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RESTORING THE SBA: PUTTING MAIN STREET AMERICA FIRST

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND REGULATIONS

OF THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINETEENTH CONGRESS

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CONTENTS

OPENING STATEMENTS

	Page
Hon. Mark Alford	1
Hon. Derek Tran	3

WITNESSES

Mr. Theodore J. Gutierrez, State Director, Missouri Small Business Development Center (SBDC), Columbia, MO	8
Mr. Alfredo Ortiz, Chief Executive Officer, Job Creators Network, Sugar Land, TX	10
Mr. Richard Trent, Executive Director, Main Street Alliance, North Bethesda, MD	11

APPENDIX

Prepared Statements:	
Mr. Theodore J. Gutierrez, State Director, Missouri Small Business Development Center (SBDC), Columbia, MO	29
Mr. Alfredo Ortiz, Chief Executive Officer, Job Creators Network, Sugar Land, TX	33
Mr. Richard Trent, Executive Director, Main Street Alliance, North Bethesda, MD	35
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
H.R. 2027 - Returning SBA to Main Street Act	38
ABC Letter	49
DCUC Letter	51

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TUESDAY, MARCH 11, 2025

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS, AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:02 a.m., in Room 2360, Rayburn House Office Building, Hon. Mark Alford [chairman of the Subcommittee] presiding.

Present: Representatives Alford, Van Duyne, Finstad, Downing, Tran, Cisneros, McIver, Simon, and Goodlander.

Also Present: Representatives Williams, Velázquez, Gutierrez, Ortiz, Trent, and Wied.

Chairman ALFORD. Good morning, everyone. Before we get started, I want to recognize Congressman Brad Finstad from the great state of Minnesota to lead us in the Pledge of Allegiance and a prayer.

Mr. FINSTAD. Thank you. Please bow your heads. Dear Father, we thank you for (off mic)

I pledge allegiance to the flag of the United States of America. And to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Chairman ALFORD. Good morning, everyone. I now call the committee on Oversight, Investigations, and Regulation to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

I now recognize myself for my opening statement.

Welcome to today's hearing which will focus on restoring the SBA to its original mission of serving Main Street America. First, I want to thank our witnesses, all three of you, for joining us today on your own time and your own dime. I really appreciate you being here. I hope this hearing will continue to be a productive dialogue on how we can ensure that the Small Business Administration returns to its mission to assist small businesses while increasing efficiency at the agency.

Owning your own business is one of the most rewarding careers in our great nation. The SBA has dedicated resources to aid job creators who find themselves having a tough time navigating their entrepreneurial journey. Through the public private partnership with the Small Business Development Center, small businesses at all stages can receive critical counseling and training. SBDCs have many solutions to support main street, from preparing loan appli-

cations to workforce development. Since we spend taxpayer dollars providing these resources to entrepreneurs, we must ensure that these programs operate effectively and efficiently. Importantly, these programs must be consistent with the intent and mission of the SBA.

Unfortunately, during the Biden-Harris administration, the SBA strayed from its core mission and prioritized politics and misguided policies over American small businesses. An overall theme was the SBA's flawed operation that limited the agency's day-to-day work. Notably, the agency's work-from-home policy for SBA staff hindered its ability to execute its mission up until a few weeks ago thanks to President Trump and our new administrator.

Biden's SBA falsely claimed that it could operate remotely. But the reality was that the SBA was a ghost town. We saw it firsthand. When Members of this committee visited the SBA headquarters, we found rows of empty desks, calendars that had not been moved since 2020. And this was when they knew we were coming. The Biden SBA repeatedly failed to deliver for America small businesses while also failing to conduct sufficient oversight of its programs. Instead, they focus on turning the agency into a voter registration arm of the Biden-Harris reelection efforts.

It is critical that we conduct the necessary oversight over the SBA's operations, especially for political initiatives like voter registration that were well outside the scope of the agency's core mission, providing support to America's small businesses.

As I just mentioned, thanks to President Trump's steps to address these egregious failures and more are being taken with the new SBA Administrator, Kelly Loeffler, during this hearing we will dive into what went wrong. However, it is equally vital to focus on creating positive change. These efforts should begin with the untapped potential of the SBA Office of Advocacy, better known as just Advocacy. The Office of Advocacy is supposed to serve as the independent voice for small businesses within the federal government, monitoring and ensuring compliance with the Regulatory Reflexibility Act and helping policymakers better understand issues confronting small business owners.

Over the years, though, Advocacy has faced several challenges in advocating for small businesses. Of top concern, the Biden administration has refused to even nominate an individual for the position of chief counsel of the Office of Advocacy, leaving the top small business advocate position vacant. Last Congress, the committee sent letters to then President Biden calling on him to fill the position. But instead, reckless rulemaking followed. While small businesses were forced to endure Biden's unprecedented onslaught of regulations, his administration shamefully did not prioritize appointing an independent voice for small businesses. These failures have shown just how out of touch the SBA had become.

It is time. It is time to return the SBA to its core mission and finally meet the needs of Main Street America. And that is why I am proud to announce that I have introduced the Returning SBA to Main Street Act in the U.S. House. The Returning SBA to Main Street Act was first introduced in the Senate by the Committee on Small Business and Entrepreneurship Chair, Senator Ernst. I am honored to introduce the House Companion Bill to ensure that the

SBA workforce is no longer centered around D.C. and will meet the needs of small businesses where they are, especially in rural communities in my district in Missouri's 4th district.

Today our office sent a letter to Administrator Loeffler requesting that the SBA's Kansas City Regional Office be moved to Columbia, Missouri, in accordance with her initiative to move SBA offices out of sanctuary cities. While Kansas City's policies are only sanctuary city adjacent, Columbia offers a far superior alternative thanks to its closer proximity to the University of Missouri, Missouri's Small Business Development Center, and the rural communities that reflect the heart of America.

Again, I want to thank the witnesses for being here today to testify.

And with that, I now recognize my friend and the distinguished Ranking Member from the great state of California, Mr. Tran, for his opening remarks.

Mr. TRAN. Thank you, Chair Alford, and I am pleased to have the opportunity to serve as the Ranking Member of this important subcommittee. I look forward to working with you throughout this Congress to conduct robust oversight of the Small Business Administration. Thank you to the witnesses for being here today. I hope to hear more today on how we can support our small businesses' access the tools they need to launch and grow successful businesses.

Let me begin by mentioning that under the Biden-Harris administration, more than 21 million business applications were filed. The largest number in a single presidential term in the history of our nation. Women, minorities and immigrant entrepreneurs played a leading role in this historic surge. Business ownership doubled for black households while Latino and Asian American household reached a 30 year high. More Americans than ever were able to pursue the American Dream and that is a milestone that we should be celebrating today.

We should also be focusing on the achievement of the previous administration. In fiscal year 2024, SBA approved more than 76,000 loans in the 7A and 504 programs providing 37.7 billion to small businesses. The Microloan program, which provides loans up to $50,000, approved 94 million in new small dollar loans, meaning the smallest of the small businesses were able to access capital which can be so hard to come by and can be a barrier for growth. The resource partners offered free and low-cost counseling to hundreds of thousands of entrepreneurs to help them tackle the challenges they face every day. And in part to SBA's efforts, federal agencies awarded 28.4 percent of federal contracting dollars totaling $178.6 billion to small businesses.

The facts speak for themselves. Despite what you may hear today, SBA is committed to its mission of helping small businesses. That has been true under each administration, in large part because of dedicated civil servants. Their work should be applauded, not demonized. SBA employees workday in and day—work day and night under the first Trump administration and through the Biden administration to implement emergency COVID programs that meant the very survival of millions of small businesses and nonprofits in this country. I stand ready to work with everyone here

to ensure the integrity of programs and efficient government. But it cannot come at the expense of SBA staff working diligently to serve small employers.

Turning to the environment today, we are in the midst of troubling and chaotic times. And in the roughly 2 short months of the Trump administration, we have lurched from one crisis to another. Late in the night on January 24th, President Trump fired SBA's Inspector General Mike Ware without the 30-day advance notice to Congress or a reason as required by law. Mr. Ware testified before our committee multiple times about the potential fraud and the pandemic relief programs and was praised by Members on both sides of the aisle for his work to investigate and recover fraudulent pandemic funds. Which I should note occurred mostly under the first Trump administration.

A couple of days later, OMB released a memo requiring all agencies to freeze federal funding, which led to widespread confusion for small businesses, lenders, resource partners and contractors. Small businesses rely heavily on SBA's counseling, contracting and access to capital programs, and a disruption in funding, even for a short period of time, could impact the viability, cash flow and services of small businesses. While the memo was supposedly rescinded the next day, the White House press secretary said the freeze remained in full force and effect. Needless to say, these actions caused undue confusion, chaos and uncertainty.

I, along with the Ranking Member, Rep. Nydia Velázquez, sent an oversight letter to the SBA expressing our concern over the administration's action to freeze federal funding and to obtain a list of any and all programs that may have been affected. Then on February 3rd, we started hearing reports that Elon Musk and his DOGE team infiltrated the SBA, gaining access to all of SBA systems, including human resources, contract and payment system. This breach has widespread implications for America's 35 million small businesses, potentially endangering their private information. Despite sending two letters to the SBA, along with all the Democratic Members of the committee, we have yet to receive a legitimate response to our questions about Elon Musk and DOGE team accessing the systems within SBA.

On Friday, February 7th, hundreds of SBA employees received termination notices, leaving them and their supervisors scrambling for information. Then on Monday, February 10th, SBA officials said it was a mistake only to receive a termination notice again on Tuesday, February 11th, but this time the firings were for real and effective immediately. Not only was this incredibly confusing, but it was mean-spirited, cruel and made clear that no meaningful thought went into the decision. And now small firms and farmers all over the country are reeling from the back-and-forth nature of tariffs with Canada and Mexico. The uncertainty has left many struggling to keep up.

We have seen this before in June 2018 when the Trump administration launched a trade war with the EU over steel. America's small distilleries were hit by retaliatory tariffs and saw production costs rise. For example, Cedar Ridge Distillery in Iowa faced higher prices for the steel used in their aging barrels, which led to higher costs in production and forced them to end plans for expansion.

Even the U.S. Chamber of Commerce has raised the alarm bells of small businesses scrambling to adjust to the current trade war. For example, take Pluie Inc., a Texas-based company that makes diaper changing tables. They are now forced to revisit their budget, allocating more for tariffs while cutting back on marketing.

American small business cannot stomach the chaos, confusion and uncertainty of a Trump administration and they deserve better. It is time to work together and conduct real and meaningful oversight into the administration and the effect it is having on small businesses.

I look forward to hearing from our witnesses today. Thank you. And I yield back.

Chairman ALFORD. Thank you, Mr. Tran. I now recognize the Chairman of the full committee from the great state of Texas, Chairman Roger Williams, for an opening statement. Chair?

