

**Congressional Testimony Prepared for SBA Administrator Isabella Guzman**  
**U.S. Senate Committee on Small Business and Entrepreneurship**  
**March 20, 2024**

Chair Shaheen, Ranking Member Ernst, and distinguished members of the committee, I appreciate the opportunity to join you today to discuss the U.S. Small Business Administration's advancements in innovating and retooling our programs, deepening outreach to business owners across the Nation, uplifting underserved communities, and supporting our small businesses.

America's 33 million small businesses are giants in our economy, delivering nearly two-thirds of net new jobs, employing nearly half of our private sector workforce, and producing over 40 percent of the Nation's economic output. Each day at the SBA, we work to ensure that our small businesses and innovative startups have the tools, resources, and support they need to start, grow, and expand their businesses.

When I was confirmed by the Senate in March 2021, we were still facing unprecedented job losses from the COVID-19 recession, and the SBA was scaling dramatically to save small businesses who were facing revenue losses and were unsure if their business would survive. Restaurants, retailers, hotels, childcare businesses, and performing arts venues, among others, were struggling to keep their doors open.

President Biden understood the challenges facing small businesses, including minority-owned small businesses, and that is why his American Rescue Plan provided essential support to the very small businesses that are cornerstones for our communities. Every member of this Committee knows a small business that wouldn't be open today if not for the support of the American Rescue Plan. Moreover, every member of this Committee knows a small business whose ingenuity enabled them to not only stay open, but also to expand and grow.

SBA's COVID-19 support—more than \$450 billion during the Biden Administration above and beyond our core SBA programs—was a critical lifeline for our small businesses when they needed it the most. The Paycheck Protection Program (PPP) helped small businesses and nonprofits retain their employees, strengthen workforce offerings, and manage overhead when revenues fell short. The COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) program provided working capital to help small businesses continue to weather the worst effects of the downturn, supply chain disruptions, inflation, and workforce shortages. The Restaurant Revitalization Fund (RRF) and Shuttered Venues Operators Grant (SVOG) program saved our mom-and-pop restaurants, cafes, breweries, stages, cultural venues, and performing arts centers.

Our historic level of investments in small businesses, combined with landmark legislation such as the Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act, set the stage for America to have the strongest economic recovery of any developed country in the world.

Last year when I appeared before this Committee, leading economists were predicting an economic downturn that would negatively impact small business. Members were discussing whether a recession was imminent and whether small businesses could adjust to increased interest rates and costs.

Thanks to the historic public investments by Congress and the Biden-Harris Administration, the U.S. economy is powering ahead. Inflation has slowed over the past 18 months. Interest rates are down from their recent highs. Wages are rising faster than prices. And with 15 million more jobs than when the President took office, labor markets are strong and stable.

It's no wonder, then, that small businesses are feeling hopeful about the future. A study by PNC found that small business optimism is the highest in 22 years. Census' Business Formation Statistics data shows record number of entrepreneurs have decided to start a small business. Under the Biden-Harris Administration, we have seen the top 3 years of small business application filings on record. This historic small business boom has seen nearly 17 million applications since the President took office. In 2023 alone, a record 5.5 million Americans filed an application to start a small business.

Starting a small business is not for the faint of heart. For all Americans, the journey of entrepreneurship requires perseverance, ingenuity, and a lot of hard work; for historically underserved communities, that journey may include additional barriers to small business ownership. But these "acts of hope," as President Biden calls them, show that the entrepreneurial spirit of the Nation continues to power our economy.

The Biden-Harris Administration's small business jobs boom is also one of the most diverse in history, with women and people of color starting businesses at the highest rates. Women, minorities, Veterans, and rural communities are powering the economic recovery. Further, SBA lending to underserved markets including startups, rural, low-income, veterans, and minorities has increased as a result of transformative reforms in SBA lending. Loans and loan volume to Black-owned businesses have more than doubled, loan volume to Latino-owned businesses has doubled, and lending to women-owned businesses is up 70%.

This is what happens when we have an Administration that is committed to building an economy from the middle out and bottom up, with economic opportunity for all Americans.

In Cincinnati, I had the opportunity to visit the Water Lily Learning Center – a Black- and woman-owned community-based preschool that provides early childhood education in partnership with the Cincinnati Preschool Promise initiative. This initiative has provided more than 3,000 families in Ohio with preschool tuition assistance at centers like Water Lily. But it was the support of the SBA that allowed Water Lily to survive the pandemic and provide affordable childcare options for working families. Center Director Regina Morris told me that support from the PPP allowed the center to keep their staff afloat while their COVID-19 EIDL loan provided affordable capital to keep the business on solid ground.

