

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, House Committee on Small Business
FROM: Nydia M. Velázquez, Chairwoman
DATE: November 16, 2021
RE: Full Committee Hybrid Hearing: “A Discussion with SBA Administrator Isabella Casillas Guzman.”

The Committee on Small Business will meet for a hybrid hearing titled “A Discussion with SBA Administrator Isabella Casillas Guzman.” The Honorable Isabella Casillas Guzman serves as the 27th Administrator of the United States Small Business Administration (SBA). Members will hear about Administrator Guzman’s vision for the agency as it emerges from the pandemic and discuss the opportunities and challenges that exist for small businesses. The hearing is scheduled to begin at **10:00 A.M. on Wednesday, November 16, 2021, in 2360 Rayburn House Office Building and via the Zoom platform.**

Panel

- The Honorable Isabella Casillas Guzman, Administrator, U.S. Small Business Administration

Background

Since 1953, the SBA has empowered small business owners by giving them the tools and resources they need to launch and grow their businesses. The SBA meets its statutory mission through four major components: 1) assisting small businesses obtain capital; 2) helping small businesses navigate the federal procurement marketplace; 3) offering managerial counseling and assistance; and 4) providing disaster loans to individuals, businesses, and nonprofit organizations in declared disaster areas. Each component is carried out through Congressionally mandated programs, sometimes in conjunction with private sector partners. The majority of these services are delivered by SBA, the Resource Partners, or through SBA’s district offices throughout the United States.

The COVID-19 pandemic devastated small businesses, resulting in more businesses closures in 2020 than any other year on record and leaving countless other small companies teetering on the brink of closure. The Federal government’s efforts to save small firms were extraordinary, but distributing the economic aid was a huge endeavor for the agency. The one trillion dollars in federal funding that flowed through SBA represented more than 10 times agency’s annual budget, meaning it administered more aid during the COVID-19 crisis than it had for all other disasters combined during its 67-year history. As the country recovers from the pandemic, SBA’s core programs will be critical to the long-term solvency of small businesses.

Access to Capital

Access to affordable capital is essential for starting a business, hiring employees, and expanding operations. Without adequate access to funding, small firms often fail to realize their full potential, which inhibits economic growth in local communities. Unfortunately, small business owners do not have the same access to credit as larger firms that can take out a conventional loan from a bank. Underrepresented entrepreneurs are more likely to be denied credit, even with good credit scores.¹

To help fill this gap in the credit markets, Congress created a number of programs at SBA, including the 7(a) loan guarantee program, the 504/Certified Development Company (504/CDC) program, the Microloan program, and the Small Business Investment Company (SBIC) program. To help small businesses keep workers employed and to support sole proprietors and self-employed individuals during the COVID-19 pandemic, Congress also created the Paycheck Protection Program (PPP) through which private lenders made almost \$800 billion in forgivable loans to small businesses.

Improve Capital Access for Underrepresented Entrepreneurs

In its Congressional Budget Justification for FY 2022, SBA stated it “supports strategies that focus on providing reasonable credit terms and access to credit for minority-owned, women-owned, and veteran-owned small businesses and entrepreneurs.”² In FY 2021, only 5 percent of all 7(a) loans made were to Black-owned businesses, 8 percent were to Hispanic-owned businesses, 4 percent were to veteran-owned businesses, and 18 percent were to women-owned businesses.³ These figures have remained unchanged over the past five years.

To improve access to 7(a) loans for underrepresented entrepreneurs, SBA administers the Community Advantage Pilot Program through which mission-based lenders, including non-federally regulated Community Development Financial Institutions (CDFIs), CDCs, and Microloan program intermediaries make 7(a) loans up to \$350,000. In its Congressional Budget Justification for FY2020, SBA acknowledged the Community Advantage program “reached significantly more women and minorities than the traditional 7(a) loan program.”⁴

Despite these efforts, access to 7(a) loans remains a challenge for entrepreneurs from underrepresented communities, which exhibit strong demand for small-dollar loans. SBA’s data shows that small-dollar lending has declined significantly in the 7(a) program. For example, the number of 7(a) loans made under \$150,000 decreased by almost 53 percent over the past five

¹ Federal Reserve System, *Small Business Credit Survey: 2021 Report on Firms Owned by People of Color* (Apr. 15, 2021), <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color>.