Mr. WILLIAMS. Thank you, Chairman Alford, and I am pleased to announce the first hearing organized by the subcommittee on Oversight and Investigation Regulations focuses on restoring the SBA to its foundational mission of serving Main Street America. And I also want to thank you, all the witnesses, for being here today, too.

Now, since the SBA's founding 70 years ago, its mission statement has renamed—remained the same, and that is to aid, counsel, assist and protect the interests of small business concerns. Unfortunately, under President Biden, the SBA deviated from its core mission of helping America start, grow and build resilient businesses. For example, instead of listening to the very real hardships experienced by main street, like access to capital, inflation and regulatory burdens, in 2024, the SBA entered into a memo—or an MOU with the Michigan Department of State, which allowed the SBA to arrest her voters at its events in Michigan and with a link to the SBA's website.

Now, registering voters is undeniably irrelevant to the SBA's mission, and it is unconscionable that political activities were prioritized over the voices of small business owners. And further, the SBA has been operating both duplicative and unauthorized programs over the years. This is particularly troubling since the most important programs are performed on the ground where staffing and resources are already stretched very thin.

And it has recently come to the attention of the committee that the SBA may have attempted to leverage the Small Business Development Centers to carry out duties that aligned with the Biden-Harris misguided policies and political initiatives, pulling them away from the counseling and training programs that main street and small business owners need.

Now, to echo subcommittee Chairman Alford and the work of this subcommittee at large, we must make sure that we are both doing right by the taxpayer and entrepreneurs that the SBH programs are streamlined, effective and efficient. Alongside President Trump and Minister Loeffler, there is a committee—we as a committee remain focused on putting main street first. And I am glad to see Representative Alford introduce the House companion to Chair Ernst's Returning SBA to Main Street Act. The critical legislation will ensure that the needs of main street are met by relo-

cating more of the SBA workforce to main street. In other words, in retail business, take the product to the customer. Ensuring that all SBA programs are running effectively is essential to meeting the needs of small businesses. And the idea shared today will help the SBA's future and right-size the agency.

So with that being said, I look forward to today's important conversation. Want to thank all of you again, and I yield back.

Chairman ALFORD. Thank you, Mr. Chair.

It is now my honor to recognize the Ranking Member of the full committee from the great state of New York, Ranking Member Velázquez, for an opening statement.

Ms. VELÁZQUEZ. Thank you. Thank you, Mr. Chairman, and Mr. Tran. Thank you to the witnesses for being here today. The purpose of today's hearing is to restore the SBA and put Main Street America first. Well, we are going to have to sift through the rhetoric to find the facts.

Let's begin by talking about the small business boom. More than 21 million small businesses were created during the Biden administration. And women and minorities led the way, starting more businesses, providing for their families and creating economic growth in their communities. We should be building on the previous administration efforts. Instead, this administration in 3 short months has opted to upend one policy after another and injecting chaos, confusion and uncertainty for small businesses.

Let's focus for a minute on the President's on-again, off-again tariff war with Canada and Mexico. It is a whiplash for employers simply trying to run their business. The bottom line is consumer prices will surge. Even the U.S. Chamber of Commerce recognizes this and publishes a report entitled "Small Businesses Are Afraid." They are worried that the added cost of tariffs will adversely impact their ability to remain competitive and turn a profit. Small businesses need certainty, and instead, they must adjust to chaotic economic policies.

Turning to the SBA, we have a tech billionaire rifling through SBA data and we cannot get a straight answer from the SBA as to what data has been accessed and why, or even why they need it. Democrats on this committee sent numerous letters that have gone unanswered. And while this letter has gone unanswered, the newly confirmed administrator wasted no time walking through the SBA, pointing out empty desks for a photo op on her policy to end teleworking. What was not mentioned was the mass termination of hundreds of employee's days before. In less than a week, hundreds of employees were fired, only to be told it was a mistake. And then they were fired again, effective immediately. We are still waiting for the agency to respond to requests detailing the impact and breadth of the termination so we can understand how it serves the SBA mission.

And most concerning are the recent reports that employees of SBA Fraud Risk Management Board, which was created in 2022 to root out waste, fraud and abuse at the agency have been terminated. And that is in addition to the President firing the SBA IG.

How could we have spent 2 years in this committee talking about curbing fraud in the pandemic programs and sit idly by while the Trump administration is firing the key people who can investigate,

prevent and recover fraudulent funds? And now, we are hearing, not being informed that the new administrator is closing down six regional offices in Democratic cities, not less, with no plans to relocate them. I can only assume that this must be part of the reorganization, an effort to RIF federal employees, all in the name of complying with immigration executive orders. I hope we get assurances this won't hinder the agency's mission to provide assistance to small employers in this city as well as others.

And while we are speaking of the SBA mission, which is to assist small employers in accessing capital and entrepreneurial development, I am curious as to why Administrator Loeffler likes the idea of SBA taking over the student loan process. Who is going to take care of this business? Firing the workforce that works at SBA? And where are the resources when they are cutting its budget? How does this fit the agency's mission? That is the real question. While I appreciate the witnesses that are testifying today, I am frustrated that we do not have the SBA Administrator here to speak directly to us. We must conduct real oversight of the SBA and bring in the agency heads to shed light into what is going on behind closed doors.

Thank you. And I yield back.

Chairman ALFORD. Thank you, Ranking Member. Appreciate that.

I will now introduce our witnesses for today.

Our first witness is Mr. Ted J. Gutierrez. Mr. Gutierrez is the State Director of the Missouri Small Business Development Center in Columbia, Missouri, in the 4th Congressional District. Mr. Gutierrez joined the Missouri Small Business Development Center in 2022, following years of experience at the Virgin Islands, St. Louis, and Southern Illinois University locations. Prior to that, Mr. Gutierrez worked as a banker at Mid Country Bank and a Managing Director of the Jackson County Mass Transit District in Illinois. Mr. Gutierrez currently serves on the National Board for America's Small Business Development Center and as an Education Director for the University of Missouri's Extension Business Development Program. Mr. Gutierrez holds a Master's of Business Administration from the University of Redlands in Redlands, California, and a Bachelor of Science from the University of New Mexico in Albuquerque. Thank you for joining us today, sir. I am looking forward to today's important conversation.

Our next witness here is Mr. Alfredo Ortiz. Mr. Ortiz is the chief executive officer of the Job Creators Network in Atlanta, Georgia. Mr. Ortiz joined the Job Creators Network in 2014. Prior to that, he served as vice president of CSM Bakery Products Food Service Division and as a consultant for Boston Consulting Group in their Washington office. He is also worked in marketing, new product development, and corporate strategy for Georgia Pacific, Kraft and others. Mr. Ortiz is currently a Board Member for the Georgia Chamber of Commerce and an Advisory Board Member for Littler's Workplace Policy Institute. He is also the co-host of the Main Street Matters podcast. Mr. Ortiz holds a Master of Business Administration from the University of Michigan in Ann Arbor and a Bachelor's in Economics from Pomona College in Claremont, Cali-

fornia. Thank you, sir, for being here today. I look forward to hearing your testimony and having a great conversation.

We appreciate all of you being here today. And before we recognize the witnesses, I want to remind them that their oral testimony is restricted to 5 minutes. And our Ranking Member will now introduce the witness for the minority.

Mr. TRAN. Thank you, Mr. Chair.

I am delighted to introduce Mr. Richard Trent, the executive director of Main Street Alliance. Mr. Trent had a dynamic career prior to joining the Main Street Alliance. As the Executive Director of Friends of Anacostia Park, Mr. Trent oversaw one of the East Coast's largest environmental restoration projects. Today, he is working every day to create a level playing field for main street small businesses. His work has helped uplift communities all across the country and, in turn, boost their local economies. I look forward to your testimony, which will reflect the voices of the mom-and-pop small businesses. Thank you for being here.

Chairman ALFORD. Again, just for the witnesses, I want to remind you that you have 5 minutes for your opening remarks. You will see a red clock in front of you that is set to 5 minutes, and when your time is expired, we will gavel you out and go to the next witness remarks. So thank you.

I now recognize Mr. Gutierrez for his 5-minute opening remarks. Sir?

STATEMENTS OF THEODORE J. GUTIERREZ, STATE DIRECTOR, MISSOURI SMALL BUSINESS DEVELOPMENT CENTER (SBDC); ALFREDO ORTIZ, CHIEF EXECUTIVE OFFICER, JOB CREATORS NETWORK; AND RICHARD TRENT, EXECUTIVE DIRECTOR, MAIN STREET ALLIANCE

STATEMENT OF TED J. GUTIERREZ, STATE DIRECTOR, MISSOURI SMALL BUSINESS DEVELOPMENT CENTER

Mr. GUTIERREZ. Good morning Chairman Alford, Ranking Member Tran, Members of the committee, thank you for inviting me to testify today.

My name is Theodore (Ted) Gutierrez, and I am the state director for the Missouri Small Business Development Center hosted by the University of Missouri Extension. Our network is dedicated to supporting and advancing the success of Missouri's entrepreneurs and small businesses.

We are a proud part of the nationwide Small Business Development Center system of 63 networks with over 900 locations and over 3,000 professional counselors, advisors, specialists and support staff.

For over 43 years SBDCs have been providing one-on-one counseling services to small business owners and aspiring entrepreneurs at no cost. During that time, our member networks have developed a wide variety of services tailored to meet the needs of Main Street America.

Some of the subject matter we counsel on and train include cybersecurity, export assistance, disaster recovery and resiliency, manufacturing, marketing, sales, ecommerce, accounting, financial statement analysis, business strategy development, business plan,

basic credit practices, pre-business startup planning, existing business expansion, and of course exit strategy and succession planning, and many more as dictated by our statute.

SBDCs continue to evolve to meet the needs of America's small businesses. We are tasked with providing almost every conceivable form of technical assistance to small businesses in our respective states. Each SBDC network is nationally accredited which distinguishes us among available resources. Our networks leverage the accreditation to evaluate and update our services to meet the changing needs of our clients who drive our services. Our economic impacts and performance numbers are based on attributed verified input from our clients.

By sheer volume, locations and economic impact, the SBDC program is the number one resource in the United States and its territories providing technical assistance and training for entrepreneurs and small businesses. In FY '22-'23, Congressional funding or investment for America's SBDCs translated to $216.4 million in federal revenues generated and $327.2 million in state revenues generated. Every federal dollar received rendered $1.59 in federal tax revenue and $2.40 in state tax revenue. A new job is created every 6.5 minutes. A new business is started every 33.3 minutes. Our clients experience an average of 15 percent annual sales growth compared to the national average of 6.2 percent with $6.6 billion in sales. SBDC is providing 90 percent of SBA's access to capital assistance. SBDCs served 92 percent of SBA's technical assistance clients.

Despite SBDC's economic impact generation and ROI, here are a few challenges we face. Funding priorities versus demand for our services, both federal and local. Political agendas which lead to mission drift. Funding to bring on more staff with industry expertise. Funding for technology and implementation in ways to reach additional small businesses in need of help, especially in rural America. Funding to provide disaster planning, resiliency and recovery.

