
3	NY	Just Cause	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	CA	KarshFamilySocialServiceCenter	KOREATOWN YOUTH AND COMMUNITY CENTER, INC
3	MO	King and McNamee, LLC	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	TN	Kingdom Community Builders	BUILDING MEMPHIS
3	TN	Klondike Smokey City Community Development Corporation	BUILDING MEMPHIS
3	NC	Knox St. Studios	FORWARD CITIES, INC.
3	CA	KoreanAmericanFederationof Los Angeles	KOREATOWN YOUTH AND COMMUNITY CENTER, INC
3	CA	KoreanCommunityServices	KOREATOWN YOUTH AND COMMUNITY CENTER, INC
3	WI	Lac du Flambeau Business Development Corporation (LdF BDC)	NICOLET AREA TECHNICAL COLLEGE
3	NJ	Lakewood Chamber of Commerce	LAKEWOOD COMMUNITY SERVICE CORPORATION
3	NJ	Lakewood Development Corporation	LAKEWOOD COMMUNITY SERVICE CORPORATION
3	NJ	Lakewood Resource and Referral Center	LAKEWOOD COMMUNITY SERVICE CORPORATION
3	NJ	Lakewood Veteran's Commission	LAKEWOOD COMMUNITY SERVICE CORPORATION
3	HI	Lāna'i Chamber of Commerce (LCoC)	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	WI	Langlade County EDC	NICOLET AREA TECHNICAL COLLEGE
3	PR	Latino Economic Development Center, Inc.	FOUNDATION FOR PUERTO RICO, INC.
3	MI	Latinx Technology and Community Center	FLINT, CITY OF
3	IN	Launch Terre Haute, Inc.	INDIANA STATE UNIVERSITY
3	MO	Lesley Deason President JFCAC BOD	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	TX	LiftFund	DALLASEC, THE

3	SD	Lutheran Social Services of South Dakota	ZEAL
3	MI	Main Street Pontiac	PONTIAC COMMUNITY FOUNDATION, INC.
3	HI	Maui Economic Opportunity (MEO)	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	MA	Mayor's Office, Brockton Redevelopment Authority	ASSOCIACAO CABOVERDIANA DE BROCKTON
3	OR	MESO	COMMUNITY DEVELOPMENT CORPORATION OF OREGON
3	MA	Metro South Chamber of Commerce	ASSOCIACAO CABOVERDIANA DE BROCKTON
3	MO	Midwest Resource Solutions (MWRS)	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	AK	Mikunda, Cottrell & Co.	ARCTIC SLOPE COMMUNITY FOUNDATION, INC.
3	MN	Minnesota Hmong Chamber of Commerce	CHINESE AMERICAN CHAMBER OF COMMERCE
3	MN	Mogwai Collaborative at the Hubbard Building	MINNESOTA STATE UNIVERSITY, MANKATO
3	IL	Monroe Foundation	CHATHAM BUSINESS ASSOCIATION INC
3	NJ	Nagilla	LAKEWOOD COMMUNITY SERVICE CORPORATION
3	MO	National Council of Budget and Program Management	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	CO	NeighborWorks	SOUTHERN COLORADO ECONOMIC DEVELOPMENT DISTRICT, INC
3	GA	Neo-Biz Solutions	FULTON, COUNTY OF
3	MA	New Bedford Creative	NEW BEDFORD ECONOMIC DEVELOPMENT COUNCIL, INC.
3	MA	New Bedford Port Authority	NEW BEDFORD ECONOMIC DEVELOPMENT COUNCIL, INC.
3	TN	No Mistakes Allowed LLC	DAUGHTERS OF ZION ALL WOMENS BIBLE COLLEGE
3	NC	North Carolina Central University School of Business	FORWARD CITIES, INC.
3	WI	Oneida County EDC	NICOLET AREA TECHNICAL COLLEGE
3	OH	Opportunities Industrialization Center	S B D C INC

3	CA	OrangeCountyAsianPacificIslanderCommunityAlliance	KOREATOWN YOUTH AND COMMUNITY CENTER, INC
3	OR	Outgrowing Hunger	COMMUNITY DEVELOPMENT CORPORATION OF OREGON
3	OR	People Places Things	COMMUNITY DEVELOPMENT CORPORATION OF OREGON
3	GA	Platinum Platinum Financial Services	FULTON, COUNTY OF
3	OR	Play Grow Learn	COMMUNITY DEVELOPMENT CORPORATION OF OREGON
3	IN	Pride Center of Terre Haute	INDIANA STATE UNIVERSITY
3	MO	ProCARE Solutions, LLC	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	OH	Promise	S B D C INC
3	MI	ProsperUs	PONTIAC COMMUNITY FOUNDATION, INC.
3	NC	Provident1898	FORWARD CITIES, INC.
3	CO	Pueblo Arts Alliance	SOUTHERN COLORADO ECONOMIC DEVELOPMENT DISTRICT, INC
3	CO	Pueblo Community College	SOUTHERN COLORADO ECONOMIC DEVELOPMENT DISTRICT, INC
3	CO	Pueblo Latino Chamber of Commerce	SOUTHERN COLORADO ECONOMIC DEVELOPMENT DISTRICT, INC
3	IN	Purdue Extension Offices	NORTHEAST INDIANA INNOVATION CENTER, INC.
3	HI	Purple Mai'a	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	TN	QBN Productions	DAUGHTERS OF ZION ALL WOMENS BIBLE COLLEGE
3	GA	REAL Wellness, Inc	FULTON, COUNTY OF
3	MI	Rebrand Cities	PONTIAC COMMUNITY FOUNDATION, INC.
3	IN	Region 3-A Development and Regional Planning Commission	NORTHEAST INDIANA INNOVATION CENTER, INC.
3	MN	Region Nine Development Commission	MINNESOTA STATE UNIVERSITY, MANKATO
3	RI	Rhode Island Black Business Association	SOCIAL ENTERPRISE GREENHOUSE
3	RI	RI Hispanic Chamber of Commerce	SOCIAL ENTERPRISE GREENHOUSE

3	MO	Rick Pica - Income Tax Preparation	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	OH	Rid-All Green Partnership	BURTON, BELL, CARR DEVELOPMENT, INC.
3	VA	RISE	STAUNTON CREATIVE COMMUNITY FUND, INC.
3	MN	Rochester Cambodian Association	CHINESE AMERICAN CHAMBER OF COMMERCE
3	NY	Rochester Commissary	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	AR	Sevier County Chamber of Commerce	UNIVERSITY OF ARKANSAS COSSATOT DEPARTMENT OF ECONOMIC DEVELOPMENT
3	VA	Shenandoah University	STAUNTON CREATIVE COMMUNITY FUND, INC.
3	GA	Sky Promotions, LLC	FULTON, COUNTY OF
3	PA	Somerset County Commissioners	SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
3	TN	South City Opportunity Revitalization Empowerment (SCORE) Community Development Corporation	BUILDING MEMPHIS
3	SD	South Dakota SBDC	ZEAL
3	GA	South Fulton Chamber of Commerce	FULTON, COUNTY OF
3	MN	Southern Agriculture Center of Excellence at South Central College	MINNESOTA STATE UNIVERSITY, MANKATO
3	PA	St. Francis Small Business Development Center	SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
3	MO	St. Louis Community Credit Union	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	MO	St. Louis Economic Development Partnership	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	MO	Stinson LLP Law Firm	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	OR	Sunrise Center Kitchen	COMMUNITY DEVELOPMENT CORPORATION OF OREGON
3	MO	Synergi	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION

3	MI	T. Ramsey & Associates	PONTIAC COMMUNITY FOUNDATION, INC.
3	IN	Terre Haute Chamber of Commerce	INDIANA STATE UNIVERSITY
3	MN	Thai Arts and Cultural Council in MN	CHINESE AMERICAN CHAMBER OF COMMERCE
3	RI	The Multicultural Innovation Center	SOCIAL ENTERPRISE GREENHOUSE
3	MO	The Quality Coach (TQC)	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	AR	The Sevier County University of Arkansas Extension Office	UNIVERSITY OF ARKANSAS COSSATOT DEPARTMENT OF ECONOMIC DEVELOPMENT
3	SD	Thunder Valley CDC	ZEAL
3	MO	Thurman, Shinn and Company, Certified Public Accountants and Advisors	JEFFERSON FRANKLIN COMMUNITY ACTION CORPORATION
3	IL	Torito Arts NFP	CHATHAM BUSINESS ASSOCIATION INC
3	TX	TruFund	DALLASEC, THE
3	MA	UMass Dartmouth	NEW BEDFORD ECONOMIC DEVELOPMENT COUNCIL, INC.
3	OH	United Church of Christ	BURTEN, BELL, CARR DEVELOPMENT, INC.
3	OH	United Senior Services	S B D C INC
3	HI	University of Hawai'i Maui College (UHMC)	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	MI	University of Michigan-Flint Office of Economic Development	FLINT, CITY OF
3	NY	Urban League of Rochester	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	NY	Venture Jobs Foundation	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	TX	Veteran Women's Enterprise Center	DALLASEC, THE
3	MN	Vietnamese Business Association	CHINESE AMERICAN CHAMBER OF COMMERCE
3	WI	Vilas County EDC	NICOLET AREA TECHNICAL COLLEGE
3	OH	Village Capital Corporation	BURTEN, BELL, CARR DEVELOPMENT, INC.

3	HI	Voices of Micronesians of Maui (VoMOM)	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	IN	Wabash Valley Base Community Council	INDIANA STATE UNIVERSITY
3	VA	Walker Program	STAUNTON CREATIVE COMMUNITY FUND, INC.
3	NY	Walker's Legacy Foundation	ROCHESTER ECONOMIC DEVELOPMENT CORPORATION
3	OH	Welcome Springfield	S B D C INC
3	IN	WestCentral 2025	INDIANA STATE UNIVERSITY
3	TX	WiNGs	DALLASEC, THE
3	HI	Women's Business Enterprise Council (WBEC-West)	MAUI ECONOMIC DEVELOPMENT BOARD, INC
3	MI	XLerateHealth	FLINT, CITY OF
3	AK	Yuarcuun Technologies	ARCTIC SLOPE COMMUNITY FOUNDATION, INC.

¹ U.S. Census Bureau Business Formation Statistics, Seasonally Adjusted Business Applications, U.S. Total



November 16, 2021

The Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

On behalf of the American Financial Services Association (AFSA)¹, we appreciate your hearing entitled, "A Discussion with Small Business Administrator Isabella Casillas Guzman" and respectfully request that this letter be included in the final committee record of the hearing.

The Small Business Administration (SBA) has worked hard over the last year assisting businesses who have been struggling as a result of the pandemic. The Paycheck Protection Program (PPP) has kept so many businesses, including many of AFSA's members, afloat during this difficult time.

Now, Congress should instruct the SBA to clarify that finance companies are eligible for PPP loan forgiveness, as directed by Congress.

AFSA's members, like so many businesses across the country, faced sudden and dramatic revenue shortfalls last year. Instead of furloughing staff, those businesses with fewer than 500 employees applied for – and got – loans through the PPP. AFSA members took these loans with the understanding that the loans would be forgiven, provided that the companies followed the PPP guidelines. Our members, who are state-licensed and state-regulated installment lenders and vehicle finance companies, used the PPP money to cover payroll costs, as prescribed by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

At this time, these businesses are applying for PPP loan forgiveness. However, and contrary to the will of Congress, many of their applications for forgiveness are being denied. Under normal circumstances, our members do not qualify for SBA loans, but these are not normal times, and the PPP is a different program than the SBA's 7(a) program, with different objectives and criteria. Congress must instruct the SBA to fulfill Congress' mandate and clarify that finance companies, particularly vehicle finance companies and installment lenders, are eligible for PPP loan forgiveness.

The CARES Act states that any business with under 500 employees is eligible for PPP loans. Despite Congress' clear intent, in mid-April last year the SBA adopted a narrower interpretation, thereby resulting in some SBA lenders questioning the eligibility of vital businesses, such as installment lenders and vehicle finance companies.

¹ Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance.

Traditional installment lenders provide loans to individuals and families. Their customers are medical technicians, teachers, lawn-service employees, lawyers, stay-at-home parents, childcare workers, and farmers. In short, they are Americans of almost all walks of life and socioeconomic classes.

Similarly, vehicle finance companies help increase levels of financial inclusion and mobility. Vehicle ownership increases the number of jobs available to an individual and provides job stability, as well as assisting with day-to-day tasks that are much more difficult without a car, particularly during a pandemic.

In fact, these businesses are so important, the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) deemed "financial services and lending services" to be a vital component in the nation's critical infrastructure at the onset of the pandemic.²

All sorts of entities who are not generally eligible for SBA loans, such as casinos and lobbying firms, are eligible for PPP loans. We urge Congress to instruct the SBA to make it clear that finance companies who meet the CARES Act requirements be granted PPP loan forgiveness. Thank you for all you have done for America's small businesses during this challenging time. Please do not hesitate to contact me at 202-776-7300 or cwinslow@afsamail.org with any questions.

Sincerely,



Celia Winslow
Senior Vice President
American Financial Services Association



Jim Nussle
President & CEO

Phone: 202-508-6745
jnussle@cuna.coop

99 M Street SE
Suite 300
Washington, DC 20003-3799

November 16, 2021

The Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "A Discussion with SBA Administrator Isabella Casillas Guzman." The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members.

Credit unions recognize that financial inclusion and access to capital for entrepreneurs are critical to ensuring the growth and development of vibrant small businesses. As not-for-profit, consumer-owned financial cooperatives, credit unions have a laser focus on our mission of financial inclusion and serving our members. Establishing and retaining a relationship with a credit union is the best way for a small business entrepreneur to partner with a provider of essential financial services.

Financial Inclusion Ensures the Survival of America's Small Businesses

One of the most important things that Congress could do to promote financial inclusion and help small businesses would be to ensure that federal law permits all federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. In addition, some credit unions are also arbitrarily restricted in the amount of business lending that they can provide to 12.25 percent of assets. Lifting that cap would ensure small businesses would be able to access the capital they need.

That said, CUNA strongly supports the *Expanding Financial Access for Underserved Communities Act*, which would allow all federal credit unions to add underserved areas to their field of membership and exempt business loans made by credit unions in low-income areas from the credit union member business lending cap. Furthermore, the legislation expands the definition of a low-income credit union to include any area that is more than 10 miles from the nearest branch of a financial institution.

Small businesses and communities around the country are suffering and need access to relief. As you continue your work to provide funding and resources to our small businesses, I would encourage you to support the *Expanding Financial Access for Underserved Communities Act* to ensure credit unions are able to fully serve their communities.