² U.S. Small Bus. Admin., *FY 2022 Congressional Justification and FY 2020 Annual Performance Report*, 27 (2021), https://www.sba.gov/sites/default/files/2021-06/FY2022_SBA_Congressional_Justification-508_0.pdf.

³ U.S. Small Bus. Admin., *Weekly Approvals Report with data as of 09/30 for each FY* (Sept. 30, 2021), https://www.sba.gov/sites/default/files/2021-10/WebsiteReport_asof_20210930.pdf.

⁴ U.S. Small Bus. Admin., *FY 2020 Congressional Justification and FY 2018 Annual Performance Report*, 37 (2019), https://www.sba.gov/sites/default/files/2019-04/SBA%20FY%202020%20Congressional%20Justification_final%20508%20%204%2023%202019.pdf.

years.⁵ The decline is even greater for 7(a) loans below \$50,000, which decreased by almost 58 percent over the past five years.⁶

504/CDC Loan Program Lending Pause

In FY 2021, SBA approved 9,676 504/CDC loans totaling over \$8.2 billion,⁷ demand which exceeded the Congressionally authorized cap of \$7.5 billion. This caused a temporary pause in 504 lending for most of September until funding authority was reset on October 1, 2021. During the pause, SBA's Loan Processing Center (LPC) continued accepting, processing, and issuing decisions on loan applications and communicated those to CDCs originating the loans. However, the LPC was not able to issue a loan number or authorization until October 1. Instead, the LPC activated a funding queue for all loans with funding decisions.

Paycheck Protection Program – Loan Forgiveness Update

On July 28, 2021, SBA announced it was launching the Paycheck Protection Program (PPP) Direct Forgiveness Portal, a streamlined loan forgiveness application process that would allow PPP borrowers with loans of \$150,000 or less to apply for forgiveness directly through SBA.⁸ Through this process, SBA proactively reaches out to borrowers and provides a pre-populated forgiveness form to the borrower that they can complete in the new direct forgiveness portal using either a computer or a smartphone.⁹ In order for borrowers to access the Direct Forgiveness Portal, their lenders must opt-in through SBA's website, and as of September 22, 2021 more than 1,400 lenders have opted-in to the portal.¹⁰ As of October 31, 2021, 71 percent of all PPP loans have been fully or partially forgiven, totaling over 76 percent of total PPP loan value.¹¹

Small Business Investment Company Program

In FY 2021, SBICs provided over \$7.1 billion in capital to 1,080 small businesses, with SBA committing the statutory maximum of \$4 billion in capital to those SBICs.¹² Despite the sharp increase in activity in FY 2021 compared to FY 2020, considerable gaps remain in the program's coverage, especially with respect to reaching founders from underrepresented communities and in licensing new funds led by diverse investors. In 2007, SBA acknowledged at a hearing in this

⁵ *Supra*, note 3.

⁶ U.S. Small Bus. Admin., *SBA FOIA – Frequently Requested Records: 7(a) and 504 Dataset* (Mar. 9, 2021, last updated Oct. 26, 2021), <https://data.sba.gov/dataset/7-a-504-foia>.

⁷ *Supra*, note 3.

⁸ Press Release, U.S. Small Bus. Admin., *SBA Announces Opening of Paycheck Protection Program Direct Forgiveness Portal*, Release No. 21-58 (July 28, 2021), <https://www.sba.gov/article/2021/jul/28/sba-announces-opening-paycheck-protection-program-direct-forgiveness-portal>.

