

**OVERSIGHT OF THE U.S. SMALL BUSINESS  
ADMINISTRATION**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP**  
OF THE  
**UNITED STATES SENATE**  
**ONE HUNDRED SEVENTEENTH CONGRESS**  
SECOND SESSION

APRIL 27, 2022

Printed for the Committee on Small Business and Entrepreneurship



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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED SEVENTEENTH CONGRESS

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# OVERSIGHT OF THE U.S. SMALL BUSINESS ADMINISTRATION

WEDNESDAY, APRIL 27, 2022

UNITED STATES SENATE,  
COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP,  
*Washington, DC.*

The Committee met, pursuant to notice, at 2:38 p.m., in Room 428A, Russell Senate Office Building, Hon. Benjamin L. Cardin, Chairman of the Committee, presiding.

Present: Senators Cardin, Cantwell, Shaheen, Markey, Booker, Coons, Hirono, Rosen, Hickenlooper, Paul, Risch, Scott, Ernst, Young, Hawley, and Marshall.

## **OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, CHAIRMAN, A U.S. SENATOR FROM MARYLAND**

Chairman CARDIN. The Senate Small Business and Entrepreneurship Committee will come to order.

Let me apologize for being a few minutes late. We just got back from the memorial service funeral for Secretary Albright, which was a fitting tribute to her incredible service to our country. Several members of our Committee were at the memorial service, so literally the buses just got back to the Hill. So my apologies.

Good afternoon. Thank you for joining us today, Administrator Guzman. We are now more than 2 years into the COVID-19 pandemic and 1 year into the Biden administration. So this hearing is an opportunity for our Committee to receive an update on the Small Business Administration's implementation of COVID-19 relief programs and learn how the Administration's Fiscal Year 2023 budget request will fund long-term initiatives to support our Nation's small businesses, especially those in underserved communities.

Since the beginning of the pandemic, Congress has created several new programs to support small businesses, including the Paycheck Protection Program, the EIDL Advance Grant Program, Shuttered Venue Operators Grant Program, the Restaurant Revitalization Fund, and several others. We have also appropriated more than \$1 trillion to the SBA to fund these initiatives. Congress gave the SBA an immense task, and I remain grateful for the thousands of SBA employees who worked around the clock to disburse this aid. They did an incredible service to our country and I offer my sincere thanks.

Several independent studies have confirmed that the SBA's implementation of these programs was largely successful and im-

proved over time, especially in terms of equity, the improvements, as a result of the thoughtful policies implemented by Congress as well as the efforts of the Biden administration to invest in underserved entrepreneurs.

Today, after enduring the deepest economic contraction in several generations, our economy is growing at the fastest rate since 1984. We are back, but the SBA's importance has not diminished. If anything, the SBA has an even more important role to play in the months and years ahead. In the short term there are still many hard-hit industries that need support.

Earlier this month I introduced bipartisan legislation with Senator Roger Wicker to provide additional relief to the more than 177,000 Restaurant Revitalization Fund applicants who remain unfunded, as well as other struggling industries. I just remind our Committee, these restaurants owners of small businesses were in line, they were qualified, they did everything right. There were just not the resources available in order to fund them, and as a matter of equity and need we need to act on that bill.

In the long term, SBA must be equipped to meet the needs of the historic number of Americans engaging in entrepreneurship. According to the Census Bureau, Americans registered a record 5.4 million new businesses in 2021, which exceeded the prior record of 4.4 million new business registrations in 2020. Remarkably, the surge is being driven by entrepreneurs in some of our most underserved communities, with minorities, especially minority women, driving the surge.

President Biden has made supporting minorities, women, and entrepreneurs in rural communities one of his Administration's highest priorities. It is to unleash the full potential of our Nation, our economy opportunity and economic growth, creating not only good jobs but initiatives and innovation that drives our economy.

The experience of the pandemic has demonstrated that the historic barriers that underserved entrepreneurs face are not insurmountable. Administrator Guzman, I am very pleased that the Administration's budget request doubled down on lessons learned during the pandemic. In particular, I believe the Administration's request to increase funding for the SBA entrepreneurial development programs would help create the strong entrepreneurial ecosystems that new small business owners need to succeed.

Last week, the Administrator and I participated in a roundtable discussion with minority small business owners in Baltimore about the Community Navigator Pilot Program. It is clear from that discussion that the SBA has an opportunity to leverage the inroads it has made into underserved communities during the pandemic to unleash their untapped growth potential. I am also pleased that the budget request proposes an increase in lending authority for the 7(a) and 504 loan programs. The additional lending authority will further bridge the historic gaps that exist in private capital markets to ensure that entrepreneurs in all communities have the capital they need to start and grow successful businesses.

Taking advantage of the current boom in entrepreneurship will also require action from Congress. First, creating a direct lending program at the SBA would allow for another avenue for access to capital, filling the current gaps in our financial ecosystem. A re-

imagined direct lending program would allow entrepreneurs to apply direct to the SBA or through community lenders for a Federal loan. As we know, many underserved entrepreneurs are discouraged from applying for a loan because of the high rates of rejection.

Second, we must codify the Community Advantage Loan Program. The loan program is particularly successful at getting capital to underserved entrepreneurs. I was proud to join the Administrator, Vice President Kamala Harris, and Secretary Gina Raimondo at Howard University at the beginning of this month when we announced that the Administration will extend the Community Advantage for two additional years and implement changes such as increasing the maximum loan size and expanding the number of lenders that participate in Community Advantage, to make the program more helpful to small businesses.

And finally, Congress must give the SBA the tools and resources to nurture the next generation of entrepreneurs by creating a network of incubators and accelerators on the campuses of our Nation's historical black colleges and universities, minority-serving institutions, and community colleges.

Administrator Guzman, I want to close my remarks by thanking you once again for joining us today. You have now been in your role for more than a year, so I am looking forward to hearing more about what you have done to improve these programs as well as the insight you have gained in this time in order to help accomplish those goals.

And with that let me turn to the Ranking Member, Senator Paul.

**OPENING STATEMENT OF HON. RAND PAUL,  
A U.S. SENATOR FROM KENTUCKY**

Senator PAUL. This hearing comes at a perilous time for small businesses. Inflation is at a 40-year high. The supply chain crisis is keeping goods offshore instead of on the shelves. Worker shortages across the country are strangling small businesses. The Biden administration needs to be held accountable for its policy failures. But accountability in government requires transparency. Federal employees, from the President's Cabinet on down, have an obligation to be forthcoming when the Congress asks questions on behalf of our constituents.

Welcome back to our Committee, Administrator Guzman. But as I have said before, I voted for your confirmation in a good-faith effort to establish a constructive working relationship with you as administrator. I hoped you would abide, by the explicit commitment you made during your nomination hearing to provide this Committee with information it requests.

Unfortunately, you have not honored that commitment. Your agency and the officials you lead have repeatedly demonstrated an unwillingness to answer basic questions. Most recently, we sent a letter in January. It took 105 days for you to respond. You responded yesterday, and still did not respond with the information that was requested.

When your associate administrator came before this Committee in February, he refused to answer a simple, straightforward question—do you believe the taxpayer has a right to know how you

spend their money? I do not think it gets any simpler than that, and yet we could not get an answer.

Likewise, for more than a year, over a year, we have been asking for information about nearly \$100 million in loans given by the Small Business Administration unlawfully to Planned Parenthood. Since February 2021, members of this Committee have sent seven letters to you requesting information regarding SBA's continued approval of PPP loans. Despite a clear determination, these entities were ineligible by the previous administration. We have not gotten a clear-cut answer that the policy has changed or that there has been a directive to change the policy, nor have we received the information that we have requested, specifically the communications between you and Planned Parenthood.

I request unanimous consent at this point to enter these letters into the record.

Chairman CARDIN. Without objection.  
[The information referred to follows:]



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 COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
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April 15, 2021

The Honorable Isabella Casillas Guzman  
 Administrator  
 U.S. Small Business Administration  
 409 3rd Street, SW  
 Washington, D.C. 20416

Dear Administrator Guzman:

We write to request your immediate attention to the unlawful participation of the Planned Parenthood Federation of America (PPFA) in the Paycheck Protection Program (PPP).

PPP eligibility is limited to entities with 500 or fewer employees. Rules enacted by the *Coronavirus Aid, Relief, and Economic Security* (“CARES”) Act (P.L.116-36) and prior U. S. Small Business Administration (SBA) regulation establish that the size of an entity is considered with each of its affiliates in the determination of eligibility. SBA affiliation rules generally consider entities to be affiliated “when one controls or has the power to control the other, or a third party or parties controls or has the power to control both.”<sup>1</sup> To obtain a PPP loan, an applicant must certify that they are eligible to receive a loan under the rules in effect at the time the application is submitted. In making such certification, an applicant is required to apply the affiliation rules applicable to the PPP and identify its affiliates.

On May 19, 2020, SBA notified a number of PPFA affiliates that they had wrongfully applied for 38 PPP loans totaling more than \$80 million dollars. SBA determined that these local affiliates of PPFA were ineligible for PPP loans under the applicable affiliation rules and size standards and that the loans they received should be returned. SBA cited the control PPFA exercised over its local affiliates in a number of different areas, such as medical standards, affiliate patient transfers, and an accreditation review process administered every three years as evidence of an affiliated organizational structure. Given that PPFA has nearly 16,000 employees nationwide, SBA determined that these PPFA affiliates were ineligible for PPP and requested that each of the 38 affiliates return the \$80 million in PPP funds they wrongfully received.

On March 23, 2021, SBA provided the Senate Small Business Committee with an updated dataset on all PPP loans as of March 14, 2021. This data revealed that, not only have most of the PPFA affiliates not returned their PPP funds, as requested by SBA, but two have applied for and been approved for a second draw loan, with full knowledge of their ineligibility. During a March 24, 2021 Committee hearing, we questioned the Associate Administrator of SBA’s Office of Capital Access, Patrick Kelley, about the new information suggesting Planned Parenthood

<sup>1</sup> 13 C.F.R. 121.103(f)

affiliates had received second draw loans despite the agency's previous determination that these entities were ineligible. Mr. Kelley testified that the SBA had not reversed the longstanding application of affiliation rules or changed any rule related to affiliation.

However, earlier this week SBA released updated data indicating that even more PPFA affiliates have been approved for PPP loans in the last month. According to the most recent SBA data, at least one additional PPFA affiliate was approved for a second draw loan since March 15, 2021. Additionally, another PPFA affiliate recently applied for and was approved for a first draw loan, despite the fact that the entity had previously returned its loan after SBA determined it was ineligible for PPP.

Borrowers who make incorrect or false eligibility certifications on their PPP application are subject to severe penalties. For this reason, we respectfully request that you investigate whether any PPFA affiliates made a knowingly false certification on their applications for PPP loans and pursue all appropriate penalties for any unlawful participation in the program. Additionally, we request that you provide the Committee with the following information no later than April 23, 2021:

1. A detailed explanation regarding how two PPFA affiliates were approved for second draw loans despite the SBA's determination that they were ineligible for the PPP;
2. A detailed explanation of the SBA's process for ensuring entities that were determined to be ineligible for first draw loans do not get second draw loans;
3. All forgiveness information associated with loans to PPFA entities; and
4. A description of any and all actions the SBA has taken to recover PPP funds unlawfully provided to PPFA affiliates.

Thank you for your prompt attention to this matter.

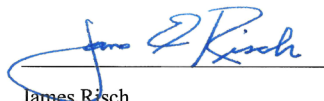
Sincerely,



Rand Paul, M.D.  
Ranking Member



Marco Rubio  
Member



James Risch  
Member



Tim Scott  
Member



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Joni K. Ernst  
Member



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James M. Inhofe  
Member



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Todd Young  
Member



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John Kennedy  
Member



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Josh Hawley  
Member



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Roger Marshall, M.D.  
Member

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April 15, 2021

The Honorable Isabella Casillas Guzman  
 Administrator  
 U.S. Small Business Administration  
 409 3rd Street, SW  
 Washington, D.C. 20416

Administrator Guzman,

I write to request information from the Small Business Administration (SBA) regarding applications for SBA’s COVID-19 small business assistance programs by the company Lumiata<sup>1</sup>. This information is critical to the Committee’s responsibilities under Senate and Committee rules.

For this reason, I respectfully request that you provide the U.S. Senate Committee on Small Business and Entrepreneurship the following information no later than Monday, April 19, 2021:

1. A copy of the Paycheck Protection Loan application submitted on behalf of Lumiata, or all information that was contained in such application including a list of owners of 20% or more of the equity of the Applicant;
2. A copy of the Economic Injury Disaster Loan application submitted on behalf of Lumiata, or all information that was contained in such application including gross revenues for the twelve months prior to the date of the disaster, cost of goods sold for the twelve months prior to the date of the disaster, and business owner information;
3. A copy of the Economic Injury Disaster Loan Advance application submitted on behalf of Lumiata, or all information that was contained in such application.

I appreciate your attention to this matter.

Sincerely,




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Rand Paul, M.D.  
 Ranking Member

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<sup>1</sup> Lumiata Inc is located in San Mateo, CA

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN  
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April 15, 2021

Mr. Dilawar Syed  
 President & CEO  
 Lumiata  
 489 El Camino Real  
 San Mateo, California 94402

Mr. Syed,

I write to request that you provide the U.S. Senate Committee on Small Business and Entrepreneurship complete information regarding the U.S. Small Business Administration (SBA) COVID-19 assistance programs you applied for on behalf of Lumiata. As the Committee prepares to consider your nomination to be Deputy Administrator of the U.S. Small Business Administration, it is imperative that the Committee have all information regarding the participation in SBA COVID-19 assistance programs.

According to the Committee's Rules for the 117<sup>th</sup> Congress, "[i]n considering a nomination, the Committee shall conduct an investigation or review of the nominee's experience, qualifications, suitability, and integrity to serve in the position to which he or she has been nominated." As Ranking Member of the Committee, I believe that information related to any SBA COVID-19 assistance that a nominee has applied for and/or received is relevant to the Committee's assessment of such nominee. However, it is my understanding that requests from my staff to obtain certain information have been unsuccessful to date.

For this reason, I respectfully request that you provide the Committee with the following information no later than Monday, April 19, 2021:

1. A copy of the Paycheck Protection Loan application you submitted on behalf of Lumiata, or all information that was contained in such application including a list of owners of 20% or more of the equity of the Applicant;
2. A copy of the Economic Injury Disaster Loan application you submitted on behalf of Lumiata, or all information that was contained in such application including gross revenues for the twelve months prior to the date of the disaster, cost of goods sold for the twelve months prior to the date of the disaster, and business owner information; and
3. A copy of the Economic Injury Disaster Loan Advance application you submitted on behalf of Lumiata, or all information that was contained in such application.

I appreciate your attention to this matter.

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Sincerely,

A handwritten signature in blue ink that reads "Rand Paul". The signature is written in a cursive, slightly slanted style. Below the signature is a thin horizontal line.

Rand Paul, M.D.  
Ranking Member

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN  
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May 18, 2021

The Honorable Isabella Casillas Guzman  
 Administrator  
 U.S. Small Business Administration  
 409 3rd Street, SW  
 Washington, D.C. 20416

Dear Administrator Guzman:

I write to follow-up on my March 18, 2021 request for information from the U.S. Small Business Administration (SBA). Additionally, I respectfully request you provide my office with updated data on the Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loan (EIDL) and Advance Program. Updated data is critical to ensure the U.S. Senate Committee on Small Business and Entrepreneurship has the information needed to fulfill its responsibility to conduct effective oversight of SBA's programs.

For this reason, I would like to reiterate my March 18 request for current estimates of improper payments and error rates for the PPP and EIDL programs, and actions SBA has taken to address the recommendations made in the Independent Auditors' Report on SBA's FY2020 Financial Statements.<sup>1</sup> Additionally, I respectfully request you provide my office with the following information no later than 5:00PM on May 26, 2021:

1. The entire underlying dataset for PPP first draw loans, as of May 17, 2021, including data headers and explanation of headers;
2. The entire underlying dataset for PPP second draw loans, as of May 17, 2021, including data headers and explanation of headers;
3. The entire underlying dataset for PPP forgiveness, as of May 17, 2021, including data headers and explanation of headers;
4. A detailed breakdowns of all administrative expenses associated with the PPP program;
5. The entire underlying dataset for COVID-19 EIDL loans, as of May 17, 2021, including data headers and explanation of headers;
6. The entire underlying dataset for COVID-19 EIDL Advances, including data headers and explanation of headers;
7. The entire underlying dataset for COVID-19 Targeted EIDL Advances, as of May 17, 2021, including data headers and explanation of headers;
8. A detailed breakdown of all administrative expenses associated with the EIDL, EIDL Advance, and Targeted EIDL Advance programs;

<sup>1</sup> <https://www.sba.gov/document/report-21-04-independent-auditors-report-sbas-fy-2020-financial-statements>

9. The entire underlying dataset for grants issued under the Restaurant Revitalization Fund including data headers and explanation of headers;
10. The entire underlying dataset for grants issued under the Shuttered Venue and Operator Grant Fund, as of May 17, 2021, including data headers and explanation of headers;
11. A copy of the oversight and/or audit plans, including appendix documents, for the Restaurant Revitalization Fund and the Shuttered Venue and Operator Grant Program; and
12. Copies of all contracts and/or agreements entered into by the SBA for the Restaurant Revitalization Fund, the Shuttered Venue and Operator Grant Program, the COVID-19 EIDL program, the EIDL Advance program, the Target EIDL Advance program, and the Community Navigators Program.

Thank you for your prompt attention to this matter.

Sincerely,



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Rand Paul, M.D.  
Ranking Member



### Outstanding Committee Information Requests

As of May 18, 2021

Written Request	Date of Request
The entire underlying dataset for PPP forgiveness, as of March 10, 2021	3/9/2021
Current estimates of improper payments and error rates for PPP	3/18/2021
Current estimates of improper payments and error rates for EIDL	3/18/2021
A summary of what actions, if any, the agency has taken to date to address the recommendations made in the Independent Auditors' Report on SBA's FY2020 Financial Statements	3/18/2021
A detailed explanation regarding how two PPFA affiliates were approved for second draw loans despite the SBA's determination that they were ineligible for the PPP	4/15/2021
A detailed explanation of the SBA's process for ensuring entities that were determined to be ineligible for first draw loans do not get second draw loans	4/15/2021
All forgiveness information associated with loans to PPFA entities	4/15/2021
A description of any and all actions the SBA has taken to recover PPP funds unlawfully provided to PPFA affiliates	4/15/2021
Complete PPP loan-level data for all PPFA affiliates as of May 10, 2021	5/10/2021
A detailed explanation regarding why the SBA continues to approve PPP loans to PPFA affiliates despite the agency's previous determination that they were ineligible for PPP	5/10/2021
Unredacted copies of any and all agency decisions, determinations, guidance, policies, and/or documents related to PPP loans to PPFA affiliates	5/10/2021

Senator PAUL. The information requested in these letters is necessary for the Committee to conduct adequate oversight of the SBA's handling of these loans. Specifically, these requests have included unredacted copies of agency records related to Planned Parenthood loans, records related to any Planned Parenthood affiliate's application for the loans, communications from or with any Planned Parenthood affiliate or their representatives, the names of the SBA employee who actually, if it was actually, conducted a formal or informal review of any of Planned Parenthood's affiliate's eligibility for loans.

Not only have you ignored these written requests, you have failed to produce the requested documents, even after the Chairman and I met personally with you or with your representative to ask for this. Instead of cooperating with the Committee and providing the requested information, you have spent the last year obstructing our legitimate oversight efforts. It took you 3 months to tell us you were not going to give us anything from the last letter. We sent it January 11th. You replied yesterday, or someone in your office did, to say, "Take a hike. We are not going to give you any information." How you can possibly think that is transparency is beyond me.