SBA Direct Lending

The Small Business Administration's (SBA) government guaranteed lending programs epitomizes a successful public-private partnership, and it's one that leverages private sector expertise. Generally, the SBA does not function as a direct lender, but guarantees the repayment of loans made by a lender such as a credit union. SBA's lending programs, such as the 7(a) Loan Program, allow small businesses to work with local lenders or other lenders

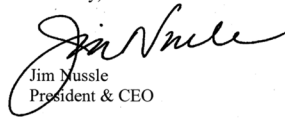
cuna.org

of a business's choice throughout the loan process. The SBA guarantees these loans ensuring that financial institutions are made whole in an instance of default by the borrower.

This public private partnership works as borrowers are able to obtain loans from financial institutions that they know well and that have vested interests in their borrowers' success. Furthermore, when working with local lenders, small businesses are likely to benefit from guidance and experience from a lender with a stake in helping the borrowing business succeed. By becoming a direct lender to small businesses, the SBA is likely to harm local financial institutions' relationships with businesses and possibly hamper these businesses from establishing important banking relationships that can only help their business survive and flourish.

On behalf of America's credit unions and their more than 120 million members, thank you for the opportunity to share our views.

Sincerely,



Jim Nussle
President & CEO



Robert M. Fisher, *Chairman*
 Brad M. Bolton, *Chairman-Elect*
 Russell L. Laffitte, *Vice Chairman*
 Gregory S. Deckard, *Treasurer*
 Tim R. Alken, *Secretary*
 Noah W. Wilcox, *Immediate Past Chairman*
 Rebecca Romero Rainey, *President and CEO*

November 12, 2021

The Honorable Charles Schumer
 Majority Leader
 United States Senate
 Washington, D.C. 20510

The Honorable Mitch McConnell
 Minority Leader
 United States Senate
 Washington, D.C. 20510

The Honorable Nancy Pelosi
 Speaker
 United States House of Representatives
 Washington, D.C. 20515

The Honorable Kevin McCarthy
 Minority Leader
 United States House of Representatives
 Washington, D.C. 20515

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Pelosi, and Minority Leader McCarthy:

I write on behalf of ICBA and the nearly 50,000 community bank locations we represent to express our strong opposition to a provision of the House Build Back Better Act that would authorize the Small Business Administration to issue direct 7(a) loans. America's community banks were the engine of the Paycheck Protection Program (PPP), proving irreplaceable value by serving millions of America's smallest businesses. Community banks account for 66 percent of 7(a) loans, meeting the needs of the smallest borrowers. An experiment in SBA direct lending, in which the agency has a poor track record, would be ill conceived. This damaging proposal must be rejected by Congress for the sake of America's small businesses and taxpayers. Moreover, we do not believe the proposal would comply with the Byrd Rule because its budgetary effects are merely incidental to the nonbudgetary components of the provision and therefore should not be considered under reconciliation procedures. We urge the Senate to give thorough consideration to Byrd Rule compliance.

Community bankers stepped forward in a historic crisis to meet an overwhelming demand for PPP loans from existing as well as new customers. Community banks' PPP lending disproportionately helped the smallest businesses. The average size of a community bank PPP loan was under \$30,000. In aggregate, community banks' 4.7 million PPP loans worth \$429 billion served 55.8 percent of all PPP recipients and accounted for nearly 60 percent of the program's total loan amount. These loans supported the retention of nearly 49 million jobs. Moreover, community banks made nearly 87 percent of the PPP loans to minority-owned small

The Nation's Voice for Community Banks.®

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businesses, 81 percent of the PPP loans to women-owned small business, and nearly 69 percent of the PPP loans to veteran-owned small businesses. I am proud that my industry stepped up to support the survival of these diverse businesses in a time of crisis.

SBA Direct Lending Has a Poor Track Record and Is Costly for Taxpayers

I ask you to consider the finding of a [recent Congressional Research Service report](#):

The SBA has authority to make direct loans but, with the exception of disaster loans and loans to Microloan program intermediaries, has not exercised that authority since 1998.

The SBA indicated that it stopped issuing direct business loans primarily because the subsidy rate was "10 to 15 times higher" than the subsidy rate for its loan guaranty programs.

The SBA retreated from direct lending as an ill-conceived experiment. Congress must not repeat this mistake. The recent Economic Injury Disaster Loan (EIDL) program, an SBA direct loan program, has been rife with fraud and poorly executed.

Direct lending is a poor and costly alternative to private sector lending and would reach fewer borrowers. Today, there is a strong network of community banks, Community Development Financial Institutions, and other lenders already in place to meet demand for small business borrowers.

Lenders Are What Make the 7(a) Program Successful

Proponents of SBA direct lending cite data showing a decline in 7(a) lending in 2020. This data is misleading. Small business 7(a) loans were displaced by PPP loans and small business borrowing needs were met during this critical period. As PPP has come to a close, the SBA has already guaranteed a record \$30.1 billion in lending in fiscal year 2021, with financing for the 7(a) program funded by user fees. The most recent NFIB survey of small business owners found that just two percent of owners said that their credit needs were unmet.

Bank and other private sector lender underwriting and expertise are what make the 7(a) program successful. They have direct ties to their communities, knowledge of local economic conditions and expertise honed over generations that cannot be duplicated by the SBA. Displacing these lenders would be a grievous error.

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ICBA will continue working with policymakers to maximize the effectiveness of the 7(a) program for the small businesses they serve.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC:	Chairman Ben Cardin	Ranking Member Rand Paul
	Chairwoman Nydia Velázquez	Ranking Member Luetkemeyer

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AND COMMERCE
SUBCOMMITTEE ON COMMUNICATION & TECHNOLOGY
SUBCOMMITTEE ON CONSUMER PROTECTION & COMMERCE
SUBCOMMITTEE ON HEALTH

Congress of the United States
House of Representatives
Washington, DC 20515-2302

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON COMMODITY EXCHANGES,
ENERGY AND CREDIT
SUBCOMMITTEE ON GENERAL FARM COMMODITIES
AND RISK MANAGEMENT
SUBCOMMITTEE ON LIVESTOCK
AND FOREIGN AGRICULTURE
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS & REGULATIONS

November 15, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi and Majority Leader Hoyer:

Thank you for your continued work on behalf of the American people. I write today to respectfully urge you to support our nation's small businesses, which are still reeling from the COVID-19 pandemic, by passing a small business rescue package in any moving legislative vehicle.

I'm hearing from small business owners across my district every single day about the struggles they have faced over the past year and a half. Businesses that have been around for generations are at-risk of permanent closure – and newly opened businesses are still struggling to get their feet underneath them. Congress has a duty to assist our struggling small businesses as they face continued restrictions, supply chain disruptions, reduced operating capacity, and the ongoing threat of surging COVID-19 cases.

Small businesses account for 99.9% of all firms in the United States. These businesses are responsible for 62% of net job creation over the last 25 years. They truly are the backbone of our economy and vital to our recovery.

Though Congress has acted several times in a bipartisan manner, and the American Rescue Plan was a lifeline to many, we cannot risk more permanent closures which will only hinder job growth and destroy local economies.

As we move forward in the days and weeks ahead, I implore Congress to help our small businesses. We quickly saw just how necessary the Restaurant Revitalization Fund (RRF) was, but recent developments have also demonstrated exactly how much more help is needed for restaurants and bars due to over-subscription. More than 177,000 establishments applied for relief from the RRF – but never received support. Legislation to replenish the RRF has strong bipartisan support in both the House and Senate.