Here are a few challenges faced by Main Street America. Confusion of resources available. Uncertainty of economic climate, i.e., high interest rates, taxes. Supply chain disruption. Increased costs of the workforce, minimum wage laws. Finding and hiring people who are reliable and want to work. And of course, disaster recovery efforts and strategies for long-term recovery. SBDCs are the first responders to a natural disaster or disaster and SBDCs are there during and after the disaster.

So we ask how can the SBA be restored? Simply by putting Main Street America first. The SBA is responsible for dispersing the allocated Congressional funding and administration of our grant program. It is important to distinguish that the SBDC is not part of SBA nor are employees of SBA.

Over the years, SBDCs have worked with SBA administrators from every administration. We do that because SBA is our partner, just as our host universities, states, banks and economic development groups. The SBA is ready for clarity of purpose and vision to serve entrepreneurs and small businesses. The SBA should remain an advocate for the millions of small businesses in our country not focused on political agendas. SBA has many fantastic tools and

partners. They need to use them appropriately and efficiently. To regain public trust in the SBA, it must focus on providing resources and collaborate with partner programs such as the SBDC so every entrepreneur can work towards achieving their dream and contribute to the overall well-being of our economy. Every entrepreneur from the wheat fields to the shops of Main Street America should have the same opportunity for success.

This concludes my testimony. Once again, thank you Chairman Alford and the committee for allowing me to speak here today.

Chairman ALFORD. Great timing. Thank you.

Let's go to Mr. Ortiz for his 5-minute remarks. Sir?

STATEMENT OF ALFREDO ORTIZ, CHIEF EXECUTIVE OFFICER, THE JOB CREATORS NETWORK

Mr. ORTIZ. Good morning, Chairman Alford and distinguished Members of the Oversight, Investigations, and Regulations Subcommittee.

Thank you for the opportunity to testify today on the vital topic of restoring the U.S. Small Business Administration. My name is Alfredo Ortiz and I am the CEO of Job Creators Network and the nation's largest conservative small business advocacy organization.

It is no secret that small businesses have faced historic challenges over the past few years. These include the COVID pandemic and the heavy-handed government response, as well as the weak economy characterized by high inflation and overregulation. The Biden administration implemented a nearly $2 trillion regulatory burden that disproportionately harmed small businesses. Now, more than ever, small businesses need an effective agency in Washington looking out for them.

Unfortunately, the Small Business Administration has let entrepreneurs down over the past few years. Under the Biden administration, it prioritized political activities such as voter registration and diversity, equity, and inclusion over the real concerns of small businesses.

Ignoring repeated urging from Chairman Williams and the broader small business community, the Biden Administration never even nominated a chief counsel for Advocacy, leaving a key office unfilled that could have acted as the voice of Main Street during this difficult period.

The SBA also did not adequately require its staff to return to work, resulting in an office vacancy of 90 percent by one estimate. No wonder American small businesses have lost faith in the SBA.

That changes with the trusted and proven leadership of Administrator Kelly Loeffler. The SBA now has the opportunity to restore its core mission of helping small businesses. That means ending the agency's politicization and bureaucracy, requiring staff to return to work and engaging in rigorous oversight and accountability.

Under the Chief Counsel of Economist Casey Mulligan, who successfully led Trump's Council of Economic Advisors in his first term, the SBA's Office of Advocacy can finally get the leadership it needs to be small businesses' independent voice within the federal government.

The Office of Advocacy plays an important role in ensuring compliance with the Regulatory Flexibility Act, which the previous ad-

ministration routinely ignored to the detriment of small businesses. JCN is fighting to pass the Prove It Act, which fulfills the intent of the Regulatory Flexibility Act and gives small businesses a seat at the rulemaking table. But until then, a strong Office of Advocacy can reduce red tape and stand up for the small businesses in Washington.

Once restored, the SBA can take steps to do even more good for small businesses. At the top of this list is prioritizing training programs to teach entrepreneurs the skills they need to survive and thrive. Teaching small businesses how to fish so they can be successful for the long-term.

The SBA should harmonize existing private sector small business efforts by the likes of Goldman Sachs and American Express in a public-private partnership small business training program. This program will teach entrepreneurs the basics of succeeding in today's economy, including building a convincing business plan, identifying suppliers and selling online.

These efforts can significantly reduce the first-year small business failure rate, which currently stands at about 20 percent. Decreasing this failure rate to around 10 percent, let's say, would result in millions of more small businesses and millions of jobs over the years, significantly strengthening the American economy.

A key component in this more effective SBA is heeding Chairman Alford's recommendation to move personnel to regional offices closer to the small businesses they serve. It is impossible for the Washington SBA to have its pulse on the needs of Main Street in communities from coast to coast. SBA loan making should also be conducted by third-party community banks with this lending expertise and community relationships.

Under the leadership of Administration Leffler and Chief Counsel Mulligan as well as the oversight of this committee, the SBA can be restored and reinvented into the agency that the American small businesses want and need. Thank you very much for your time, and I would be happy to answer any questions you may have.

Chairman ALFORD. Thank you, sir.

I now recognize Mr. Trent for his 5-minute opening remarks.

STATEMENT OF RICHARD TRENT, EXECUTIVE DIRECTOR, MAIN STREET ALLIANCE

Mr. TRENT. Chairman Alford and Ranking Member Tran, thank you for the opportunity to testify today.

I am Richard Trent, the executive director of Main Street Alliance, representing over 30,000 small business owners nationwide. Our members span industries, but they share a fundamental need; a stable, predictable economy that allows them to plan, invest and grow. Unfortunately, that stability is being undermined not by market forces alone, but by reckless decision making that injects uncertainty into the economy and disrupts small businesses ability to operate.

While some argue that regulations are the biggest burden on small businesses, our members tell us otherwise. Their greatest concerns aren't red tape. Their instability at key agencies, policy reversals, and economic disruptions that shake their ability to plan for the future.

Today, I want to focus on three urgent issues that are fueling uncertainty and putting small business survival at risk.

First, I will just say that SBA instability is hurting our entrepreneurs. The Small Business Administration is a lifeline for 35 million small businesses. Yet recent mass firings, sudden program changes and bureaucratic delays have thrown thousands of entrepreneurs into limbo.

Patrick DePula, owner of Salvatore's Tomato Pies in Madison, Wisconsin, is actively repaying an economic injury disaster loan that kept his doors open during COVID. If the U.S. enters a downturn, the SBA's ability to offer hardship waivers will be critical. But staffing cuts raise serious concerns about whether those safeguards will still exist.

Shannon Burns, an entrepreneur and consultant in Alexandria, Minnesota, helps new small businesses craft business plans. With 20 million new businesses launched since 2020, SBA's resources are needed more than ever. Yet reduced staffing will limit access to these vital services.

Molly Moon Neitzel, who testified here a few weeks ago, owner of Molly Moon's Ice Cream in Seattle, Washington, was expanding her business when she learned of leadership changes and staffing cuts at the SBA. She had contracts signed and investments made, and any delay in finalizing her loan would have made that devastating for her.

Decentralization must be strategic and planned, not weaponized in ways that create chaos for businesses. All of this is happening against a backdrop of inflationary pressures and market uncertainty. The trade war escalations and erratic tariff policies are already impacting small businesses. 2 weeks ago, a Dodge Ram truck cost $80,000. Now it is $100,000. If that is what is happening to trucks, imagine the impact on restaurants, grocery stores and retailers that rely on imports. Ballooning deficits and corporate tax loopholes put upward pressure on interest rates.

Second, it is important to note that federal funding freezes and data breaches are direct attacks on small business stability. When federal funding is frozen or misused, the first to feel the impact are small business owners who rely on these funds to keep employees on payroll and communities thriving.

A tech entrepreneur in Utah lost multiple contracts when the freeze stalled nonprofit sales, disrupting a revenue pipeline. A Wisconsin childcare provider feared delays in state block grant funding would leave her unable to pay staff. And a researcher in Oak Ridge, Tennessee, had her federally funded projects suspended overnight, leaving her uncertain about her income and career.

These aren't abstract concerns. They are real businesses, real jobs, and real consequences. And when federal funds stop flowing, they don't just delay government projects, they slow down entire economies.

And beyond funding freezes, the DOGE seizures of sensitive IRS data is an existential threat. One of the world's richest men now has access to bank statements, tax records and competitive financial data of millions of businesses, including his own competitors. This is not draining the swamp; it is stocking it with more crocodiles. No CEO in America should have access to that kind of intel-

ligence, which destroys fair competition and erodes trust in government institutions.

The third thing I will bring up is just that SBA office relocations and the Ernst Bill will hurt local economies. We have seen what happens when abrupt agency relocations gut institutional knowledge and destabilize communities. In 2019, the USDA moved two research agencies from D.C. to Kansas, and 75 percent of employees resigned; stalling grants, research and hurting local businesses that relied on federal contracts.

Now the Administrator's memo mandates that SBA regional offices relocate from sanctuary cities, turning thriving small business hubs like Boston, Atlanta, Denver and Seattle into collateral damage for political posturing.

I urge this committee to focus on practical, bipartisan solutions in light of the current economic uncertainty. Fully staff the SBA so it can meet the needs of entrepreneurs. Unfreeze critical funding that small businesses rely on. Block corporate access to sensitive financial data to preserve fair competition. And reject policies that inject instability into the economy and instead strengthen Main Street's ability to compete.

Thank you, and I look forward to your questions.

Chairman ALFORD. Thank you, Mr. Trent. Well done.

We now move to the Member questions. Under the 5-minute rule, I recognize myself for 5 minutes.

Mr. Gutierrez, this morning I was proud to introduce the Returning SBA to Main Street Act. A companion bill to Chairwoman Ernst's bill in the U.S. Senate. Mr. Gutierrez, over the past four years you have had firsthand experience working to fill the gap, somewhat big gap, left by a political SBA. Can you speak to us about how an SBA that is actually focused on Main Street could actually help small businesses?

Mr. GUTIERREZ. Thank you for the question, Congressman.

You know, having SBA focus on what the mission and values of SBA should be on supporting small businesses is crucial. I know that several SBA field offices are short on staff. I know that many of them were not necessarily available to help as soon as help was needed. Therefore, we were able to fill the gap, along with some other resource partners as well.

But SBA essentially just needs to focus on what it is they re doing and serving the small businesses, relying on its partners to work and to help on the front lines. Having SBA in the field would be a tremendous asset to small businesses, particularly in, you know, throughout the—throughout the Midwest, of course, working with the community bankers to having those subject matter experts in the field would be amazing.

Over the past few years, we have had one SBA representative in the field of Missouri down in Springfield, and the others were located in both St. Louis and Kansas City. So that is simply just not enough assistance from SBA throughout the state. And of course, anytime that assistance was needed, they typically referred them out to the partners such as SBDCs, the Women's Business Centers, the Veterans Business Outreach Centers and SCORE as well.

