

## Minority Views

### **The following represent the views of the Democratic members of the Committee on Small Business on the Budget for Fiscal Year 2025**

Pursuant to clause 4(f) of Rule X of the Rules of the House and section 301(d) of the Congressional Budget Act of 1974, I am writing to advise you of the additional views and estimates of the Committee on Small Business with regard to the fiscal year 2025(FY25) budget. These views and estimates are in addition to those that will be submitted by the Committee's majority. While we concur in several areas, there are some areas of disagreement, which are discussed in greater detail below.

The Committee on Small Business has legislative jurisdiction over the Small Business Administration (SBA) and this letter accordingly focuses on the Fiscal Year 2025 (FY 2025) budget request for this agency and the programs it operates under the authorizations contained in the Small Business Act (15 U.S.C. § 631 *et seq.*) and the Small Business Investment Act of 1958 (15 U.S.C. § 661 *et seq.*).

#### **OVERVIEW**

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 small businesses managerial counseling and assistance; and (4) offering loans for small businesses, homeowners, and renters to aid in the recovery from a natural disaster. Each component is carried out through Congressionally mandated programs, sometimes in conjunction with private sector partners. The majority of these services are delivered, either by the SBA or one of its partner organizations, through the SBA's district offices across the United States.

#### **ACCESS TO CAPITAL**

When testifying before the Committee, small business owners consistently cite the lack of available capital as a significant problem. The SBA administers four major capital financing programs: 7(a) Loan Guarantee Program (7(a) program), 504/Certified Development Company (CDC) Loan Program, Small Business Investment Company (SBIC) program, and Microloan Program.

##### SBA 7(a) Program

The SBA's flagship lending program, the 7(a) program, provides small firms with financial assistance, including working capital, fixed and intangible asset financing, as well as refinance and export support through term and revolving loans. The mission of the 7(a) program is to provide entrepreneurs who cannot access traditional capital markets with an affordable source of loans. During FY 2022, the 7(a) program supported a substantial volume of lending nationally, with over \$25.7 billion across 47,678 loans.<sup>1</sup> In FY 2025, the Committee supports robust funding for this

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<sup>1</sup> U.S. SMALL BUS. ADMIN., *Weekly Approvals Report with data as of 09/30 for each FY*, (last visited Feb. 14,, 2023), [https://data.sba.gov/dataset/70771c79-e7eb-48fb-8e1c-0fe18a5c8551/resource/24f6542c-e0b4-4d05-b9a1-e640eb1f5f75/download/websitereport\\_asof\\_20220930.pdf](https://data.sba.gov/dataset/70771c79-e7eb-48fb-8e1c-0fe18a5c8551/resource/24f6542c-e0b4-4d05-b9a1-e640eb1f5f75/download/websitereport_asof_20220930.pdf)

program to ensure capital access needs are met for the nation's small business community. Additionally, it is recommended that the Community Advantage pilot program be codified into law and made permanent because it is an effective tool in reaching underserved entrepreneurs often left out under the traditional 7(a) program.

#### Microloan Program

The SBA Microloan Program provides loans to intermediaries, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. Intermediaries in turn help the smallest of small businesses access capital to help new businesses get off the ground. The program plays a critical role in the small business economy, providing credit to those unable to secure traditional bank-based financing. In FY 2022, \$82.6 million in Microloan funding went to 5,055 small businesses, with 76 percent of loans going to small firms located in underserved communities.<sup>2</sup> This is approximately a 10% increase in the amount of loans approved by Microloan intermediaries from FY 2021. Although, the program's combination of capital access and technical assistance is targeted to first-time entrepreneurs and is especially important to women and minorities as the loans made to underserved businesses decreased by 3% in FY 2022 when compared to FY 2021. The Committee supports robust funding for the program and the accompanying Microloan Technical Assistance.