⁹ Press Release, U.S. Small Bus. Admin., *In Less Than Two Weeks, Paycheck Protection Program Direct Borrower Forgiveness Portal Surpasses Expectations, Accepts More Than 340K Submissions*, Release No. 21-72 (Aug. 18, 2021), <https://www.sba.gov/article/2021/aug/18/less-two-weeks-paycheck-protection-program-direct-borrower-forgiveness-portal-surpasses-expectations>.

¹⁰ Press Release, U.S. Small Bus. Admin., *SBA Administrator Announces New Paycheck Protection Program (PPP) Milestone: In Less Than Two Months, One Million Borrowers Apply for Direct Forgiveness through Agency's PPP Portal*, Release No. 21-90 (Sept. 22, 2021), <https://www.sba.gov/article/2021/sep/22/sba-administrator-announces-new-paycheck-protection-program-ppp-milestone-less-two-months-one>.

¹¹ U.S. Small Bus. Admin., *Forgiveness Platform Lender Submission Metrics – October 31*, (Oct. 31, 2021), https://www.sba.gov/sites/default/files/2021-11/2021.10.31_Weekly%20Forgiveness%20Report_Public-508.pdf.

¹² U.S. Small Bus. Admin., *Small Business Investment Company (SBIC) Program Overview Report as of September 30, 2021* (Oct. 15, 2021), <https://www.sba.gov/document/report-small-business-investment-company-sbic-program-overview-report-september-30-2021>.

Committee that “women and minority participation [in the SBIC program] is low.”¹³ Further, in 2009 the Small Business Investor Alliance (SBIA) testified that SBA’s SBIC licensing process “has done an abysmal job at attracting and licensing funds led by women and minorities.”¹⁴ In FY 2020, SBICs made about 5 percent of their total financing to minority-owned small businesses, totaling approximately \$244 million.¹⁵ Additionally, in FY 2020, SBICs made about 3 percent of total financings to women-owned small businesses and about 1 percent of total financings to veteran-owned small businesses.¹⁶

Small Business Contracting

The Federal Government is the largest purchaser of goods and services, with acquisitions totaling more than \$650 billion in FY 2020.¹⁷ The primary purpose of the SBA’s Government Contracting and Business Development programs is to help small businesses increase their access to the federal marketplace. While in recent years, the Federal government has been successful in achieving the statutory goal of awarding 23 percent of all prime contracts to small businesses, the overall participation of small firms has declined significantly over the years. The Federal government has continued to achieve this goal by awarding fewer contracts worth higher values. Thus, the Committee needs to understand what steps SBA is taking to ensure the small business base does not continue to shrink.

Certify.Gov

Certify.SBA.gov is an IT system that SBA envisioned would serve primarily as a certification management system to enhance service delivery across the contracting programs, including the 8(a), Historically Underutilized Business Zones (HUBZone), Mentor Protégé and Women-Owned Small Business (WOSB) programs.¹⁸ However, applications for all of the programs were never developed or lacked basic functionalities, and certain key capabilities were not implemented.¹⁹

In FY 2019, after SBA spent 4 years and \$30 million on the platform, they decided to abandon Certify.SBA.gov altogether, alleging it was unsustainable on a long-term basis; had unaddressed security vulnerabilities and latent defects; and that it was difficult to understand and improve.²⁰ It was reported that new development would be migrated to another platform. In terms of milestones, it was projected that initial project applications for WOSB and HUBZone would be completed by January 2020 and that the 8(a) and all Small Mentor Protégé program would be migrated by September 2020.²¹

¹³ *Full Committee Hearing on Legislation Updating and Improving the SBA’s Investment and Surety Bond Programs, Before the H. Comm. on Small Business*, 110th Cong. (2007) (statement of Hon. Steven C. Preston, Administrator, U.S. Small Business Administration).

¹⁴ *Full Committee Hearing on Increasing Access to Capital for Small Businesses, Before the H. Comm. on Small Business*, 111th Cong. (2009) (statement of Carolyn C. Galiette, Senior Managing Director, Ironwood Capital).

