

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 of the Committee on Small Business

FROM: Committee Majority Staff

DATE: September 13, 2024

RE: Full Committee Hearing Titled: “Holding the SBA Accountable: Testimony from Small Business Administrator Guzman”

On **Wednesday, September 18, 2024, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**Holding the SBA Accountable: Testimony from Small Business Administrator Guzman.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to conduct oversight of the U.S. Small Business Administration’s (SBA) actions during the 118th Congress and assess their compliance with Congressional requests.

I. Witness

- **The Honorable Isabella Casillas Guzman**, Administrator, Small Business Administration

II. Background

From inflation to interest rates and difficulty finding employees, small businesses across the country are facing massive economic headwinds. In difficult times, small businesses should be able to rely on the SBA whose core mission is to help “Americans start, grow, and build resilient businesses.”¹ However, the SBA has strayed from that mission, taking on additional responsibilities, while neglecting the needs of small business owners.

Given the current economic uncertainty, small business optimism has remained below the 50-year average, with nearly 70 percent of small business owners disapproving of this

¹ *Organization*, U.S. SMALL BUS. ADMIN. (last visited Mar. 5, 2024).

Administration's handling of the economy.² To cope with the rapid cost of goods brought on by inflation, small businesses have needed to take on substantial amounts of debt, including credit card debt.³ Further, with many of the provisions of the Tax Cuts and Jobs soon expiring, small businesses could see their taxes increase massively.⁴

As small businesses face these many challenges, the SBA is partaking in activities outside of its mission, most notably, agreeing to help registering voters in the State of Michigan.⁵ The Constitution provides the executive branch no role in the process of elections, yet the SBA continues its participation in this agreement. The Committee is concerned that the SBA's agreement with Michigan is not only an unneeded distraction, but a violation of constitutional principles that enables the Executive Branch to potentially exert undue influence on voters.

While the SBA strays from its mission, its core lending programs are being neglected and mismanaged. In addition to its struggles in the COVID-19 Lending programs that saw the SBA issue \$200 billion worth of fraudulent loans, the SBA has struggled to manage its 7(a) program. In this program, the SBA recently removed prudential underwriting criteria and lifted its moratorium on new Small Business Lending Company (SBLC) licenses. This resulted in the SBA approving an SBLC license for an entity, Funding Circle, whose financial position was so tenuous that it announced its intent to sell its U.S. operations three months later. Further, default rates have nearly doubled throughout the 7(a) program over the last two years.

Additionally, the SBA has also shown an inability or unwillingness to comply with legitimate Congressional oversight requests. This forced the Committee to issue four subpoenas to the SBA demanding documents and testimony. Despite having issued these subpoenas, the Committee has substantial concerns that the SBA is withholding relevant information, and unduly delaying the production of documents.

III. Conclusion

The SBA is intended to aid small businesses and represent their interests in the federal government. Despite its intended role, the current SBA leadership has decided to focus on other priorities. This hearing will conduct the oversight necessary to ensure the SBA complies with the Committee's requests and returns the SBA to its role of helping small businesses.

² Eric Rosenbaum, *President Biden's approval among small bus. owners hits new low, as economic message fails to sell on Main Street: CNBC Survey*, CNBC (Nov. 24, 2023).

³ Megan Henney, *Small bus. are racking up credit card debt, raising some concerns*, FOX BUSINESS (May 3, 2024).

⁴ ERNST & YOUNG, *ECONOMIC ACTIVITY SUPPORTED BY THE SECTION 199A DEDUCTION* (Aug. 20, 2024).

⁵ Press Release, U.S. Small Bus. Admin., *SBA Administrator Guzman Announces Agency's First-Ever Voter Registration Agreement with Michigan Department of State* (Mar. 19, 2024).