The SBA has forgiven at least 37 PPP loans to Planned Parenthood. Rest assured, members of this Committee will not stop seeking answers as to why over \$77.9 million in taxpayer money was illegally given and now forgiven to Planned Parenthood.

It seems the lawlessness of this Administration is not exclusive to the SBA. Federal law requires the Secretary of the Treasury to appear before this Committee to testify at regular intervals. It is the law. Secretary Mnuchin fulfilled this responsibility to do so. Secretary Yellen is nowhere to be found. We have been asking, as of today, for the last 366 days for her to appear, as she is mandated by law.

Mr. Chairman, I would like to submit for the record a letter to Secretary Yellen from all Committee Republicans requesting that she participate in this hearing or schedule an alternative time to appear as required by statute. I will note that we received a response, once again a few hours before this meeting, from an Assistant Secretary for Legislative Affairs, claiming that Secretary Yellen has delegated her legal obligation to testify to the Deputy Secretary. Can you imagine if a Secretary of State said, "Oh well, you know, I think I will just send my Assistant Secretary of State to Foreign Relations," or the Defense Department, you know, says, "Well, you know, I just do not think I will go to Armed Services this year. Maybe I will send my Deputy."

We write laws. We write laws so we can have oversight of the Executive branch, and Yellen is just basically thumbing her nose and say, "Oh, I just do not think I will show up. Maybe I will send my Under Secretary." You do not get to create the laws. We did, and you would think there would be bipartisan support for adhering to the law and having the Secretary of Treasury actually appear.

The law passed by Congress is clear that Secretary Yellen must appear. It is not happening. Secretary Yellen does not have the power to rewrite the law and to avoid being scrutinized by Con-

gress. I fear that without a subpoena she will continue to openly defy Federal law.

Administrator Guzman, thank you for being here today, and I look forward to hearing whether or not you will finally answer the questions and will release the information that has been requested on Planned Parenthood.

Chairman CARDIN. Did you want to put in the record the letter to Secretary Yellen?

Senator PAUL. Yes, if you can.

Chairman CARDIN. Without objection. And the reply from Treasury will also be made part of the record.

[The information referred to follows:]

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN  
 RAND PAUL, KENTUCKY, RANKING MEMBER

MARIA CANTWELL, WASHINGTON	MARCO RUBIO, FLORIDA
JEANNE SHAHEEN, NEW HAMPSHIRE	JAMES E. RISCH, IDAHO
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SEAN MOORE, DEMOCRATIC STAFF DIRECTOR  
 WILLIAM HENDERSON, REPUBLICAN STAFF DIRECTOR

**United States Senate**  
 COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
 WASHINGTON, DC 20510-6350  
 TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

April 13, 2022

The Honorable Janet Yellen  
 Secretary  
 U.S. Department of the Treasury  
 1500 Pennsylvania Avenue, NW  
 Washington, D.C. 20220

Secretary Yellen,

We write to follow up on previous requests for you to fulfill your statutorily required obligation to appear before the U.S. Senate Committee on Small Business and Entrepreneurship. By failing to appear before the Committee, you have been in violation of the law for 352 days. As members of the Committee, we find this blatant obstruction of the law unacceptable and will take additional actions, if necessary, to ensure your compliance.

As you know, Section 32(b)<sup>1</sup> of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (title III of division N of Public Law 116-260) requires the Secretary of the Treasury to testify before the U.S. Senate Committee on Small Business and Entrepreneurship regarding the implementation of the Act and the amendments made by the Act. The obligations under this provision mandate an appearance from the Secretary no less than 120 days after the date enactment, and twice annually each year thereafter. You are now delinquent on two appearances before this Committee.

Not only have you failed to comply with the statutory requirements to appear before the Committee, but you have also failed to provide a response to the Ranking Member’s letter dated May 6, 2021 reminding you of these legal obligations. Again, this is unacceptable.

SBA Administrator Isabella Casillas Guzman is scheduled to appear before the Committee on Wednesday, April 27, 2022. We expect you to appear before the Committee with Administrator Guzman on this date to partially satisfy your outstanding obligations under law. If you are unable to appear before the Committee on that date, please notify Meredith West in

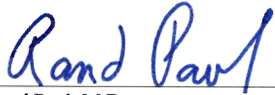
<sup>1</sup> TESTIMONY. – No later than the date that is 120 days after the date of enactment of this Act, and not less than twice each year thereafter until the date that is 2 years after the date of enactment of this Act, the Administrator and the Secretary of the Treasury shall testify before the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives regarding implementation of this Act and the amendments made by this Act.

writing at [Meredith.West@sbc.senate.gov](mailto:Meredith.West@sbc.senate.gov) no later than 5:00PM on April 20, 2022 so an alternative date can be arranged for your testimony.

We remain willing to work with you to remedy these violations in a manner that reasonably accommodates your schedule. However, we are prepared to use all tools available to us to ensure your compliance with the law if it becomes necessary.

Thank you for your prompt attention to this matter.

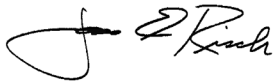
Sincerely,



Rand Paul, M.D.  
Ranking Member  
Senate Committee on Small Business  
and Entrepreneurship



Roger Marshall  
Member  
Senate Committee on Small Business  
and Entrepreneurship



James E. Risch  
Member  
Senate Committee on Small Business  
and Entrepreneurship



Marco Rubio  
Member  
Senate Committee on Small Business  
and Entrepreneurship



James Inhofe  
Member  
Senate Committee on Small Business  
and Entrepreneurship

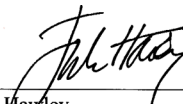


Joni Ernst  
Member  
Senate Committee on Small Business  
and Entrepreneurship



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John Kennedy  
Member  
Senate Committee on Small Business  
and Entrepreneurship



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Josh Hawley  
Member  
Senate Committee on Small Business  
and Entrepreneurship



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Tim Scott  
Member  
Senate Committee on Small Business  
and Entrepreneurship



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Todd Young  
Member  
Senate Committee on Small Business  
and Entrepreneurship

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN	
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**United States Senate**  
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 WASHINGTON, DC 20510-6350  
 TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

May 6, 2021

The Honorable Janet Yellen  
 Secretary  
 Department of the Treasury  
 1500 Pennsylvania Avenue, NW  
 Washington, D.C. 20220

Secretary Yellen,

As you know, Section 321(b)<sup>1</sup> of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (title III of division N of Public Law 116-260) requires the Secretary of the Treasury to testify before the U.S. Senate Committee on Small Business and Entrepreneurship regarding the implementation of the Act and the amendments made by the Act.

As Ranking Member, I write to respectfully arrange a date for you to testify before the Committee, as required by law.

I am committed to working with you to identify a mutually agreeable date for you to fulfill your obligation to appear before the Committee. Unfortunately, previous efforts to work with your Department to schedule your testimony have been unsuccessful to date. For this reason, I respectfully request that you direct your office to provide the Committee with your availability for the months of May and June no later than 5PM on May 7, 2021.

Thank you for your prompt attention to this matter.

Sincerely,

Rand Paul, M.D.  
 Ranking Member

<sup>1</sup> TESTIMONY. – Not later than the date that is 120 days after the date of enactment of this Act, and not less than twice each year thereafter until the date that is 2 years after the date of enactment of this Act, the Administrator and the Secretary of the Treasury shall testify before the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives regarding implementation of this Act and the amendments made by this Act.



ASSISTANT SECRETARY  
FOR LEGISLATIVE AFFAIRS

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

April 27, 2022

The Honorable Rand Paul  
Ranking Member  
Committee on Small Business & Entrepreneurship  
United States Senate  
Washington, DC 20510

Dear Ranking Member Paul:

I write in response to your letter dated May 6, 2021.

Treasury is committed to providing Congress and all of our oversight bodies with the information they need to conduct their important work as we support the American people during the recovery from the pandemic. Since taking office, the Secretary has testified before Congress twelve times and looks forward to continuing this robust engagement in the weeks and months ahead.

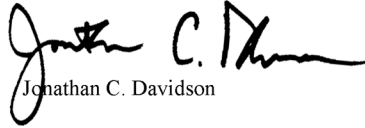
Your letter notes that Section 321 of the Economic Aid and Hard-Hit Small Businesses, Nonprofits, and Venues Act provides that “the Secretary of the Treasury shall testify before the Committee on Small Business and Entrepreneurship of the Senate.” As you know, the delegation of duties by heads of federal agencies has been a routine practice for many years, in light of the fact that Executive Branch agencies are too large and complex for all their duties to be handled by the head of the agency personally. Examples are widespread in legislation; for example, the same division of the statute you cite also requires the Secretary to send notices by mail to taxpayers regarding payments (section 272); receive individuals’ tax payment information (section 273); provide financial assistance to aviation businesses (section 404); and update Treasury’s website to reflect financial assistance disbursements (section 409), among many other duties. Given the breadth of the duties assigned to the Secretary by legislation, she is permitted to delegate the authority to other agency officials to lawfully take these actions. In contrast, in other instances Congress has specified that a particular responsibility may not be delegated. For example, in the same statute, see Division F, section 515 (“Any official that is required by this Act to report or to certify to the Committees on Appropriations of the Senate and the House of Representatives may not delegate such authority to perform that act unless specifically authorized herein.”).

Congress has expressly authorized the Secretary of the Treasury to “delegate duties and powers of the Secretary to another officer or employee of the Department of the Treasury,” including the



Deputy Secretary.<sup>1</sup> Treasury Order 101-05(2)(a) provides that the Deputy Secretary “has authority, in [his] own capacity and [his] own title, to perform any functions the Secretary is authorized to perform.” Pursuant to these authorities, the Secretary has delegated the responsibility for the testimony described in your letter to Deputy Secretary of the Treasury Wally Adeyemo. Deputy Secretary Adeyemo has repeatedly offered to testify before the Committee, and we hope that he will be permitted to testify regarding these important programs. If you have further questions, please direct your staff to contact the Office of Legislative Affairs at [LegAffairs@treasury.gov](mailto:LegAffairs@treasury.gov).

Sincerely,



Jonathan C. Davidson

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<sup>1</sup> 31 U.S.C § 321(b)(2).

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN  
RAND PAUL, KENTUCKY, RANKING MEMBER

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JEANNE SHAHEEN, NEW HAMPSHIRE  
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**United States Senate**  
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June 9, 2022

The Honorable Janet Yellen  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Secretary Yellen,

We write in response to the letter dated April 27, 2022 from Jonathan Davidson, Department of Treasury Assistant Secretary for Legislative Affairs, regarding your statutory obligation to appear before the Small Business Committee. We strongly dispute the Treasury Department's interpretation. The law is clear. The Secretary is required to testify and this duty is not delegable. Therefore, the Deputy Secretary is not authorized to satisfy your legal obligation to testify before the Committee.

Section 32(b) of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (title III of division N of Public Law 116-260) clearly states that "the Small Business Administration Administrator and the Secretary of the Treasury shall testify before the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives regarding the implementation of this Act and the amendments made by this Act." The purpose of this provision is to ensure the Treasury Secretary is held accountable for the implementation of the COVID-19 programs mandated in the Economic Aid Act.

As you know, the Treasury Secretary has a similar statutory obligation to testify before the Senate Banking Committee about the implementation of certain pandemic relief programs. Section 26(c) of the Coronavirus Aid, Relief, and Economic Security Act (title IV of Public Law 116-136) mandates "[t]he Secretary and the Chairman of the Board of Governors of the Federal Reserve System shall testify, on a quarterly basis, before the Committee on Banking, Housing, and Urban Affairs of the Senate ... regarding the obligations of the Department of the Treasury and the Federal Reserve System, and transactions entered into, under this Act." You complied with this legal obligation to appear before the Banking Committee by testifying on March 24, 2021, September 28, 2021, November 30, 2021, and May 10, 2022. Your predecessor complied with this mandate as well, appearing before the Banking Committee three times. Despite the nearly identical statutory language requiring your testimony before the Senate Banking and the Senate Small Business Committee, you have only satisfied your obligation to the Senate Banking

Committee. We fail to understand why you believe you have the authority to decide what laws you will comply with. The Committee expects you to treat your statutory obligations to both Committees with the equal weight of the law.

In addition to your appearances before the Senate Banking Committee, you have appeared at least three times before Congress since June of 2021, providing testimony to the House Financial Services Committee and the Appropriations Subcommittee on Financial Services and General Government in both chambers. We are unable to comprehend how the Secretary is able to make several appearances before Congress and an abundance of optional conferences and press briefings, but refuses to fulfill her legal obligation to this Committee.

The Committee finds it especially egregious that the Secretary failed to appear alongside Administrator Guzman May 26, 2021, yet was able to appear before the House Appropriations Subcommittee on Financial Services and General Government on May 27, 2021. Like every other American, the Secretary is not at liberty to decide which legal obligations to fulfill and which to ignore.

The law mandates you appear before the Committee. We expect you to respect the rule of law and cooperate with Committee staff to schedule a date to provide your testimony.

Sincerely,



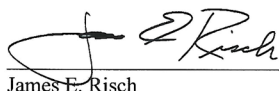
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Rand Paul, M.D.  
Ranking Member  
Senate Committee on Small Business  
and Entrepreneurship



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Roger Marshall  
Member  
Senate Committee on Small Business  
and Entrepreneurship



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James E. Risch  
Member  
Senate Committee on Small Business  
and Entrepreneurship



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Marco Rubio  
Member  
Senate Committee on Small Business  
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Tim Scott  
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and Entrepreneurship



Todd Young  
Member  
Senate Committee on Small Business  
and Entrepreneurship

Chairman CARDIN. If I might just comment briefly on the two points you raised. First, in regard to Planned Parenthood, and I might say it also involves other organizations in addition to Planned Parenthood, such as YMCAs and Boys Clubs, and issues like that. We have been going around on this for a long time, and I regret that the casualty has been that the Deputy Administrator has not been confirmed, even though that person is eminently qualified and no one challenges the person's qualifications.

We have tried to do everything we can to accommodate the request for information. So I recognize we are in disagreement on this, but I do believe that the agency has provided all the information in regard to the circumstances, including the transparency of every loan and forgiveness that was given. So I just want the record to reflect we have a disagreement on that. I do not join the Ranking Member in his concerns.

In regard to Secretary Yellen, I agree. I thought Secretary Yellen should testify before this Committee, and I so told you that. We have now gotten a formal reply from Treasury saying that she is formally delegating that to the Deputy Secretary, who, by the way, is a very competent person who has control over a lot of the programs that we are interested in. If the Ranking Member desires, I will arrange for the Deputy Secretary to testify before us. If that is not adequate, then we will continue to hold out hope for the Secretary herself to appear before us. But we can talk about that at another time because I do agree we should hear from Treasury in this Committee.

With that let me turn it over to Administrator Guzman.

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

Ms. GUZMAN. Thank you so much. Good afternoon, Chairman Cardin, Ranking Member Paul, as well as the distinguished members of the Committee. Thanks for the opportunity to appear before you today, in person, to discuss President Biden's Fiscal Year 2023 budget request for the U.S. Small Business Administration.

The President's budget requests a total of \$1.06 billion to foster growth and opportunity across America's economy by supporting the SBA's critical small business programs and disaster assistance. This funding level generates practical investments in economic progress, and with your support allows us to continue delivering crucial programs and services for a surging wave of American entrepreneurs.

Over the past year I have visited small businesses across 28 states and Puerto Rico. I have witnessed the strength and resilience of American entrepreneurship first-hand. Despite hardships from the pandemic, America's small businesses and innovative startups are creating new jobs, powering our economy, strengthening our global competitiveness, and supporting working families, and Americans are launching businesses at record rates. Business applications have risen more than 30 percent from pre-pandemic level, and as the Chairman said, in 2021, 5.4 million Americans applied to start a business.

One of this Administration's top priorities is making sure the opportunities of this growing economy are reaching all Americans.

President Biden often says that ability is spread evenly but opportunity is not, and that is important because building equity, ensuring access and opportunity are open to all is not just the right thing to do but it is good for business and the economy.

Thanks to historic legislation passed by Congress, the SBA has been able to deliver critical relief and help millions of small businesses, especially in our hardest-hit communities, survive the pandemic.

In Fiscal Year 2021, the SBA distributed more than \$450 billion in financial relief through the Paycheck Protection Program, the COVID Economic Injury Disaster Loan, and Advance programs, the Restaurant Revitalization Fund, and the Shuttered Venue Operators Grant program. These vital relief funds saved jobs in every community in the country.

Now we are delivering on the promise of PPP forgiveness. To date, 87 percent of all eligible PPP recipients have submitted forgiveness applications, and nearly all, 99.4 percent of all qualified applicants, have had their loans partially or fully forgiven.

SBA has not only delivered on pandemic relief but our core capital programs, which support hundreds of thousands of jobs, are breaking records. Demand for SBA capital support is outpacing the resources available, with a 62 percent increase in 7(a) loans approved, and a 41 percent increase in 504 loans approved.

Given the high demand for SBA's capital programs and their effectiveness for our small businesses, President Biden is requesting a 13 percent increase across our core programs for a total of \$71 billion.

In addition, the budget recognizes that SBA needs additional support to service \$361 billion in COVID EIDL. The budget requests authority to reprogram existing balances and targeted COVID EIDL advance to support and service loans for the 3.9 million borrowers.

A large percentage of these borrowers will start making payments in the months ahead, requiring SBA to shift from origination to servicing. As we enter this new phase of recovery, SBA must provide the borrowers with the needed resources as well as the quality customer service that they deserve.

While my written testimony outlines other budget priorities, one additional key area I want to highlight is our efforts to upgrade our systems and processes to detect and prevent fraud. During this Administration, the SBA has acted quickly to protect taxpayer dollars, first by restoring controls and deploying new technology to mitigate fraud. Our work to implement or enhance fraud controls has been recognized by Federal accountability agencies and watchdogs.

I also recently announced the creation of a new Fraud Risk Management Board to replace the Fraud Risk Management Council. This new board provides the oversight and the agency-wide coordination recommended by the GAO.

Additionally, I designated a Special Counsel for Enterprise Risk to work directly in my office to further limit fraud and risk across the agency, in coordination with this established fraud management framework.

To recover taxpayer funds we are working closely with the Office of Inspector General and other Federal authorities to refer sus-

pected fraud to law enforcement authorities. Effect stewardship is necessary for the SBA to achieve our mission. I am committed to working with stakeholders, including Congress, to protect SBA's programs from abuse and ensure that legitimate businesses have a clear path to access the financial resources Congress has created for them.

Thank you again, Chairman Cardin and Ranking Member Paul and the distinguished members. I look forward to your questions.

[The prepared statement of Ms. Guzman follows:]



Testimony of

Isabella Casillas Guzman  
Administrator  
U.S. Small Business Administration

Before the

Committee on Small Business &  
Entrepreneurship  
U.S. Senate

Hearing on

“Oversight of the U.S. Small Business Administration”

April 27, 2022



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

Good morning, Chairman Cardin, Dr. Paul, and distinguished members of the committee. Thank you for the opportunity to appear before you today to discuss President Biden's Fiscal Year 2023 budget request for the U.S. Small Business Administration—and our intent to apply the resources and leadership provided by Congress to continue supporting our small business economy and delivering for a surging wave of new American entrepreneurs.

The President's budget requests \$1.06 billion—\$914 million to support the SBA's critical small business programs that foster growth and opportunity along with \$143 million for major disasters under the Stafford Act. Collectively, this funding level represents practical investments in economic progress that will help lower the federal deficit, cutting costs for families, and advancing the President's bipartisan Unity Agenda.