#### 504/CDC Loan Program

The 504/CDC program provides permanent, fixed rate financing for businesses to acquire industrial or commercial buildings or heavy equipment and machinery. The program is delivered by local Certified Development Companies (CDCs) working in partnership with private lenders and the SBA. For FY 2025, it is recommended to provide adequate funding for the combined level for both accounts.

#### Small Business Investment Company Program

The SBIC program is an investment program that increases access to capital for high-growth start-up businesses. Specifically, with a \$4 billion authorization per year, the SBIC program provides long-term loans and equity capital to small businesses with potential for substantial job growth and economic impact. SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. SBA provides funding to qualified investment management firms with expertise in certain industries. In FY 2022, SBICs provided approximately \$7.9 billion in financing to 1,217 small businesses, which is a 13% increase from FY 2021.<sup>3</sup> However, only 6.7% of the companies receiving SBIC financing were women-, minority-, or veteran-owned.<sup>4</sup> Therefore, it is recommended the SBA prioritize expanding outreach to increase minority- and women-led funds, and to increase the number of women-, minority-, and veteran- owned businesses that benefit from the program. The Committee supports robust funding for the SBIC program.

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<sup>2</sup> Press Release, Small Bus. Admin, SBA Announces End-of-Year Capital Benchmarks Showing Historic Support for Small Businesses under Administrator Guzman (Dec. 13, 2022), <https://www.sba.gov/article/2022/dec/13/sba-announces-end-year-capital-benchmarks-showing-historic-support-small-businesses-under>.

<sup>3</sup> U.S. SMALL BUS. ADMIN., *Small Business Investment Company (SBIC) Program Overview Report as of September 30, 2022*, (Sept. 30, 2022), - <https://www.sba.gov/document/report-small-business-investment-company-sbic-program-overview-report-fiscal-year-ending-september-30-2022>.

<sup>4</sup> *Id.*

## **DISASTER ASSISTANCE**

The SBA Disaster Loan program includes home disaster loans, business physical disaster loans, and Economic Injury Disaster Loans (EIDL). Disaster assistance through the SBA is the primary form of federal assistance for the repair and rebuilding of private sector disaster losses. The SBA's disaster assistance is unique as it is provided in the form of loans that go directly to the ultimate borrower, and there are circumstances where the loans are not limited to small businesses. In FY 2022, the SBA approved more than 36,500 direct loans natural disasters totaling \$1.96.<sup>5</sup> In FY 2025, the SBA will continue to encourage disaster preparedness to mitigate and minimize disaster damage for small businesses and communities.

The SBA recently issues updated thresholds for disaster programs as it relates to loan limits for primary residences, personal property, and limits for collateral requirements, payment deferral periods, and mitigation disaster loans. The Committee supports increasing these limits and thresholds to make it easier for borrowers after disasters to gain the assistance needed to recover.

In addition to traditional SBA Disaster Assistance programs, the SBA experienced a massive and unprecedented increase in lending due to the COVID-19 pandemic and the broadened authority to provide EIDL disaster relief to every state and territory during the pandemic, which was provided in the first emergency supplemental.<sup>6</sup> While the SBA is no longer accepting new COVID EIDL applications, these are 30-year loans, and the SBA will need the resources and capacity to monitor and service these loans in the years to come. The Committee remains supportive of providing sufficient resources needed by the agency to service these loans. This includes fully funding the agency's new COVID-19 servicing unit that is located within the SBA's Processing and Disbursement Center.

## **ENTREPRENEURIAL DEVELOPMENT PROGRAMS**

Each year, more than one million entrepreneurs receive mentoring, training, entrepreneurial resources, and localized assistance through SBA's Resource Partner network. The network is comprised of Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs), and offers services at every stage of business growth and development. In the past, the SBA has funded unproven pilot programs that lack a specific authorization at the expense of proven core programs. The committee remains skeptical of unauthorized Entrepreneurial Development programs due to a lack of demonstrated need, absence of robust controls, and potential for duplicative services.