Chairman ALFORD. So what would it mean if we ended up moving the Kansas City SBA office to Columbia?

Mr. GUTIERREZ. Well, Columbia will be very excited to have SBA presence there again. I believe that during COVID, the SBA office was removed at that time. And so, just having that local presence, that local subject matter, would do wonders because it will mean more availability to community bankers. Being central to the state would be more access throughout the state within a 5- or 6-hour drive anywhere across the state. And it would just serve as a signal that SBA is here and ready to help serve in the communities.

Chairman ALFORD. Mr. Ortiz, SBA Administrator Loeffler has echoed the President's return to office mandate. SBA staff are now required to be in the office 5 days a week. While this is a great start, you have further recommended that funding regional initiatives like entrepreneur centers would be a more efficient use of taxpayer dollars. Please explain your reasoning for that recommendation, sir.

Mr. ORTIZ. Thank you, Chairman Alford, for the question.

Having education and innovation centers, I think, regionally closer to where there are small business owners are, would be extremely, I think, well received by our small business owners. I doubt that there are too many small business entrepreneurs out there in, let's say, Des Moines, Iowa, that decide, hey, I want to start my own small business. Let me get on a plane, fly up to D.C., and enter the halls of SBA to help—help me do that. They need them there. They need them where they are, where the ideas are. We need to bring those resources to the people. Where the people are, not here in D.C.

One of the recommendations I had made is let's just close down the D.C. offices. I don't see why we would need that. I think we need those resources out in the fields. We need support for folks like Mr. Gutierrez here. And we need to be able to support our small business owners where they are, which is in the fields because they are not in D.C. And so, I think having the opportunity to do that, I think, would make the 1.4 billion, roughly, that is allocated for the department much more effective and more efficiently.

Chairman ALFORD. Thank you, sir.

Mr. Gutierrez, back to you. Though the COVID-19 pandemic was declared over in '23, Community Navigators programs continue well into 2025. In fact, that program's set to sunset 9 months from now. Some people call it walking-around money for Biden-preferred organizations. It seems that Community Navigators has a reputation for not being very efficient. Can you walk us through how the Community Navigators program duplicated efforts already done by SBDCs?

Mr. GUTIERREZ. So my understanding with the Community Navigators program is that each state was allocated a certain amount of funding and it was granted towards a certain NGO or nonprofit. And to be quite honest with you, the SBDCs in several states actually hosted the Navigators program. In the state of Missouri, we did not. We were actually never contacted by the Navigators program. I cannot speak to any type of results, or any type of information produced by the Navigators program other than we knew they were there somewhere in Missouri, and I don't even know if they are staffed anymore. So as far as duplication of ef-

forts, we were doing that all along for 43 years. We will be doing it for another 43 years.

Chairman ALFORD. Thank you. I now recognize the Ranking Member for 5 minutes of questions.

Mr. TRAN. Thank you, Mr. Chairman. In less than a week, between 400 to 700 SBA employees were terminated with notice, then informed the terminations were a mistake, and then fired effectively immediately, effective immediately. Many of these employees were veterans, injured or disabled workers, and workers with years of service. Mr. Trent, can you please share how these terminations will affect small businesses who rely on these employees for loans, disaster aid, and small business assistance?

Mr. TRENT. Well, I can say that well over half of our 30,000-plus membership have applied for funding through the SBA and a significant portion actually rely on different loan products or technical assistance. Over the last couple years, the SBA has offered, honestly, a real bespoke service to small business owners. We have got members in our cohort who speak directly to regional officers, loan officers that help them drive business sustainability. So the mass firing of between 400 and 700 people will inevitably have a direct impact on entrepreneurs' ability to successfully navigate the challenges that present themselves every single day as a small business owner.

Mr. TRAN. Thank you, Mr. Trent. Last Thursday, Administrator Loeffler announced that she is relocating six regional SBA offices away from sanctuary cities. Can you describe the effect the closure of these offices will have on Main Street businesses in urban areas?

Mr. TRENT. Well, it is really unfortunate because what it means is that you have got honest, hardworking entrepreneurs that are now caught in the middle of a game of political football that none of them wanted to have anything to do with in the first place. I will say that the example from 2019, the relocation of the USDA offices, is a good example of what happens. When the USDA office was moved from D.C. to Kansas back in 2019, 75 percent of the workforce left. The local shops that depended on that regular foot traffic languished. And Chief of Staff Mick Mulvaney at the time was actually caught saying that this was all designed just to fire people, essentially. So it would be good, I think that if we, if we talked about it in those sort of blunt terms is just like, yeah, we wanted, we would like to get rid of folks at the SBA. But this is a PR sleight of hand that is really disadvantaging folks. And the local economies will—that are—that thrive on that foot traffic in Atlanta and Boston and Denver are certainly going to feel the effects of it.

Mr. TRAN. Thank you for that. And then on March 3rd of 2025, the U.S. Chamber of Commerce published a report titled I'm Afraid Small Businesses Speak out on Tariffs. The report found that terrorists will have a real devastating impact on thousands of small businesses across the nation and on all Americans in the form of higher prices. What are you hearing from the small businesses in the Main Street Alliance?

Mr. TRENT. I have an inbox filled with terrified messages, phone calls, and text messages from small business owners that aren't really sure how they are going to continue operating if some

of these tariffs go through. I mean, we saw a report released from NFIB, historically the conservative voice for small business America, just came out and showed that February 12 percent of small business owners thought it was a good time to expand their business. That is a 5 percent drop from the previous month, the largest drop in that indicator since April 2020 when COVID struck. So you have got folks that are really scared out here and it is no laughing matter.

Mr. TRAN. Thank you, Mr. Trent. I am going to shift to you, Mr. Gutierrez. SBDCs have received level funding over the years, yet you are being asked to do more and more with less and less. Can you please share the importance of full funding for the SBDCs? And how does lurching from one continuing resolution to another hurt SBDC's ability to counsel small businesses?

Mr. GUTIERREZ. Thank you for the question. So when a CR happens to be quite honest with you, it doesn't affect us because we all have to do what we do on a daily basis, and that is serve our clients. What it does is it promotes the reliance on our host universities to help or to offset any type of potential funding slowdown. And as far as SBDCs being out there and doing the things that we do, we just keep our head down, focused on serving those small businesses, and make sure that we are able to do what is asked of us, what is tasked of us through the grant program that we are tasked with, so.

Mr. TRAN. So thank you, Chairman. I yield back.

Chairman ALFORD. Thank you, Ranking Member. I now recognize Mr. Finstad from Minnesota for five minutes.

Mr. FINSTAD. Thank you Mr. Chairman, and thank you for holding this important subcommittee hearing today. And thank you to our witnesses for taking time to be with us. Over the past four years, small businesses across our country have been struggling to keep their doors open with the impacts of record high inflation, supply chain disruptions, and burdensome regulations hindering their growth. I have heard firsthand from small businesses across my district about the impact that they have felt over the last few years here and what it has meant to their businesses and opportunities or lack of opportunities across Southern Minnesota.

So that being said, I want to go to Mr. Ortiz. As President CEO of the Job Creators Network, you know the important role the SBA plays in supporting small business owners. One of the things that I have seen in past experience working in federal government is the ability to meet the customers' needs. And that is usually a relationship based, face to face, how can I help you kind of situation. And so, I am really happy to hear that Administrator Loeffler has returned the SBA to in person work. And so, just want to know from you, do you believe this move will improve the services at SBA?

Mr. ORTIZ. Congressman, thank you for the question. I believe the face to face is critical for the interaction for small business owners, for their success. I still would say that we have to get more people out to the field, to the resources where the small business owners are. It is great that there are some small businesses here in the D.C. area serving the community and serving Congress, but that is not where the bulk of our small businesses are. It is out in

the field. It is out, you know, in Pella, Iowa, in Portland, Oregon. It is all across the country. That is where they need to be, and that is where the resources need to be allocated. And so, I think it is a great step in the right direction, but I think we need to go further and we need to reallocate those resources out to the fields.

Mr. FINSTAD. Thank you for that. And all I would say is preach, keep preaching. And I represent a district of 21 counties, pretty rural Southern Minnesota. And a lot of times these counties feel like they are flyover land for organizations like SBA. And so, I completely agree with you.

Moving a little bit. In February, I was proud to reintroduce, for the second time the House passed the Prove IT Act. And the PROVE IT Act, it received the Job Creators Network endorsement. And this bill would give our small businesses a voice in the regulatory process as they work to serve their communities and pursue the American dream. What impact, Mr. Ortiz, do you think that the passage of this legislation would have on small businesses in navigating the regulatory environment?

Mr. ORTIZ. Thank you, again, for the question, Congressman. This is a game changer for small businesses, no doubt about it. And we are glad to see that Senator Ernst also introduced the companion legislation in the United States Senate on this. This is critical. I think for too long, agencies have been given a pass in terms of trying to do what they are supposed to do, which is show the impact to small businesses on regulations. Too many waivers have been signed to basically say, no, it is actually fine. And small businesses have been hurt all along the way. They don't have the resources to come and bring all their lawyers and, you know, 12 lawyers and everything else that they need at the end of the legislative process to try to challenge stuff and go to the Supreme Court. They don't have the resources to do it. They are trying to run their businesses 24/7. And so, having the opportunity to finally force agencies to actually consider the effect of regulation on small businesses is critical. And having the opportunity to have a seat at the table at the beginning of the process rather than the end of the process is absolutely critical. Again, this is a game changer, and I think we need to do everything we can to make sure that it passes quickly, swiftly, and in this Congress.

Mr. FINSTAD. I appreciate those comments, and I couldn't agree more with you. It is, you know, really a dereliction of duty from Congress because we pass these good intended laws, we leave it up to the regulatory state to create all the hoops, and loops, and bells, and whistles, and the rules and regulatory climate that our business has to live under with no opportunity to weigh in on, wait a minute, you know, this is going to impact us. And to your point, small businesses don't have stables of lawyers and compliance officers.

Mr. ORTIZ. Right.

Mr. FINSTAD. And so, giving them more power in the regulatory process is something I am going to work hard for, so, I appreciate your support on that.

One last question here for Mr. Gutierrez. As Missouri's SBDC director, you more than likely have a great pulse for what is impacting small businesses across your state. How has the regulatory en-

vironment impacted small businesses in your community? And what can we do here in Congress to ensure Main Street businesses have the ability to grow and prosper?

Mr. GUTIERREZ. Sure. One big topic for a lot of small businesses, well, for most small businesses, has been the Corporate Transparency Act that was introduced, I believe it was, last year, and then rescinded, and then paused, and going back and forth. That has some very, very tough situations——

Chairman ALFORD. The gentleman's time has expired. I now recognize Mr. Cisneros from California for five minutes.