I have seen for myself how these investments will help uplift America's growing population of small business owners and entrepreneurs. Over the past year, I've visited hundreds of small businesses across 28 states and Puerto Rico. I've had the opportunity to visit many of the communities you represent and witness the strength and resilience of American entrepreneurship firsthand.

Despite hardships from the pandemic, America's small businesses and innovative startups are creating new jobs, powering our economy, strengthening our global competitiveness, and supporting working families and communities across the nation.

America's global economic leadership and strength depend on the health of our nation's small business economy and the entrepreneurs contributing to it.

Americans are launching businesses at record rates. Business applications have risen more than 30% from pre-pandemic levels, and in 2021 alone, 5.4 million Americans applied to start a business.

One of this Administration's top priorities is making sure the opportunities of this surging economy are reaching all Americans. President Biden often says that ability is spread evenly but opportunity is not. And that's important because building equity—ensuring America's doors of access and opportunity are open to all—isn't just the right thing to do, it's good for business.

Investing in equity helps ensure more of our nation's extraordinary talent and creativity can be fully leveraged to create products and services that make our lives better and confront global challenges.

President Biden's fiscal year 2023 budget builds on the agency's successes, honing our programs to make it easier for small businesses to grow—especially in communities and areas of our economy where they are needed most: expanding the supply of affordable childcare, constructing new renewable energy capacity, building generational wealth in underserved communities,

positioning small businesses to serve as contractors in the buildout of modern infrastructure, and inventing—and bringing to market—powerful new technologies to address climate, cybersecurity, and so much more.

### **COVID RELIEF**

To put the President's fiscal year 2023 budget in context, we need to consider how we got here—and how far we have come in America's economic recovery from COVID.

Facing a once-in-a-generation pandemic, Congress worked with President Biden to deliver the American Rescue Plan, historic legislation that built on the CARES Act and the Economic Aid Act to strengthen financial safety nets and ensure millions of American small businesses could survive the pandemic.

In Fiscal Year 2021, the SBA distributed more than \$450 billion in financial relief through the Paycheck Protection Program, the COVID Economic Injury Disaster Loan and Advance programs, the Restaurant Revitalization Fund, and the Shuttered Venue Operators Grant program. Those vital relief funds saved jobs in every community in the country.

As a result of Congressional leadership, we have helped millions of small businesses and nonprofits keep their doors open and expanded our reach to serve the smallest of small businesses, underserved entrepreneurs, main street restaurants and live entertainment venues.

After making key programmatic changes that protected the integrity of the Paycheck Protection Program (PPP) and COVID EIDL programs from fraud, we served more sole proprietors and mom and pop businesses than ever before. Now, we're continuing to deliver on the promise of forgiveness. To date, 87 percent of all eligible PPP recipients have submitted forgiveness applications and 86 percent have had their loans partially or fully forgiven.

SBA staff also worked carefully to expand access to small business lending for our core customers. For example, the agency developed new rules to make it easier for projects to use 504 refinancing with or without expansion funding.

Over the past year, we also redesigned COVID EIDL, our Economic Injury Disaster Loan program, to meet our customers' needs with an improved user experience including a mobile-friendly application, as well as making several impactful policy changes including more flexible use of funds, loan payment deferment, and a more streamlined process for speed and certainty.

As a result of these improvements, our COVID EIDL program distributed vital emergency relief that reached as much as \$2.8 billion per day, and we're continuing to distribute around \$750 million per day through the program to finalize reconsiderations and loan increase requests.

### **CAPITAL ACCESS**

The SBA's core capital programs delivered at impressive, record-setting levels in Fiscal Year 2021—another reflection of the historic surge in American entrepreneurship and further evidence

that demand for SBA capital support is outpacing available resources, with the unprecedented approval of more than 51,850 7(a) loans totaling \$37 billion, a 62 percent increase from the previous year.

In the 504 loan program, the SBA approved more than 9,670 loans, totaling \$8.2 billion. That is also a record and a 41 percent increase from last year, utilizing the entire \$7.5 billion authorization for the core 504 program.

The Microloan Program delivered more than 4,500 loans to small businesses in underserved communities, totaling nearly \$75 million.

The SBA also exceeded its Lender Match Agency Priority Goal target of 86,000 businesses connected through Lender Match by more than 500 percent, bringing access to SBA loans within reach for 554,000 small businesses—helping to increase the number of lender and small business connections, upgrading user experience and convenience, and improving access to capital overall.

Combined, SBA's capital programs support hundreds of thousands of jobs—and after a careful review, including the high demand for them, President Biden is requesting authorization for a 13% increase in small business capital across these programs above enacted Fiscal Year 2022 levels for a total of \$71 billion.

Specifically, the President's request includes a \$5 billion increase to lending authorized under the 7(a) loan program, a product most often used by small businesses for working capital or business acquisition; a \$2 billion increase in authority for Secondary Market Guarantees for 7(a) loans; and a \$1.5 billion increase to lending authorized under the 504 Loan Program, most often used to finance major purchases with the objective of long-term growth, such as real estate and major equipment.

#### **COVID EIDL TRANSFER AUTHORITY**

The Budget request recognizes that we need to make sure COVID EIDL borrowers are supported. SBA is requesting authority to transfer \$320 million in already-appropriated targeted EIDL advance balances to support COVID-EIDL loan servicing and other COVID-related programs.

Transferring this funding is critical since the SBA bears responsibility for servicing more than 3.9 million COVID EIDL loans totaling more than \$361 billion. For comparison, that amounts to nearly half the volume of all credit card debt in the United States today.

A large percentage of these borrowers will start making monthly payments in the months ahead, requiring SBA to shift from COVID EIDL origination to servicing. Our role as an agency should also include providing these borrowers with the necessary education, support, and quality customer service they deserve as they enter this new phase of their recovery.

We believe the \$320 million transfer authority requested in the President's budget is sufficient to provide the necessary support in the coming fiscal year.

#### **BUILDING RESILIENCY FOR SMALL BUSINESS**

One of President Biden's top priorities in office has been preparing America's economy and our communities for the growing threats and challenges of a changing global climate. The SBA plays an important role in this work.

As climate change has driven more frequent and devastating natural disasters, the SBA's Office of Disaster Assistance has been an important federal partner over the President's first year, providing lifelines totaling nearly \$2.3 billion to help small businesses, renters, and homeowners recover and rebuild.

That SBA disaster aid included nearly \$100 million in loans to support victims of the Colorado Wildfires and Straight-line Winds and \$1.8 billion in loans to help more than 37,000 individuals and businesses all the way from Louisiana to New York recover and rebuild after Hurricane Ida.

With a more active hurricane season forecast for this year, one of the most effective ways we can help mitigate the disaster costs of climate change is to invest more in resiliency.

The President's budget requests \$179 million in disaster funding—including \$10 million to help address the climate crisis through the SBA's business loan and disaster loan programs—to ensure the agency can deliver its critical support after a disaster and help prevent similar damage in the future by supporting efforts to facilitate access to capital for climate change mitigation investments and resilience efforts to support a more sustainable economy.

#### **VETERANS**

One of the most important places where the SBA is working to build our capacity is in support of America's veteran entrepreneurs. Veteran-owned small businesses generate nearly \$1 trillion in revenue annually and they support 4 million jobs.

In Fiscal Year 2023, the SBA is planning to expand the Veterans Business Outreach Center Program significantly—from 22 to 34 locations nationwide, an expansion that will significantly improve the customer experience for veteran entrepreneurs by reducing travel and wait times for appointments and providing additional local training opportunities.

This expansion reflects an expectation that demand for small business startup and scaleup technical assistance among veteran small business owners will continue to grow—in part because of an expanded focus on underserved and underbanked communities as well as continued implementation of the FY 2019 National Defense Authorization Act (NDAA) requirements that increased the number of transitioning service members and military spouses that have access to SBA's popular Boots to Business program.

Another way we're working to improve customer experience and support for veteran entrepreneurs is the ongoing transfer of duties associated with the Center for Verification and Evaluation or CVE, from the U.S. Department of Veterans Affairs to the SBA, as directed by the FY 2021 NDAA.

This center is responsible for verifying veteran eligibility for veteran-owned small businesses and service-disabled veteran-owned small businesses, an important certification that empowers these veteran business owners to participate in set-aside and sole source contracting opportunities. With the transfer of these responsibilities to SBA, the certification will become available to all veteran contractors, not just those doing business with the VA.

Veteran's Small Business certification program and oversight will be the responsibility of the SBA starting January 1, 2023. As a result, the President's Budget requests \$20 million to manage this transition and maintain the CVE program for the duration of the 2023 fiscal year—funding that will provide the resources necessary for information technology infrastructure development, integration, and maintenance.

The SBA also plans to collaborate with the VA to support outreach activities, including marketing and training to assist the veteran small business community to ensure continued operations and support to program participants in the areas of application processing, eligibility, and oversight of continuing eligibility for program participants to ensure their eligibility for contracts.

#### **INVESTMENT AND INNOVATION**

SBA's innovation arm delivered significant support last year with Small Business Investment Companies (SBICs) providing more than \$7 billion in long-term funding to more than 1,000 small businesses helping to start, grow, and sustain small businesses and startups across 49 states and Puerto Rico. The budget requests an authorized commitment level of \$5 billion for the SBIC program, consistent with the FY22 authorized level and a \$1 billion increase from FY21.

The President's budget also builds on the FY 2022 request to support the scaling up of SBIR/STTR programs, enabling additional outreach and training efforts targeted to women, underserved geographic locations including rural, and socially or economically disadvantaged entrepreneurs.

This budget also proposes investments that will strengthen America's innovation ecosystem by providing \$10 million to Growth Accelerators, \$10 million to Regional Innovation Clusters (RICs), and \$10 million to our Federal and State Technology (FAST) Partnership Program.

#### **CONTRACTING**

America's small business industrial base has seen a long pattern of decline, with the number of small businesses contracting with the federal government dropping by close to 40 percent over

the past decade. New entrants have decreased even more, by as much as 60 percent. We also know that small businesses owned by people of color and women continue to be left out.

Under President Biden's leadership, the SBA has implemented significant reforms to reverse these trends and open the doors of contracting to more small businesses in more communities.

For example, federal agencies will be required to track and publicly report how they're bringing in new contractors. The SBA is managing executive performance metrics to small business goals for socio-economic firms including the President's 15 percent goal for small, disadvantaged businesses by 2025, with a Fiscal Year 2022 goal of 11 percent. We believe the Bipartisan Infrastructure Law and the Made in America Executive Order will provide additional opportunities for small businesses to contract with the government, either directly or as suppliers to other firms.

To improve transparency and accountability, the SBA has also started reporting disaggregated federal contracting data across industries and sectors, including tracking by race and ethnicity, for the first time ever. As a result we can better track contracting disparities—including, for example, knowing that Black-owned firms are awarded less than 2% of contracts but make up 10% of all businesses.

Along with releasing the disaggregated data, agencies will track new entrants alongside small business performance, and we are including contracting goals in the evaluations of senior executives managing procurements. We've also worked closely with the Office of Management and Budget to revise and clarify category management policies and practices to significantly expand opportunities for small business contractors, especially those in underserved communities.

As the agency responsible for directing the federal contracting goals for small businesses, the SBA is committed to closing these gaps and opening doors of federal contracting by working with all our federal buying agencies and offering direct support to more small businesses to get them capital and contract ready.

To that end, the President's fiscal year 2023 budget includes \$9.8 million, an increase of \$6.3 million over FY22 enacted, to scale up training to help an estimated 9,500 small, disadvantaged businesses better prepare for federal contracting opportunities.

With funding increases for the 7(j) Program, the SBA also plans to promote inclusive economic opportunity in government contracting for 7(j) eligible business owners, namely low-income individuals, residents of low-income areas, residents of high unemployment areas, HUBZone eligible firms, 8(a) firms, and economically disadvantaged women-owned small businesses. We know, for example, that 8(a) certified firms that received 7(j) training had a 12 percent higher probability of getting their first contract compared with firms that did not take the training.

**ENTREPRENEURIAL DEVELOPMENT**

During COVID, we learned that connection and networks were critical for entrepreneurial success. The agency's nationwide network of resource partners has delivered entrepreneurship and small business training and support to more than 1.2 million entrepreneurs, with clients obtaining more than \$7.9 billion in capital and starting nearly 26,000 new businesses in FY 2021.

These networks have expanded to meet the growing demand for their services. For example, the SBA maintains a network of more than 140 Women's Business Centers (WBC). With the opening of our 141<sup>st</sup> location in Alaska, we now have a WBC in every state, the District of Columbia and Puerto Rico, making it the largest such network in our agency's history focused on the unique strengths and needs of women entrepreneurs.

The President's fiscal year 2023 budget builds on a still-growing demand for these and related services, requesting \$318 million—a 17% increase above the FY 2021 enacted level—for Entrepreneurial Development programs.

**SALARIES & EXPENSES**

Ultimately, the important mission carried out by the SBA relies on the strength of our talented and dedicated workforce. This budget request invests \$346 million to ensure the SBA can hire and retain the talent needed to provide these critical services and meet the demand for loans, counseling, training, government contracting, and other support during this time of increased entrepreneurship and business formation.

Ensuring strong federal support for this account will ensure that the agency can continue to meet the demand and deliver customer-centric services that America's small businesses need to succeed.

**FRAUD REDUCTION**

One of my most important missions at the SBA is ensuring good stewardship of our limited federal resources. That is why the SBA has upgraded our systems and processes to detect and prevent fraud.

We recognize that managing fraud risk in agency programs and operations is integral to responsible stewardship of taxpayer resources and effective service delivery to the American public.

During this Administration, the SBA has acted quickly to protect taxpayer dollars, first by restoring controls that mitigate fraud as approved by Congress under the Economic Aid Act. We deployed technology as well as made various other process improvements that not only sped up review times but also automatically routed high-risk loans for closer scrutiny.

As a result, the SBA has been better able to crack down on fraud, substantially reduce application backlogs, and significantly improve SBA customer experiences while still ensuring

legitimate businesses have a clear path to access the emergency financial lifelines Congress created for them.

The SBA's work in the Biden-Harris Administration to enhance fraud controls in pandemic programs has been recognized by federal accountability agencies and watchdogs. And these new fraud prevention measures are just the start.

I recently announced the creation of the SBA's new Fraud Risk Management Board (FRMB). This Board is the agency's designated anti-fraud entity and replaces existing fraud risk structures put in place before the pandemic and will provide the necessary oversight and agency-wide coordination under the standards and framework recommended by the GAO.

I have also designated an SBA Special Counsel for Enterprise Risk to work directly in the Office of the Administrator to limit fraud and risk across the Agency in coordination with our established Enterprise Risk Management Board and the Fraud Risk Management Board.

This work is important which is why the SBA strongly supports the work of the Interagency COVID-19 Fraud Enforcement Taskforce and the Department of Justice Chief Pandemic Prosecutor and Director for COVID-19 Fraud Enforcement—efforts that I am confident will further develop SBA's fraud risk framework and further strengthen our mitigation efforts.

We are working closely with the Office of Inspector General and other federal authorities to refer suspected fraud to the appropriate law enforcement authorities so that they can recover taxpayer funds with our full support. This is a critical part of SBA's mission and I am committed to working with stakeholders—including Congress—to protect SBA's programs from abuse.

#### **CONCLUSION**

President Biden's budget request for Fiscal Year 2023 builds on the incredible progress we have made since the start of the Biden-Harris Administration: building bridges of equity and opportunity across America; and, opening doors for more small businesses to grow with access to capital, networks, training, innovation, and government contracting.

We have helped spark a historic resurgence in American entrepreneurship. The President's budget framework taps into the entrepreneurial spirit to position small businesses at the forefront of our nation's rebuilding and as the foundation for America's greatest economy yet.

Thank you again Chairman Cardin, Dr. Paul, and distinguished members of the committee, for the opportunity to appear before you today. I look forward to your questions.



Chairman CARDIN. Thank you, Madam Administrator, and once again thank you for your leadership. We will now start a round of 5-minute questions.

I want to ask first, if I might, about the SBIR and STTR programs. I mention that because they are set to expire at the end of September. We do have legislation that is heading toward conference in the COMPETES Act, where the House has passed a clean, 5-year extension of these programs. We are hopeful that there will be some action in the conference committee.

I have heard from our national security team and people at DoD that they are extremely concerned if there is a lapse in the program. I know by the work of small business, high-tech companies in Maryland under this program the type of work they are doing for our national security and defense in innovation could not be duplicated by companies that are—if we do not have the SBIR and STTR programs.

My question to you is, how important is it for us to avoid a lapse in these programs, and in reauthorizing, is it important that we do not put restrictions in that could make it difficult for this program to continue to operate under its current authorities?

Ms. GUZMAN. Thank you, Senator. I do share that this SBIR/STTR program is really strong for our Nation's innovation. You know, Qualcomm, 23andMe, great companies have come out of this program, and we know that it is very necessary, as America's seed fund to continue to provide this early stage capital, in order for us to stay competitive globally in such key industries and technologies.

Any disruption, of course, would be challenging for those small businesses or those innovators. They need certainty and not having that within this program would definitely be a huge lapse in our ability to innovate as a country. And so I would encourage whatever we can do to continue to extend that for 5 years as well as not inhibit it with any restrictions. I know that our partners, the 11 agencies that administer this program, have continued to advance their objectives and find, through our small businesses, innovative solutions to problems.

Chairman CARDIN. And I just note that we have extended this program, with bipartisan co-sponsorship, both in the House and the Senate, so it has enjoyed strong bipartisan support. The House action was done in the bipartisan manner over a long period of time. In fact, we have had legislation to make it permanent that has been supported by both Democrats and Republicans.

September is coming up soon, so it is important that we express support for this. I would just urge you to be engaged in the conference activities to try to get this done.

I want to talk about direct lending for one moment. I see that is in your budget, if I am correct on that. I think it was an initiative by the Administration, and it is certainly an area that I think is important.

Could you explain why a direct lending program would help fill some of the voids we currently have in regard to access to capital by small businesses that traditionally do not have the confidence of the banking community. They may be the smaller of the small businesses. We know there has been a decline in loans to the

smaller companies. The commercial lenders like to have larger loans. They are easier to manage.

Can you explain the need for direct lending?

Ms. GUZMAN. Yes, of course, and broadly we are asserting our interest and continued research in this area within the budget. No specific dollar amount requested.

SBA, of course, has been doing direct lending through its disaster products to communities, both homeowners, renters, as well as businesses, since inception in 1953. With the small business capital access, the issues of barriers are strong, especially for underserved communities. Forty-four percent of small businesses get their capital through the banking system as well. Even in SBA's lending we have seen a decline in small-dollar loans, especially \$50,000 and under, but \$150,000 and under in general, with less lenders in that space. As you mentioned, they are still complicated loans to do and just as expensive as a larger loan.

The SBA's intent with direct lending is to get engaged and provide a simply alternative product for those institutions that may want support in financing certain business. It could be a community bank that is not underwriting restaurants but wants to retain that depository relationship and that customer and continue to support that business. And so they could access the SBA's direct lending vehicle with the eligibility criteria and underwriting standards that we would create and hold ourselves accountable to the same standard as them in order to fill that gap.

That is the intent of the program, and it is really with the purpose of trying to simplify lending at the SBA and continue to work through our banking partners as well as others.

Chairman CARDIN. And last, let me just have you comment on why the Administration decided to extend the Community Advantage program and expand its availability. Tell us why that was important to continue that program.