### Small Business Development Centers

SBA provides grants to SBDCs to leverage a unique mix of federal, state, and private sector financial resources. This funding model enables SBDCs across the country to deliver management and technical assistance to small businesses through an extensive network comprised of 62 lead

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<sup>5</sup> U.S. SMALL BUS. ADMIN., *Agency Financial Report: Fiscal Year 2022*, (last visited Feb. 15, 2023), [https://www.sba.gov/sites/default/files/2022-12/2022\\_SBA-AFR\\_R02-508.pdf](https://www.sba.gov/sites/default/files/2022-12/2022_SBA-AFR_R02-508.pdf).

<sup>6</sup> Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, tit. II, 134 Stat. 147 (2020).

centers managing nearly 1,000 outreach locations throughout the country.<sup>7</sup> SBDCs deliver professional business advice and training focused on strategic planning, business development, financial planning, and cash flow management to hundreds of thousands of business clients annually. In FY 2022, SBDCs provided training and advising to 306,141 entrepreneurs and small business owners, helped start 20,288 new small businesses and supported nearly 1.3 million jobs. SBDCs also helped small businesses access nearly \$8 billion in capital for FY 2022.<sup>8</sup>

In FY 2023, SBDCs received \$140 million in federal funding.<sup>9</sup> Yet, funding for a number of individual SBDC centers has decreased due to an expansion of the SBDC program to the Commonwealth of the Northern Mariana Islands and shifts in the population from the 2020 Census. As a result, many SBDC networks have been forced to cut programs and services while demand remains high. There have been concerns that SBA has undervalued the SBDC program. As such, in past years the Committee has supported an increase in funding to be reallocated from SBA-created initiatives to the SBDC program and the minority expects to lead legislation in the 118th Congress to improve the program. The Committee requests \$175 million in funding, which is consistent with the amount authorized in H.R. 6445 Small Business Development Centers Improvement Act of 2022, which passed the House in the 117th Congress.

#### Women's Business Centers

The SBA provides grants to 145 non-profit organizations that provide quality advising and training services primarily to women entrepreneurs, many of whom are socially and economically disadvantaged. In FY 2022, the WBC program served more than 84,000 unique clients, and helped launch 2,821 small businesses and recorded 8,363 transactions to support capital infusion.<sup>10</sup> In FY 2023, the WBCs received \$27 million in federal funding.<sup>11</sup> To ensure that women entrepreneurs across the country have access to the vital counseling and technical training services to take them from startup to success, \$31.5 million for the WBC program in FY 2025 is recommended. This increase will allow the WBCs to maintain day-to-day operations, accommodate the increase in demand for services as more individuals turn to entrepreneurship, support newly established centers, and expand outreach to underserved women entrepreneurs. The request is consistent with the amount authorized in H.R. 6441, the Women's Business Centers Improvement Act of 2022, which passed the House in the 117th Congress.

#### SCORE

SCORE provides face-to-face counseling at over 250 chapters with 10,000 SCORE volunteers.<sup>12</sup> SCORE volunteers provide a full range of business consultation services, such as business plan development, strategic marketing, and financing ideas. The SBA's SCORE database enables small businesses to find SCORE volunteers that best match the needs of their business. In FY 2022, SCORE served 322,881 unique clients and helped start more than 3,900 new businesses.<sup>13</sup> In FY

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<sup>7</sup> U.S. SMALL BUS. ADMIN., FY 2023 CONG. JUSTIFICATION/FY 2021 ANNUAL PERFORMANCE REPORT (2022). [hereinafter, FY 23 SBA Budget Justification].

<sup>8</sup> E-mail from the U.S. Small Bus. Admin. to the Committee on Small Business (Feb 23, 2023,) (on file with the Committee).

<sup>9</sup> Consolidated Appropriations Act, 2023, P.L. No. 117-328.

<sup>10</sup> *Supra* note 24.