Mr. CISNEROS. Thank you, Mr. Chairman. The conclusion of the majority's hearing memo included, you know, the SBA's Mr. Ortiz's testimony included ending the Agency's politicization. Mr. Gutierrez shared that the SBA should not focus on political agendas. Mr. Trent, you highlighted to us that this shouldn't be about partisanship. We all agreed. And we should not be politicizing the SBA. And this committee has passed multiple bipartisan pieces of legislation, unanimously. So far, today, we heard the SBA should go to where the people are, put Main Street America first. Yet we have an administrator, an SBA administrator, targeting major cities led by Democratic mayors as she seeks to close SBA regional offices in Boston, Seattle, Chicago, Atlanta, New York City, and Denver. And it is probably not long before my area of Los Angeles County is on that list as well.

So, Mr. Trent, in your view, how does the brazen politicization of SBA to close offices in major metropolitan areas impact small businesses?

Mr. TRENT. Yeah, it impacts them directly. And listen, I feel for and have thousands of small business owners in rural areas, Minnesota, Wisconsin. And I hear from them, you know, it is absolutely, it can be tough to access some of these SBA resources. And you know what, it is okay to talk about maybe moving a couple staff to different parts of the country to have more direct service for rural entrepreneurs. But the truth is that you have got hundreds of thousands of entrepreneurs concentrated in Atlanta, in Denver, in Boston, that are going to feel the effects of sort of this move away from these entrepreneurship hubs. And it is really unfortunate, I would say. And we can already feel the rumblings, and it adds to this environment of uncertainty for entrepreneurs that are going to have to take on more costs, frankly, just to meet basic technical assistance needs.

Mr. CISNEROS. Thank you for that answer. Again, Mr. Trent, you represent a nationwide network of over 30,000 small business owners, many of which depend on the SBA. In your testimony, you urge the committee to reject policies that inject instability into the economy. As we have seen with the Trump tariffs, the President is on again, off again, based on whoever is in his ear at that given moment. Main Street is getting whiplash. How important is it for small businesses to have stability?

Mr. TRENT. It is unbelievably important. So, around 50 percent of small businesses across the country are operating with about a month of operating reserves. So, we have got to be making decisions that are reflective of the fact that we respect these small business owners. We respect where they are, right, with that little

operating reserve. And the uncertainty around the tariffs, the will they, won't they soap opera, it affects budgeting for entrepreneurs. It affects planning. It affects the way that they are thinking about growing their teams in the year ahead. And so, there are the direct impacts as tariffs start to come into play. But then there are the knock-on effects that we are really not going to be able to know the full extent of the problem until six months, a year from now.

Mr. CISNEROS. Thank you. According to the SBA's own website, the Office of the Inspector General provides independent, objective, and timely oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. The SBA administrator on day one said, from day one, the SBA will uphold the highest standards of accountability, performance, and integrity. Mr. Trent, how can the SBA have the highest standards if the office tasked to provide oversight is vacant? Did President Trump's illegal firing of the Inspector General already undermine the administrator wanting to uphold the highest standards of accountability and integrity?

Mr. TRENT. It is going to be tough without someone in that office as that Inspector General is not just the main person investigating a lot of fraud and abuse within the agency, but also a sounding board for thousands and thousands of entrepreneurs across the country. So, with that post vacant, that is an ally for small business owners that is not there right now. And frankly, it is going to be scary for our entrepreneurial class.

Mr. CISNEROS. All right, well, thank you for your testimony and I yield my time back.

Chairman ALFORD. Thank you, Mr. Cisneros. I now recognize Chairman Williams from the great state of Texas for five minutes.

Mr. WILLIAMS. Thank you, Mr. Chairman. And Mr. Trent, on a side note, thanks for being here.

Mr. TRENT. Absolutely. Thanks for having me.

Mr. WILLIAMS. You are saying Dodge pickups went up from $18,000 to $20,000?

Mr. TRENT. $80,000 to $100,000.

Mr. WILLIAMS. Yeah, I am a Dodge pickup dealer.

Mr. TRENT. It is a good truck.

Mr. WILLIAMS. In Texas. And we are selling for $70,000.

Mr. TRENT. So it sounds like a good profit off——

Mr. WILLIAMS. So, you need to get down there and see me.

Mr. Gutierrez, as we have been discussing, bloated and duplicative SBA programs waste taxpayers' dollars and undermine the efficiency of the effectiveness of services provided small business. Could you elaborate on ways the committee can streamline SBA programs?

Mr. GUTIERREZ. Sure. I love the idea of having more SBA presence in the field to serve the rural communities. I believe that there is a lot of programs that were created to duplicate some of the services that we have been doing for over 40 years. For example, I believe the Navigators program was designed to reach those underserved populations. We are already there. We are already serving the underserved populations from rural America to Main Street, Saint Louis, Main Street, Kansas City, to down in Joplin, Missouri. We do all that sort of stuff.

So to have that money duplicated to a whole new agency or organization, you are recreating the wheel. We have been doing it for, like I mentioned, over 40 years. During the time that there was CARES Act money, we were allocated a large amount of money. Our results doubled or sometimes tripled in some of the areas.

When that funding did go away, we were left with. We called what we believe would have been the COVID cliff where the money dried up, but the demand for our services didn't. We are still at an all-time high. So the services that we provide, we often have up to two weeks before someone can come in and see one of our business counselors in the rural area. But as far as duplication of process, we are the ones, the first ones here. We will be the last ones out the door because we are here every day, doing what we need to do to serve Main Street America.

Mr. WILLIAMS. Thank you. Mr. Ortiz, as you mentioned in your testimony, assessing the performance of SBA programs is important to maximizing utility of a taxpayer resource in aiding and supporting small businesses. So my question to you would be, what performance metrics would you suggest the SBA consider implementing to maximize the effectiveness of the SBA program?

Mr. ORTIZ. Chairman Williams, thank you very much for the question. In this era of DOGE, I think trying to achieve that combination of effective and efficient is what we need to do here. And with the SBA, that is one of the things we need to do as well. I think it is important that we set metrics to know that we are successful. One of the biggest metrics that I see that we can do, and this is a very, very tangible one, is this failure rate of small businesses. For example, the failure rate for small business first year is about 20 percent. And when you look into the number one reason why, it is because they don't know how to create a business plan.

So again, I go back to the teach the fishermen how to fish. Let us actually teach them how to create business plans. Imagine if we could reduce that failure rate in four years from 20 percent to 10 percent. You have 33 million small business owners. One could actually conceive that you create another 15 million small businesses by doing so. And if each small business employs two people, you have just added 30 million more American small businesses or jobs to those small businesses. And so, there is an important metric there that we need to take into account, establishing, I guess, this effective and efficient combination of a $1.5 billion agency. It is not necessarily about saving money. It is just about making those dollars work harder for American taxpayers.

Mr. WILLIAMS. Well, that is great. And we know that small business is the backbone of our country; 99 percent of the businesses are small businesses; 75 percent of the workforce and payroll is done by small business.

Mr. ORTIZ. That is correct.

Mr. WILLIAMS. And we have got to keep risk and reward in their life all the time, where they can take some risk and get reward and not be burdened by regulations in the federal government. Easier to compete against each other than to compete against the federal government.

Mr. ORTIZ. That is correct. But——

Mr. WILLIAMS. I think every single day. With that, Mr. Chairman. They have never been cheaper than they are today, Mr. Trent, let me tell you that, okay. And thanks for letting me have fun with you, okay. I yield my time back.

Chairman ALFORD. Thank you, Mr. Chair. I now recognize Mrs. McIver from New Jersey for five minutes.

Mrs. MCIVER. Thank you, Chairman and Ranking Member for having this hearing and thank you to our witnesses for joining us today. This hearing could not come at a better time considering the rapid changes occurring at the Small Business Administration. SBA's work has helped turn the dreams of countless everyday entrepreneurs into reality and has helped thousands climb up the socioeconomic ladder in America. My home district, the 10th District in the great state of New Jersey, is proud to host the SBA New Jersey Regional Office, providing important services all over the Garden State. For years, SBA employees have worked hard for the American people, and we owe it to them to ensure that they are treated fairly while performing their work for our communities.

As mentioned in this committee hearing today, we have heard over and over again about the reckless firings of hundreds of employees at SBA, including the probationary employees, which is why I introduced the MERIT Act to ensure that these employees are granted back their jobs immediately and the backpay.

I have heard from many of you today about the strains on the Department, which obviously trickle down to the businesses and the support that they are able to get. So for each of the witnesses today, I would like to ask, do you support the firing of these hundreds of employees? We can start with Mr. Gutierrez.

Mr. GUTIERREZ. Under the current direction of the administration, I would say yes.

Mrs. MCIVER. It is funny because in your opening statement, you said that they were short staffed. So, I mean, the SBA is already short staffed, but you support the firing of these hundreds of employees that was just recently fired?

Mr. GUTIERREZ. I would say that the majority of the firings, from what I understand and what I have read, are out of the D.C. area as opposed to what is going on in the field. I know that the field has been really underrepresented, and I believe that when you have any type of transition like this that could lead to potentially more stability down the line, that is something that, from a private standpoint, that goes to efficiency. So, yes, I understand that there has been lots of jobs left or lost, but to my point earlier, those jobs are never out in the field, and they were never really affecting a lot of the regions that they were in.

Mrs. MCIVER. Do you know that for sure?

Mr. GUTIERREZ. Well, I can speak directly to the Missouri and the Kansas City offices.

Mrs. MCIVER. But not for the entire, not for every office or every——

Mr. GUTIERREZ. Of course not. I can't speak for across the nation.

Mrs. MCIVER. Okay, thank you. Mr. Ortiz?

Mr. ORTIZ. I worked at a consulting agency called Boston Consulting Group. This is something that we used to do day in and day

out, is trying to make sure that we have an organization that is more effective and efficient for, in this particular case, it is not an organization, but it is an agency that works for the federal government who actually is taxpayer funded. We have a responsibility to our small business owners to make sure that we have the most effective and efficient not only agency, but people working for it. I was a small business owner, and I will tell you that I bet everything I had on my small business, and I wanted to make sure that every small business owner that goes to the SBA knows that they have the most effective and efficient people working in the Agency.

Mrs. MCIVER. It is a yes or no, Mr. Ortiz.

Mr. ORTIZ. Well, that is my answer, ma'am.

Mrs. MCIVER. So you don't—it is yes or no. Do you support the firings of those people?

Mr. ORTIZ. I support a more effective and efficient agency.

Mrs. MCIVER. Okay, next. Mr. Trent?

Mr. TRENT. No.

Mrs. MCIVER. Thank you.

Mr. TRENT. Yeah, I mean, I come at this work as a veteran family. And so, I think when I think of SBA, I think of veteran entrepreneurs. My grandfather served in World War II. My brothers, both in the Army. One went to, was deployed to Iraq. You have got thousands and thousands of veteran entrepreneurs who started businesses. That growth rate in veteran-owned businesses doubled in the first two years of the Biden administration. Now you have got those same veterans who served our country defending the freedoms that a lot of us take for granted, who have had the rug pulled out from under them as a result of these mass firings. It is shameful.