Furthermore, we must do more to provide relief for small businesses that have been left out of prior programs. While we've enacted much needed rescue funding for a multitude of industries,

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SUBCOMMITTEE ON HEALTH

Congress of the United States
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Washington, DC 20515-2302

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SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS & REGULATIONS

there have been businesses ancillary to the Shuttered Venue Operators Grant that were unable to access these important funds. These businesses and their employees deserve our attention and support, especially as we approach the holiday season. We must be industry-neutral in our approach to relief.

Finally, as you're aware, the House passed H.R.1490, the *504 Modernization and Small Manufacturer Enhancement Act of 2021* by an overwhelming bipartisan majority over six months ago. This legislation would increase access to capital for small manufacturers by increasing the maximum loan size from \$5.5 million to \$6.5 million. This bill is primed for inclusion in any legislative package, and I urge its inclusion and swift passage by the Senate.

I urge you to take swift action and thank you for your consideration.

Sincerely,



Angie Craig
Member of Congress

cc: The Honorable Rosa DeLauro, Chairwoman, House Committee on Appropriations
The Honorable Nydia Velazquez, Chairwoman House Committee on Small Business

COMMITTEE ON SCIENCE, SPACE
AND TECHNOLOGY
SUBCOMMITTEE ON SPACE AND AERONAUTICS

COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON INNOVATION,
ENTREPRENEURSHIP AND WORKFORCE
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TAX AND CAPITAL ACCESS

COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON ASIA, THE PACIFIC, CENTRAL
ASIA AND NORTH AFRICA
SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH
AND GLOBAL HUMAN RIGHTS



United States House of Representatives
Young Kim
39th District, California

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November 19, 2021

The Honorable Isabella Casillas Guzman
Administrator
U.S. Small Business Administration
409 3rd St SW Washington, D.C. 20416

Dear Administrator Guzman:

The Small Business Administration (SBA) has played a pivotal role in providing relief to millions of small businesses impacted by the COVID-19 pandemic. Through the creation and administration of the Paycheck Protection Program (PPP), the SBA supported over 51 million jobs and increased the number of small business lenders from 1,700 to nearly 5,500. This growth reflects the reliance on SBA in normal economic times, but especially in times of crisis. As we look to the future, it is important that we explore all available tools to fortify SBA's annual budget so that it can provide robust relief in times of economic growth and in challenging times. We write today to urge the SBA to brief our staff to discuss SBA's capabilities in establishing a pilot program to reduce budget volatility using credit risk transfer.

We recognize that there is growing interest across the federal government in using private markets to reduce public risk. Fannie Mae and Freddie Mac each have extensively utilized private credit risk transfer to manage their extensive portfolios, placing approximately \$125 billion of risk through securities issuance or insurance and reinsurance vehicles. In addition, beginning in 2017, the Federal Emergency Management Agency (FEMA) transferred natural disaster risk, which, following extensive losses due to Hurricane Harvey and other storms, collected insurance recoveries of \$850 million for taxpayers. FEMA has since increased its use of risk transfer to the private markets. We also note that the Export-Import Bank (ExIm Bank) of the United States executed a credit risk transfer on a portion of its transportation portfolio in 2018. ExIm Bank has since secured a broker and is considering credit risk transfer on broader portions of its portfolio.

Each of these credit risk transfer programs was initiated as a pilot program to test private market appetite for the risk, potential structures for the transaction, and determine the economic benefits of the transfer from an agency budget perspective. We believe the use of the private markets to mitigate risk may reduce overall budgetary volatility and expand on agency mission by allowing SBA to leverage existing resources and possibly lower borrower rates. A pilot of this nature will allow SBA, in collaboration with private risk takers, to evaluate and test these possible benefits.

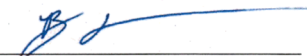
We understand SBA has considered a pilot credit risk transfer on its existing surety program. In particular, the use of credit risk transfer may permit SBA to leverage existing resources and provide significant assistance with underserved and minority contractors. We stand ready to explore ways to protect taxpayers from the risk of losses and learn about SBA's capacity to implement a credit risk transfer pilot program.

We look forward to continuing our dialogue to assist you to help small businesses in Main Street succeed, and we look forward to your response in the coming weeks to coordinate a date and time for the briefing.

Sincerely,



 Young Kim
 Member of Congress



 Byron Donalds
 Member of Congress

To: Committee on Small Business
From: Alfredo Ortiz, President and CEO of the Job Creators Network
Date: 11/16/21
Re: A Discussion with SBA Administrator Isabella Casillas Guzman

The Job Creators Network, the nation's leading small business advocacy organization, has filed a lawsuit against the Biden administration to block its recently finalized employer vaccine mandate along with several of our small business members. The vaccine mandate will have a significant impact on America's small business community and the tens of millions of people they employ.

This new OSHA rule forces employers with 100 or more workers to require they get vaccinated, or get tested weekly and wear masks. This is illegal government overreach at its worst. Affected businesses will be on the hook to cover paid time off for workers to receive the vaccine or get tested weekly. Businesses that don't comply can be fined up to \$14,000 per violation and \$140,000 for repeated violations.

Never before has the federal government mandated vaccines for so many Americans — let alone at the order of the President — without clear support from Congress. OSHA does not have the authority to enact such a sweeping public health mandate. Even if it did, there's neither the grave nor immediate conditions required for such an emergency regulation. Covid cases are decreasing, new therapeutics have been developed, and we are approaching herd immunity.

This mandate is not a small ask of America's employers. Businesses are just recovering from the pandemic and are dealing with the highest inflation in 30 years. According to the latest JCN Foundation polling, 40 percent of small business owners, a plurality, flag inflation as their biggest concern. They are also struggling to deal with a supply chain crisis, and most of them can't find enough workers.

Does this sound like a good time to deputize them as the health police?

The rule would exacerbate what's already the worst labor shortage in recorded U.S. history by requiring employers to terminate some existing staff who wish not to get vaccinated or get weekly tests. In fact, our polling reveals that 44 percent of

small business owners believe some of their employees will quit as a result of the vaccine mandate. It will also shrink the pool of job applicants available for hiring. Associated staffing shortages would force businesses to reduce capacity and economic output, causing financial harm to businesses, employees, and the communities in which they are located.

Let me be clear, our objection to this mandate is in no way an anti-vaccination position. We understand that vaccines save lives. But we also understand that small businesses have enough on their plate right now. They should not be forced to act as the vaccine police for their employees.

We believe the Biden mandate is massive government overreach and are asking the courts strike it down before it wreaks havoc on America's businesses and economy.

Sincerely,
Alfredo Ortiz



November 16, 2021

Chairwoman Nydia Velasquez
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Ranking Member Blaine Luetkemeyer
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Velasquez and Ranking Member Luetkemeyer:

The Manufactured Housing Institute (MHI) thanks you for holding this hearing on "A Discussion with SBA Administrator Isabella Casillas Guzman." The role of small businesses has never been more important to our nation's economy. MHI members produce close to 85 percent of the manufactured homes produced every year. COVID-19, labor shortages and major weather events have caused significant disruption across all parts of the supply chain for manufactured home production. Today, a customer could wait more than six months for the delivery of their new manufactured home, due to supply shortages which is detrimental to millions of Americans who are desperately seeking a safe, affordable place to call home.