<sup>11</sup> Consolidated Appropriations Act, 2023, *Supra* note 25.

<sup>12</sup> FY 23 SBA Budget Justification, *Supra* note 23 at 84.

<sup>13</sup> *Supra* note 24.

2023, the enacted level of funding for SCORE was \$17 million,<sup>14</sup> and level funding for FY 2025 is recommended.

#### Veteran's Business Outreach Centers

The Veterans Business Outreach Center program provides entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans and military spouses who own or are considering starting a small business. There are currently 22 VBOCs across the country that deliver these services and the Boots to Business program at 180 military installations worldwide. In testimony before the Committee, witnesses have stated that the Boots to Business program is a good resource that helps veterans see what they learned in military service and apply that to business ownership and operations.<sup>15</sup> In FY 2022, VBOCs served more than 42,000 veteran small business owners, holding 1,912 training events, including 827 Boots to Business classes and 5,546 modules.<sup>16</sup> In FY 2023, VBOCs received \$17.5 million in funding,<sup>17</sup> and it is recommended that at least level funding for the program be instituted.

#### Native American Outreach

The SBA aids Native American communities in starting, growing, and expanding their small businesses through the Office of Native American Affairs (ONAA). The Office is critical to traditionally underserved often geographically isolated American Indian, Alaska Natives, and Native Hawaiian communities. The mission of the Office of Native American Affairs is to ensure American Indians, Alaska Natives, and Native Hawaiians seeking to start and grow small businesses have access to SBA's entrepreneurial development, lending, and procurement programs. Entrepreneurship can provide a pathway out of poverty for American Indians and Alaska Natives, which have the highest poverty rate among all racial and ethnic groups. Native American-owned businesses contribute over \$33 billion to the U.S. economy every year and employ 200,000 people.

Sufficient funding is needed to ensure the Office of Native American Affairs at SBA can increase access to federal programs and services that support Native American entrepreneurs and promote economic development in tribal communities. In FY 2023, the Native American Outreach Program received \$4 million in funding.<sup>18</sup> The Committee remains committed to supporting Native American-owned small businesses and supports robust funding to expand the programs' outreach capabilities and statutorily authorizing the Office of Native American Affairs at SBA, specifically the Native American Entrepreneurial Opportunity Act.

### **GOVERNMENT CONTRACTING PROGRAMS**

The primary purpose of the SBA's Government Contracting and Business Development (GCBD) programs is to assist small businesses by increasing their access to the federal marketplace.

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<sup>14</sup> Consolidated Appropriations Act, 2023, *Supra* note 25.

<sup>15</sup> Military to Main Street: Hearing Before the H. Comm. on Small Business, 117<sup>th</sup> Cong. (2022).

<sup>16</sup> E-mail from the U.S. Small Bus. Admin. to the Committee on Small Business (Feb 24, 2023) (on file with the Committee).

<sup>17</sup> Consolidated Appropriations Act, 2023, *Supra* note 25.

<sup>18</sup> *Id.*

Through federal contracts, small businesses can expand their capabilities and capacity, thereby improving their competitiveness. In turn, the Federal Government benefits from the innovation, agility, and the quality goods and services small businesses offer.

While these programs are essential to opening doors for small businesses and diversifying the small business base, unfortunately, the creation of these programs has not necessarily augmented the number of small businesses awarded Federal contracts each year. In fact, the overall participation of small firms in the federal procurement space has declined in recent years. From 2005 to 2019, the number of small businesses entering the federal marketplace decreased by 79%.<sup>19</sup> Equally concerning, the number of small businesses providing common goods and services decreased by 38% from 2010 to 2019.<sup>20</sup>