Mrs. MCIVER. Thank you so much for that. I want to thank the witnesses, even those who kind of skated around the question. But the point of the matter is, is we have to make it make sense. We cannot sit up here and say that, you know, it is, we need a more efficient, we need to have more help at SBA. We hear from different businesses all the time about the delay in assistance that they can get from SBA sometimes. So, saying—sitting up here saying that we support the firings or we don't support, there is not enough staffing, it is just not all making sense. And we should be supporting our small businesses and making sure we are delivering to them as much assistance that we can do. That is our job here, not to be making things harder for them.

Thank you. With that, I yield back.

Chairman ALFORD. Thank you. I ask unanimous consent for Mr. Wied from Wisconsin to wave onto this hearing without objection. So ordered. I now recognize Mr. Wied for five minutes.

Mr. WIED. Thank you, Mr. Chairman, for allowing me to speak in today's hearing. And thank you to the witnesses who came here to share their experiences with us. Northeast Wisconsin is home to a wide variety of small businesses who have faced economic uncertainty due to an overreaching and overtaxing federal government. As a former small business owner myself, I know the challenges you must overcome to operate and grow a successful small business. Under this previous administration, small businesses across

the country faced increased regulatory burdens, which made starting, running, and growing a small business more difficult.

At the same time, the Small Business Administration enacted policies, such as allowing its employees to work from home, that negatively impacted small businesses. It is important that as a committee, we address these broken and burdensome policies and make Main Street America great again.

My first question is for Mr. Ortiz. In your opening statement, you spoke about the additional $2 trillion of regulatory burdens levied on businesses during the Biden administration. Having fewer employees and less financial services, small businesses bear an increased burden of these additional regulations. As Members of the Small Business Committee, what should our top priority be to reduce these regulations and provide immediate regulatory relief to small businesses?

Mr. ORTIZ. Thank you very much for the question, Congressman. One of the hardest things during the past four years under the Biden administration for small businesses was the regulatory environment that existed. About $1.8 billion that was placed on our businesses across the country. And also inflation. When you take those two together, it was a huge burden for small businesses. And quite frankly, when you look at it, compared to our large corporations, it was an extreme danger, really, for our small businesses on Main Street. And so, we have to make sure that we reduce that regulatory environment.

I heard the Congressman on this side talk about 21 million small business applications, for example, filed. In our cursory review of those 21 million small business applications, those are actually gross applications. So, for example, they are not actually net applications. For example, if I had a business in New York and I am trying to flee New York to go to Florida because there are less taxes and less regulatory environment there. That Joe's Pizza Place that moves from Texas, excuse me, from New York down to Florida is considered a new business, according to the Biden administration numbers of those 21 million applications.

And so, when we look at the net applications, actually, small businesses didn't grow in those four years of the Biden administration. They shriveled because of that regulatory environment and because of high inflation. And so, we have got to make sure that we address those, too. And the last I checked, the SBA is not a jobs bank. It is an environment. It is an agency that needs to serve the American small business owner, and there are 33 million of them that are struggling right now. Thank you.

Mr. WIED. All right, thank you. I yield back.

Chairman ALFORD. Thank you, Mr. Wied. I now recognize Ms. Simon from California for five minutes.

Ms. SIMON. Thank you, Chair, and thank you to the witnesses. We don't have to argue that small businesses are the backbone of our economy. I love this committee because we consistently lift that up. You know, there are many issues that have been covered in this hearing, and I will repeat some of them. You know, my concern, the concern of many is that we have come together as a committee with a profound mission of advancing opportunities for small businesses in this country.

You know, just in the last few days, we know that 403s and 401(k)s have been thrown out of the window for folks. Folks have lost so much. We also know that in this committee, we have said together, cross aisle, we will make a commitment to disabled folks, to our veterans, to women-owned businesses, on Main Street, on Telegraph Street, on Broadway Streets. And here we are having a conversation, trying to figure out how to advance our way forward. I think we all know what we want. We want a more efficient sector. We want a government agency that can show up at the doors, where the websites work.

Within the last two weeks, hundreds of SBA workers have been fired. Fired. We are talking about closing down six agencies in major cities in this country. So, I want folks who are watching to know the dry cleaner, the auto repair dealer, the barber shop, the woman who called my office yesterday, who is starting a home care business to make sure that our elders have trained wonderful MAs at their homes every single day doing work that many of us have never done. Where is she going to go? She called from outside of my district to get support. You know what, she will be on the phone for hours. The websites, they were already difficult to access three administrations ago, four administrations ago. What are we doing? What are we doing?

And now, we have this conversation that has become real, that tariffs have met the doors of our small businesses. We know that entrepreneurs are already working day and night to keep their doors open. We also know that the cost of doing business in the last couple of weeks has shot up. These policies are cruel. They are cruel and they don't focus on low-income, and middle-income, and working-class people who are trying to get off a government dole, who want to make good for themselves, and offer the folks in their communities, and their sons, and their daughters, jobs. They want to send their kids to college.

We are kicking them in the ribs. Not only the folks who work for Small Business Agency, but the folks who are on the ground. You hire an Inspector General and you fire them. You fire tons of workers, hundreds of workers. And then we have a policy that chooses to enact tariffs that will destabilize this country. It is cruel. And we know that. We don't have to litigate that. Any one of us who have run small businesses, who have run payrolls. I have ran payrolls since I was 19 years old. I have hired hundreds of workers. I have trained workers to leave incarceration in the streets, in foster care, to get jobs. Whether they are doctors or lawyers or medical providers, I have done that work. I know how hard it is to keep an institution alive when you are by yourself.

Fine, close six agencies and see what happens to our economy. We will see. We will see. When you fire IRS workers, when you fire frontline workers in communities that are helping small businesses. I have to ask, do we care? Do we truly care about folks on the ground?

You know, I have one quick question, which I think I know the answer to. You know, with all that we are talking about, I want to say before I ask my question, and it will be quick. This fiscal year alone in my district, our local SBA office has served, served on the, like, literally on the front lines, 822 small businesses offer-

ing $351 million of direct loans to keep businesses afloat. If we care, we would advance those opportunities, not take them away. You are automating support through these actions.

You know, Mr. Trent, only have a couple of seconds left. How can having field offices near metro areas be a strategic choice and also an effective use of taxpayer dollars to serve small businesses? How can having these offices near metro areas be a strategic choice to support small businesses? Just a quick answer.

Mr. TRENT. I will just quickly say that because a lot of these city centers are hubs for entrepreneurship where there is a real preponderance of small business activity——

Chairman ALFORD. The gentlewoman's time has expired. The Chair now recognizes Mr. Downing from Montana.

Ms. SIMON. Thank you, sir.

Mr. DOWNING. Thank you, Mr. Chairman. And thank you to the witnesses. Under the Biden administration, SBA suffered from serious mismanagement that hindered the Agency's ability to support small business. You know, through irresponsible work from home policies, DEI mandates, and voter registration efforts, Biden's SBA prioritized politics and bureaucracy over the interests of Main Street America.

First, Mr. Gutierrez, your testimony demonstrates the power of small business centers, or SBDCs, to assist small businesses and, you know, produce a return on taxpayer investment. So, from your experience as the director of Missouri's SBDC, how do they help support rural businesses which very often lack access to the information and training needed to thrive?

Mr. GUTIERREZ. Thank you for the question. So, the Missouri SBDC serves all 114 counties in the city of Saint Louis. It is a large footprint across the state with 18 business service centers and two satellite locations. With a staff of 33 full-time folks. That is simply just not enough.

Mr. DOWNING. Right.

Mr. GUTIERREZ. Unfortunately, we are not able to have a physical presence. However, with the introduction of different technologies, such as Zoom, Teams, things of that nature, we are able to reach more folks. We try to set up regional meetings where we are meeting with several different counties at once. We set up a revolving schedule to meet with different cities, so we are there on a regular basis. But simply the fact is that we are stretched thin, just like many of our other partners in the field that are frontline, and we are doing as best as we can.

I mentioned earlier that sometimes because of staffing issues and funding issues, it could take up to two weeks before they are able to see anybody in person at one of our rural business centers. We are just trying to do a lot with little.

Mr. DOWNING. Well, thank you. So, how did the SBA's work from home policies under the previous administration negatively impact your SBDC?

Mr. GUTIERREZ. Quite honestly, they didn't impact us at all because we were on the ground. We were meeting with the businesses on a regular basis. We knew that the SBA offices were there. We helped support them whenever possible. But during the last three or four years, we often found that traveling to the SBA

offices in both Kansas City and Saint Louis, unfortunately, the personnel was not there.

Mr. DOWNING. Okay.

Mr. GUTIERREZ. I remember showing up for a meeting and nobody was there with the meeting with our SBA representative. So it is just a matter of, you know, we are doing the best we can to meet the needs of small business in rural America, and of course, obviously, Main Street America as well.

Mr. DOWNING. Thanks. According to a 2024 report from this committee, the Biden administration attempted to leverage SBDCs to promote voter registration activities. Were you ever approached by the Biden administration to support their voter registration efforts?

Mr. GUTIERREZ. Fortunately, in the state of Missouri, we were not.

Mr. DOWNING. Do you believe the administration would have approached you if Missouri were a more competitive state in their presidential politics?

Mr. GUTIERREZ. I would like to think that we would not have been approached, but I can't answer that hypothetical.

Mr. DOWNING. Thank you, Sir. Moving on. Mr. Ortiz, in your testimony, you emphasize the truly egregious nature of SBA's political activities under the Biden administration. How have these activities damaged SBA's reputation as a reliable partner for small businesses across our country?

Mr. ORTIZ. Thank you, Congressman, for the question. Unfortunately, small business owners just don't believe and trust in the SBA anymore. I think they look to other partners outside of the SBA. And quite frankly, there are a lot of great partners out there. Goldman Sachs, American Express, for example, run some fantastic small business programs. Sir, Mr. Gutierrez runs great programs as well. So, I think what we need to do is we need to restore confidence in the SBA.

Mr. DOWNING. And what steps can SBA take to restore confidence with small business?

Mr. ORTIZ. Well, I mentioned already in the testimony, I think part of it is we got to move resources out to the fields. Better resources, more effective resources. I think, you know, certain folks were let go. I would question, and make the question is maybe they were—maybe they should have been let go because they weren't exactly the most effective resources for our small business owners. We need to make sure that we ensure people who have the experience to be able to make suggestions, for example, on how to create small business plans for small business owners. We talk a lot about, and the left talked about, the Democrats talked a lot about establishing small businesses need certainty, for example. Well, if they needed certainty, I wonder why they didn't vote, for example, in the last budget, you know, the budget bill. None of them voted for a budget that included the extension of the Tax Cuts and Jobs Act. If they need certainty——

Mr. DOWNING. And how important do you think that is for Main Street America, the Tax Cuts and Jobs Act?