¹⁵ Robert Jay Dilger, Cong. Rsch. Serv., R41456, *SBA Small Business Investment Company Program* (Sept. 3, 2021).

¹⁶ *Id.*

¹⁷ U.S. Gov’t Accountability Off., *A Snapshot of Government-Wide Contracting For FY 2020 (infographic)*, WatchBlog (June 22, 2021), <https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2020-infographic>.

¹⁸ Small Bus. Admin. Off. of Inspector Gen., Report 20-17, *Evaluation of Certify.SBA.gov* (July 30, 2020).

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

While none of the timelines were met, development of the project did resume on what is now being deployed as Beta.Certify.sba.gov.²² This platform currently serves to manage certifications for the Women-Owned Small Business and Economically Disadvantaged Women-Owned Small Business (WOSB/EDWOSB) program. Upon committee inquiries, the agency indicated that “[u]pon completion of the WOSB Program component, SBA will perform a strategic review of the Certify project to ensure the best technical approach to timely, effective delivery of a single, integrated system.”²³ Thus, it is unclear if all programs will be migrated to Beta.Certify.sba.gov or if SBA will propose yet another solution. The hearing will give Members the opportunity to learn more about agency actions regarding certify.gov and certification challenges.

Women-Owned Small Businesses

In 2015, Congress removed small businesses’ ability to self-certify eligibility to the WOSB program and required SBA to establish a formal certification process.²⁴ SBA began issuing formal certifications for the program in October of 2020. Pursuant to the most recent information, SBA has received 15,000 WOSB and Economically Disadvantaged WOSB applications.²⁵ So far, 3,242 businesses have been admitted into the WOSB/EDWOSB program and 87 applications have been denied.²⁶ Moreover, 12,000 applications were screened and returned to the applicant for more information.²⁷ Thus, little progress has been made in issuing applications and the agency is dealing with a substantial backlog, which ultimately impacts small business opportunities to compete for WOSB/EDWOSB set asides or sole source awards. The Committee hearing will give SBA the opportunity to provide an update of how SBA intends to address this backlog and the steps SBA is taking to educate applicants regarding the information that needs to be submitted.

Counseling and Training

SBA provides vital counseling and training services to more than 1 million entrepreneurs and small firms across the country each year through its network of Resource Partners: Small Business Development Centers (SBDCs), Women’s Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs). This network of programs is the technical assistance arm of the SBA and meets business owners where they are geographically and in their business’ development.²⁸ The CARES Act provided \$240 million for SBDCs and WBCs to handle the significant increase in the number of small entities seeking counseling and training. The Resource Partners were incredibly useful in showing small businesses owners how to pivot their business model, navigate SBA’s disaster relief programs, and maintain operations through a global pandemic. In addition, the respective SBDC and WBC associations received an additional \$25

²² Letter from Francis Spampinato, Associate Administrator, SBA’s Office of Government Contracting and Business Development (GCBD) to the House Small Business Committee, “*Questions for the Record for the September 2020 hearing*” (Oct. 27, 2020) (on file with the Committee) and Letter from Francis Spampinato, Associate Administrator, SBA’s GCBD to the House Small Business Committee (Oct. 20, 2020) (on file with the Committee).

²³ *Id.*

²⁴ Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, §825, 128 Stat. 3292, 3437 (2014).

²⁵ Small Bus. Admin. Off. of Inspector Gen., Report 22-02, *Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2022* (Oct. 15, 2021).

²⁶ *Id.*

²⁷ SBA regulations establish that “SBA will make its [application] determination within ninety (90) calendar days after receipt *of a complete package, whenever practicable.*” 13 C.F.R 127.304 (Emphasis added).

²⁸ *U.S. Small Bus. Admin Office of Entrepreneurial Development*, <https://www.sba.gov/about-sba/sba-locations/headquarters-offices/office-entrepreneurial-development> (last visited Nov. 2, 2021).

million to create a centralized platform for federal COVID-19 resources and a backend, training platform for all Resource Partner counselors.