Ms. GUZMAN. For the same reason of these huge capital gaps, especially in small-dollar lending that we are seeing. We found, especially during PPP and during the relief programs, that our CDFIs, our community financial institutions, our CDFIs and our CDCs, stepped in and provided support for underserved, underbanked communities.

And so we want to make sure that these businesses can be success. Community Advantage would simplify eligibility as well as underwriting, but as well, allow us to extend the pilot and allow more lenders in, so that we can get more CDFIs.

Chairman CARDIN. Thank you. Senator Paul.

Senator PAUL. Do you believe the taxpayer has a right to know how you spend their money?

Ms. GUZMAN. Most definitely. Yes, sir.

Senator PAUL. Do you believe Congress has a right to know how the money is spent, oversee the process to examine the paper trail of how decisions are made and how the money is spent?

Ms. GUZMAN. As I shared with you, I believe in transparency, and I feel like there is a strong responsibility to continue that collaboration and open dialog.

Senator PAUL. Have you released to us unredacted copies of the agency records related to Planned Parenthood's PPP loans?

Ms. GUZMAN. We have responded to letters. We have also provided you letters to Planned Parenthood entities from the SBA, all of the datasets underlying PPP with specific analysis of the Planned Parenthood, in particular—

Senator PAUL. We have specifically requested all of the records. Have you released all of the records to us?

Ms. GUZMAN. There are a couple of items that we have not, including, as you mentioned, the names of the staff that were in the process of review. That information as well as the proprietary individual applications, the agency—

Senator PAUL. Have you released to us the communications between you and Planned Parenthood?

Ms. GUZMAN. We provided you with the letters from SBA to Planned Parenthood entities, yes.

Senator PAUL. You have not released to us the communications from Planned Parenthood to you as well, in support of their application.

Ms. GUZMAN. We have not released any proprietary information.

Senator PAUL. Have you released to us the information or the deliberative process that went into reversing the Trump administration's policy that had decided that it was illegal to give this money and that they should give this money back, it was illegal to give the money to Planned Parenthood? Have you released to us the deliberative process, any written material, on how you came to a different conclusion than the Trump administration?

Ms. GUZMAN. For clarity there was no policy or law or anything that the Trump administration put forward. There was a preliminary determination letter—

Senator PAUL. There was no deliberative process on your part? There was no discussion? There was never a discussion 1 day that says, "Oh, you know what? We think they did not do this and it is not final." You would think you would have a meeting or something and you would have like a transcript of the meeting where so-and-so says, "Wow, that was a crazy idea and we object to that." It just sort of happened and there was no discussion, meaning no deliberation of a major policy that the Trump administration said that this is illegal, because Planned Parenthood is so closely and tightly controlled these do not qualify as individual small businesses. They are a big business, not a small business.

It is not a small thing to reverse that. Are you telling me that that was reversed with no discussion and no paper trail, and there exists no paper at the Small Business Administration that explains or codifies the deliberative process of how you changed your mind on this?

Ms. GUZMAN. Well, just to back up again from a factual basis there was no policy implemented. We issue policies with information notices—

Senator PAUL. Well, it was, because they were told to send the money back. They received letters to send the money back, so you made a different decision. You cannot just say, "Oh, they never made a decision so we did not reverse a decision." You reversed the decision, because instead of sending the money back to you—and some of them, I think, were attempting to send the money back to

you, and I assume they sent you a check and then you sent it back to them. Did that ever happen?

Ms. GUZMAN. What I am happy to—

Senator PAUL. Did that ever happen? That is a specific question.

Ms. GUZMAN. I cannot—

Senator PAUL. Did any of the Planned Parenthoods send you money back, like they were told to, and then did you turn around and send it back to them?

Ms. GUZMAN. I cannot speak to any specific ones, but let me share with you the action taken—

Senator PAUL. So if I write you a letter—

Ms. GUZMAN [continuing]. By—

Senator PAUL [continuing]. In 3 months will you not respond to me again? The thing is, this is not a dispute over whether or not you are being transparent. It is not a dispute over whether or not you have given the documents. You clearly have not given us the documents. We want the documents to see how Planned Parenthood argued they are eligible for these loans. The Trump administration said they were not. They said they were. You say there was never any deliberative process and there is no paper. I do not know whether to trust you or not. But I cannot imagine an agency like yours does not at least have a meeting, there are no minutes to a meeting where you changed a major decision like this? It is \$100 million and no one ever said anything. There is no written documents?

You have not been transparent with us, and you have not given us what we asked for. We cannot do the oversight of whether or not Planned Parenthood is a small business or a big business unless you give us the information.

Ms. GUZMAN. If I may—

Senator PAUL. You have turned this into a partisan position, whereas there was a time when this was one of the least partisan of all the committees in Washington. But your stonewalling has made it into a partisan position where we cannot get together to even meet to see if you can have an assistant because you will not give us the data that we have asked for.

Ms. GUZMAN. The action taken in response to this preliminary determination letter was simply—which was defined again that there were just approximately 400 businesses under a whole code, including Planned Parenthood. All the action taken by me was to put those approximately 400 borrowers back into processing, all of them subject to the rules that were put forward by the agency. Of course, those were interim final rule notices, all the FAQs, all the information notices, not preliminary determinations.

Senator PAUL. So the bottom line is you are not going to send us the information we are asking for.

Ms. GUZMAN. We have complied and sent you extensive information.

Senator PAUL. You have complied by not sending us what we asked for. So what you are saying, in a public hearing, is you are not going to send me the information we have asked for. And where do you get the legal authority just to deny Congress what they are asking for?

Ms. GUZMAN. The agency has historically not provided proprietary applicant information. In addition, the specific names of employees—

Senator PAUL. This would be the arguments about whether you are a small business or a big business. We already know the name of the entity so that is no longer proprietary. We have heard of Planned Parenthood. We all know that is what the dispute is about. What their arguments are, about whether they are a big business or a small business, you would think would be very objective and you would be happy to show that you went through item this, this, and this, you had a meeting, you all voted that these five things they adhered to and they did not.

If that does not exist, it means I do not think you were doing your job. If it exists and you will not give it to us, I think that is reprehensible.

Ms. GUZMAN. Well, Senator, I would love to offer you, again, I know my team has offered to meet with your staff to review these—

Senator PAUL. We have tried for a year and you are not giving us anything we have asked for. Every time we have asked we wait 3 months and you send us a letter, saying, “Oh well, we will give you this and this, but we will not give you this.” We want to see the communications. We want to see the deliberative process about why you made this decision.

Here is why I am also troubled by this, and I will end with this. In testimony before Congress on November 16, 2021, you stated that you were not aware of Planned Parenthood affiliates receiving forgiveness on their loans. We now have the data, and apparently they were forgiven on July 1st. So three, 4 months after their loans were forgiven you come before us and say you do not have any idea whether they have been forgiven or not.

Ms. GUZMAN. I am not aware of individual loans, and so I became aware when I cleared a letter to this Committee, which was after that.

Senator PAUL. Well, you are not aware of it but we have been asking about it for a year. So I think it would be something that would rise to your attention.

But the bottom line is all it would take is if you really believe what you said in the beginning, that you believe in transparency, if you gave us the documents this could be over. But you have stonewalled us back and forth, back and forth, over and over again. No evidence of what the deliberative process was on how you reversed a major decision by the previous administration, and now no documentation on what the arguments for why Planned Parenthood is either a small business or a big business.

So I am disappointed, and will continue to be asking questions. And the thing is that ultimately I think the taxpayers deserve better.

Chairman CARDIN. Let me just—because the Ranking Member and I disagree as to the cooperation that we have received from the SBA. Just to try to set the record straight, the previous administration, the Trump administration, made certain determinations in regard to PPP loan applications, consistent with the law passed by Congress, because I was part of the drafting, as was Senator Sha-

heen, along with Senator Rubio and Senator Collins. And we did provide for nonprofits. That was one of the issues we talked about, and we did provide that those who have arrangements with similar groups are not necessarily disqualified. It depends upon the affiliated rules that are used by the SBA.

The Trump administration processed those loans and allowed those loans to go forward. Then, I believe it was in January but I am not sure of the exact date, but there was a letter sent out to Planned Parenthood by the Trump administration that was somewhat of a perplexing letter, because it said they questioned their eligibility; please send back the money or tell us why you are eligible.

Each of the Planned Parenthood organizations that wanted to proceed with the loan sent back a letter saying we fully comply, et cetera. They sent a letter back. No further action was taken by the Trump administration.

The Trump administration also put a hold on about 400 organizations that had questionable, or had to further explore whether they were qualified for affiliation or not. When the Biden administration came in, they released the holds, as I understand it, on the 400 organizations, saying if they comply, and there are standard procedures for determining affiliation based upon control, they would be able to be eligible, and if they did not, they were not.

There was no change in policy. There was no change in policy by the Trump administration. There was no change in policy by the Biden administration. We have tried, on several occasions, working with the Administrator, to get all the information to every member of this Committee. What the Administration cannot provide is proprietary information on individual applications, which is standard practice of privacy. And second, they cannot provide information that does not exist, and since there is no change in policy there is no documentation of a change in policy.

So I do not know how much more we can do on this. I have tried to provide as much information as possible. And let me just remind the Ranking Member this all started with the Deputy Administrator. We made arrangements for separate meetings to provide substantial amount of information about the Deputy Administrator, which was privacy information. We made it available so every member of this Committee could see it.

I share the Ranking Member's desire for total transparency. I think the Administration has provided that in regard to the request that you have made. I just really wanted to put that on the record.

Senator PAUL. One quick point. When we did finally get the information on the person that had been nominated they said, "We will review this in private." The same goes for any of this. It could be any of the Planned Parenthood stuff could be reviewed in private as well, if you do not want it out on the front page of the newspaper.

But the thing is, not revealing—there is an argument that goes back and forth on what is an affiliated group and what is a big business and what is a small business. I do not think that is a proprietary sort of argument. And if it is, then I do not know how we would ever do oversight. You know, what if an enormous Standard

Oil of 1911 wants to be a small business? Would we not want to see what their arguments are on why they are a small business or why they are a large business and they get small business loans?

So I really think that argumentation back and forth, from the advocate of the person who says, “No, I am not a big business, I am a small business,” I just do not understand how that can be proprietary.

Chairman CARDIN. I think we are having trouble interpretation here. The rules for affiliation are well documented by the SBA. There are specific guidelines that need to be followed in regard to satisfying the affiliation rules. And in each of the applications that was verified. I do not know what else we can say other than that. Some of the information in verification could be proprietary, but I am not exactly sure what you are looking for. Maybe I am confused.

Senator PAUL. What happened is the Trump administration said they were a big business. The Biden administration says they are a small business. So they were disqualified under the Trump administration and they are qualified under the Biden administration. And so there was argumentation we assume made by Planned Parenthood, through communications sent back to the Small Business Administration, saying, “Hey, we think this is a wrong decision and we do not want to send our money back.”

I think some of them actually sent their money back, and I think they should be honest with us. Did some Planned Parenthoods send their money back? Will you answer that question?

Chairman CARDIN. If I could just respond to that and then let the Administrator respond. I think you are making an assumption about the Trump administration which is not accurate and maybe you need the information from the Trump administration, because the Trump administration processed the loans. There is no indication that they had specific information to request this money back. The letters went out but without documentation from the Trump administration, not the Biden administration. So I think maybe it is the Trump administration you are trying to get the information from, which has not been an easy task for Members of Congress to get information out of the Trump administration.

Senator PAUL. No, this is information we know exists. It is from the lawyers and/or advocates for Planned Parenthood. These letters went back and forth. So Small Business Administration said, “You are not qualified. Send the money back,” and then they said, “Oh no, we are qualified, and these are our arguments.” Those arguments should be public record and we should be able to see what are the arguments for—you are right, the rules should be fairly clear, what is an affiliate. They are longstanding rules. But that should be out in the open.

And, you know, it is sort of like are you a contractor or an employee? There is a whole checklist of things you look at it. But we would want to know what is the argumentation, because there are people who believe that Planned Parenthood, one, has the same legal defense for all of their affiliates, has the same sort of set of rules, and there is evidence that Planned Parenthood cannot make individual decisions without permission from the parent company.

So there are arguments, at least on the side of them being considered to be a big business, not a small business. But even if we lose that debate we would want to see what was the debate, what was the discussion back and forth, because they did reverse the Trump decision not to give them the money, and then they gave them the money.

Chairman CARDIN. I think confusion here—and then we will go back to the questioning—I think the confusion is that the determinations were made by the Trump administration. The Biden administration released a hold. They looked at the records that were submitted, the information that was submitted. There was not a hearing. There was not a discussion. This was paper being processed.

Remember talking about, in this case, hundreds of loans. There is not a day set aside for argument. It is a process at SBA, looking at the material submitted by the applicant to see if they comply with the test. I assume that is the process that was used. That is the documentation. There is no verbal documentations here. This was a processing process.

So I think that is our confusion, and the confusion where we seem to be at deadlock is that the original determination was made by the Trump administration. There is no documentation for why that letter was sent out, asking for the money back. But it never was implemented because they did not follow up after the reply was sent in by Planned Parenthood. Then comes in the Biden administration and they are looking at this in puzzlement because they have 400 that are in this category and only Planned Parenthood got the letters. They do not understand why. What the Administration does, I think, is the right thing, is tell the processors, “Check to make sure they qualify under our rules, based upon the information that has been submitted.”

Senator PAUL. I think that decisionmaking process involved reading the advocates for Planned Parenthood’s arguments for why they are a small business, not a big business.

Chairman CARDIN. They may have read the correspondence.

Senator PAUL. That is what I mean. So that correspondence would be the advocacy. And while there might not be a deliberative process where they say why, we would see the argumentation, both for and again, or at least for why they are a small business. But we are being prevented from seeing Planned Parenthood’s argumentation for why they are a small business.

Chairman CARDIN. If I am right I think one of the—I might be wrong on this, but I think one of the Planned Parenthoods released their letter. I might be wrong on that.

Senator PAUL. The Small Business Administration has not released any.

Chairman CARDIN. One of the Planned Parenthood groups did release it.

Senator HIRONO. Mr. Chairman?

Chairman CARDIN. Yes, Senator Hirono. You are next.

Senator HIRONO. Well thank you, as it turns out.

So obviously we are not going to resolve this matter.

Chairman CARDIN. No.



Senator HIRONO. And for all the time that I have been here, Republicans have been trying to defund Planned Parenthood. OK, that is a fact. And every opportunity to make sure that Planned Parenthood does not get any assistance from whatever source is in line with the Republican position for the whole time that I have been in the Senate.

And by the way, sitting here listening to the SBA Administrator and the SBA being taken to task for not being responsive and not doing their job is pretty rich, considering that the Republicans on this Committee have failed to show up when it is time for us to make a decision, up or down, on the nomination of Dilawar Syed to be Deputy Administrator of SBA.

And I also listened to the Ranking Member say, just now or a little while ago, that this hearing comes at a perilous time for small businesses. I agree. We should get on with it, and we should start with Republicans not boycotting the numerous times that, Mr. Chairman, you have called on us to do our jobs on this Committee.

So I do have one question relating to Mr. Syed for the Administrator. Knowing that these are perilous times, would having a confirmed Deputy Administrator on your leadership team be helpful to your work?

Ms. GUZMAN. Thank you so much, Senator Hirono, for that question. The Deputy Administrator plays a role in operations at the SBA, and, of course, that position is important at the SBA. Dilawar Syed is highly qualified and would be an excellent choice if the Committee moves forward to vote.

Senator HIRONO. Yes. I suggest that we all do our jobs.

So regarding Native American businesses, as you know one of my top priorities is working to make sure that we do more in D.C. to better support Native businesses, including Native Hawaiian businesses, and I have had that discussion with you.

Last year, for example, I worked with my colleagues to introduce bipartisan legislation that would fully authorize SBA's Office of Native American Affairs to ensure Native businesses have a stronger voice within SBA. So I was glad to see the President's budget proposal increase funding for outreach to these businesses.

Can you speak to how SBA will prioritize outreach to Native businesses in the coming year, and describe some of the outreach activities that you would be pursuing with these Native businesses?

Ms. GUZMAN. Thank you, Senator Hirono. We share that priority, and the Biden-Harris administration and the agency moved to ensure that Native-owned businesses and Tribal-owned businesses can access the programs of the SBA. First and foremost, of course, I have elevated the Office of Native American Affairs to report directly to me so we can prioritize the activities, including outreach and education, and the administration of grants that they do to entities to help support them.

I will highlight that within the Community Navigator Pilot Program that we have funded at the national scale, our Tier One grantee, Oweesta Corporation, which is a CDFI collaborative. And they are doing outreach to ensure that Native-owned businesses are connected to capital and resources within the Federal Government at the SBA. In addition to that national we have multiple,

almost half of the entities that are funded also focused on Native communities and their various territories that they cover.

So with this additional support of the Community Navigators we feel that our entrepreneurial development support to Native communities can be better satisfied so that we can connect them to our resources.

And then, of course, on access to capital issues, as we expand our Community Advantage program and look at adding new CDFIs we are hopefully going to be leveraging these relationships with the Native CDFI community to increase access to capital.

Finally, I would say, of course, that on our contracting programs in particular, that we have focused outreach on making sure that when we try to increase the number of small businesses doing business with the Federal Government that we do that inclusively, including to Native-owned businesses and Tribal-owned entities.

Senator HIRONO. I think these kinds of outreach efforts are really important, because just saying that it is important, if we do not put in process and ways that we are going to do that it just does not happen.

And I also want to mention that the Office of Manufacturing recently created is going to be doing more to support small and medium-sized manufacturers. So that is a whole other area of funding that is going to be very important.

And I will certainly give you feedback from the Native-owned businesses that I worked as to how these kinds of outreach programs are helping them.

Thank you for your commitment, Administrator.

Ms. GUZMAN. Thank you. We welcome the opportunity to work with you.

Senator HIRONO. Thank you.

Chairman CARDIN. Senator Ernst.

Senator ERNST. Thank you, Mr. Chair, and thanks today as well, Administrator. We appreciate it so much. We appreciate you coming in today.

And over the last few months, of course, I have been doing the 99-county tour across Iowa, visiting a lot of our small businesses. And in each of those counties that I visit, constituents tell me that they are really struggling with the impact of inflation—of course, I am sure you hear it every day as well—on their small businesses, just the extreme costs that they are bearing, and including their ability to maintain their payroll for their employees.

The most recent consumer price index report from the Bureau of Labor Statistics shows that prices increased by 8.5 percent over the last 12 months, which is the largest year-over-year increase for over 40 years. And over that same period, producer price index increased by 11.2 percent, indicating that most small businesses are experiencing increasingly diminished margins in real terms and prices for consumers as they continue to skyrocket because of the inflationary crisis.

So inflation has created a hidden value-added tax on our small businesses in Iowa and throughout the country. From the SBA perspective, what is SBA doing to both help those small businesses navigate those climbing prices and also to prevent those costs from being passed along to consumers? And in your opinion, how can the

Administration respond to inflation to help struggling small businesses?

Ms. GUZMAN. Thank you so much, Senator. I enjoyed my recent visit in Iowa, and I look forward to returning and hopefully visiting with you. You have some incredible small businesses.

Senator ERNST. Thank you.

Ms. GUZMAN. We are aligned. In terms of what the SBA is doing and what we are supporting for small businesses specifically, of course, the President's budget recognizes the burdens of higher costs and higher gas prices, or rather he appreciates the burdens. Some of the measures that are being taken around pocketbook issues, of course, SBA has a role to play.