Mr. ORTIZ. It is hugely important. In 2017, with the Tax Cuts and Jobs Act, that provided the impetus for the successful economy

that we had was the two biggest parts of the small business needs were the tax deduction and the immediate expense——

Chairman ALFORD. The gentleman's time has expired. We now recognize Ms. Goodlander from New Hampshire for five minutes.

Mr. DOWNING. Thank you.

Ms. GOODLANDER. Thank you, Mr. Chairman. And thank you, Ranking Member Tran. I really believe deeply in the work of the Oversight Subcommittee. We all swore—one thing that unites us all in this committee and in Congress is we all swore an oath to protect and defend this important document, the United States Constitution. And one of the core responsibilities of Congress is oversight. It is because oversight is about transparency, which is essential to public trust. Oversight is essential to cracking down on waste, fraud, and abuse, which I am deeply committed to. Oversight is about making sure that our government works for hard-working people. And that we give the American people and our small businesses the certainty that they need and deserve.

Another core Constitutional responsibility of Congress is the power of the purse, the power to direct and control federal spending. And that is because we live in a democracy and not in a monarchy. And so, what we have seen in the last 51 days is an unprecedented assault on this power of Congress. It is an assault that is lawless, it is dangerous, and it has had a really bad impact on so many of our small businesses and workers across this country and across New Hampshire.

Mr. Trent, you testified that federal funding freezes are a direct attack on small businesses, on the stability that small businesses need. And that is certainly what I am hearing from small businesses across New Hampshire who are unsure about whether they can keep workers on payroll; who aren't sure how they are going to provide health care to those workers. I wondered if you could say more about what you are seeing from federal funding freezes across the country.

Mr. TRENT. So, we have got hundreds of members that were directly impacted by those funding freezes and the impact ripples throughout their own local economy. One member in New Glarus, Wisconsin, runs a childcare facility. Worried about state block grant funding. She thought that she might not be able to make payroll the next month and would have to fire half of her team.

We have in Oak Ridge, Tennessee, a member who does groundbreaking research for the government. She logs into her funding portal one morning and finds that the funding that was supposed to be powering her work was nowhere to be found. Totally, totally frozen. We have still got folks who are wrestling with these freezes, and everyone is just told to be excited about the incoming deregulation regime. And so, it is really unfair. And we are certainly hearing from most of our members that this is something that is impacting them every single day.

Ms. GOODLANDER. Well, I should say also, the impact of these freezes has been on SBA workers in the state of New Hampshire. It is not just here in the Capital. It is across the country in field offices, which is harming our small businesses, too.

Mr. Trent, you wrote about a subject that I care deeply about, fair competition. And I think it is another issue that should unite

us all here in Congress. Our antitrust and consumer protection laws are as old, the ideas in them are as old as America. It is about checking power. And here on the Small Business Committee, we are about bringing power back to our small businesses at a time when the American economy has never been more consolidated.

You wrote about the impact of the unprecedented access that an unelected billionaire in the White House has to the sensitive data of small businesses and of people across the United States. You testified that this destroys fair competition alongside the destruction of public trust. Can you say more about that?

Mr. TRENT. So there is a reason why Walmart doesn't have access to the books of the mom-and-pop stores right down the street from it. There is a reason why no other CEO in this country has access to the bank statements, taxpayer data, of small businesses because it is an unbelievably unfair advantage. And this includes the taxpayer data and bank statements of some of Elon Musk's actual competitors. And so, we need to be doing everything in our power to make sure that the playing field is level for small businesses to compete.

And I will just respond by respectfully disagreeing with some statements around deregulation and tax code that have been made with. Deregulation can be good, but very often the benefits accrue to the largest companies in the world. The repeal of Dodd-Frank and the lessening of restrictions around capital requirements inevitably led to the fallout of Silicon Valley Bank. J.P. Morgan was quick to gobble up thousands and thousands of depositors while a lot of different small banks languished. Right. The tax code, 82 percent of surveyed small business owners believe that the tax code is currently rigged against them, favoring large corporations. So you have got a growing sentiment among small business owners that things aren't fair and we need to do something to fix that.

Ms. GOODLANDER. Thank you.

Chairman ALFORD. The gentlewoman's time has expired.

Ms. GOODLANDER. I yield back.

Chairman ALFORD. All right. Thank you so much. I want to personally thank each and every one of you. Mr. Gutierrez, Mr. Ortiz, and Mr. Trent. It was a fascinating conversation today. Thank you for your testimony and your investment in small businesses in our future. I want to thank Ranking Member Tran, and all the Members of this subcommittee, and also the staff, which really is the impetus and the hard work behind what goes on here. So thank you, staff. Without objection, Members have five legislative days to submit additional materials and written questions for the witnesses to the Chair, which will be forwarded to the witnesses. I ask the witnesses to please respond promptly to those. If there is no further business, without objection, the committee is adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned.]

APPENDIX

Testimony

of

Theodore J. Gutierrez

State Director

Missouri SBDC

March 11, 2025

Subcommittee on Oversight, Investigations and Regulations

Committee on Small Business

US House of Representatives

"Restoring the SBA: Putting Main Street First"

Chairman Alford, Ranking Member Tran, Members of the Committee, thank you for inviting me to testify today.

My name is Theodore (Ted) J. Gutierrez, and I am the State Director for the Missouri Small Business Development Center hosted by the University of Missouri Extension. Our network is dedicated to supporting and advancing the success of Missouri's entrepreneurs and small businesses.

We are a proud part of the nationwide small business development center system of 63 networks with over 900 locations and over 3,000 professional counselors, advisors, specialists and support staff.

For over 43 years SBDCs have been providing one-on-one counseling services to small business owners and aspiring entrepreneurs at no cost. During that time, our member networks have developed a wide variety of services tailored to meet the needs of Main Street America.

Some of the subject matter we counsel and train on include:

- Cybersecurity
- Export assistance
- Disaster recovery and resiliency
- Manufacturing
- Marketing, sales, ecommerce
- Accounting, financial statement analysis
- Business strategy development
- Business plans, basic credit practices
- Pre-business startup planning
- Existing business expansion
- Exit strategy and succession planning
- SBIR/STTR technology development and transfer
- Exim Bank financing
- Regulatory compliance (federal, state and local)
- Rural business exports, tourism and marketing
- Patent and Trademark training
- Workforce development
- Engineering, technology commercialization and development
- Personnel administration
- Assistance in management and operations

SBDCs continue to evolve to meet the needs of America's small businesses. We are tasked with providing almost every conceivable form of technical assistance to small businesses in our respective states. Each SBDC network is nationally accredited, which distinguishes us among available resources. Our networks leverage the accreditation to evaluate and update our services to meet the changing needs of our clients, who drive our services. Our economic impacts and performance numbers are based on attributed, verified input from our clients.

By sheer volume, locations and economic impact, the SBDC program is the #1 resource in the United States and its territories providing technical assistance and training for entrepreneurs and small businesses.

- In FY 2022-2023, Congressional funding/investment for America's SBDCs translated to $216.4 million in federal revenues generated and $327.2 million in state revenues generated.
- Every federal dollar received rendered $1.59 in federal tax revenue and $2.40 in state tax revenue.
- A new job is created every 6.5 minutes (80,995 new FTE jobs)
- A new business is started every 33.3 minutes (15,794 new business started)
- Clients experience an average 15.7% annual sales growth compared to national average of 6.2%
- $6.6 Billion in sales
- SBDCs provided 90% of SBA's Access to Capital assistance (from SBA CBJ)
    - $6.87 billion dollars (out of $7 billion)
- SBDCs served 92% of SBA's Technical Assistance clients (from SBA CBJ)
    - 325,773 Unique SMB Clients out of 354,935 total

Despite SBDC's economic impact generation and ROI, here are a few challenges we face:

- Funding priorities vs demand for our services
    - Federal and local
- Political agendas which lead to mission drift
- Funding to bring on more staff with industry expertise
- Funding for technology and implementation of new ways to reach additional small businesses in need of help.
- Funding to provide disaster planning, resiliency and recovery.

Here are a few challenges faced by Main Street America:

- Confusion on resources available
- Uncertainty of economic climate (i.e. high interest rates, taxes)
- Supply chain disruption
- Increased costs of workforce
    - Minimum wage laws
- Finding and hiring people who are reliable and want to work
- Disaster recovery efforts
    - SBDC's are the first responders
    - SBDC's are there during and after the disaster
    - Strategies for long-term recovery

How can the SBA be restored? ***By putting Main Street America first.***

The SBA is responsible for disbursing the allocated congressional funding and administration of our grant program. It is important to distinguish that the SBDC is not part of SBA nor are employees of SBA.

Over the years SBDCs have worked with SBA Administrators from every Administration – we do that because SBA is our partner, just as our host universities, states, banks, and economic development groups.

The SBA is ready for clarity of purpose and vision to serve entrepreneurs and small businesses. The SBA should remain an advocate for the millions of small businesses in our country not focused on political agendas. SBA has many fantastic tools and partners; they need to use them appropriately and efficiently.

To regain public trust in the SBA, it must focus on providing resources and collaborate with partner programs such as the SBDC, so every entrepreneur can work towards achieving their dream and contribute to the overall well-being of our economy. *Every entrepreneur, from the wheatfields to the shops on Main Street America, should have the same opportunity for success.*

This concludes my testimony, once again, thank you Chairman Alford and the committee for allowing me to speak here today.

**SBA Office of Advocacy 2023*

National SBDC data impact source: https://americassbdc.org/news/news-releases/

Testimony of Alfredo Ortiz
Chief Executive Officer of Job Creators Network
Subcommittee on Oversight, Investigations, and Regulations of the House Committee on Small Business
Restoring the SBA: Putting Main Street America First
March 11, 2025

Good morning, Chairman Alford and distinguished members of the Oversight, Investigations, and Regulations Subcommittee.

Thank you for the opportunity to testify today on the vital topic of restoring the U.S. Small Business Administration. My name is Alfredo Ortiz, and I am the CEO of Job Creators Network, the nation's largest conservative small-business advocacy organization.

It's no secret that small businesses have faced historic challenges over the past few years. These include the Covid pandemic and the heavy-handed government response as well as the weak economy characterized by high inflation and overregulation. The Biden administration implemented a nearly $2 trillion regulatory burden that disproportionately harmed small businesses. Now more than ever, small businesses need an effective agency in Washington looking out for them.

Unfortunately, the Small Business Administration has let entrepreneurs down over the past few years. Under the Biden Administration, it prioritized political activities such as voter registration and Diversity, Equity, and Inclusion over the real concerns of small businesses.

Ignoring repeated urging from Chairman Williams and the broader small business community, the Biden Administration never even nominated a Chief Counsel for Advocacy, leaving a key office unfilled that could have acted as the voice of Main Street during this difficult period.