Community Navigators

The Community Navigator Pilot Program provides targeted outreach to assist small businesses during the recovery. The pilot program was authorized in the American Rescue Plan Act of 2021 and provides \$100 million for grants to organizations to participate in the program and \$75 million to support outreach and education.²⁹ Competitive grant awards range from \$1 million to \$5 million for a two-year performance period.³⁰ Outreach and education will include services in the 10 most common languages other than English, improvements to SBA's website, implementing a media campaign to educate underserved communities, and establishing an SBA call center. On October 28, 2021, SBA Administrator Guzman announced the recipients of the Community Navigator Pilot Program Grants, with awards ranging from \$1 million to \$5 million over a two-year period.³¹ Committee Members expect to find out more about the awards made and next steps for the program.

Technology and Innovation at SBA

Significant progress has been made over the years in developing reliable, secure, and high performing technology at SBA; however, unprecedented demand for SBA economic relief programs challenged their IT systems. During the pandemic, the SBA experienced an unprecedented level of applicants for the PPP and the EIDL programs. The influx inundated SBA's legacy systems, E-Tran, and the EIDL application portal, leading to backend system crashes, portals operating slowly, and a glitch that led to a data breach of applicants' personal information. Reports issued by the SBA Office of Inspector General (OIG) and the Government Accountability Office (GAO) have repeatedly recommended that SBA improve its application and processing platforms. An SBA OIG flash report stressed the importance of front-end controls to safeguard funds before they are disbursed, and recommended the SBA strengthen E-Tran controls for future programs.³² The SBA agreed with the recommendation and planned to complete related tasks by September 1, 2021.³³

FY 2022 Budget

On May 28, 2021 the Administration released its budget proposal for FY2022, requesting approximately \$995 million for SBA.³⁴ The amount is \$73.7 million, or 8 percent, more than the FY2021 enacted level of \$921.7 million for core SBA programs.³⁵ The Administration's budget proposal for FY2022 provides \$318 million, \$46 million more than the FY2021 enacted level, for

²⁹ American Rescue Plan Act of 2021, Pub. L. No. 117-2, §5004, 135 Stat. 90, 88-89 (2021).

³⁰ U.S. Small Bus. Admin Community Navigator Pilot Program, <https://www.sba.gov/partners/counselors/community-navigator-pilot-program> (last visited Nov. 2, 2021).

³¹ Press Release, U.S. Small Bus. Admin., *SBA Administrator Guzman, Biden-Harris Administration Announce Community Navigator Pilot Program Grantees*, Release No. 21-97 (Oct. 28, 2021), <https://www.sba.gov/article/2021/oct/28/sba-administrator-guzman-biden-harris-administration-announce-community-navigator-pilot-program>.

³² Small Bus. Admin. Off. of Inspector Gen., Report 21-09, *Flash Report: Duplicate Loans Made Under the Paycheck Protection Program*, 9 (Mar.15, 2021).

³³ *Id.*, at 10.

³⁴ *Supra*, note 2.

³⁵ *Supra*, note 2.

counseling programs to help underserved entrepreneurs access capital and contracting opportunities. In addition, the Administration’s proposal expands procurement activities and provides additional staffing capacity for the contracting activities, in order to ensure socially and economically disadvantaged have ample opportunities to compete for and win federal contracts. The proposal also boosts the Salaries and Expense account, increasing funding from \$270.2 million in FY2021 to \$293.6 in FY2022 to fully support SBA’s mission.³⁶

Economic Relief Programs

Restaurant Revitalization Fund

The American Rescue Plan created a Restaurant Revitalization Fund (RRF) and provided SBA with \$28.6 billion for grants to qualifying food and beverage establishments, \$5 billion of which is set aside for businesses with less than \$500,000 in gross receipts in 2019.³⁷ The RRF launched on May 3, 2021, and as of June 30, 2021, the RRF program received more than 278,000 eligible applications representing more than \$72.2 billion in funds, well over the \$28.6 billion available. The SBA announced the closure of the RRF program on July 2, 2021.³⁸ At the time of closure, underserved populations received approximately \$18 billion in grant awards, and the remainder of the \$28.6 billion was awarded to eligible applicants not identified as part of an underserved group.