MHI is the only national trade association that represents every segment of the factory-built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners, community operators, and others who serve the industry, as well as 48 affiliated state organizations. In 2021, our industry is expected to produce 110,000 homes, accounting for approximately eight percent of new single-family home starts. These homes are produced by 33 U.S. corporations in 138 plants located across the country.

Manufactured homes are the most affordable homeownership option in our country, and the demand for our housing has never been higher. However, one of the biggest challenges facing our industry is supply and labor shortages. Following historic lows, lumber is now available, although at high prices. Yet appliances, building materials, and components are still challenging to obtain. This results in pricing volatility, making it difficult for retailers to sell homes to consumers with accurate costs. Retailers are contracting with homebuyers to purchase a manufactured home at the current cost of materials and appliances. However, due to the supply and labor challenges, the contracted home will likely not be built for at least another six months. This makes it challenging for retailers to hold homes to a contract price when the future costs might be much higher when the home is actually produced. This unpredictability poses significant risks for the retailer and the home manufacturer.

Appliances, shingles, siding, adhesives, appliances, metal fascia and insulation seem to be common items in short supply. While traditional site-builders may be able to simply substitute different products, manufactured homes are built to a strict federal building code that limits some of that flexibility. The Federal Manufactured Home Construction and Safety Standards Act (also known as the HUD Code) established federal standards for manufactured housing design and construction, strength and durability, transportability, fire resistance, energy efficiency and quality. The HUD Code also sets performance standards for the heating, plumbing, air conditioning, thermal and electrical systems. When products are unavailable, manufacturers must request an alternative construction letter from HUD to substitute another product, causing even more delays. HUD has acknowledged these problems by providing alternative

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Page 2
Submission by the Manufactured Housing Institute
November 19, 2021

construction letters, but these are short-term solutions for what could continue to be long-term shortages.

Labor shortages have also plagued the industry, as it has other sectors. Now, overburdensome regulations such as OSHA's Emergency Temporary Standard for COVID-19 Vaccination and Testing further threaten our workforce. Our manufacturers have taken steps over and above requirements to protect their workers. Providing PPE, vaccine clinics, and vaccine education sessions have helped ensure their valued employees are safe on the job. While many of our workers are vaccinated, there are employees who are unable or simply not willing to do so. While we were pleased to see testing as an option, the availability of tests and the costs associated with such testing can pose a challenge. Assuming it takes 15 minutes to test an employee once a week, and you have 2,000 employees who are not vaccinated, you are losing 500 hours of production time a week at say \$25/ hour, which equals \$12,500 per week in lost wages. Further if you add in the costs of approximately \$34.00 each per test that is \$68,000. Those costs for 26 weeks (6 months) would be more than \$2 million for just half a year, which does not include the administrative costs of administering and recording the tests. Those costs are significant for a company already working hard to try and meet demand. Further, our manufacturers fear that employees will simply quit and move to a company with less than 100 employees, who does not have to comply with the mandate.

The demand for affordable housing is high, and labor and supply chain problems are limiting our ability to meet the need. Manufactured housing is the only type of housing that Congress recognizes as having a vital role in meeting America's housing needs as a significant source for affordable homeownership accessible to all Americans. The affordability of manufactured homes enables individuals to obtain housing that is often much less expensive than renting or financing the purchase of a site-built home. MHI looks forward to working with the Committee and the Small Business Administration to address these issues and determine ways to avoid such problems in the future.

Sincerely,



Lesli Gooch, Ph.D.
Chief Executive Officer



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National Association of Federally-Insured Credit Unions

November 15, 2021

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing and Ongoing Concerns Over SBA Direct Lending Provision in the *Build Back Better Act*

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's Committee hearing entitled "A Discussion with SBA Administrator Isabella Casillas Guzman" to express our ongoing concerns about, and opposition to, provisions in the House Small Business Committee language from the *Build Back Better Act* that could allow the Small Business Administration (SBA) to directly offer a 7(a) loan product to market, circumventing current partners and community lenders such as credit unions. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products.

Section 100502, "Funding for Credit Enhancement and Small Dollar Loan Funding," creates a new small dollar lending program that would allow the SBA Administrator to originate and disburse loans, to small businesses. NAFCU has serious concerns that this provision does not require the SBA to work with lenders as they do with other 7(a) loan products and would allow them to make loans on their own should they so choose. Even though the SBA has authority to make direct loans now, they have not exercised this authority, with the exception of disaster loans and loans to Microloan program intermediaries, since 1998 due to the challenges associated with them, including a history of higher rates of fraud and defaults. They should not be granted new authority in this area.

NAFCU and our credit union members support the concept of expanding access to small dollar business loans as credit unions have always focused on servicing this market. Credit unions have been recognized as doubling their efforts in providing small business lending post-recession, despite considerable consolidation in the marketplace and statutory limitations on member business lending (MBL). The Paycheck Protection Program (PPP) is a prime example of the role that credit unions played in filling a need in this area, as the average credit union PPP loan was under \$50,000. Many credit unions stepped in to provide these loans to small businesses that were turned away from other financial institutions that did not want to make these smaller loans. Some credit unions that previously did no business lending, swiftly sought authority from their boards of directors to offer business loans so they could provide businesses in need with PPP loans. The PPP was an example of how a public-private partnership can work effectively and efficiently to meet the needs of communities. The small dollar loan programs envisioned in the *Build Back Better Act* also provide the option for such a partnership between the SBA and lenders. Such an option is far superior to allowing the SBA to go directly to small businesses with

The Honorable Nydia Velázquez, The Honorable Blaine Luetkemeyer
November 15, 2021
Page 2 of 2

these loans, as the SBA has limited history working directly with small businesses and does not have the requisite experience as a lender nor established lending infrastructure to successfully carry out a program of this magnitude.

NAFCU recognizes the need for smaller loans for small businesses, and that is why we have supported legislation such as H.R. 5189, the *Member Business Loan Expansion Act*, which would make it easier for credit unions to offer smaller business loans under \$100,000 by ensuring these loans do not count toward the arbitrary credit union MBL cap. Allowing lenders that have relationships with small businesses, such as credit unions, to do more to help is a better approach to addressing this need. In recent years, NAFCU members have worked to increase the number of SBA lending partners despite statutory limitations imposed on credit union's ability to provide small business loans. Moreover, credit unions continue to focus on providing credit to our nation's small businesses, regardless of size. Over the past five years, 57 percent of business loans made by credit unions were under \$150,000, compared to 46 percent of loans under \$150,000 for other lenders. Early in the pandemic, 70 percent of NAFCU members that were not already involved in SBA lending but did participate in the PPP expressed an interest in becoming a regular SBA lender. Given this increased interest in SBA lending programs and the expected demand in small business lending, it is imperative that credit unions have all options available to provide capital for small business members. An SBA direct lending program could serve to reduce the level of lending partners at a time when business lending is greatly needed.

It is with these thoughts in mind that we oppose giving the SBA the authority to offer this new 7(a) small dollar loan product directly to small businesses and we urge you to strike that authority from the language of the *Build Back Better Act* as it moves through the legislative process. NAFCU believes that there are better ways to encourage the SBA to work with existing lenders to address the stated need of access to smaller loans to small businesses and we stand ready to work with you to achieve that goal.