When we look at childcare costs, in particular, SBA is trying to help. That would not only help reduce costs but it also helps with the workforce. And, of course, we have boot camps, training, childcare, entrepreneurs in this space, and we have launched a series of conversations, roundtables with those childcare entrepreneurs and others to formulate new policies and be able to better support the expansion of that supply of childcare facilities, which will hopefully expand our workforce.

The other, of course, part that the President's budget really focuses on is expanding our productive economy and manufacturing so that we can make more in America. Small businesses, of course, 75 percent of all manufacturers are 20 and under employees, in particular. So they have a large role to play.

We will be leaning in to supporting our manufacturers, to make sure that more small manufacturers can make things in America, and that includes not only the manufacturing initiative, the manufacturing hub that we are standing up within our government contracting business development but across our centers. Our centers do an incredible job of helping small businesses position for success. We want them to focus on manufacturing.

And last, just specifically around inflation, we know that all those immediate pressures are difficult for small businesses. Our advisor network across the 1,300 centers plus the over 450 navigators are continuing to help small businesses. Our SBDCs are doing training on supply chain management. Our WBCs are doing innovative things. One is connecting military spouses locally to jobs locally. We are really trying to lean in to provide actual technical assistance that helps with today's problems.

Senator ERNST. No, thank you, and I appreciate you raising the issue of childcare. That is something that Senator Rosen and I do have a small business bill that we have worked on together that would expand access to Small Business Administration loans, of course, for nonprofits and so forth. So we would love to continue working on that with you.

And just very briefly, if you could expand a little bit on what you are maybe doing to assist small businesses in those rural areas that have been disproportionately hit by inflation.

Ms. GUZMAN. Yes. For me, rural is very important. I spent a long time in California, traveling around rural, and I have tried to focus on policies. We have an Office of Rural Affairs, of course, that targets initiatives in the district offices. Our community navigators, actually nearly half of those as well are focused on rural. I have

added that as a component as a measure within this program, as I would like to see our expansion of services to rural entrepreneurs. So we will be happy to track that for you.

Senator ERNST. Thank you, Administrator. Thank you, Mr. Chair.

Chairman CARDIN. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and thank you, Administrator Guzman. We are looking forward to having you in New Hampshire on Friday. We have a really interesting small business picked out for us to visit, so I look forward to that.

You know, I remember being in the State Senate in New Hampshire in the early 1990's, when we had a very bad recession in the State, and five of our seven largest banks failed, and what kept small business afloat was the SBA. And the district office of the SBA was really critical in helping small businesses navigate, stay afloat, and that has continued. It is, I think, one of the most important agencies that we have in New Hampshire.

And I recognize that SBA needs to balance a wide variety of funding needs, but I think our district office is an integral part of SBA's ability to deliver services for our small businesses, and I support really robust staffing for the offices.

So will you commit to keeping Congress informed about any potential changes regarding funding, or closure of any district offices that could affect their ability to serve our communities?

Ms. GUZMAN. Yes, we can definitely keep you in the loop of any of those anticipated plans. And I will say that the budget calls an overall 2.5 percent an increase in our budget, but some of that for salaries and expenses so that we can make up for some of those vacancies that we have. And I know how vital our district offices are on the front lines.

Senator SHAHEEN. Is there a discussion underway now to reduce funding or close any of those offices?

Ms. GUZMAN. We are not discussing any closures of offices at this time. You know, if anything, I think that remote work has enabled us to spread out a little bit further. But as we evaluate our staffing models and how we are going to achieve this new scale, in terms of our portfolio, but also the heightened interest in our services as a result of serving over 8 million unique businesses during COVID relief, obviously our field and all our offices are undergoing that exercise, and we will continue to keep you informed.

Senator SHAHEEN. So I should then interpret from your remarks that there are discussions currently underway about looking at funding district offices.

Ms. GUZMAN. Correct. I mean, we, of course, have been under restricted resources in terms of our ability to meet with the growing salaries and benefits expenses and hope to see this 2023 budget realized so that we can again strengthen the employee base of the SBA, especially in this environment where we are seeing new entrepreneurs at such record rates.

Senator SHAHEEN. Well, Mr. Chairman, I hope we will stay in touch, this Committee, with what the SBA is doing with respect to funding district offices, because again, they are very important.

Chairman CARDIN. I would think this is an area that is going to be of interest to every member of this Committee, obviously. The

offices are our contact, the bridge with our small businesses. So Senator Shaheen is correct. We are all going to be interested in any changes that are made.

Senator SHAHEEN. Thank you, Mr. Chairman.

I was really pleased that the Economic Aid Act in 2020 included a number of enhancements to the 504 loan program, specifically regarding the ability of small business borrowers to refinance existing 504 loans. And I know, at least it is my understanding, that the interim final rule became effective at the end of July 2021.

Do you have any data on whether we have actually seen, as a result of implementing these changes, an increased number in refinancing activity, and is that data you can share with the Committee?

Ms. GUZMAN. I can follow up with you and make sure that my team presents any data on that. Yes, I will.

Senator SHAHEEN. Do you have any sense, off the top of your head—

Ms. GUZMAN. I do not—

Senator SHAHEEN [continuing]. Whether there has been an increase in activity?

Ms. GUZMAN [continuing]. Have a sense in terms of the impact, at this point.

Senator SHAHEEN. Well thank you. I think that is one of the areas where it seemed to me that we could really support small businesses through that refinancing, and it would be helpful to be able to track that.

Ms. GUZMAN. I can show that the 504 program overall is highly popular, which is why we are requesting an increase from \$7.5 to \$9 billion in the 504 program, in particular.

Senator SHAHEEN. Great. Well I certainly support that.

And as we know, the war in Ukraine, the unprovoked war in Ukraine, has imposed an unprecedented array of sanctions against Russia and Belarus. And given that it looks like that conflict is going to continue for some time, can you speak to whether we have heard from any of our small businesses about potential impact from those sanctions?

Ms. GUZMAN. Our Office of International Trade actually has been working to advise small businesses of sanctions so that they can be compliant, and updating our online tools with that latest information. You know, anecdotally, I know that they have worked with a couple of businesses just to make sure that they have an awareness of who are impacted, but I could not give you further details.

Senator SHAHEEN. Thank you. I am out of time but I think it would be helpful for us to know what resources SBA has for small businesses who have been affected, so that we can help share that.

Ms. GUZMAN. We will. Thank you.

Senator SHAHEEN. Thank you, Mr. Chairman.

Chairman CARDIN. Senator Risch.

Senator RISCH. Thank you very much, Mr. Chairman. First of all, let me say that this is an oversight hearing and I am glad you are holding the oversight hearing. It is how to determine how an agency is doing. And I never judge an agency by an individual case, but sometimes looking at an individual case gives you a thumbnail that there may be issues.

So I am going to talk about an individual case. I have sat in this room for over a dozen years. Just before I became Chairman, Mary Landrieu had remodeled the room, and it is a very nice room and very ostentatious, and it provides us to give these flowery speeches about how important small businesses is, how important it is to America, and how we all want to help them.

Well, let me talk about a case of mine now. I do not know how familiar you are with either the logging or timber industry. It is a very important industry in Idaho. And the industry has a tendency, like many industries, to consolidate, so you wind up with bigger and bigger companies at the expense of, of course, small businesses.

And so over the years a lot of us have thought to see that when the United States Forest Service puts out bids that there is a set-aside for small companies, and this would be not only the logging companies that cuts the logs and then haul them to the mill but also for the milling companies, that are small milling companies.

So there is a small business in Idaho that is a logging company, and they took advantage of the set-aside program, bid on a sale, and after the sale was bid it turns out that the logs that they were cutting, because of some industrial activity, have some small amount of contamination in the wood of asbestos. Not a big deal but a big enough deal that it concerned the small mills that they have to sell to. Now remember, a small company has to cut the logs and then they have to take them to a small mill. Well, this company was perfectly happy to cut the logs. However, none of the small mills would take them because they could not take the risk. But the large mills will take them. They are willing to take the risk.

So this small company said to the SBA, "Look, this is how the contract is working out. We cannot sell to a small mill. We can only sell to a large mill. But what we will do is sell the logs to a large mill and exchange them for logs which we will then take to a small mill." And so the slate is clean.

Your agency has told them to pound sand, and they have asked over and over again to find a work-around for this, and they have been told by your agency that they cannot do it.

Look, we all give these speeches about how important it is to help small businesses. This is a simple matter of a waiver. It is a simple matter of somebody making a discretionary call to be able to go through the steps that they have got to go through to comply, and that is get a small business to cut this sale and then the small business deliver that amount of 1,000 board feet or 1 million board feet to a small mill to mill.

What can you tell me about this?

Ms. GUZMAN. Well, you are taking me back to my days in the Obama-Biden administration, as there was a timber rule that I had to deal with, with my government contracting team. And I know how difficult it is for those small mills to have to calculate the distance they travel to the types of mills they have to sell, et cetera. And so I cannot recall all the specifics but I recall the challenges as well as dealing with it in the far north of California, where, obviously, there is a big industry there as well.

You know, I do not know anything about this particular case but I am happy to take it back to my government contracting team. I have asked my team, of course, to implement and first be steadfast on our controls. But I do know that we have to also give small businesses the benefit of the doubt and really evaluate the situation from their perspective and meet them where they are and be as friendly as possible, from a customer service perspective.

So I will take it back and we will follow up with your office to see how we can assist in this matter, if it is a matter of a waiver, and understanding what the impacts are and our authorities within this area.

Senator RISCH. Thank you. I appreciate that. And this is an instance where the SBA that we all love and embrace can actually do some good for a small business, on a specific level. So we would appreciate your affirmative action on that.

Ms. GUZMAN. Thank you.

Senator RISCH. Thank you, Mr. Chairman.

Chairman CARDIN. Let me thank you for that example. Our Committee needs to be the advocate for where small businesses have a disadvantage over large companies. You are giving one example where a larger company could take the risk where the smaller company could not. That is something that we have to make sure that we level that playing field, so I appreciate you bringing that up.

We have done that with bonding, for example, where it is much easier for a larger company to get bonds than smaller companies. So these are the types of issues that I think our Committee can play an important role, so thank you for that question.

Senator RISCH. Thank you.

Chairman CARDIN. Senator Rosen.

Senator ROSEN. Thank you, Chairman Cardin, and thank you for holding this hearing. Thank you, Administrator Guzman, for being here today.

I want to agree with Senator Shaheen, the importance of the district offices. I can tell you that our office in the State of Nevada was instrumental. We could not have gotten through COVID and everything we had to do without the hundreds of webinars they gave to small businesses up and down our State. Ninety-nine percent of businesses in Nevada are small businesses. So I want to get a shout-out to them, and we need them to stay. It is really important. People know they are there, and they work with us.

But I want to also talk about Nevada and tourism, because the pandemic hit travel and tourism harder than any other industry. It devastated small businesses across Nevada, and really across the country.

The American Rescue Plan, which I was proud to support, included \$750 million to the Economic Development Administration for states and communities impacted by job losses in the travel, tourism, and outdoor recreation industries.

But to date there has not been any direct Federal aid specifically for tourism-related small businesses. So, Administrator Guzman, can you talk about why some of the SBA relief programs that Congress created, like Paycheck Protection Program, were in many cases not sufficient for hard-hit sectors like tourism, and why more targeted relief is now, and what other legislation do we need, espe-

cially our restaurants? Our restaurants are really hurting. The Chairman has some legislation out there. It is really important that we get them back on their feet.

Ms. GUZMAN. Thank you for that, Senator Rosen, and my team and I would be happy to work with your office and provide any technical assistance. We recognize how impacted the travel and tourism industry was. Of course, we also recognize that PPP did not sustain them for as long as they needed. We really focused our outreach on COVID EIDL to make sure that there was additional funding, affordable, patient, long-term capital for especially the hotel industry, as an example, as well as restaurants and others who need additional support if they were not able to access the Restaurant Revitalization Fund.

I continue to hear from businesses that they are still recovering. Some of them have not, of course, returned to full revenue. And so at this point what we have to offer them is our continued modifications on COVID EIDL as long as funding remains, as well as additional support with our core programs. But we are happy to work with you to come up with some other solutions for the industry.

Senator ROSEN. Thank you. It is really important because are not back, and tourism, it is coming back, not all the way back. Our restaurants are coming back, not all the way back, and we have to help them.

And another way we can help them is to expand online resources for small business owners, because of the past few years, particularly during the pandemic, businesses have relied more and more on their online tools, ranging from teleworking to e-commerce. So it is important that the Federal Government also meets small business owners where they are, including the expansion of digital interactions between small businesses and the SBA's resource partners.

So I have heard a lot from small businesses about the need for more digital tools and counseling through the SBA. Are you considering making investments to increase online access for small business to business counseling so they can use all the products that we fund?

Ms. GUZMAN. Yes, and I am trying to be as efficient as possible with that and go to the industry itself and launch the Small Business Digital Alliance, in partnership with Business Forward and corporations who are already providing tools and resources for our Nation's small businesses. We know that three out of four businesses adopted technology to survive during COVID, and we want to continue to build on those trends for operational efficiencies as well as expansion in markets.

We launched our first event with Google in Ohio, and next week, during National Small Business Week, we will be highlighting more resources to help small businesses with digital tools. It is a high priority for me to get businesses engaged in e-commerce.

Senator ROSEN. I think it matters.

In the last few seconds I have I just want to talk quickly about new startups. There has been a spike in new startups, particularly in Nevada. Reno-Sparks area, nearly 100 startups have launched since 2020. And so I am a strong advocate for entrepreneurship. I want to see this surge continue. So what new investments—I am



just going to go quickly—is SBA making to help support and encourage this surge of new startups that have happened, particularly during the pandemic?

Ms. GUZMAN. For our innovative startups, of course we have the Accelerator program and the SBIR/STTR program, which we would continue to amplify out there in the communities. And we are making improvements to try to ensure that small businesses can access those programs, as well as, of course, our capital programs, which small businesses point to as one of the biggest challenges for them. And they want to hire people. They want to be able to expand. And so with the Community Advantage overhaul we are feeling confident that we can help more of these small businesses, and look forward to supporting your district.

Senator ROSEN. Thank you. I appreciate it, and I look forward to maybe Joni Ernst and I, our bill on nonprofit childcare having access to small business. That would be a real big help for people to go back to work.

Chairman CARDIN. Senator Booker.

Senator BOOKER. Thank you. There is an issue that I have been bringing up for two administrations now, and I have been proud to work with this Committee on it, and I am proud the Administration is taking such great steps on it. It is really to reduce barriers for justice-involved entrepreneurs. They face so many when it comes to starting a business.

And April is Second Chance Month, in which we acknowledge both the deep power of redemption in our society when we support people making second chances and when we make our communities safer.

Studies, as you probably know, Administrator, have shown that the greatest deterrent to recidivism is jobs, employment, a steady paycheck, economic opportunity, but too many justice-involved people just do not have that. According to the DOJ, 60 percent of formerly incarcerated individuals are unemployed still a year after they reenter society. For those who do find employment, their take-home pay is 40 percent less than those who are not incarcerated, and the average lifetime earnings of someone who has been incarcerated is less than those, obviously, who have not been.

And entrepreneurialism is a real pathway. It is an exciting reality for people who have been involved in this system. A 2020 analysis found that individuals with a criminal record are more likely to become entrepreneurs compared to those without a record, in part because it is a viable pathway to overcome the stigma of incarceration and a lot of the challenges.

When the Paycheck Protection Program was rolled out by the Small Business Administration 2 years ago, the SBA initially denied individuals with certain criminal histories from applying. I was proud to work across the aisle with the Trump administration and with you to eliminate many of those restrictions. But we know that serious roadblocks still exist with justice-involved entrepreneurs who are trying to access the business and consumer credit that they need.

In January, the CFPB released a report that described how the SBA itself has various restrictions that can bar applicants who are incarcerated, indicted, or on probation for felonies and other certain

misdemeanors, which are inconsistent across programs and hard for consumers to fully understand. Meanwhile, that same CFPB report stated that there is limited evidence to suggest that criminal history decreases creditworthiness. Further, these restrictions are something that exists only at the SBA, not in the private lending space, and not even across other Federal agencies.

And this is why I am so joyful to have worked with the Administration over the last several months to address this issue, and yesterday the White House announced that the SBA will take steps to remove these barriers from the SBA's 7(a) microloan and 504 loan programs, and is working toward addressing the problems across the rest of the SBA portfolio. This is going to have transformational effects on communities like mine and entrepreneurs across the country.

And so with that long-winded approach, Administrator, could you tell me more about the impact of this change for small businesses and your commitment to it?

Ms. GUZMAN. Thank you so much, Senator, for that, and I share your passion for this issue. I was recently at Goucher College in the Chairman's district and met with several Second Chance entrepreneurs who are making progress in their own lives and in the communities that they are impacting.

So the SBA can do more, and will be doing more as the White House announced, to simplify. We have already shown what we can do with the Community Advantage program, because the reforms recently announced include changes, removing those restrictions so that formerly incarcerated, indicted, et cetera, could access our programs. And we will be exploring that across the 7(a), 504, and microlending programs as well.

You know, further to that, I feel that there are a lot of learnings that could be had from not only the experiences of those entrepreneurs. We want to continue to highlight them and the opportunities and the pathways forward with technical assistance and more entrepreneurial education.

And finally I will say I was recently in Ohio, meeting with an incredible entrepreneur that has a successful chain of restaurants as he is growing, just a couple to start, and hopefully grow, but who uses justice-impacted individuals as employees. And I think that is also a strong model to demonstrate, especially with such a tight labor market, to show what entrepreneurs can do as well for the workforce in this space.

So I look forward to working with you across our core lending programs to make sure that they are inclusive and give everybody an opportunity, that entrepreneurship is a pathway to building wealth, and I agree with you that that is especially for these Second Chance entrepreneurs.

Senator BOOKER. Thank you so much, Mr. Chairman. Thank you.

Chairman CARDIN. Senator Booker, thank you for your leadership on that. We are really working with the SBA to be able to provide the special attention to returning citizens on entrepreneurship opportunities. We are making progress. The Biden administration has been pretty strong on this. So thank you for your leadership on this.

Senator BOOKER. Thank you very much.

Chairman CARDIN. Senator Hickenlooper.

Senator HICKENLOOPER. Thank you, Mr. Chairman. I think we would be remiss if we did not wish Senator Booker a birthday. You probably already did that.

Senator HIRONO. Right. Happy birthday.

Senator HICKENLOOPER. I wanted to make sure that we did recognize him. I do not know if anybody wants to sing.

Senator BOOKER. I would prefer not.

Chairman CARDIN. You may not know this. Your birthday present to him was to allow him to jump over you, because you were here earlier than he was. So I gave him your birthday present.

Senator HICKENLOOPER. That is a nice gift, although then I only get one question because I have to go preside. I am on a tight schedule. So now my gift to him is give him a little guilt, which will just cling to his breast.

I want to ask you a quick question, and you have to be concise. I will put my other few questions into the record.

Ms. GUZMAN. OK.

Senator HICKENLOOPER. First I want to thank you. When you come to Colorado it makes a huge difference, and your team has been remarkable. The barriers that you got over in terms of the Marshall Fire and really helping adjust, this affects people's lives in real time who have lost, in many cases, everything they own. Over 1,000 houses were lost.

And I wanted to ask a little bit about the disaster loans that really are a lifeline for survivors. Modernizing how the SBA estimates building costs is a great first step, and that is something we have now, I think we are all together on. But I think we also have to look at how do we update the borrowing limits to reflect the median price of a home that has more than doubled in the 28 years since loan limits were last reset.

So I guess what is the plan? How do we update the Disaster Loan Assistance home and personal property loan maximums to account for that nearly 30 years of inflation?