### Small Business Set-Aside Programs

The SBA administers several governmentwide small business contracting programs. These programs reserve contracting opportunities at the prime level for small businesses in the form of sole-source opportunities (where the contract is awarded without competition) or set asides (where they compete with similar situated firms for federal awards). The four procurement programs are the 8(a) Business Development Program, the HUBZone Program, the Service-Disabled Veteran-Owned Small Business Program (SDVOSB), and the Women-Owned Small Business (WOSB) Federal Contracting Program. To further incentivize small business contracting, the Small Business Act establishes the governmentwide goal of awarding at least 23% of all federal prime contracting dollars to small businesses. Additionally, the Act sets the goal of awarding 5% of all prime contracting and subcontracting dollars to both small disadvantaged businesses (SDBs) and women-owned businesses (WOSBs); and 3% to both HUBZone businesses and service-disabled veteran-owned small businesses (SDVOSBs).<sup>21</sup>

Traditionally, SBA has not broken out the funds for these programs in its budget although they are all managed by the SBA's GCBD Office; instead, the funds are subsumed in SBA's general salaries and expenses account. Given that the SBA's OIG has identified small business contracting as a serious management challenge since FY 2005 and the substantial workload this office has, it is imperative for SBA to have adequate resources to operate and improve these programs.

### The 8(a) Business Development Program and the 7(j) Technical Assistance Program

The 8(a) program is a nine-year program that helps small businesses owned by socially and economically disadvantaged individuals participate in federal contracting. The program offers business development assistance through a network of Business Opportunity Specialists (BOSs) in 68 District Offices across the nation. A major benefit of the program is that 8(a) certified firms can generally be awarded contracts on a sole-source basis when the anticipated value of the contract is \$4.5 million or less (\$7 million or less in the case of manufacturing contracts). Above these thresholds, participants are eligible for set-aside opportunities in which competition is restricted to 8(a) firms, thereby precluding firms from having to compete with large businesses that may have an industry advantage. In addition to these contracting incentives, 8(a) certified

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<sup>19</sup> Bipartisan Policy Center, *Supporting Small Businesses and Strengthening the Economy through Procurement Reform* (Jun. 22, 2021).

<sup>20</sup> *Id.*

<sup>21</sup>Section 15(g)(1) of the Small Business Act, 15 U.S.C. §644(g)(1).

firms are eligible for management and technical assistance training through SBA's 7(j) program. However, participation in the 7(j) program is not limited to 8(a) firms. Other businesses eligible for the 7(j) program include SDBs that are not participating in the 8(a) program, businesses operating in areas of high unemployment or low income, small businesses owned by low-income individuals, HUBZone small businesses, and economically disadvantaged women-owned small businesses.

As of February 15, 2023, there were 4,932 firms in the 8(a) program and 154 applications were being reviewed.<sup>22</sup> With respect to the 7(j) program, the number of businesses that have sought technical assistance through it is expected to triple since FY 2017.

According to SBA's OIG, one of the main concerns in the 8(a) program is that SBA continues to face challenges in providing effective business development assistance, as well as measuring and reporting the outcomes of the program.<sup>23</sup> This is partly driven by the fact that SBA still does not count with an IT system capable of performing regular monitoring and reporting of 8(a) participants to ensure they are progressing in their business plans.<sup>24</sup> However, there are more factors involved including that SBA has not established performance metrics for the program to help measure its success and that SBA was not ensuring BOSs regularly monitored a participant's business goals, assessed their development needs, and followed up with actions for training and accountability.<sup>25</sup> While SBA has made some progress in correcting this situation – for example, by implementing a standard process to ensure business plans are monitored and any updates are captured – there is still significant work to be done to guarantee the program is meeting its intent.

Despite this concern, in recent years, the Federal Government has been successful in meeting the goal of awarding 5% of all prime contracting dollars to SDBs, which includes businesses participating in the 8(a) program. In fact, SDBs were awarded 11.5% of eligible prime federal contracts in FY 2021. Recognizing that Federal contract spending can be a powerful tool to advance equity, the Administration is committed to increasing the share of federal contracts awarded to SDBs to 15% by 2025. In this context, the relevance of both programs is underscored as the 8(a) program is the primary way in which agencies contract with SDBs and the 7(j) program plays a significant role in training these firms.