Allowing the SBA to come directly into the market and compete with community lenders could have unintended consequences, such as driving many of these lenders out of the space and creating greater challenges for small businesses seeking access to credit. We thank you for the opportunity to share our concerns on this important topic. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at lplush@nafcuh.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Committee on Small Business

U.S. TRAVEL ASSOCIATION®

November 16, 2021

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Velázquez, Ranking Member Luetkemeyer, and Members of the Committee:

As you know, the travel industry is no stranger to the needs of small businesses—with a majority of the industry composed of small businesses. While some parts of the economy have been able to fully recover, travel's economic recovery has been more challenging, with many travel businesses continuing to face steep declines in revenue—particularly those that rely on business travel or inbound international travel as a major source of income.

According to Tourism Economics, domestic business travel is projected to be down 57% this year, compared to 2019 levels, with international travel trailing 2019 levels by 70% in 2021. Tourism Economics also forecasts that without targeted help, both business travel and inbound international travel will not fully recover until 2024.

That's why we commend SBA Administrator Guzman for taking proactive steps in September to revamp the Economic Injury Disaster Loan program to make it more accessible and useful to travel businesses. Still, more must be done to help stabilize local travel markets and quicken the pace of recovery—such as by providing additional grants to hard-hit travel businesses, enacting tax incentives to help revive business travel spending, and providing supplemental funding for Brand USA.

It's important to remember that many travel business still face strict COVID-related restrictions at the state and local level, which have had a detracting effect on normal travel activities. As long as COVID-19 remains a threat to the full reopening of the economy, targeted relief will be needed to help travel businesses and organizations meet basic expenses and payroll. Any such relief should include hotels, restaurants, tour operators, event organizers, meeting planners, event and meeting space administrators, group tour organizers, tour guides, attractions, and many others within the travel industry who are struggling to stay afloat.

We look forward to working with the Committee and the Administration on this effort and are happy to answer any questions you may have.

Sincerely,



Tori Emerson Barnes
Executive Vice President
Public Affairs and Policy

Questions for the Record from Rep. Claudia Tenney (NY-22)

- Restaurant and businesses across my district have been struggling to fill job vacancies. While the Restaurant Revitalization Fund should be a great help by helping them keep their doors open, these doors cannot stay open if there is nobody to serve customers. What is the SBA doing to help restaurant and businesses fill their vacant job offerings?
- The Shutter Venue Operators Grant was another critical program aimed at combatting the economic effects of the pandemic. How many venues have been kept open thanks to the program? How many of them have permanently closed since March 2020?
- The end of the pandemic is around the corner. Mask mandates are collapsing across the country. Almost half of the US population has also been vaccinated. How is the SBA planning to transition its mission from helping businesses survive the pandemic to helping businesses fully recover from the pandemic?
- In its May 2020 report, the OIG Flash Report stated that SBA guidance with regards to the PPP lacked the prioritization of underserved and rural communities that the CARES Act mandated. What steps has the SBA taken to ensure that these communities also are protected economically during this time of crisis and are able to fully recover?
- Nearly every small business I have talked to recently has told me that their biggest challenge is not finding people able to work, but finding people *willing* to work. A survey by the National Federation for Independent Businesses recently found that 42 percent of small businesses nationwide have jobs they can't fill – the highest percentage on record. The data is telling. What are you advising small businesses to do and what are you advising the President to do?
- This Administration sought to prioritize the smallest main street firms in the latest round of PPP, yet Planned Parenthood NY received a maxed-out loan just before the program exhausted funds. Can you explain how this occurred, especially given repeated Congressional inquiries as to over \$80 million in previous illegal loans to 38 PPFA entities?
 - What justification can you offer for the redactions to email correspondence between the SBA, lenders, and PPFA affiliates?
 - When can we expect results from the SBA Inspector General's internal audit of such cases?

Questions for the Record from Rep. Beth Van Duyne (TX-24)

- Based on the SBA's press release on the Restaurant Revitalization Fund application, you are quoted as saying "We're focused on ensuring that the RRF program's application process is streamlined and free of burdensome, bureaucratic hurdles – while still maintaining robust oversight." I couldn't agree with you more on oversight of the RRF program; unfortunately, the program was created with limited oversight metrics, and according to the SBA's IG and the GAO, the SBA's controls are currently lacking. For this reason, I introduced the bipartisan "Restaurant Recovery Fairness Act" to ensure there are proper program controls in place. I hope you take a look at that bill, but in the meantime, how can we work together to ensure taxpayer dollars are safeguarded in a multi-billion-dollar grant program?

- As I've met with many small employers in the 24th district, they are thrilled to be fully open again but also deeply concerned about President Biden's enhanced unemployment benefits. This has made hiring workers, even with excellent wages, harder than ever. On top of this, President Biden has advocated for increased taxes, which will undoubtedly harm the small businesses we are trying to help. I think it would be highly beneficial for you to meet with the small business owners in my community to hear their stories and concerns firsthand. I often host roundtables and visit with smaller employers in my district and I know they would appreciate the opportunity to share their stories with you directly. Would you commit to coming to my district in the months ahead?
- Small businesses are the driver of our economy. Half of our workforce works for a small business. One of my goals as a member of Congress is to help encourage employers to invest in their employees. Large corporations seemingly have more tools available to them to create an environment where their workers can build generational wealth. From your view, how can small businesses make similar investments in their workforce?
- President Biden has stated support for a one-size-fits-all federal minimum wage of \$15/hour even as the evidence that it would kill jobs and shutter small businesses is clear. The non-partisan Congressional Budget Office estimated that increasing the minimum wage to \$15 per hour would lead to the loss of 1.4 million jobs by 2025. The National Federation of Independent research also found that a wage mandate would reduce real economic output by \$2 trillion. NFIB also found that 92% of small business owners felt the wage mandate would harm their businesses. All that being said, yes or no, do you support mandating a federal minimum wage to \$15?

Additionally, please respond to the following statements:

- According to IRS data, more than 1 million of the 1.6 million C-corporations (69%) have business receipts less than \$500,000 (the closest IRS Statistics of Income threshold to President Biden's stated \$400,000 threshold that no Americans will see tax increases).
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- Please provide an assessment of the SBA's current technology capabilities?

Questions for the Record from Rep. Claudia Tenney (NY-22)

- Restaurant and businesses across my district have been struggling to fill job vacancies. While the Restaurant Revitalization Fund should be a great help by helping them keep their doors open, these doors cannot stay open if there is nobody to serve customers. What is the SBA doing to help restaurant and businesses fill their vacant job offerings?
- The Shutter Venue Operators Grant was another critical program aimed at combatting the economic effects of the pandemic. How many venues have been kept open thanks to the program? How many of them have permanently closed since March 2020?
- The end of the pandemic is around the corner. Mask mandates are collapsing across the country. Almost half of the US population has also been vaccinated. How is the SBA planning to transition its mission from helping businesses survive the pandemic to helping businesses fully recover from the pandemic?
- In its May 2020 report, the OIG Flash Report stated that SBA guidance with regards to the PPP lacked the prioritization of underserved and rural communities that the CARES Act mandated. What steps has the SBA taken to ensure that these communities also are protected economically during this time of crisis and are able to fully recover?
- Nearly every small business I have talked to recently has told me that their biggest challenge is not finding people able to work, but finding people *willing* to work. A survey by the National Federation for Independent Businesses recently found that 42 percent of small businesses nationwide have jobs they can't fill – the highest percentage on record. The data is telling. What are you advising small businesses to do and what are you advising the President to do?
- This Administration sought to prioritize the smallest main street firms in the latest round of PPP, yet Planned Parenthood NY received a maxed-out loan just before the program exhausted funds. Can you explain how this occurred, especially given repeated Congressional inquiries as to over \$80 million in previous illegal loans to 38 PPFA entities?
 - What justification can you offer for the redactions to email correspondence between the SBA, lenders, and PPFA affiliates?
 - When can we expect results from the SBA Inspector General's internal audit of such cases?