Ms. GUZMAN. Thank you. Thank you for that question and your leadership for the community impacted by the Marshall Fire. We have so far supported over 100 million loans now, and we see the impact was huge. We were pleased to be able to do what we could do administratively to change the way that we estimate, and also have changed the process of going forward, we can move more quickly so that we can help borrowers at the inception with accuracy.

We are looking at those levels, and as I have shared with you in our conversations, we will be exploring whether or not we can increase those limits for the borrowers and explore that subsidy impact for the future.

Senator HICKENLOOPER. Well, I have more questions that I will put into the record, but the one thing I have learned is if Dick Durbin is anywhere around the Senate floor you cannot be late for when you are presiding or there will be payments to be made.

Again, I want to thank you so much. You have really done a great job with the morale. Every time I meet someone from the SBA I really feel rewarded, and I feel you should feel the reward

of that effort time that obviously you are putting in. It is really having material results, so thank you for that.

Ms. GUZMAN. Thank you.

Senator HICKENLOOPER. I yield back to the Chair.

Chairman CARDIN. Thank you. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

So do you agree that there is a need to replenish the Restaurant Revitalization Fund so that minority- and women-owned restaurants who got pushed to the back of the line have the support they need?

Ms. GUZMAN. We are seeing the impact continue for our restaurants and know that they need continued support.

Senator MARKEY. So you support—

Ms. GUZMAN. We would stand ready to deploy the program and know that we could support the nearly 158,000 small businesses that are waiting.

Senator MARKEY. Yes, and on the Small Business Innovation Research program, of which Massachusetts has received tens of thousands of these grants and created hundreds and hundreds of thousands of jobs in our tech community, I am very worried that we are staring down a disaster with the program's expiration in just a few short months. We have seen this movie before. Could you talk about how important it is for SBIR to be reauthorized and fully funded?

Ms. GUZMAN. It is one of the most valuable programs, I think, in the Federal Government, the SBIR/STTR. I mean, Qualcomm alone and their success more than pays for the program in many respects, as well as all the other great impact companies, 23andMe, et cetera.

The program is really critical to providing non-dilutive funding to innovators, and I think SBA is proud to help direct that set-aside within the program for small businesses and also look to expand its reach to more underserved communities. I know that any disruption or anticipation of disruption could slow the processing down. It is already a difficult, slower process for small businesses to go through, and so we would not want to see that reduced, even for a few months, the impact of our ability to compete globally on innovation.

Senator MARKEY. Thank you. And again, in Massachusetts the STTR and SBIR programs have been central to our innovation economy being created. It is so many thousands of companies that now exist, only because of these programs.

So we thank you so much, and we appreciate the fact that these programs are merit-based, science-based, in terms of the awarding of the grants, and I think that is the best way to ensure that we maintain and enhance American competitors. We are definitely tied to the ability to get these ideas out into the market, creating jobs, and giving us an edge over other countries in the world.

So we thank you so much. Thanks for all your great work.

Chairman CARDIN. Thank you, Senator Markey.

Administrator Guzman, the two largest programs that were created for COVID were the PPP program and the EIDL—not created. EIDL was there, the EIDL loan program, and then it was made eligible for COVID relief.

The number you said in your opening statement is pretty remarkable, that you are now over 90 percent as far as loan forgiveness are concerned, and you have been able to process that. We normally hear when there is serious backlog problems. It has been kind of quiet on our front, which means you must be doing a pretty good job.

Ms. GUZMAN. Thank you.

Chairman CARDIN. That is quite a record and I just really wanted to acknowledge that, and I am glad to see that you have been able to keep up with the demand that is out there, because the numbers are just staggering, and the dollar amounts are staggering, and it is critically important for our economy. So those small businesses that need to get those loans off the book through forgiveness, it is an important point. So thank you for making that a priority.

In regard to the EIDL loan program, thank you for, first of all, you increased the dollar amounts, which we were very pleased to see. More than \$100 billion has been issued since September. Most have gone toward the modification of existing loans, if I understand correctly. We know that there is no longer new loans being given, but there is nearly four million small businesses that participated in the EIDL loan program, which is again a remarkable number that is out there.

These loans are going to need to be serviced. Does your budget give you adequate resources in order to deal with this significant workload that you are going to have in servicing these loans?

Ms. GUZMAN. Oh, we are asking for \$320 million to be transferred from COVID EIDL advance into the SBA's COVID funding so that we can service these loans into the future. Of course, they are 30-year loans, and so our budget request includes that transfer.

Chairman CARDIN. I think that is all the questions I had. I was pleased to see the Administration changed the Federal contracting for minority-and women-owned small businesses. This is something we have been asking for. Could you speak to the various ways that the agency is working with the Administration to ensure Federal contracting is more equitable?

Ms. GUZMAN. Yes. I would be happy to. Thanks for that question. Within our budget as well we are asking for an increase in the 7(j) funding as an example. We think that we need to lean into entrepreneurial education, to help more businesses get contract-ready, and that is one program in which we hope to get more small businesses back in the system. There has been a 40 percent drop of small business contractors doing business with the Federal Government, and we want to make sure that is inclusive.

The SBA also, in addition to the various reforms that we announced with the White House and OMB, we also, part of that released disaggregated data so that we could track performance of our underserved or socioeconomic groups. So as we continue to move forward in the future, outreach will be done to make sure that we can attract all of the businesses. Especially as we are seeing women and people of color start businesses at such high rates, we need to bring back innovation into our industrial base and recruit more small businesses. So we believe equity is a real key to ensure that we can continue to have a flow of contractors, small

business contractors to do business with the Federal Government, so from an entrepreneurial development.

But in addition it is capital. It is bonding. Those are also top concerns. And so we are working across our Capital Access Program as well as our SBIC program to make sure that we can get funding into the hands of contractors who need support to be able to deliver against these contracts.

Chairman CARDIN. Thank you. We already had a hearing and talked a little bit about the Navigator Program and we are looking forward. It is somewhat a unique model, so we are looking forward to getting your assessment as to how that program is working through its hub-spoke arrangements.

And the expansion of the Entrepreneur Resource Partners I know is very much appreciated. I have commented about the expansion of Women Business Centers in Maryland the Veterans Outreach Business Center in our State. These centers are really critically important.

We also, although it comes under Commerce, the MBDA codifications in the infrastructure bill. It has also made a huge difference for small businesses, minority small businesses.

So there is a lot going on, and we appreciate your observations as to how we can fine-tune these programs moving forward. I think this budget year gives us a chance to do that. We had some conversations that we may not be able to get the entire expectations we had in President Biden's initial plans that included the Build Back Better Act, but we think we can move some of these issues through the budget process. So we welcome your thoughts as we try to advance these ideas or these programs or these missions in any way we can.

We are now moving beyond COVID, so how do we institutionalize what we have learned from COVID to have these tools moving forward that can help small businesses, in any economic circumstance, what is available to be activated when we have another challenging economic circumstance.

Ms. GUZMAN. Thank you, and we look forward to leveraging this moment as well. SBA has never achieved this scale or this awareness in the communities, and we want to build on that, and we look forward to collaborating.

Chairman CARDIN. And last, let me point out, to Senator Risch's point that I did on the logging. I have also been talking to Secretary Wyden in regard to taxes. There are many areas where small businesses have additional obstacles that larger companies do not have. So I hope that you will look at us as a partner to work with our sister committees here to try to help deal with issues that may not be under our Committee's jurisdiction but we can help small businesses, and we could use your advice as to how we can move forward to help America's small businesses.

Ms. GUZMAN. Thank you very much for that offer.

Chairman CARDIN. And again, thank you very much for your testimony today and for your service to our country.

Ms. GUZMAN. Thank you.

Chairman CARDIN. With that the Committee will stand adjourned.

[Whereupon, at 4:04 p.m., the Committee was adjourned.]

## **APPENDIX MATERIAL SUBMITTED**



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**National Association of Federally-Insured Credit Unions**

April 26, 2022

The Honorable Ben Cardin  
Chairman  
Committee on Small Business  
& Entrepreneurship  
United States Senate  
Washington, DC 20510

The Honorable Rand Paul  
Ranking Member  
Committee on Small Business  
& Entrepreneurship  
United States Senate  
Washington, DC 20510

**Re: Tomorrow's Hearing on Small Business Administration Oversight**

Dear Chairman Cardin and Ranking Member Paul:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's Committee hearing on Small Business Administration (SBA) oversight. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 130 million consumers with personal and small business financial service products.

NAFCU shares the Committee's and SBA's goal of strengthening small businesses in America and we support efforts to fully fund the SBA. While we support full funding for the SBA, we do not support any effort to provide new authority or expand direct lending at the SBA. Even though the SBA has authority to make direct loans now, the agency has not exercised this authority, with the exception of disaster loans and loans to Microloan program intermediaries, since 1998 due to a history of higher rates of fraud and defaults. These problems with direct lending programs have even been recognized by the SBA's Office of Inspector General (OIG), which included concerns with direct lending in a report earlier this year. This is a prime example of why the Committee should not support efforts to restart SBA direct lending.

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 for small business lending, it is imperative that credit unions have all options available to provide capital for small business members.

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



The Honorable Ben Cardin, The Honorable Rand Paul  
April 26, 2022  
Page 2 of 2

toward the arbitrary credit union member business lending (MBL) cap. We believe bipartisan approaches such as this legislation provide small businesses a better alternative to get the support they need in a timely manner. 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 than direct lending by the SBA.

It is with these thoughts in mind that we continue to oppose giving the SBA the authority or any funding for a new direct lending program. An SBA direct lending program could serve to reduce the level of lending partners at a time when business lending is greatly needed. 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.

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@nafcu.org](mailto:lplush@nafcu.org).

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the Senate Committee on Small Business & Entrepreneurship

**Senate Committee on Small Business and Entrepreneurship Hearing**

**April 27, 2022**

**Follow-Up Questions for the Record**

Chairman Cardin

Restaurant Revitalization Fund

As you know, I have introduced a bill that would provide \$40 billion for restaurants that applied for the Restaurant Revitalization Fund but did not receive funding in the first round. As I understand it, the SBA has about 177,000 outstanding applications. We appreciate your statement that you are ready to reopen the program when funding becomes available, but I would like more information on your administration of awards that have already been made.

**QUESTION 1:**

Have you gone back through the program to review grantees and claw back funds that were given to ineligible entities or used on ineligible expenses?

SBA is currently in the process of conducting post payment award reviews. To date SBA has not clawed back any funds but will be seeking recovery when appropriate.

**QUESTION 2:**

If so, how much has been recovered by those efforts?

See response to question 1.

Community Advantage

On April 1, 2022 SBA announced improvements and an extension of the Community Advantage Pilot Program by 2 years, until September 30, 2024. In addition to extending the program, the Biden-Harris Administration also announced plans to increase the number of lenders by lifting

the lender moratorium, simplifying underwriting and collateral requirements, and updating fee guidelines to better enable CDFIs, CDCs, and mission lenders participating in the Community Advantage program to scale and increase volume to underserved communities.

**QUESTION 3:**

When do you expect the changes announced earlier this month will go into effect?

The changes to extend the CA Pilot to September 30, 2024 and to lift the moratorium were effective April 1, 2022, and SBA began accepting new lender applications on May 2, 2022. The changes in the CA Pilot program requirements were effective May 31, 2022.

**QUESTION 4:**

How will it take for new lenders to be approved and begin lending?

SBA is receiving and reviewing applications in the order they were received. Generally, when SBA receives a complete application, the review is completed within 30 days. New CA Lenders may begin making CA loans as soon as they and SBA have executed the Community Advantage Pilot Program Loan Guaranty Agreement (SBA Form 750CA).

Community Navigators

The Community Navigator program was established by the American Rescue Plan Act to reduce barriers often faced by underserved entrepreneurs in accessing capital and in accessing recovery programs, like PPP.

**QUESTION 5:**

Have Community Navigators been able to engage with underserved microbusinesses that received PPP loans to help them access full forgiveness?

In Q1, Navigators spent 724 hours counseling clients on PPP forgiveness. In support of these quantitative metrics, several grantees shared success stories detailing the provision of in-language services to underserved microbusinesses to help them navigate forgiveness applications.

For example, grantee the International Rescue Committee worked in Salt Lake City, Utah, to assist Wichai Charoen with his PPP forgiveness application for his local restaurant, Laan Na Thai. IRC Salt Lake City's advisor used an interpreter to provide guidance on the application. This resulted in approved PPP forgiveness of \$33,644. This is just one example of the outcomes for small business owners that this counseling unlocks.

**QUESTION 6:**

Is SBA leveraging Community Navigators to ensure that underserved sole proprietors, independent contractors and self-employed individuals are receiving the outreach and support needed to process and receive forgiveness on their PPP loans?

Please see answer to #5, above. PPP Forgiveness is one of many possible areas where Community Navigators are helping business owners. As pandemic relief programs sunset, Navigators are reallocating time from PPP Forgiveness to supporting the smallest of small businesses with other needs including other avenues for raising capital.

EIDL Loans

The EIDL loan program has provided \$369 billion to nearly four million small business borrowers since the start of the pandemic. I'm particularly gratified to see that, after finally raising the loan cap last September, SBA has seen such a considerable increase in loan approvals.

**QUESTION 7:**

Now that the program is done accepting new applications and winding down the modification process, the next concern for SBA is administering nearly four million loans.

**QUESTION 8:**

What are the costs associated with loan servicing?

SBA is prepared to begin servicing the approximately 4 million COVID-19 EIDL loans in-house. SBA has been developing a series of new initiatives to increase servicing efficiencies. Current

estimated costs for COVID EIDL servicing are approximately \$372 million for FY2023. SBA will continue to refine our long-term COVID EIDL servicing costs as we better understand the portfolio behaviors and servicing requirements.

**QUESTION 9:**

How many employees will you have to retain to carry out this program going forward?

SBA has staffing capacity between current temporary and Schedule A FTEs that are rolling off through June 30 as the agency completes COVID EIDL origination (approximately 1500 FTEs). This staffing can be re-hired and re-trained for servicing roles beginning in September. Current temporary FTEs and contractors currently in servicing functions for COVID EIDL (approximately 120 FTEs), and customer service agents (approximately 500) will be able to perform basic servicing actions in SBA's enhanced technology platform. Leveraging existing staff is both more efficient and will result in a better customer experience as the personnel are already familiar with the COVID EIDL program and will require less training.

**QUESTION 10:**

How long would the \$320 million you have asked to have transferred from the loan account to administration last?

The \$320M transfer request from the Targeted EIDL Advance account into S&E (salaries and expenses) is anticipated to support SBA COVID admin needs through FY 2023 only.

We understand that the agency has several thousand EIDL applications that have been approved, but for which funding has not yet been disbursed.

Could you tell us:

**QUESTION 11:**

How many approved applications have yet to have funds accepted and disbursed?

As of August 26, 2022, 11, 635 borrowers had obligated funds and were eligible for manual closing. We are actively communicating with this population.

**QUESTION 12:**

What is the dollar amount of these approved but not disbursed loans?

\$2,687,691,176 (This is total loan amount, not undisbursed amount, as some of these were fully disbursed loans that then received an increase.)

**QUESTION 13:**

When will SBA give final notice to approved applicants that they must accept their application offer before the loan offer is withdrawn?

As of July 29, 2022, SBA has not determined the date of final cancellations. SBA is still working the active pool of applicants. Remaining applicants will be provided notice before cancellation.

**QUESTION 14:**

Can funding obligated for loans that are approved but not disbursed be put back into the program for existing borrowers that have applied for modifications, rehearings or appeals?

All workable loan applications for modifications, reconsiderations, and appeals have been processed. SBA continues to work with approved borrowers to ensure obligated funds are disbursed. Unworkable files that could not be processed include those that were missing documents (about 34%), those with no IRS tax transcript/no valid Form 4506-T on file (about 34%), and increase and reconsideration requests that were submitted via email after May 6, 2022 (about 15%).

PPP Forgiveness

The Paycheck Protection Program (PPP) funded over 11.4 million loans totaling \$789 billion from April 2020 through May 2021. Now, the forgiveness phase is in full swing. Of the 1.4 million loans that have not yet applied for forgiveness, 90% are under \$50,000 in loan value, which are most likely to be microbusinesses and sole proprietors. According to a recent Bloomberg article, a disproportionate number of loans \$25,000 or less have received no forgiveness, and according to a recent Miami Herald article, small businesses in majority Black, Latino and immigrant zip codes are far less likely to have received forgiveness than businesses in majority white zip codes.

**QUESTION 15:**

What are the reasons for such a large number of the smallest businesses not yet seeking forgiveness?

As of July 24, 2022, 87% of PPP recipients that have not requested forgiveness received their loans in 2021 and are still in the initial deferment period. SBA expects that many of these borrowers will apply for forgiveness as their deferment period ends and borrowers face the prospect of making principal and interest payments. SBA expects this to be especially true for the smallest borrowers.

**QUESTION 16:**

What considerations are being made for these microbusinesses?

SBA has taken steps to streamline the forgiveness process for the smallest PPP borrowers, including microbusinesses. First, SBA implemented a streamlined, one-page Borrower Forgiveness Application (SBA Form 3508S) for all borrowers with PPP loans of \$150,000 or less. In addition, SBA introduced a COVID Revenue Reduction Score for Second Draw PPP Loans of \$150,000 or less, where the borrower is required to provide revenue reduction documentation at the time of loan forgiveness, as an optional method to document the borrower's revenue reduction. Finally, SBA implemented a direct borrower forgiveness process. The direct borrower forgiveness process is an optional technology solution that SBA is providing to PPP lenders that leverages SBA's existing and proven PPP Platform and aligns with and seamlessly integrates the streamlined forgiveness application for loans of \$150,000 or less. SBA is committed to working closely with PPP lenders and borrowers to ensure all eligible borrowers receive forgiveness for the full amount authorized under statute.

**QUESTION 17:**

While the SBA created an online portal to help small borrowers complete the forgiveness application, many lenders do not participate. Do you think this is hampering the forgiveness process, and if so, what can Congress do to help?

The Direct Forgiveness portal remains a valuable tool for PPP lenders that elected to participate in Direct Forgiveness and allows their borrowers to use SBA technology to facilitate the submission of borrower forgiveness applications of \$150,000 or less directly to the SBA, with the forgiveness decision remaining with the lenders. Generally, lenders that have not elected to participate in Direct Forgiveness have made significant investments in online portals to accept

forgiveness applications directly from their borrowers. SBA is generally pleased with the performance of both lenders that have opted into Direct Forgiveness as well as lenders that have elected to accept forgiveness applications directly from their borrowers.

**QUESTION 18:**

Does SBA have authority to make a de minimis exception to allow automatic forgiveness for these smallest businesses, under the authority SBA used in its Interim Final Rule 3245-AH67 (effective March 4, 2021) to improve loan amounts for Schedule C microbusinesses, or the de minimis exceptions SBA made under Section 1106(d)(6) of the CARES Act to streamline forgiveness applications and requirements for small business borrowers with PPP loans of \$150,000 or less?

Under existing statute, SBA does not have the authority to make de minimis exceptions to allow automatic forgiveness for any PPP borrowers.