In Kansas, I met Mike Bergmeier of SheildAg which designs and manufactures agriculture equipment from combine harvesting aids to fertilizer application products. Mike is an experienced exporter – sending American-made products to countries throughout the world – including Ukraine. Mike used the SBA’s State Trade Enhancement Program (STEP) to bring a delegation of Ukrainian agricultural businessmen to Kansas. The trip was a “resounding success” according to the local papers and the relationships developed during that time not only led to new business, but Mike is paying it forward. With the help of Senator Roger Marshall, Mike and his business partners collected 300 protective vests and helmets from Kansas law enforcement to help Ukraine on the battlefield.

Meeting with small business owners across the Nation continues to inspire me about the important work of the agency. They have told me about the challenges they face and finding affordable capital often tops the list.

Accessing startup and growth capital is the lifeblood of any business and it’s the area where the impact of the SBA is often felt the most.

In 2023, SBA delivered more than \$50 billion across our lending, investment and disaster programs. I’m pleased to report that we have made significant progress and reforms to address persistent capital gaps in small dollar lending and growth capital for critical industries, including those of importance to national defense. We've transformed the SBA, making our programs more customer centric, technology forward, and equitable than ever before to boost access to capital, federal contracting opportunities, and tools and resources for small business owners to grow and thrive. Our changes to the popular 7(a) and 504 loan programs are helping us meet more small businesses where they are. The lending reforms modernized the underwriting process, strengthened the network of SBA lenders, and make it even easier to work with the SBA. These modernization efforts and rule changes mean lenders face less red tape and have greater flexibility to make the type of low-dollar loans that are key to supporting historically underserved communities. Data shows that a lack of smaller loans has disproportionate consequences for the smallest of the small businesses and startups - especially for those owned by minority, veteran, rural, and justice-impacted individuals.

SBA rescinded an outdated moratorium that limited the expansion of our private lending network and growth of small dollar lending in the 7(a) Loan Program. For the first time in more than 40 years, SBA awarded three new licenses in the Small Business Lending Company (SBLC) program to companies in Alaska, Colorado, and Arkansas.

SBA transitioned community-based lenders in Community Advantage (CA) out of their pilot license into the new, permanent CA-SBLC license. The CA-SBLC license will allow lenders to grow and scale their loans in underserved communities and banking deserts. The transition has been very popular, and SBA now has 142 CA-SBLC enrolled lenders, 39 more than the number enrolled under the pilot program just two years ago.

We are continuing to simplify and make improvements in our programs to ensure that SBA loans, especially small dollar loans, are attractive not only to borrowers, but also to lenders. With a streamlined affiliation standard, we are aligning with best industry practices by focusing on who actually owns a business and following industry best practices on underwriting. SBA has instituted up-front eligibility checks to ensure that lenders have certainty that their loan is eligible for SBA's guarantee.

There are many other benefits of SBA's historic transformation and simplification of its capital programs. For example, SBA is finalizing a proposed rule to simplify the agency's review of requirements for its loan programs, which would ensure that an entrepreneur's past involvement in the justice system no longer stands as a barrier to securing an SBA loan that a lender would otherwise approve on the merits. Considering the disproportionate impact that our justice system has had on Black and Latino communities, SBA is optimistic that this rulemaking will further open entrepreneurship as a pathway to economic stability and prosperity for those with justice system involvement in their past.

Additionally, as a result of the rulemakings under this Administration, employee ownership has been made more accessible. For the first time, employee groups may use an SBA loan for a partial buyout, opening access to a promising ownership conversion pathway for the "silver tsunami" business owners looking for the right kind of exit.

We also know that there are persistent gaps in patient and growth capital for frontier technologies and critical industries, like defense. I've also transformed our Small Business Investment Company (SBIC) Program to incentivize equity and growth capital by implementing streamlined licensing, longer deferments, and fund-of fund opportunities. Last month, SBA licensed its first ever Accrual SBIC, Pelion Ventures, in Salt Lake City. Pelion's SBA accrual license will allow it to pay back the Federal Government and support long duration investments. That will empower Pelion, and the other funds we will license under this new rule, including our new SBIC Critical Technologies partners, to drive the same type of bold innovation that SBIC previously supported companies such as Apple, Intel, FedEx, Tesla and many others.

SBA has also prioritized preventing fraud across our programs. As a result of process improvements, all SBA loans in our core programs are screened for fraud prior to disbursement as part of our eligibility check. Maintaining the core integrity and oversight of SBA's lending programs will always be my top priority.