Shuttered Venue Operator Grant Program

The Economic Aid Act created the Shuttered Venue Operators Grant (SVOG) Program and provided SBA with \$15 billion for grants to eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who demonstrate revenue loss.³⁹ The American Rescue Plan provided an additional \$1.25 billion for SVOG and allowed entities to apply for both a second-draw PPP and SVOG, which was previously prohibited by the Economic Aid Act.⁴⁰ Eligible entities that receive both a PPP loan and SVOG after December 27, 2020 had the amount of the PPP loan deducted from the total SVOG award.

To date, the SBA has awarded over \$10 billion in economic relief to nearly 12,000 venues.⁴¹ More than 90 percent of the SVOG grants have gone to venues with less than 50 employees. The supplemental award period remains open, and SBA continues sending supplemental invitations to eligible SVOG awardees. The supplemental awards also allow SVOG recipients to extend the time to use their grant funds for expenses accrued through June 30, 2022 and lengthen their budget period to 18 months from the initial grant’s award date.

³⁶ *Supra*, note 2.

³⁷ American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 5003, 135 Stat. 85 (2021).

³⁸ Press Release, U.S. Small Bus. Admin., *SBA Administrator Announces Closure of Restaurant Revitalization Fund Program*, Release No. 21-55 (July 2, 2021).

³⁹ Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, Pub. L. No. 116-260, tit. III, § 324, 15 U.S.C. 9009(a) (2021).

⁴⁰ *Supra*, note 30, § 5005.

⁴¹ Press Release, U.S. Small Bus. Admin., *SBA Administrator Announces New Shuttered Venue Operators Grant Milestone: Supplemental Awards Begin*, Release No. 21-92 (Sept. 24, 2021).

COVID Economic Injury Disaster Loans

On March 6, 2020, Congress passed the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, which deemed the COVID-19 outbreak a declarable disaster under the Small Business Act, allowing Economic Injury Disaster Loans (EIDL) to be available to small businesses, and provided SBA with \$20 million for disaster assistance administrative expenses.⁴² On March 27, 2020, Congress passed the CARES Act, which provided \$10 billion for Emergency EIDL grants, a new SBA program providing advance payments of up to \$10,000 that would not need to be repaid, even if borrowers are later denied EIDL loans.⁴³ On April 24, 2020, Congress passed the PPP and Health Care Enhancement Act (PPPHCEA), which provided an additional \$50 billion for EIDL loan subsidy and an additional \$10 billion for Emergency EIDL grants.⁴⁴ The law also expanded eligibility for EIDL loans and Emergency EIDL grants to agricultural businesses during the covered period, who were previously shut out of the EIDL programs.

EIDL Loan Caps

Under the previous Administration, Congress learned that SBA reduced the maximum amount of the EIDL loan from \$2 million to \$150,000 per small business.⁴⁵ On March 24, 2021, the SBA announced that would increase the loan limit for the COVID-19 EIDL program to \$500,000.⁴⁶ On September 9, 2021, the SBA increased the borrowing limit to the maximum loan amount of \$2 million. Additionally, SBA allows for 24 months of loan repayment deferment and has expanding flexibility of the EIDL loan to allow borrowers to pay down higher-interest business debt.⁴⁷

EIDL Advance Payments

Under the previous Administration, the amount of the Emergency EIDL grant was limited to \$1,000 per employee, in contradiction to the CARES Act. In the 14 weeks the program operated before it was depleted, nearly 5.8 million applicants received grants based on their company's head count. However, according to the SBA OIG more than 700,000 solo business owners received larger grants by claiming additional workers.⁴⁸ Under the previous Administration, the SBA never requested additional information from these sole proprietors to verify the number of employees cited on their grant applications before approving and disbursing the grants.⁴⁹

In the Economic Aid Act, Congress created the EIDL Targeted Advance Payment program to ensure that EIDL borrowers located in low-income communities received up to \$10,000 in advance

⁴² Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, tit. II, 134 Stat. 147 (2020).