Under section 1114 of the CARES Act and section 303 of the Economic Aid Act, SBA was empowered to implement PPP regulations without advance notice to allow for immediate implementation and effectiveness of program rules to provide relief to America's small businesses as expeditiously as possible. For rules that made the program more restrictive, however, immediate effectiveness eliminated the grace period that would have allowed small businesses to review and understand changes to eligibility or program requirements. Many small businesses submitted their loan paperwork in good faith under program rules, but guidance changed while their applications were in queue awaiting approval or mere days before their applications were submitted. One example brought to my attention is a microbusiness in Illinois that applied for a PPP of just under \$20,000. Only a few days before this independent contractor submitted his application, SBA had issued a new rule, effective immediately that limited the types of documentation self-employed individuals could use to document payroll costs. Because he was unaware the rules had changed, the payroll costs documentation submitted by this independent contractor was no longer valid, thus his loan is not eligible for forgiveness.

**QUESTION 19:**

Since SBA had the authority to waive standard notice periods, does SBA have the authority to apply standard notice periods in cases where new rules made the program more restrictive?

Section 1114 of the CARES Act required SBA to issue regulations not later than 15 days after the date of enactment without regard to the notice requirements of the Administrative Procedure Act (APA) (5 USC 553(b)). Section 303 of the Economic Aid Act required SBA to issue regulations not later than 10 days after the date of enactment, again, without regard to the notice



requirements of the APA. Neither statute provided SBA with the ability to adhere to the standard notice requirements set forth in the APA. SBA provided additional guidance and clarity through Frequently Asked Questions developed from lender and PPP loan applicant inquiries.

**QUESTION 20:**

Can SBA act independently to resolve denials of loan forgiveness due to sudden changes in rules that were imposed without advance notice?

SBA has advised lenders to apply the rules that were in effect at the time the loan was made. To ensure this guidance is followed, SBA is reviewing every loan where a borrower is fully denied forgiveness by its PPP lender to ensure the lender followed the rules in place at the time the borrower received the loan. In addition, SBA implemented an appeal process through SBA's Office of Hearing and Appeals that allows certain borrowers that were denied forgiveness by SBA's Office of Capital Access the ability to file an appeal directly to the agency.

**QUESTION 21:**

Within the limits of the statutory language, where SBA rules were unclear or chaotic, could SBA direct lenders to determine good faith errors in the small business borrower's favor?

Under existing statute, SBA does not have the authority to make de minimis exceptions to allow automatic forgiveness for any PPP borrowers.

Federal contracting with Minority and Women-owned small businesses

In December, the Biden Administration announced a series of contracting reforms that largely tracked an amendment I filed to the bipartisan infrastructure bill. These reforms include increasing from 5 percent to 11 percent the share of Federal contracting dollars that go to small and disadvantaged businesses.

**QUESTION 22:**

How does the SBA plan to work with the Department of Transportation and their state offices to ensure that minority business enterprises, including those who are 8(a) certified, will be able to take advantage of the opportunities from the Infrastructure investment and Jobs Act?

SBA has worked closely with the Department of Transportation to carry out the contracting reforms announced by the Biden Administration, including the commitment to increase to 11 percent share of contracting dollars with Small Disadvantaged Businesses (SDBs). To reach that 11 percent commitment, the SBA negotiated with each agency an agency-specific SDB goal that accounts for the capacity of that agency to contract with SDBs. The SBA Administrator negotiated with the Department of Transportation an SDB goal of 20 percent, far exceeding the 11-percent governmentwide figure. The Department of Transportation's direct Federal spending, allocated through the Infrastructure Investment and Jobs Act (IIJA), will contribute to DOT's progress in achieving the President's goal for SDB contracting this year and in the years to come.

Additionally, the Department is responsible for many IIJA dollars that will be disbursed through state grants. Though these are not direct Federal dollars subject to the 11 percent goal, SBA is working with the Department to ensure that minority business enterprises can qualify for IIJA contract opportunities. Specifically, the SBA and the Department are collaborating on outreach to contractors to ensure they have the information and/or resources necessary, especially when it comes to bonding requirements that apply to contracts at the federal, state, or local level of contracting. We are also working now with the DOT around defining provisions related to BIL and DBE contracting that would benefit federal contractors.

#### Contracting certification

The FY21 NDAA triggered the transition of the service-disabled veteran-owned small business program certification from the VA to now SBA. The VA will verify an individual's status as a veteran or service-disabled veteran and the SBA will need to verify that status of the business as a small business.

#### **QUESTION 23:**

How will the agency work to capture efficiencies amongst the programs so that certification of the 8(a) program, women-owned small business program, HUBZone programs, and the now transitioning service-disabled veteran-owned certifications are not done in isolation?

With the upcoming transfer of the Center for Verification and Evaluation (CVE) from the Department of Veterans Affairs (VA) to SBA, there will be a total of four business certification programs housed within SBA's Office of Government Contracting and Business Development

(i.e. the 8(a) Business Development Program, the Woman-owned Small Business Program, the HUBZone Program, and now the Service-Disabled Veteran-Owned Small Business [SDVOSB] Program). Having these four certification programs together in the same office will provide SBA with an opportunity to continue to leverage the best practices and recent policy adjustments to quicken the timeline for application decisions across the board, and any successful results from recent changes to the different program application review processes, which have been helpful in decreasing the time needed to determine an applicant's eligibility, will be shared with the SDVOSB Program. SBA anticipates continued improvements to application efficiencies by having greater communication across our programs and by realizing processing synergies as we now incorporate the CVE program. By having all small business certification, technical assistance, and business development programs under the same roof at SBA, we will serve as a one-stop shop for Veteran entrepreneurs to access resources and trainings to support their growth and success.

Senator Hirono

Promoting Small and Medium-Sized Manufacturers

The President's budget proposal provides new investments in SBA programs to promote small and medium-sized manufacturers (\$4 million), building on the recently-announced Manufacturing Office.

We recently held a hearing to consider the importance of small and medium-sized manufacturers, which not only promote innovation, growth, and jobs, but also make important contributions to the supply chain:

**QUESTION 1:**

Can you speak to the importance of these new investments? How exactly will they support small and medium-sized manufacturers?

The Office of Manufacturing Initiatives is designed to provide additional resources and guidance to small and medium-sized manufacturers as they look to compete in the federal marketplace for contracting opportunities—opportunities that will provide the work and capital necessary to generate wealth in their communities, create good, quality jobs, and spur more Made in America products. Manufacturing is the fourth largest industry (by number of employees) among small

businesses. It comprises the largest share of U.S. exports, contributes significantly to the supply chain in critical sectors, and plays a uniquely historic role in the economic health of communities across the country. Currently, however, small manufacturers are underrepresented within federal procurement, receiving only 15 percent of manufacturing contracts from federal agencies. At the same time, women and people of color are significantly underrepresented as small business owners in the manufacturing sector.

SBA will leverage its expansive network of certification, financing, and management and technical support programs to invest in small manufacturers as they commercialize and scale innovation, automate processes, enter new markets, expand capacity, and strengthen supply chain resiliency. This initiative will partner with private sector and/or Manufacturing Extension Partnerships (MEPs) to expand supplier scouting efforts to link small manufacturers with procurement opportunities. The Office will also serve as SBA's advocate for any and all policies to improve access to federal contracts for small manufacturers.

SBA is also working closely with the Made in America Office to ensure that small business concerns are listed up within the Made in America efforts.

**QUESTION 2:**

What should manufacturers know about these investments?

The Manufacturing Initiatives Office will advance policies that expand opportunities for small manufacturers to compete for a greater share of federal contracts, developing resources and partnerships that support small makers as they automate, improve processes, expand capacity, export, diversify supply chains, and develop human capital strategies. Through the Manufacturing Initiatives Office, SBA will concentrate and amplify its support for small manufacturers through a one-stop-shop that engages in outreach campaigns, stakeholder events, and working groups to collect data on small manufacturers' greatest needs and then direct them to SBA and other government resources meant to spur business growth, job creation, and market access.

**QUESTION 3:**

What else is SBA doing to support manufacturers?

Rebuilding America's small manufacturing base is critical to building a strong national economy. In addition to the proposed Manufacturing Hub, there are several key SBA initiatives and programs that support small manufacturers' growth:

- The 504 Loan Program provides plant, real property, major equipment financing, and/or the refinancing of debt incurred for these major fixed assets. In FY2021 the 504 Program generated more small business credit than ever before and thanks to an increased authorization cap provided by Congress in FY2022, the program is on course to set another record.
- In the SBA's International Trade Program, the Agency is working to boost its marketing efforts by working with private sector stakeholders to increase product awareness and reach more underserved communities. For manufacturers, the SBA plans to counsel businesses on how these programs can be used to re-shore manufacturing.
- In the Office of Women's Business Ownership, the SBA is focusing on enhancing the capacity of its network to provide training, counseling, and access to capital for women-owned manufacturing firms and those seeking to do business with the Federal Government.
- In the Native American Affairs Outreach Program, the SBA is focusing assistance on manufacturing, as well as a handful of other priority areas.

#### Promoting Small Business Innovation

The President's budget proposal provides a substantial increase for SBA programs that promote small business innovation, including the Growth Accelerator Fund Competition (GAFC), Federal and State Technology Partnerships (FAST), and Regional Innovation Clusters (RIC) programs.

Local organizations like Hawaii Technology Development Corporation (HTDC) rely on these programs to recruit businesses into other successful programs like SBIR and STTR:

#### **QUESTION 4:**

Can you speak to the importance of these programs in promoting small business innovation?

The FAST, Growth Accelerator, and RIC programs have been SBA's primary tools to support the growth of innovative small businesses and increase the geographic and demographic diversity of our innovators. These programs provide direct in person support at the local level. They focus on the unique needs of innovative firms and startups and may help with writing proposals, funding prototypes, performing market analysis, finding mentors, partners, or other services as needed by our innovators.

These programs work. For example, our FAST awardees more than double the success rate of first-time applicants reaching 34% for Phase I applications last year.

**QUESTION 5:**

What would increased funding mean for the programs?

These programs form the basis of our national innovation ecosystem, and increased levels, as requested in the President's budget, will be transformative. They will allow these programs to scale, both in terms of reach and impact. Increasing these resources will ensure that our underrepresented communities – typically rural states, women, and socially/economically disadvantaged individuals -- will have access to an innovation driven onramp, unlocking significant economic benefits for them and our nation.

Many of us have been working to reauthorize the SBIR and STTR programs, which expire later this year (September 30). These programs are critically important to promoting small business innovation in the United States, and it is imperative that we reauthorize them before the deadline.

**Restaurant Revitalization Fund (RRF)**

Last year Democrats passed the American Rescue Plan Act (P.L. 117-2), which created the Restaurant Revitalization Fund (RRF), to provide disaster relief for restaurants, bars, and other foodservice businesses heavily impacted by the pandemic. But the program was underfunded, and businesses were left behind.

I have heard from many Hawaii businesses that benefited from the RRF, and from those that should have benefitted but did not receive grants:

**QUESTION 6:**

Can you speak to the importance of the RRF? Why is it so imperative that we provide additional funding for the program?

The \$28.6 billion Restaurant Revitalization Fund provided desperately needed relief to more than 100,000 restaurants and other food and beverage businesses across the nation with significant funding going to our hardest-hit, underserved businesses. Restaurants are at the center of our neighborhoods and propel economic activity on Main Streets. As among the first to close in this

pandemic and likely the last to reopen, many are still struggling to survive. The SBA will continue to work hard to support these businesses.

**QUESTION 7:**

What have you heard in your conversations with businesses about why the program is so important?

Businesses that received RRF awards have stated the program sustained them during the difficult pandemic period.

I have been a strong and consistent advocate for the RRF, and will continue to push for more funding for the program.

Senator Hickenlooper

**QUESTION 1:**

Senator Tim Scott and I introduced a bill to expand the 7(a) Small Business Lending Company (SBLC) program because innovative lending institutions proved adept at distributing pandemic relief funds to traditionally underserved small businesses.

**QUESTION 2:**

In your approximation, what would it cost to responsibly administer a pilot program to expand the number of SBLCs so that 7(a) funds can reach a more diverse group of entrepreneurs?

SBA does not have an estimate of exact costs. However, the most significant impact would be for the Office of Credit Risk Management to oversee non-regulated financial institutions.

**QUESTION 3:**

Digital workflows using artificial and machine learning techniques – generally employed by small, agile, and innovative lenders – can greatly simplify and speed up the process of underwriting, even for the smallest businesses.

**QUESTION 4:**

How is SBA integrating artificial intelligence to lower the cost of lending and expand access to credit for the smallest businesses?

SBA is implementing program changes using publicly available data to automate the loan approval process to reduce the costs and expand access for small businesses.

We applaud the Administration’s dedication to delivering support to more than 1,000 small businesses via Small Business Investment Companies (SBIC).

I believe it’s important to diversify the group of fund managers able to obtain SBIC licenses to help ensure SBIC funds reach a broad group of communities.

**QUESTION 5:**

What can more can SBA do to get fund managers from non-traditional backgrounds involved in the SBIC program?

SBA is keenly aware of the challenges faced by fund managers from non-traditional backgrounds and fund managers from underrepresented US populations and we have seen successes through creative interactions with the private equity marketplace. SBA’s outreach intentionally aims to reach non-traditional and underrepresented fund managers, and as a result, has witnessed recent increases in applications from non-traditional fund managers, and we are committed to continuing our efforts to raise awareness of the program. SBA will also soon issue proposed regulatory changes to significantly reduce barriers to program participation for new SBIC fund managers and funds investing in underserved communities and geographies.=

**QUESTION 6:**



The Bipartisan Infrastructure Bill that I helped negotiate contains hundreds of billions of dollars in investments across the country.

**QUESTION 7:**

What is the SBA doing to ensure that small businesses, especially those owned by members of traditionally underserved communities, are able to participate in rebuilding America's infrastructure?

SBA has worked closely with the Department of Transportation to carry out the contracting reforms announced by the Biden Administration, including the commitment to increase to 11 percent the share of contracting dollars with Small Disadvantaged Businesses (SDBs). To reach that 11 percent commitment, the SBA negotiated with each agency an agency-specific SDB goal that accounts for the capacity of that agency to contract with SDBs. The SBA Administrator negotiated with the Department of Transportation an SDB goal of 20 percent, far exceeding the 11-percent governmentwide figure. The Department of Transportation's direct Federal spending, allocated through the Infrastructure Investment and Jobs Act (IIJA), will contribute to DOT's progress in achieving the President's goal for SDB contracting this year and in the years to come.

Additionally, the Department is responsible for many IIJA dollars that will be disbursed through state grants. Though these are not direct Federal dollars subject to the 11 percent goal, SBA is working with the Department to ensure that minority business enterprises can qualify for IIJA contract opportunities. Specifically, the SBA and the Department are collaborating on outreach to contractors to ensure they have the information and/or resources necessary, especially when it comes to bonding requirements that apply to contracts at the federal, state, or local level of contracting. We are also working now with the DOT around defining provisions related to BIL and Disadvantaged Business Enterprises (DBE) contracting that would benefit federal contractors.

The Administration's request to expand the 7(a) program is admirable, but it risks leaving behind cooperatives because they cannot provide a personal guarantee on a loan.

A bill I introduced would create other criteria for cooperatives to demonstrate their ability to repay a loan.

**QUESTION 8:**

Would equity, cash flow, and profitability sufficiently demonstrate a cooperative's lending suitability?

Equity, cashflow and profitability are critical components that a lender would consider in analyzing an applicant's credit. Guarantees and collateral would also be considered in determining credit worthiness.

Senator Rubio

As of February of 2022, nearly 350,000 small businesses that received PPP loans of \$25,000 or less in 2020 had still not received full forgiveness for their loans. Recent data released by the SBA shows that over 1.26 million 2020 and 2021 PPP loans of \$150,000 or less have yet to be forgiven. And according to a recent Miami Herald article, small businesses in majority Black and Hispanic zip codes, including Miami-Dade, Broward, and Osceola counties in Florida, have some of the lowest loan forgiveness rates in the country.

Many small business owners who used their loans for eligible purposes expected to receive full forgiveness for their loans, but are unaware of the next steps to take to receive it, are experiencing delays with their lender or at the SBA, or have been told by their lenders that they only qualify for partial forgiveness or no forgiveness. This is particularly true for the smallest loan recipients, often called "microbusinesses," many of whom may not be aware of additional information that is needed to move forward and achieve forgiveness.

I wrote you a letter about this issue on March 24, 2022. In your April 22 response, you indicated that the SBA has established a direct borrower forgiveness process whereby lenders and borrowers can apply for loan forgiveness directly through an online platform, and that the new Community Navigator Pilot Program is meant to address some of these issues.

**QUESTION 1:**

What additional steps will the SBA take to ensure that small businesses that still have an unforgiven PPP loan but have not applied for forgiveness are aware of the necessary steps to receive such forgiveness?

SBA is committed to helping borrowers obtain full forgiveness on loan proceeds used consistent with program guidance. To that end, SBA is implementing a new process to allow PPP borrowers to request an SBA loan review of partial approval forgiveness decisions issued by their PPP Lenders (Procedural Notice 5000-827666, SBA Loan Reviews of Paycheck Protection Program Lender Partial Approval Forgiveness Decisions, issued 1/17/22). SBA is requiring all PPP lenders that have partially approved a borrower's forgiveness request to notify the

borrowers of their right to request an SBA review of the lender's decision. If SBA determines that the borrower is entitled to forgiveness in an amount greater than previously remitted, SBA will remit an additional forgiveness payment to the lender to make up the difference.

**QUESTION 2:**

Have Community Navigators been engaging with underserved microbusinesses that received PPP loans to help them access full forgiveness?

See the response to Cardin #5.

**QUESTION 3:**

In what ways has the Community Navigator Pilot Program helped to increase PPP loan forgiveness rates among underserved, eligible borrowers?

See responses to Cardin #s 5 and 6.

Section 307 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (P.L. 116-260), directs the SBA to make available a simplified forgiveness application for borrowers of PPP loans under \$150,000. Congress was clear that PPP borrowers who validly completed this application "shall be forgiven." The agency took some action – particularly in 86 FR 40921 – to simplify revenue reduction and stand up a direct borrower loan forgiveness process.

**QUESTION 4:**

What additional steps can the agency take to further simplify the application process for the smallest borrowers, particularly those with loans under \$25,000?

SBA is committed to working closely with PPP lenders and borrowers to ensure all eligible borrowers receive forgiveness for the full amount authorized under existing statute.

**QUESTION 5:**

How does the SBA plan to ensure that the smallest businesses in minority and underserved communities have access to necessary information to receive loan forgiveness, and do not face unnecessary barriers to receiving such forgiveness?

SBA has taken steps to streamline the forgiveness process for the smallest PPP borrowers, including the smallest businesses in minority and underserved communities. First, SBA implemented a streamlined, one-page Borrower Forgiveness Application (SBA Form 3508S) for all borrowers with PPP loans of \$150,000 or less. In addition, SBA introduced a COVID Revenue Reduction Score for Second Draw PPP Loans of \$150,000 or less, where the borrower is required to provide revenue reduction documentation at the time of loan forgiveness, as an optional method to document the borrower's revenue reduction. Finally, SBA implemented a direct borrower forgiveness process. The direct borrower forgiveness process is an optional technology solution that SBA is providing to PPP lenders that leverages SBA's existing and proven PPP Platform and aligns with and seamlessly integrates the streamlined forgiveness application for loans of \$150,000 or less.

Under section 1114 of the CARES Act (P.L. 116-136) and section 303 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (P.L. 116-260), Congress empowered the SBA to implement PPP regulations within 15 days and without advance notice to allow for immediate implementation and effectiveness of program rules. This was meant to ensure that aid made it out to businesses quickly, and the provision accomplished that goal. For later agency rules that made the program more restrictive, however, immediate effectiveness eliminated the grace period that would have allowed small businesses to review and understand changes to eligibility or program requirements. Many small businesses submitted their loan paperwork in good faith under program rules, but guidance changed while their applications were in the queue awaiting approval or mere days before their applications were submitted. Now, some of these small businesses are being denied full forgiveness for their loans, despite the fact that at the time they prepared their applications, they were in compliance with the law.