The Committee is supportive of the Administration's efforts to increase the SDB goal. However, it is cautioned that tripling the goal, in and of itself, will not achieve the desired outcome of expanding small business participation in federal procurement. Moreover, OIG audits continue to raise concerns regarding agencies receiving credit toward the SDB goal based on firms that are no longer eligible for the 8(a) program or for firms that falsely self-certify as SDBs.<sup>26</sup> Thus, this goal should be accompanied by modifications in contracting policies to achieve meaningful change.

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<sup>22</sup> E-mail from the U.S. Small Bus. Admin. to the Committee on Small Business (Feb. 15, 2023, 10:08 EST) (on file with the Committee).

<sup>23</sup> U.S. SMALL BUS. ADMIN., OFFICE OF INSPECTOR GEN., TOP MGMT. AND PERFORMANCE CHALLENGES FACING THE SMALL BUS. ADMIN. IN FISCAL YEAR 2023 (2022).

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

Consequently, a substantial increase in funding for the 8(a) program for staffing resources is supported. The additional funding will help bolster the 8(a) program by enabling the necessary modifications in contracting policies and ensuring it counts with the processes and metrics needed to measure success, all while allowing the current level of service to continue. Similarly, a considerable increase in funding for the 7(j) program commensurate with the high number of small businesses to which it offers business development training every year is recommended.

#### HUBZone Program

The HUBZone program aids urban and rural small businesses located in designated distressed areas to access federal procurement opportunities. There have been many reports from GAO and the SBA OIG detailing fraud and abuse in the program. However, SBA has come a long way in addressing those concerns. For example, from 2008 to 2015, GAO issued 11 recommendations to address weaknesses in the program, all of which have been closed.<sup>27</sup> According to the SBA OIG, the agency has made substantial progress in adding controls to the program to detect ineligible firms. Specifically, SBA updated its HUBZone policy directives and trained staff to standardize analysis and oversight. In addition, SBA required HUBZone firms to annually recertify that they meet program eligibility requirements and to complete a program examination every 3 years.<sup>28</sup> Based on these changes, SBA has taken action to decertify firms that are no longer eligible for the program. In September 2023, the SBA was also pursuing debarment where appropriate and taking additional steps to safeguard the integrity of the program.

Despite the interest in the program, the goal of awarding 3% of prime Federal contracts to HUBZones has never been met. The SBA needs to dedicate funding and staffing resources to this program to ensure its proper performance, therefore additional funding is supported.

#### Women-Owned Small Business Contracting Program

An issue of great importance to women-owned small businesses is their lack of access to federal contracting. The WOSB Program was enacted by Congress in 2000. However, it took more than ten years for the SBA to implement the program. Currently, the program counts with 8,039 participants,<sup>29</sup> almost twice the number of participants in the 8(a) program or the HUBZone Program. Despite its size, the WOSB statutory goal has only been met twice. In FY 2021, agencies failed to meet the goal with only 4.63% of prime contracting dollars going to WOSBs.

In 2020, the SBA finally implemented a formal certification process for the program, which was required by the 2015 National Defense Authorization Act (NDAA).<sup>30</sup> While the SBA is implementing the formal certification process, there is still a substantial backlog of applications despite the SBA's best efforts. In fact, as of February 15, 2023, there were 2,741 applications

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<sup>27</sup> U.S. GOV'T ACCOUNTABILITY OFF., GAO-15-234, OPPORTUNITIES EXIST TO FURTHER IMPROVE HUBZONE OVERSIGHT (2015); U.S. GOV'T ACCOUNTABILITY OFF., GAO-09-440, FRAUD AND ABUSE IDENTIFIED IN FOUR METROPOLITAN AREAS (2009); AND U.S. GOV'T ACCOUNTABILITY OFF., GAO-08-643, ADDITIONAL ACTIONS ARE NEEDED TO CERTIFY AND MONITOR HUBZONE BUSINESSES AND ASSESS PROGRAM RESULTS (2008).

