

# Congress of the United States

Washington, D.C. 20515

April 06, 2022

The Honorable Isabel Casillas Guzman  
Administrator  
United States Small Business Administration  
409 3<sup>rd</sup> Street, SW  
Washington, DC 20024

Dear Administrator Guzman:

The Paycheck Protection Program (PPP) was created on March 27, 2020, as a key provision of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).<sup>1</sup> This important assistance program was an unprecedented emergency effort to support American small businesses during the COVID-19 shutdowns and disruptions. With a focus on employees and employee retention, PPP assistance was delivered to small businesses through private sector lenders. If proceeds were used on certain eligible expenses, businesses had, and continue to have, the opportunity to request PPP loan forgiveness.<sup>2</sup> As expected, the program quickly provided capital to businesses and certain designated nonprofit organizations. As the rules surrounding eligibility were paramount to ensure American workers were supported and taxpayer dollars were used properly, we write to inquire about the Small Business Administration's (SBA) adherence to the legal requirements set forth under the CARES Act.

We have recently been made aware of a report from the Freedom Foundation highlighting that PPP loans were made to labor unions.<sup>3</sup> Using data obtained through the *Freedom of Information Act*, the Freedom Foundation determined that 226 labor, teachers, and government sector unions received \$36.7 million in forgivable loans.<sup>4</sup> We understand these loans were made despite the CARES Act's language specifically targeting PPP loans to small businesses and non-profit organizations—as defined under Section 501(c)(3) and 501(c)(19) of the Federal tax code, respectively.<sup>5</sup> Additionally, 501(c)(12) entities were made eligible for the PPP through administrative action on May 19, 2020.<sup>6</sup> PPP loan eligibility was not extended to unions—Section 501(c)(5) entities—until the law was amended nearly a year later.<sup>7</sup> This information suggests that 501(c)(5) entities entered the program illegally and put money in the

---

<sup>1</sup> Mar. 27, 2020, Pub. L. 116-136, Div. A, Title I, § 1102. 134 Stat. 286.

<sup>2</sup> *Id.* § 1106.

<sup>3</sup> Pat Hauf, *Labor Unions Collected \$37 Million in COVID Relief They Were Ineligible to Receive*, THE WASHINGTON FREE BEACON, Feb. 2, 2022, <https://freebeacon.com/latest-news/labor-unions-received-37-million-in-illegal-pandemic-relief/>.

<sup>4</sup> MAXFORD NELSEN, THE FREEDOM FOUND., PROFITING FROM A PANDEMIC: HOW INELIGIBLE UNIONS COLLECTED MILLIONS IN FEDERAL COVID RELIEF FUNDS (Feb. 2022), <https://www.freedomfoundation.com/wp-content/uploads/2022/02/Profiting-from-a-Pandemic-%E2%80%93-Union-Receipt-of-PPP-Loans.pdf>

<sup>5</sup> Pub. L. 116-136, *supra* note 1.

<sup>6</sup> 85 Fed. Reg. 29,848 (May 19, 2020).

<sup>7</sup> Mar. 11, 2021, Pub. L. 117-2, Title V, Sec. 5501, 135 Stat. 82.

hands of affiliates of large organizations—including the AFL-CIO and the International Brotherhood of Teamsters—which netted more than \$3.8 million.<sup>8</sup>

Given the wide utilization of the program, it is critical to understand if ineligible entities received assistance and how the SBA conducted PPP loan forgiveness reviews for entities classified under Section 501(c)(5) of the Federal tax code (hereinafter referred to as “501(c)(5)-classified entities”). Therefore, we request a full written response to the following requests by April 20, 2022 for all PPPs made prior to March 11, 2021:

- How many 501(c)(5)-classified entities received a PPP loan?
- What was the total dollar amount of PPP loans that were made to 501(c)(5)-classified entities?
- How many 501(c)(5)-classified entities requested loan forgiveness for a PPP?
- What was the PPP loan forgiveness determination of the SBA on loans approved to 501(c)(5)-classified entities?
- Please provide a full accounting of the SBA’s auditing process of PPP loans made to 501(c)(5)-classified entities to ensure no improper loans were approved. If no audits have been conducted by the date of this letter, please provide an explanation for this oversight.
- Please provide a full accounting of the procedures used by the SBA when it determines a PPP loan was improperly made to an ineligible entity.
- Please provide a full accounting of the procedures used by the SBA when it determines forgiveness was improperly approved to an ineligible entity.
- How many and what was the total dollar amount of PPP loans approved to a 501(c)(5)-classified entity that have since been determined by the SBA to have been improperly forgiven?

Should you have questions about this request, or if you would like to arrange further conversations, you can reach the Small Business Committee Republican staff at (202) 225-5821 and the Education and Labor Committee Republican staff at (202) 225-4527.

Sincerely,




Blaine Luetkemeyer  
Ranking Member  
Committee on Small Business



Virginia Foxx  
Ranking Member  
Committee on Education and Labor



Beth Van Duyne  
Subcommittee on Oversight,  
Investigations, and Regulations



Rick W. Allen  
Subcommittee on Health, Employment,  
Labor, and Pensions

---

<sup>8</sup> Maxford Nelsen, *supra* note 4, at 4.