**QUESTION 6:**

Since SBA had the authority to waive standard notice periods, does SBA have the authority to review and, where appropriate, retroactively apply standard notice periods in cases where new rules made the program more restrictive?

See the response to Cardin #19.

**QUESTION 7:**

Can SBA act independently to reconsider denials of loan forgiveness that took place due to sudden changes in rules that were imposed without advance notice?

See the response to Cardin #20.

**QUESTION 8:**

Among 134 fraud-related cases associated with PPP loans filed between May 2020 and March 2021, GAO found that five lenders issued nearly half of the PPP loans implicated in fraudulent activity. One particular lender, who issued 2% of all PPP loans, is responsible for 18% of these cases. What steps is SBA taking to focus its resources on investigations of these lenders?

The SBA OIG has stated that PPP borrowers who committed fraud are less likely to request forgiveness, ultimately leading to SBA honoring the 100% guaranty for the PPP loan. SBA's Office of Credit Risk Management (ORCM) will review PPP lenders with portfolios of loans where SBA has honored, or "purchased," the guaranty (purchased PPP loans). ORCM will refer suspicious lender and borrower activity identified during these reviews to the OIG. SBA also actively monitors for PPP fraud during loan and forgiveness reviews, referring suspicious PPP loan and lender activity to the OIG. SBA continues to collaborate with and support the OIG and other law enforcement groups in their investigations and prosecution of fraud.

**QUESTION 9:**

Many small business borrowers made good faith errors that are preventing them from obtaining full forgiveness. Within the limits of the statutory language, where SBA rules were unclear or chaotic, how can the SBA work with lenders to determine good faith errors in the small business borrower's favor?

SBA is committed to helping borrowers obtain full forgiveness on loan proceeds used consistent with program guidance. To that end, SBA is implementing a new process to allow PPP borrowers to request an SBA loan review of partial approval forgiveness decisions issued by their PPP Lenders (Procedural Notice 5000-827666, SBA Loan Reviews of Paycheck Protection Program Lender Partial Approval Forgiveness Decisions, issued 1/17/22). SBA is requiring all PPP lenders that have partially approved a borrower's forgiveness request to notify the borrowers of their right to request an SBA review of the lender's decision. If SBA determines that the borrower is entitled to forgiveness in an amount greater than previously remitted, SBA will remit an additional forgiveness payment to the lender to make up the difference.

The SBA's FY23 budget request includes a request for more than \$2 million in additional funding to operate the Small Business Innovation Research (SBIR) and Technology Transfer (STTR) Programs. These programs provide important resources to small businesses to drive

American innovation and competitiveness. However, reports suggest that additional protections and reforms are needed, as the Chinese Communist Party (CCP) and other foreign actors regularly target recipient firms and researchers to steal or gain access to products and intellectual property developed with U.S. taxpayer dollars. Too often, these innovations end up stolen or transferred, scaled, and commercialized overseas.

**QUESTION 10:**

What steps is the SBA taking, and what new steps will the agency take, to ensure that products or IP developed using SBIR/STTR funds are not stolen or unlawfully accessed by foreign entities?

In January 2022, SBA announced a new Cybersecurity for Small Business Pilot program to provide grants to states to provide training, counseling, remediation, and other tailored cybersecurity services for emerging small firms. SBIR/STTR Technical and Business Assistance (TABAs) provisions also explicitly allow the Department of Defense to provide cybersecurity technical assistance. Further, cybersecurity training webinars, events, and resources are regularly added to SBIR.gov. SBA will continue to work with the funding agencies to support its administrative pilot initiatives that strengthen protection of intellectual property and due diligence.

**QUESTION 11:**

What steps will the SBA take to protect against conflicts of interest by SBIR/STTR applicants and awardees that may imperil taxpayer-funded innovations to theft or transfer abroad, including foreign ownership, funding, partnerships, or joint ventures by the recipient firms?

SBIR and STTR eligibility is restricted to firms that are majority owned and controlled by U.S. citizens or permanent resident aliens, and the research and development funded through these programs are required to be carried out in the United States. SBA regularly discusses program eligibility with the funding agencies, provides size determinations at an agency's request, and has promulgated regulations that address joint ventures, ownership, partnerships, affiliation, and control. Applicants to the program must further certify eligibility and compliance to the funding agencies and are required to list the key individuals working on the project.

**QUESTION 12:**

What more can be done to protect SBIR/STTR awardees from influence or targeting by malicious foreign actors?

Protecting our domestic innovation is not a challenge unique to SBIR/STTR, but broadly impacts industry and academia, and therefore requires comprehensive and broad solutions. SBA collaborates with funding agencies to make available training, education, awareness, and resources tailored to help innovative small businesses in addressing export controls, cybersecurity standards, and intellectual property protections, including those participating in the SBIR/STTR programs, to complement broader national security solutions.

SBA believes that more public-private partnership efforts to connect domestic innovation transitioning from lab-to-market with domestic funding sources is critical to retaining innovation IP in the U.S.

Senator Inhofe

Guaranty Purchase Requests

Ms. Guzman, Citizens Bank, a community bank based in Edmond, Oklahoma, has been waiting for three years for SBA to approve a guaranty for a 7(a) loan.

This guaranty is worth \$1,000,000 – a substantial amount for a community bank – and the bank has made every effort possible to provide SBA with necessary information to process the request.

Indeed, this bank has frequently received requests for additional information from SBA with a 48-hour turnaround time – to which the bank consistently responds with the requested information – only for SBA to then take weeks and even months to respond.

**QUESTION 1:**

Ms. Guzman, three years is an unacceptable time frame for any request to remain pending at SBA. What types of reforms are you implementing at SBA to help streamline regulatory processes?

SBA's 7(a) guaranty purchase process currently averages 45 calendar days or less. Guaranty purchases that take longer than 45 days generally have an issue with them that take longer to

resolve. We are always looking at opportunities to improve our processes, but generally lenders are very satisfied with the guaranty purchase process 7(a).

**QUESTION 2:**

Will you commit to work with my staff to remedy this specific problem faced by Citizens Bank?

Yes, SBA would be happy to look into this individual loan guaranty purchase situation and to work with the 7(a) lender to bring this to a resolution. Our Office of Congressional and Legislative Affairs has reached out to your office to request the applicant information.

UCC Filing

Ms. Guzman, as you know, SBA currently files UCC's for EIDL loans over a certain threshold.

As a result, however, lenders are forced to be in the second position on UCC filings – due to the risk this creates, some lenders in my state are foregoing issuing any further loans to these borrowers due to the lack of collateral.

**QUESTION 3:**

Ms. Guzman, how do you see businesses continuing to grow in this situation, and what is SBA doing to remedy this concern?

Please have lenders contact SBA's Birmingham Disaster Loan Servicing Center at [Bham.Realty@sba.gov](mailto:Bham.Realty@sba.gov) for a subordination of SBA's UCC filing. SBA promptly and routinely processes requests for subordinations on UCC filings. SBA approves these subordination requests on a streamlined basis when complete applications and documents are provided. This is a standard and prudent lending practice to protect the repayment of the EIDL. A business borrower's current and future operations often depend on refinancing existing debt for better terms, modifying working capital loans, and other routine business lending.

Senator Young



In its latest survey, Goldman Sachs' 10,000 Small Businesses Voices found that 88% of small business owners believe inflationary pressures on their businesses have worsened since January.

While the effects of inflation can vary depending on the industry, generally, inflation has a trickle-down effect creating a number of damaging challenges. As a result, many small businesses are applying for immediate cash infusions from traditional banks, private lender, and other lending programs—such as the SBA.

**QUESTION 1:**

What is the Small Business Administration doing to help small businesses pivot and adapt to inflationary pressures?

Across SBA programs, the Agency is working to help small businesses thrive in the current economic environment, which is characterized by steady growth, rising wages, low unemployment, high consumer demand, and rising prices. Some examples of how SBA is helping small businesses with inflation include:

- Supporting innovative startups that have the potential to increase competition within their industries.
- Providing training on supply chain management through SBA resource partners, particularly Small Business Development Centers
- Extending more credit through SBA core lending programs than ever before, including through the 504 Loan Program, which offers a 25-year fixed-rate loan, a particularly useful tool in a rising-interest-rate environment.
- Training and supporting government contractors and subcontractors, to support the construction of modern infrastructure under the Bipartisan Infrastructure Law.

**QUESTION 2:**

Do you believe reducing excessive federal regulations on startups and younger businesses will be effective at combatting inflation?

I believe the economy and small businesses are most successful when regulation strikes an appropriate balance. There must be enough clear rules of the road to ensure that business competition is fair and that consumers, workers, and the environment are protected. Also, regulation should be continually monitored to ensure regulations are serving their intended purpose; those that are not should be eliminated or modernized. The SBA's independent Office

of Advocacy supports this objective across government, and the Biden Administration has requested an 8% increase to the Office's budget in FY 2023 in support of its work. In addition, the SBA Office of the National Ombudsman provides assistance to small businesses facing burdens and obstacles from existing regulations across government. Also, I prioritize the maintenance and simplification of SBA regulations, particularly where there are opportunities to expand services to more small businesses. For example, this March, I announced the SBA would remove restrictions that can keep entrepreneurs with criminal backgrounds from accessing the Community Advantage loan program. I will continue to look for regulations that are standing in the way of small businesses in need of help.

The Small Business Administration's (SBA) IT systems play a vital role in managing billions of dollars in loans, grants, and other forms of financial relief. However, for several years, the SBA Inspector General has identified serious shortcomings in SBA's security controls through various audits.

**QUESTION 3:**

Can you speak to the investments made over the past year to ensure proper oversight of the SBA's IT systems?

SBA has currently aligned its cybersecurity governance and oversight to report our cybersecurity posture seamlessly automatically to the CISA Dashboard, via our EDR implementation. This compliments our 24/7 SOC activities to allow for greater collaboration between the two agencies. SBA has conducted a pilot vulnerability Ransomware risk assessment with CISA to further identify potential cybersecurity gaps in efforts to proactively protect our constituents, as well as SBA intellectual property.

SBA is on course to meet the Presidential Executive Order for Log Management Retention, maturity Level 1, by Aug 31st, 2022.

SBA is on course to meet the Presidential Executive Order for Log Management Retention, maturity Level 1, by Aug 31st, 2022.

**QUESTION 4:**

What steps are you taking to safeguard the agency—and the taxpayers who utilize SBA programs—from security vulnerabilities?

The SBA has updated and implemented numerous cybersecurity policies and baseline configuration doctrine to ensure that business units are integrating cybersecurity into its

information systems. SBA OCIO provides common controls across the enterprise for business unit(s) consumption. SBA has implemented IT and cybersecurity acquisition language into all awarded contracts.

SBA CIO has increased its SOC Capabilities by now including a Threat Hunt and Threat intelligence components to help thwart cybersecurity attacks and prevent them before occurrence. We have improved our incident response capabilities and have been graded at a FISMA category 4 by our OIG Audit in 2021. We will continue to improve our cybersecurity posture by assessing our enterprise environment for implementing a Zero Trust architecture that aligns with industry standards. Our current ZTA implementation plan has been reviewed by OMB and the Executive Office of the President for collaboration. Ongoing meetings are occurring.

As you are aware, the SBA Office of Advocacy is the “independent voice for small businesses,” tasked with identifying top issues for business owners.

**QUESTION 5:**

In your time as Administrator, what actions has Office of Advocacy undertaken to address regulatory concerns from small business owners, and to what effect?

The Office of Advocacy is an independent office and does not take direction from the Administrator. That said, during my time as Administrator, the Office of Advocacy has filed public comments on a variety of regulatory actions by federal agencies. Just a few examples, from April and March 2022, include public comment letters from Office of Advocacy regarding:

- The Bureau of Ocean Energy Management’s Environmental Assessment for the Morro Bay Offshore Wind Energy Area
- The National Academy of Sciences’ Energy Efficiency Rulemaking Report
- The SEC’s Proposed Cybersecurity Risk Management, Strategy, Governance, and Incident Reporting requirements
- The Consumer Product Safety Commission’s proposed rule for safety standards for clothing storage units
- The U.S. Army Corps of Engineers’ Navigable Waters Protection Rule

Furthermore, the Office of Advocacy regularly issues regulatory alerts to the public and convenes agency roundtables to discuss proposed rules’ impact on small businesses. Please submit further questions directly to the Office of Advocacy.

Recently, the House passed the Small Business Advocacy Improvements Act, which would expand the authority of the Office of Advocacy to represent the interest of small businesses during international trade discussions.

**QUESTION 6:**

Can you speak to some of SBA's resources that may be underutilized with respect to representing small businesses in international trade discussion? How is the SBA currently representing small businesses in bilateral negotiations?

SBA remains engaged in U.S. trade policy development and trade engagements with USTR, including Small and Medium-Sized Enterprise Dialogues with key trading partners. SBA is fully engaged in the Trade Policy Staff Committee and interagency discussions to ensure small business interests are represented in international trade discussions, and enforcement activities. We participated in the virtual negotiating rounds with the UK and Kenya until those negotiations were paused, as well as the trade protocol discussions with Brazil, Ecuador, and Uruguay. We also continue to work with USTR on ensuring small businesses interests are reflected in new initiatives, such as on the Indo Pacific Economic Framework trade module and other initiatives. In addition, SBA continues to support the implementation of the United States-Mexico-Canada Agreement (USMCA). In April 2022, SBA assisted USTR in organizing the first USMCA SME Dialogue in San Antonio, Texas featuring both in-person and virtual opportunities to participate. SBA also continues to work with USTR and Commerce to organize and support SME Dialogues with the United Kingdom and European Union and around major events such as the Summit of the Americas. Further, OIT continues to solicit small business input through publicizing specific Federal Register Notices, participation in listening sessions hosted by SBA, SBA Office of Advocacy, Prosper Africa, and other partners, and through our international trade hotline.

Senator Marshall

**QUESTION 1:**

Why is the SBA creating a brand new equity plan to try and target underserved communities when you aren't even servicing your most basic programs? My office has 22 cases outstanding for people trying to get financing and SBA services, some of which dating back to July 2021. There are multiple programs already to target underserved communities such as the women business development center or the microloan program and adding another plan seems like it will bog down everything that's currently at the SBA in my opinion.

The SBA is eager to help your office resolve outstanding case concerns. Our Office of Congressional and Legislative Affairs and the district offices in Kansas will continue to work with your office on those concerns. The SBA's Equity Action Plan is not a new program. Administrator Guzman believes that an important part of her responsibilities in running the Agency is ensuring that underserved communities have equitable access to the resources SBA offers. The existence of programs with that purpose, such as women's business centers and microloans, is not a substitute for evaluating all SBA programs for their impact and setting goals to improve their impact. The Equity Action Plan simply identifies historical gaps in SBA performance and lays out goals for improvement across access to capital, procurement and contracting opportunities, disaster assistance, and counseling.

**QUESTION 2:**

How is SBA supporting rural Kansas and rural America?

While the SBA Wichita District Office is physically located in the city of Wichita, the territory encompasses the western 2/3s of Kansas with the majority being rural. Prior to the COVID-19 pandemic, the Wichita DO prioritized in-person visits with many rural community lenders, partners, and businesses resulting in a number of visits in the Western 77 counties of Kansas: 167 Lenders visits; 123 partner visits (Chambers of Commerce, City/County Economic Development, etc.); 117 outreach events (business training or events organized other than by SBA). The Wichita DO will continue to prioritize in person visits in addition to hosting virtual events with rural clients when feasible.

Every other year the Wichita District Office hosts six rural lender roundtables which includes personnel from USDA Rural Development and Farm Service Agency to provide rural lenders information and options for government guaranteed lending to small business. In FY2022 the Wichita District Office has started to resume in-person visits and workshops as limited travel budget permits. We have already held workshops in Dodge City, Liberal, Colby and have three scheduled in Russell.

SBA's only physical offices and staff are in the two largest cities in Kansas, leaving our rural communities without direct access to SBA officials and largely unaware of SBA programs and opportunities. There is no real outreach to our rural communities and rural lenders to ensure they are aware of the programs and opportunities. As far as I can recall, we've never had SBA officials in the rural parts of our state.

Adding on to these excessive programs, the Community Navigators program is meant to reach underserved areas, but all the funding seems to be going to places like New York or California

that receive millions in SBA funding and assistance already and rural states like Kansas and West Virginia didn't receive a penny.

**QUESTION 3:**

Why is that and why does the SBA not want to reach rural communities?

The 51 Hub organizations support 450 Spokes which provide assistance in all 50 states and Puerto Rico. Some of the Tier 1 organizations, like the International Rescue Committee, are headquartered in places like New York, but services are distributed through the organization's spokes, which are located in rural and urban areas across the country.

“The out of control spending carried out by this administration has driven inflation to 8.5%, a 40 year high. The President's most recent Budget Request would further drive out of control spending and requests a 14% increase for non-defense funding, including an allocation of \$914 million for SBA, a 17% increase.

**QUESTION 4:**

At a time when the SBA should be finding ways to lower the inflation burden on our small businesses, why is your agency contributing to the reckless spending proposals out of this administration?”

President Biden agrees that cutting the deficit is one way to address inflation, and that is why his budget maps out a \$260 billion-lower deficit for next fiscal year. However, cutting support for small businesses at the SBA is not, and should not be, part of deficit reduction. Cutting back on capital, contracting, or counseling support would undermine SBA's roles in combatting inflation: by supporting small domestic manufacturers, by supporting the buildout of infrastructure, by providing low-cost, fixed-rate loans to small businesses, and by supporting more competition in private industry. At a time when America has 1 million more infant businesses than ever before, now is the time to *increase* support for small businesses, not to pull back.

Instead, the President believes that deficit reduction should be achieved primarily by ensuring the largest corporations and wealthiest Americans pay their fair share in taxes.

There's been a significant increase in your agency's budget request for direct lending programs. I am cautious to have the federal government be adding on as direct lenders and taking away from local banks' abilities to lend money and stay in business.

**QUESTION 5:**

What is the justification to increase direct lending programs through SBA?

Small business access to capital remains a top priority of this Administration. SBA is evaluating existing programs to ensure they are accessible to borrowers, particularly underserved borrowers and communities, and will continue to explore additional solutions to address access to capital inequities. A direct lending program, such as the one passed by this committee and the House of Representatives, could fill gaps and meet the needs of entrepreneurs that existing programs are not currently reaching.

**QUESTION 6:**

Where at all in the SBA's mission of "starting, building, and growing businesses" does a voter registration agency fall into?

Many of the barriers to voting are similar to the barriers that small businesses face. Voters and small business owners alike have faced discriminatory policies or other systemic injustices that limit access to resources and services. The result is that underserved communities are often left behind. Growing businesses and developing business leaders includes supporting their growth in their communities as civic leaders.

**QUESTION 7:**

How does the SBA plan to implement this without taking away from the services it is already behind on?

SBA views serving as a Voter Registration Agency in line with the assistance we regularly provide a business owner filling out a loan application for their business or helping navigate reporting requirements for an SBA grant, for example.

**QUESTION 8:**

Can you speak to the case of Jay David Soulliere, Jr, who committed aggravated identity theft using SBA systems while an employee of the SBA in 2020?

SBA cannot comment on employee investigations.

**QUESTION 9:**

What is the SBA doing to prevent another event like this from happening?

SBA is aware of the potential for employee misconduct and occupational fraud. The agency intends to conduct an enterprise-wide risk assessment related to employee conduct to determine if other risk factors are present.