<sup>28</sup> FY 2023 Management Report, *supra* note 45.

<sup>29</sup> *Id.*

<sup>30</sup> Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, § 825, 128 Stat. 3292 (2014).



undergoing the WOSB review process.<sup>31</sup> Thus, the Committee is concerned that SBA lacks the necessary funding to support the program's administrative functions which ensure eligible applicants obtain the required initial certification and the continued certification to meet the government's goal of supporting women owned businesses. The Committee recommends the SBA dedicate funding and staffing resources to the program to adequately serve its high number of participants, to eliminate the backlog of applications currently pending, and to work on the processes needed to achieve efficiencies.

#### Service-Disabled Veteran-Owned Small Business Program

The SDVOSB program provides procuring agencies with the authority to set aside contracts for exclusive competition among service-disabled veteran-owned small businesses, as well as the authority to make sole-source awards. The goals for SDVOSB contracting have been met in recent years with 4.41% of the total value of prime federal contracts going to SDVOSBs in FY 2021. Congress enacted legislation in the FY 2021 NDAA eliminating small businesses' ability to self-certify, which was the main fraud concern in the SDVOSB program, and instituting a formal certification process.<sup>32</sup> Moreover, the statute abolished the verification program used by the Department of Veterans Affairs (VA) for its own veteran-owned small business program and vested the SBA with the authority to provide formal certifications for that program. In January 2023, a certification process was stood up as scheduled. However, in the next few years it will be facing a high number of applications as companies seek to get certified in one or both programs. This will demand substantial efforts in terms of resources and staff and the Committee will continue monitoring the transfer and effectiveness.

### **OTHER PRIORITIES**

#### Office of Rural Affairs

For decades, rural communities have been the backbone of the American economy. But many rural businesses face challenges that can put them at a competitive economic disadvantage, and they often struggle to utilize traditional small business support systems. Recognizing this, Congress directed the SBA to establish an Office of Rural Affairs as part of the Small Business Reauthorization and Amendments Act of 1990<sup>33</sup> yet, by 1995 this office was no longer being staffed at SBA. In 2019, the SBA named a National Director for the Office of Rural Affairs to assist in connecting rural communities and entrepreneurs with SBA resources. The CARES Act provided additional funding to SBA for salaries and expenses, some of which were used to hire staff for the Office of Rural Affairs.<sup>34</sup> The Committee supports enhancing the Office in addition to requesting adequate levels of funding in the FY 2025 budget to ensure that the Office of Rural Affairs has the staff necessary to support rural small businesses and entrepreneurs in attaining equitable access to the wide range of programs supported by the SBA.

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<sup>31</sup> E-mail from the U.S. Small Bus. Admin. to the Committee on Small Business (Feb. 15, 2023, 10:08 EST) (on file with the Committee).

<sup>32</sup> William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, §862, 134 Stat. 3388 (2021).

<sup>33</sup> Small Business Reauthorization and Amendments Act of 1990, Pub. L. No. 101-574, § 302, 104 Stat. 2815 (1990).

<sup>34</sup> CARES Act.

### Office of Inspector General

The Office of the Inspector General (OIG) provides auditing, investigative, and other services to support the SBA in achieving its mission. The OIG has identified the SBA's economic relief programs as being susceptible to fraud and has made it a priority to provide oversight of the funding that has been made available through the CARES Act and the subsequent economic relief Acts. The agency has overseen more than a trillion dollars in lending authority and entrepreneurial assistance in the wake of the pandemic. The OIG has reported on systemic weaknesses that were evidenced by the strain on SBA's program and operations for its pandemic response that will take many years to resolve, possibly decades, and will require robust OIG oversight.