SBA continues to work in close partnership with the Inspector General and law enforcement to recover stolen taxpayer funds in the pandemic programs. Under my leadership, SBA implemented the GAO recommendations to improve SBA operations by putting in place best practices for fraud prevention, detection, and response, many of which are now overseen by our new Chief Risk Officer. Our aggressive actions and investments mean that SBA is more strongly positioned to combat fraud, waste, and abuse across our programs.

In addition to capital, revenue growth opportunities are a top priority at the SBA. For example, I believe there's never been a better time for small businesses to sell to the Government. As Federal agencies, states, and municipalities implement the Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act, small businesses across the country are winning contracts to pave roads, repair bridges, lay fiber, install EV charging stations, retrofit homes, and lead numerous other investments in our future.

When small businesses participate in historic investments like these, they increase competition across economic sectors, ultimately delivering better value to the taxpayer through lower prices, higher quality goods and services, and more job opportunities, including more local jobs with more dollars recycling in local communities. That's why President Biden and I remain steadfast in our commitment to SBA's contracting programs that deliver opportunity to socially and economically disadvantaged business owners. After implementing SBA's government-wide Equity in Procurement reforms, the Administration hit the first of President Biden's targets a year early, breaking records for federal contracts going to Small Disadvantaged Businesses (SDBs) in both FY2021 and FY2022.

As we drive forward toward the President's goal of delivering 15% of Federal contract dollars to SDBs by 2025, I continue to make clear: SBA's 8(a) Business Development Program is open for business and we will improve outcomes for all small business contractors to successfully bid on and win government contracts.

Helping communities recover and businesses re-open when disaster strikes remains a critical part of SBA's mission. In partnership with other federal emergency response agencies, SBA has been on the ground to help small businesses, homeowners and renters recover after disasters. In 2023, SBA responded to 472 disasters, from severe flooding in New England to wildfires in Maui. This included 69 presidential declarations with Federal partners and 16 governor-declared SBA declarations. For the first time in 30 years, SBA updated the caps for our home disaster loan program – allowing eligible property owners to access up to \$500,000 to repair physical damage and all homeowners and renters to access up to \$100,000 to replace personal property. Additionally, under new authority granted by Congress, SBA has streamlined its declaration process for disasters in rural areas to help expedite relief. That law is already having an impact – SBA declared 14 rural disasters in 2023 alone.

SBA's record results across its programs were made possible by our work to prioritize customer experience and meet our small businesses where they are:

- Late last year, SBA launched its new disaster loan application portal. So far, SBA has processed over 59,000 loans in the new platform. The mobile-first application is completely digital and takes 17 minutes on average to complete. Previously, it took SBA 105 days on average to disburse a secured loan. It now takes 30.
- Pursuant to the National Defense Authorization Act for Fiscal Year 2021, SBA successfully transitioned the Veterans Certification (VetCert) program from the Department of Veterans Affairs to the SBA. This certification platform is the gold

standard for all of SBA's certification programs and is already helping even more veteran-certified small businesses access government contracts. This year, VetCert will become part of a new, unified MySBA Certification platform, providing small businesses with the ability to apply for and manage all of SBA's small business certifications in one place (VetCert, 8a, HUBZone, and Women Owned Small Business (WOSB)).

- Finally, just weeks ago, SBA launched its expanded Lender Match tool, so that small businesses seeking capital can compare matched lenders in one place and have the opportunity to connect to SBA's broad network of bank and private lenders.

Let me highlight a few priorities in the President's Budget for Fiscal Year 2025 for SBA:

1. \$58 billion in loan and investment authority for SBA's capital programs;
2. \$70 million to support the necessary fraud oversight and effective management of SBA's pandemic programs;
3. \$15 million increase for OIG to carry out oversight of SBA's programs, including audits and investigations of the agency's COVID-19 programs;
4. \$492 million for major disasters pursuant to the Robert T. Stafford Disaster Relief and Emergency Act, including \$349 million to support the necessary oversight and servicing of the COVID-19 EIDL program and related pandemic programs;
5. \$30 million for SBA's Growth Accelerator Fund Competition, Regional Innovation Clusters, and the Federal and State Technology Partnership Program, so that our small businesses have access to resources and support they need to remain competitive in the innovation ecosystem.

Making sure small businesses have access to the capital, tools, and resources they need to fully leverage every growth opportunity remains our focus at the SBA.

The Biden-Harris Administration has made significant and lasting progress at the SBA and across the federal government, building the economy from the middle out and bottom-up for all Americans. Now we are working to foster strong, equitable, sustainable growth and resilience for all of our small businesses.

I look forward to working in partnership with the Committee to ensure that SBA has the resources that we need to help America's small businesses grow and sustain our economic growth.

Thank you again for the opportunity to join you today.