Questions for the Record from Rep. Beth Van Duvne (TX-24)

- Based on the SBA's press release on the Restaurant Revitalization Fund application, you are quoted as saying "We're focused on ensuring that the RRF program's application process is streamlined and free of burdensome, bureaucratic hurdles – while still maintaining robust oversight." I couldn't agree with you more on oversight of the RRF program; unfortunately, the program was created with limited oversight metrics, and according to the SBA's IG and the GAO, the SBA's controls are currently lacking. For this reason, I introduced the bipartisan "Restaurant Recovery Fairness Act" to ensure there are proper program controls in place. I hope you take a look at that bill, but in the meantime, how can we work together to ensure taxpayer dollars are safeguarded in a multi-billion-dollar grant program?

- As I've met with many small employers in the 24th district, they are thrilled to be fully open again but also deeply concerned about President Biden's enhanced unemployment benefits. This has made hiring workers, even with excellent wages, harder than ever. On top of this, President Biden has advocated for increased taxes, which will undoubtedly harm the small businesses we are trying to help. I think it would be highly beneficial for you to meet with the small business owners in my community to hear their stories and concerns firsthand. I often host roundtables and visit with smaller employers in my district and I know they would appreciate the opportunity to share their stories with you directly. Would you commit to coming to my district in the months ahead?
- Small businesses are the driver of our economy. Half of our workforce works for a small business. One of my goals as a member of Congress is to help encourage employers to invest in their employees. Large corporations seemingly have more tools available to them to create an environment where their workers can build generational wealth. From your view, how can small businesses make similar investments in their workforce?
- President Biden has stated support for a one-size-fits-all federal minimum wage of \$15/hour even as the evidence that it would kill jobs and shutter small businesses is clear. The non-partisan Congressional Budget Office estimated that increasing the minimum wage to \$15 per hour would lead to the loss of 1.4 million jobs by 2025. The National Federation of Independent research also found that a wage mandate would reduce real economic output by \$2 trillion. NFIB also found that 92% of small business owners felt the wage mandate would harm their businesses. All that being said, yes or no, do you support mandating a federal minimum wage to \$15?

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**House Small Business Committee
Questions for the Record
Hearing on October 6, 2021
Office SBA's Entrepreneurial Development
Small Business Administration
Submitted on October 14, 2021**

Questions for the Record from Rep. Blaine Luetkemeyer (MO-03):

- How far along is the SBA in resolving the OIG's 10 recommendations outlined in the recent WBC audit? Please specifically detail when each recommendation will be closed.
- Has your office taken any additional steps to protect taxpayer dollars and improve oversight of the WBCs' use of federal funds?
- How do you ensure that resource partner employees comply with OIG recommendations once closed and implemented?
- In light of multiple concerning OIG audit reports, do you believe the SBA is providing adequate oversight of its resource partners to ensure proper stewardship of taxpayer dollars?
- What SBA staff resources have you committed to the oversight of the SBA's Entrepreneurial Development Programs?
- The American Rescue Plan appropriated \$100 million to establish a new SBA Community Navigator program. The last update our Committee received on the program was six months ago (*April 22, 2021*). When will these grants be awarded and when do you anticipate navigators being deployed to communities?
- I think we can agree that Small Business Development Centers and other SBA resource partners have provided vital services to small businesses throughout the pandemic and educated them on the SBA resources and programs available. How is the Community Navigator Pilot Program not duplicative of existing efforts of SBA resource partners and advocacy organizations? Why was a new grant program with new service providers needed, and are there long-term plans for the Community Navigator Program?
- On March 23, 2010, former President Obama signed into law the Patient Protection and Affordable Care Act, which established a Navigator Program that led to fraudulent behavior and posed concerning threats to the safety of consumers' personally identifiable information. What steps will be taken by the SBA to prevent fraud and abuse in the Community Navigators Pilot Program?
- Will you commit to providing additional briefings and testimony on the Community Navigator Pilot Program to Congress to allow for proper oversight?
- Has the SBA provided its resource partners with any additional details about the Community Navigator Pilot Program? When can Congress expect to receive information on the program's awards and implementation?

- In light of the SBA Inspector General's Management Alert on the Shuttered Venue Operators Program, what performance indicators will be used to measure the success and effectiveness of the Community Navigator Pilot Program?
- How can existing entrepreneurial development resources, such as Small Business Development Centers, Women's Business Centers, SCORE, or Veterans Business Outreach Centers, better tailor their programs to meet the needs of recovering small businesses?
- Your testimony states that the Community Navigator Pilot Program will "complement" existing resource partners. Given the fact that at this point in time zero dollars have been distributed and zero small businesses have been served by this program, would it have been better to utilize existing programs rather than establish a new one that is already experiencing delays with implementation?
- You mentioned a tracker of "all OIG and GAO audits." How frequently is the tracker updated? Will you commit to sharing this tracker with Committee Members?
- How do VBOCS, SBDCs, WBCs, and SCORE differ from similar private sector resource partners? What steps can be taken to reduce the overlap among the SBA's resource partner programs?
- One of our most important duties as Members of Congress is to investigate agency programs, identify problems, and determine whether programs are working and taxpayer dollars are prudently spent. In your view, what are the most important needs for the SBA Office of Entrepreneurial Development as you administer these programs in a responsible manner?
- The Biden administration has claimed that the majority of small businesses will be exempt from President Biden's proposed tax hikes – but the Tax Foundation has said that's "misleading." In fact, almost 900,000 small businesses could be hit with Democrats' limitation of the pass-through deduction based on 2018 Internal Revenue Service data. Who within the SBA is advocating for these entrepreneurs that will be harmed by these tax hikes?
- Given that the SBA is the voice of small businesses within the Executive Branch, has the agency provided the White House any counsel or advice regarding the impact of taxes on small businesses? If so, please detail the information that you provided to the White House and the Treasury Department?
- How does the capital gains rate impact investments in small businesses?
- Has the SBA studied the effects of the 2017 Tax Cuts and Jobs Act on small business pass-through entities? If so, please provide the agency's analysis on the impact of the Section 199A provision on small businesses?
- If SBDCs, WBCs, VBOCs, and SCORE representatives have questions on tax policy, who do they talk to at the SBA?
- Will eliminating stepped up in basis, hinder small businesses and small farmers interested in passing down their businesses to others?

- Given the current Budget Reconciliation language that is moving through Congress, how many small businesses will be impacted by the increases to the corporate tax rate and the individual rates?
- Knowing that millions of small businesses have been impacted by COVID-19 and are in the process of recovering, does the SBA believe increasing taxes on them will be helpful right now?
- According to NFIB's latest COVID-19 survey, half of small employers report supply chain disruptions are significantly impacting their businesses. How is your office assisting small businesses in overcoming these supply chain disruptions and staffing shortages?
- 7.7 million Americans remained unemployed in September despite there being 10.4 million job openings. How is your office assisting small businesses in hiring during this labor crisis?
- What are the biggest challenges to entrepreneurs in accessing the SBA programs?
- To what degree are SBA resource partners, like SBDCs, known in the entrepreneur community? How is your office working to better promote them?
- What do entrepreneurs report is the most helpful SBA resource and outreach as they reopen their doors and begin the path to recovery?
- Small businesses in rural areas are often overlooked, and we can do more to help them. How is your office currently serving rural communities and what ideas do you have to further support these entrepreneurs?
- If an SBDC or other resource partner has questions about one of the COVID-19 small business relief programs, what steps do you take in advising them?
- How does your office advise SBDCs and other resource partners on tax increases proposed by this Administration?