The economic relief laws provided the OIG with an additional \$70 million to carry out its work to prevent waste, fraud, and abuse, which are projected to remain available for several years. These supplemental funds allowed the office to hire 186 new employees, of which 165 are full-time positions. However, the Infrastructure and Investment and Jobs Act<sup>35</sup> rescinded \$20 million of the supplemental funds provided to the office. In order to right-size the OIG's budget and to support the hiring of additional full-time employees needed for oversight over the SBA's pandemic relief funds, the Committee supported the Administration's recommended increase in OIG's budget for FY 2023.

A significant amount of the supplemental funding expired at the end of FY 2024. At a minimum, the Committee supports another increase to OIG's budget in FY 2025 to allow the office to maintain funding for FTEs. We also support increasing the OIG's budget to allow the office to hire more investigators and auditors and to fund COLA increases to help ensure the OIG continues to conduct rigorous oversight of the economic relief programs for years to come.

### Whistleblower

On January 31, 2024, the Small Business Committee passed H.R. 7129, the Put America on Commission Act, sponsored by Chairman Roger Williams (R-TX) and Rep. Kweisi Mfume (D-MD). The legislation would establish a Whistleblower Office at SBA in the Office of Performance, Planning, and Chief Financial Officer. The Office will manage the whistleblower tips, which include collecting information, referring the information to the Office of Inspector General, tracking the status of the cases, and paying the awards to the whistleblower. While the legislation specifies that recoveries from fraudulent claims from SBA's pandemic programs will be used to operate the office, it may take years before those funds from the original tips begin to flow to the Office. Therefore, discretionary funding will be necessary to stand up and maintain the Office, hire staff, and issue regulations, until there is a consistent source of revenue. The discretionary funds should be provided in addition to the funding needed to operate the current level of services, and the discretionary funding should not be taken from other programs and services at SBA.

## **CONCLUSION**

The Committee has provided priorities for how the SBA should operate in FY 2025. SBA should put the appropriate level of resources to its programs and should focus its efforts on increasing outreach and access to both capital and contracting opportunities for traditionally underserved

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<sup>35</sup> Pub. L. No. 117-58, 135 Stat. 429 (2021).

communities, including minority- and women-owned businesses. The agency should also be provided with the resources necessary to administer and oversee its core lending, entrepreneurial development, and contracting programs. In addition, the Committee remains concerned with SBA's reliance on programs that have not been objectively evaluated and divert scarce funding from proven, congressionally authorized programs. Going forward, the SBA should recommit itself to its proven programs, rather than diverting funds to untested programs. Doing so would help ensure that taxpayer dollars are being well spent, while small businesses have the resources that they need to grow and expand. Thank you for your consideration of our views on this important matter.

Respectfully,



Nydia M. Velázquez  
Ranking Member  
Committee on Small Business



Jared F. Golden  
Member of Congress



Kweisi Mfume  
Ranking Member  
Subcommittee on Oversight,  
Investigations, and Regulations



Dean Phillips  
Vice Ranking Member  
Committee on Small Business



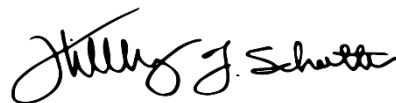
Greg Landsman  
Ranking Member  
Subcommittee on Economic Growth,  
Tax, and Capital Access



Morgan McGarvey  
Ranking Member  
Subcommittee on Innovation,  
Entrepreneurship, and Workforce  
Development



Marie Gluesenkamp Perez  
Ranking Member  
Subcommittee on Rural Development,  
Energy, and Supply Chains



Hillary J. Scholten  
Ranking Member  
Subcommittee on Contracting and  
Infrastructure



Shri Thanedar  
Member of Congress



Sharice L. Davids  
Member of Congress



Judy Chu  
Member of Congress



Chris Pappas  
Member of Congress