⁴³ Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, § 1110, 134 Stat. 306 (2020).

⁴⁴ Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, § 101, 134 Stat. 621 (2020).

⁴⁵ Aaron Gregg & Erica Wegner, *SBA Slashes Disaster-loan Limit from \$2 million to \$150,000, Shuts Out Nearly All New Applicants*, Washington Post (May 7, 2020), <https://www.washingtonpost.com/business/2020/05/07/sba-disaster-loans/>.

⁴⁶ Press Release, U.S. Small Bus. Admin., *SBA to Increase Lending Limit for COVID-19 Economic Injury Disaster Loans*, Release No. 21-24 (Mar. 24, 2021).

⁴⁷ Press Release, U.S. Small Bus. Admin., *SBA Administrator Guzman Enhances COVID Economic Injury Disaster Loan Program to Aid Small Businesses Facing Challenges from Delta Variant*, Release No. 21-81 (Sept. 9, 2021).

⁴⁸ Small Bus. Admin. Off. of Inspector Gen., Report 22-01, *SBA's Emergency EIDL Grants to Sole Proprietors and Independent Contractors* (Oct. 7, 2021).

⁴⁹ *Id.*

payments.⁵⁰ The American Rescue Plan provided another \$15 billion for the Targeted Economic Injury Disaster Loan Advance payment program.⁵¹ Eligible entities that have suffered a revenue loss greater than 30 percent may be able to receive a Targeted Advance Payment in the amount equal to the difference of what the borrower received in an initial Emergency EIDL grant and \$10,000. Applicants who applied for an EIDL Advance but did not receive any support due to lack of funding may be eligible to receive a full \$10,000 advance if they meet program requirements.

In addition to the Targeted Advance, the Supplemental Targeted Advance provides the smallest and hardest hit eligible businesses with a supplemental payment of \$5,000 that does not need to be repaid.⁵² To qualify for the Supplemental Targeted Advance, an eligible business entity must be in a low-income community, suffered greater than 50 percent economic loss, and have 10 or fewer employees.

Fraud and Abuse Concerns

SBA loans and grants have combined for \$214 billion in EIDL assistance for COVID-19, which is more than three times the total amount of disaster loan assistance approved for all previous disaster declarations combined in SBA history since 1953. While millions of America's small businesses have benefited from the economic relief programs, GAO and the SBA OIG have repeatedly warned that the speed in which these programs were implemented left the agency with limited safeguards to identify and respond to risks, such as improper payments and potential fraud.⁵³ The GAO added EIDL and PPP to its "High-Risk List."⁵⁴

Conclusion

America's 30 million small businesses are the engines that drive economic growth, employing 59.9 million Americans and creating roughly 1.8 million new jobs annually. Not only do they fuel the economic growth, but they also support local communities and towns through innovation, trade, and business reinvestment. When they are successful, our country is successful. SBA has a vital role to play in helping small businesses to start, grow, and succeed. This hearing will give the Administrator an opportunity to share her plan for the agency as it works to aid small businesses impacted by the pandemic.

⁵⁰ Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, Pub. L. No. 116-260, tit. III, § 331, 15 U.S.C. 9009 (2021).

⁵¹ American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 5002, 135 Stat. 85 (2021).

⁵² Press Release, U.S. Small Bus. Admin., *SBA Launches Supplemental Targeted Advance for Small Businesses Hardest Hit by COVID-19*, Release No. 21-32 (Apr. 23, 2021).

⁵³ U.S. Gov't Accountability Off., GAO-20-625, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts* (June 25, 2020).

⁵⁴ U.S. Gov't Accountability Off., GAO-21-119SP, High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas (Mar. 2, 2021).