Questions for the Record from Rep. Jim Hagedorn (MN-01):

- In Minnesota the SBDC is run by the MN State Department of Workforce and Economic Development, they sign the cooperative agreement. Under the COVID contractor mandate, would all the employees of the State of Minnesota be required to be vaccinated, just the employees of the Department of Workforce and Economic Development, or just the employees at the SBDC?
- The individual SBDC centers are all subcontractors. Would all the employees of say Minnesota State University in Mankato need to be vaccinated or just the ones working at the SBDC?
- In the language of this executive order, what is the term "covered contractors"? What's the definition of a "covered contractor workplace"? Is it just the office or the whole building? For example, the Minnesota SBDC lead office is in Suite E200 in Minnesota Department of Workforce and Economic Development in a building in Minneapolis, is just their office the "covered workplace" or does this span to the entire building encompassing the Minnesota Department of Workforce and Economic Development?

- Will this apply to employees who are working remotely? And how will vaccination be verified?
- One of the questions many SBDC State Directors have been seeking answers on pertaining to President Biden's Executive Order is how the SBA plans, or is anticipating, to resolve the conflicts between this new federal vaccine mandate and the possibility for differing policies of college, university, and other agency policies that host SBDC centers throughout the country. How are you advising SBDCs on this matter?
- In Minnesota alone, we have 5 centers hosted by state colleges, 2 private universities and 2 private nonprofit foundations that host SBDC centers. All of them have differing policies about masking, distancing, and vaccines. How do the SBA and OMB plan to address the possibility of diverging/conflicting policies?
- Several universities have made accommodations for employees who are not vaccinated, the guidance allows for accommodations if the employee is "legally entitled" to an accommodation. Who determines "legally entitled" and how?
- Will these mandates apply to all the Community Navigators Pilot Programs who utilize grants rather than cooperative contracts? When their grants are issued will this mandate be included?

Questions for the Record from Rep. Pete Stauber (MN-08):

- What is the SBA doing to see that OIG recommendations are implemented to ensure that taxpayer dollars are not wasted on programs that have perpetuated fraud?
- Does the SBA see the Community Navigators program as reinventing the wheel? If not, where does the SBA believe the SBDCs, WBCs, VBOCs, and SCORE are failing our small businesses? Would it not be more efficient to improve the programs we already have in place?
- How does the SBA measure the success of entrepreneurial development programs? Should these programs wane from success, or not meet certain goals, what accountability actions does the SBA take to ensure funds are used effectively?

Questions for the Record from Rep. Dan Meuser (PA-09):

- American small businesses depend on the SBA every day for vital programs and resources. The mission of the Office of Entrepreneurial Development is to "help small businesses start, grow, and compete in global markets." How can Congress help your office serve and advocate for our small businesses?
- Small businesses in rural areas, like many of those in my district, do not have the same access to resources as their more urban and suburban counterparts. How is your office currently serving more rural communities and what ideas do you have to further support these entrepreneurs?
- Thanks to massive levels of increased government spending, inflation is at its highest in 30 years. Because of this, I've recently introduced legislation that would require the Congressional Budget Office to take account of inflation during their scoring process for reconciliation bills. How is your office helping small businesses navigate the rising costs of goods?

- What specific steps will the Office of Entrepreneurial Development take to ensure that those taking part in the Community Navigators Program are effective and qualified resources for our nation's small businesses?

Questions for the Record from Rep. Andrew Garbarino (NY-02):

- According to National Federation of Independent Business' (NFIB) latest COVID-19 survey, half of small employers report supply chain disruptions and staffing shortages significantly impacting their businesses. How is your office and the greater SBA assisting small businesses in overcoming these supply chain disruptions and staffing shortages?
- A key metric measuring inflation is at the highest rate since 1991, that's the highest rate in 30 years. How is your office helping small businesses navigate the rising costs of goods?
- As the Ranking Member of the House Homeland Security Committee's Subcommittee on Cybersecurity, Infrastructure, Protection, and Innovation, I am very concerned with the impact cyber-attacks have on the U.S. economy and our small business community. What is your office and the greater SBA doing to ensure that small businesses are prepared to withstand direct cyber-attacks and are trained to protect themselves from any economic impact caused by such attacks?

Questions for the Record from Rep. Young Kim (CA-39):

- In your written testimony you talk about Mr. Patrick Montgomery who received a PPP loan by learning about it through the SBDC program. Thanks to the PPP, Mr. Montgomery was able to keep his staff full force and expand his business. Can you describe how the partnership between local lending institutions and the entrepreneurial development (ED) resource networks facilitates access to capital for small businesses? Does it help small business owners and entrepreneurs to have bank representatives who know their communities as a resource for the networks?
- In your written testimony, you indicated that SBA is introducing a next generation reporting system. Can you provide the Committee with more information on the timeline of the reporting system's implementation? Can you provide more details on this investment and reporting system?
- Are there any internal procedures within the Office of Entrepreneurial Development to better coordinate and address duplicative efforts between the different entrepreneurial programs?

Questions for the Record from Rep. Beth Van Duyne (TX-24):

- Despite misleading claims pushed by this Administration, increased taxes included in the Democrat reconciliation plan will negatively affect the close to 1.5 million small businesses organized as C-corporations and most small businesses organized as pass-through entities. According to the Texas Public Policy Foundation, the proposed policies Democrats are pushing will result in Texas businesses losing well over \$650 billion in investments and will reduce full-time employment by 12,000 jobs. Do you believe increased taxes on small businesses helps them grow and compete?
- In your interaction with Ranking Member Luetkemeyer, you mentioned a tracker for all OIG and GAO audits, and that you meet frequently regarding that tracker. Can you give us more information on this tracker, how it works, and how it affects your oversight efforts?

- As the Ranking Member of the Subcommittee on Oversight, Investigations, and Regulations, I was concerned by the Inspector General's Audit of the Women's Business Centers earlier this year that found the SBA "did not provide effective oversight," resulting in close to a million dollars of potential fraud. Unfortunately, the WBCs aren't the only SBA program experiencing fraud.
 - As the Administrator overseeing entrepreneurial development programs, can you tell me how many people on your staff are designated to provide oversight of these programs?
 - The audit being referenced was released in May, and since then, this committee has had no communication with the SBA on the progress of resolving OIG's ten recommendations. This committee also hasn't had an SBA official before it in over four months, making it difficult to get updates on oversight progress. Can you commit to providing more routine updates and reports on WBC and other entrepreneurial program oversight?

Questions for the Record from Rep. Brvon Donalds (FL-19):

- What impact will the increased excise tax on tobacco have on a small business or sole proprietor trying to open a business?
- Will it help or hurt small businesses to get rid of the Section 199A, the small business income deduction?
- Do you think an increase in the corporate income tax rate and/or an increase in the personal income tax rate for small and micro business owners whose income passes through to their 1040s would benefit or impair those businesses' profitability?
- How will the IRS financial institution reporting requirement for inflows and outflows of accounts holding more than \$600 impact small businesses?