The SBA also didn't adequately require its staff to return to work, resulting in an office vacancy of 90%. No wonder American small businesses have lost faith in the SBA.

That changes with the trusted and proven leadership of Administrator Kelly Loeffler. The SBA now has the opportunity to restore its core mission of helping small businesses. That means ending the agency's politicization and bureaucracy, requiring staff to return to work, and engaging in rigorous oversight and accountability.



Under the Chief Counsel of economist Casey Mulligan, who successfully led Trump's Council of Economic Advisors in his first term, the SBA's Office of Advocacy can finally get the leadership it needs to be small businesses' independent voice within the federal government.

The Office of Advocacy plays an important role in ensuring compliance with the Regulatory Flexibility Act, which the previous administration routinely ignored to the detriment of small businesses. JCN is fighting to pass the Prove It Act, which fulfills the intent of the Regulatory Flexibility Act and gives small businesses a seat at the rulemaking table. But until then, a strong Office of Advocacy can reduce red tape and stand up for small businesses in Washington.

Once restored, the SBA can take steps to do even more good for small businesses. At the top of this list is prioritizing training programs to teach entrepreneurs the skills they need to survive and thrive -- teaching small businesses how to fish, so they can be successful for the long term.

The SBA should harmonize existing private-sector small business efforts by the likes of Goldman Sachs and American Express in a public-private partnership. This small business training ecosystem can teach entrepreneurs the basics of succeeding in today's economy, including building a convincing business plan, identifying suppliers, and selling online.

These efforts can significantly reduce the first-year small business failure rate, which currently stands at about 20%. Decreasing this failure rate to around 10% would result in millions more small businesses and jobs over the years, significantly strengthening the American economy.

A key component in this more effective SBA is heeding Chairman Alford's recommendation to move personnel to regional offices closer to the small businesses they serve. It's impossible for the Washington SBA to have its pulse on the needs of Main Street in communities from coast to coast. SBA loan-making should be conducted by third-party community banks with this lending expertise and community relationships.

Under the leadership of Administrator Loeffler and Chief Counsel Mulligan as well as the oversight of this committee, the SBA can be restored and reinvented into the agency that American small businesses want and need. Thank you very much for your time, and I'd be happy to answer any questions you may have.

Executive Director, Main Street Alliance
Before the House Small Business Committee
March 11, 2025

Chairman Williams, Ranking Member Velázquez, and Members of the Committee,

Thank you for the opportunity to testify today. I'm Richard Trent, Executive Director of Main Street Alliance, representing over 30,000 small business owners nationwide. Our members span industries, but they share a fundamental need: a stable, predictable economy that allows them to plan, invest, and grow.

Unfortunately, that stability is being undermined—not by market forces alone, but by reckless decision-making that injects uncertainty into the economy and disrupts small businesses' ability to operate.

While some argue that regulations are the biggest burden on small businesses, our members tell us otherwise. Their greatest concerns aren't "red tape"—they are instability at key agencies, policy reversals, and economic disruptions that shake their ability to plan for the future.

Today, I want to focus on three urgent issues that are fueling uncertainty and putting small business survival at risk.

First, I'll just say that SBA instability is hurting entrepreneurs.

The Small Business Administration (SBA) is a lifeline for 35 million small businesses, yet recent mass firings, sudden program changes, and bureaucratic delays have thrown thousands of entrepreneurs into limbo.

Patrick DePula, owner of Salvatore's Tomato Pies in Madison, WI, is actively repaying an Economic Injury Disaster Loan (EIDL) that kept his doors open during COVID. If the U.S. enters a downturn, the SBA's ability to offer hardship waivers will be critical—but staffing cuts raise serious concerns about whether those safeguards will still exist.

Shannon Berns, an entrepreneur and consultant in Alexandria, MN, helps new small businesses craft business plans. With 20 million new businesses launched since 2020, SBA's resources are needed more than ever—yet reduced staffing will limit access to these vital services.

Molly Moon Neitzel, owner of Molly Moon's Ice Cream in Seattle, WA, was expanding her business when she learned of leadership changes and staffing cuts at the SBA. She had contracts signed and investments made—any delay in finalizing her loan would have been devastating.

When government agencies stop functioning properly, businesses can't secure financing, plan expansions, or hire workers. That's not a regulatory burden—it's political instability, and it's harming Main Street.

Second, it's important to note that federal funding freezes and data breaches are direct attacks on small business stability.

When federal funding is frozen or misused, the first to feel the impact are small business owners—who rely on these funds to keep employees on payroll and communities thriving.

A tech entrepreneur in Utah lost multiple contracts when the freeze stalled nonprofit sales, disrupting her revenue pipeline.

A Wisconsin childcare provider feared delays in state block grant funding would leave her unable to pay staff.

A researcher in Oak Ridge, Tennessee had her federally funded project suspended overnight—leaving her uncertain about her income and career.

These aren't abstract concerns—these are real businesses, real jobs, and real consequences. When federal funds stop flowing, they don't just delay government projects—they slow down entire local economies.

And beyond funding freezes, the DOGE seizure of sensitive IRS data is an existential threat. One of the world's richest men now has access to bank statements, tax records, and competitive financial data of millions of businesses—including his own competitors. This isn't "draining the swamp"—it's stocking it with more crocodiles. No CEO in America should have access to that kind of intelligence, which destroys fair competition and erodes trust in government institutions.

Third, I just want to say that SBA office relocations and the Ernst Bill will hurt local economies.

We've seen what happens when abrupt agency relocations gut institutional knowledge and destabilize communities.

In 2019, the USDA moved two research agencies from D.C. to Kansas City—75% of employees resigned, stalling grants, research, and hurting local businesses that relied on federal contracts.

Now, the Administrator's Memo mandates that SBA regional offices relocate from sanctuary cities—turning thriving small business hubs like Boston, Atlanta, Denver, and Seattle into collateral damage for political posturing. Small business owners in these cities rely on local SBA offices for access to capital, mentorship, and technical assistance. Forcing them to chase resources across state lines only deepens uncertainty and stifles growth.

Decentralization must be strategic and planned, not weaponized in ways that create chaos for businesses.

All of this is happening against the backdrop of inflationary pressures and market uncertainty. The trade war escalations and erratic tariff policies are already impacting small businesses:

Two weeks ago, a Dodge Ram truck cost $80,000. Now it's $100,000. If that's what's happening to trucks, imagine the impact on restaurants, grocery stores, and retailers that rely on imports.

Ballooning deficits and corporate tax loopholes put upward pressure on interest rates, while small businesses still face an unfair tax code. According to a Small Business Majority poll, 82% of small business owners believe the tax system favors large corporations. This isn't about left or right—it's about economic fairness and predictability.

To conclude, I'll just say that I happen to know for a fact what small businesses need from this committee.

Small business owners don't want chaos, confusion, or political games. They want a stable, predictable environment where they can invest and grow.

I urge this Committee to focus on practical, bipartisan solutions:

- Fully staff the SBA so it can meet the needs of entrepreneurs.
- Unfreeze critical funding that small businesses rely on.
- Block corporate access to sensitive financial data to preserve fair competition.
- Ensure office relocations are strategic and not politically motivated.
- Reject policies that inject instability into the economy and instead strengthen Main Street's ability to compete.

This is about economic resilience, not partisanship. Let's make sure entrepreneurs have a fair shot.

Thank you, and I look forward to your questions.

.....
(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. ||

To require the Administrator of the Small Business Administration to relocate 30 percent of the employees assigned to headquarters to duty stations outside the Washington metropolitan area, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M▮. ▮▮▮▮▮▮ introduced the following bill; which was referred to the Committee on ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮

A BILL

To require the Administrator of the Small Business Administration to relocate 30 percent of the employees assigned to headquarters to duty stations outside the Washington metropolitan area, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Returning SBA to Main Street Act".

SEC. 2. DEFINITIONS.

In this Act:

(1) ADMINISTRATION; ADMINISTRATOR.—The terms "Administration" and "Administrator" mean the Small Business Administration and the Administrator thereof, respectively.

(2) BUDGET JUSTIFICATION MATERIALS.—The term "budget justification materials" has the meaning given that term in section 3(b)(2)(A) of the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note).

(3) EMPLOYEE.—The term "employee" has the meaning given that term in section 2105 of title 5, United States Code.

(4) HEADQUARTERS EMPLOYEE OF THE ADMINISTRATION.—The term "headquarters employee of the Administration" means—

(A) an employee of the Administration whose permanent duty station is at the headquarters of the Administration; or

(B) an employee of the Administration—

(i) who teleworks on a full-time basis; and

(ii) whose rate of pay is calculated based on the Washington metropolitan area rate of pay.

(5) HEADQUARTERS OF THE ADMINISTRATION.—The term "headquarters of the Administration" means the building serving as the principal managerial and administrative center of the Administration, in accordance with section 4(a) of the Small Business Act (15 U.S.C. 633(a)).

(6) PAY LOCALITY.—The term "pay locality" has the meaning given that term in section 5302 of title 5, United States Code.

(7) RURAL.—The term "rural" means any area that is not designated as an urban area, based on the most recent data available from the Bureau of the Census.

(8) TELEWORK.—The term "telework" has the meaning given that term in section 6501 of title 5, United States Code.

(9) TELEWORK ON A FULL-TIME BASIS.—The term "telework on a full-time basis" means that an employee is authorized to telework for 100 percent of the work days of the employee per pay period.

(10) WASHINGTON METROPOLITAN AREA.—The term "Washington metropolitan area" means the geographic area to which the Washington metropolitan area rate of pay applies.

(11) WASHINGTON METROPOLITAN AREA RATE OF PAY.—The term "Washington metropolitan area rate of pay" means the rate of pay in effect for the pay locality designated as "Washington-Baltimore-Arlington, DC-MD-VA-WV-PA".

SEC. 3. RELOCATION OF EMPLOYEE.

(a) IN GENERAL.—Notwithstanding any other provisions of law, and not later than 1 year after the date of enactment of this Act, if the Administrator determines that implementing the requirements under paragraphs (1) and (2) of this subsection will reduce the cost to the Federal Government (which determination the Administrator shall explain in detail in the report required under subsection (d) of this section) the Administrator shall—

(1) change the permanent duty station of not less than 30 percent of the headquarters employees of the Administration, as of the date of enactment of this Act, to be at an office of the Administration at a location outside the Washington metropolitan area, which shall be at locations throughout the regions of the Administration; and

(2) for each employee of the Administration whose permanent duty station is changed under paragraph (1), ensure that—

(A) the rate of pay of the employee is calculated based on the pay locality for the permanent duty station of the employee; and

(B) the employee is not authorized to telework on a full-time basis.

(b) DETERMINATION OF NEW DUTY STATIONS.—In determining the permanent duty stations of headquarters employees of the Administration under subsection (a)(1), the Administrator shall—

(1) promote geographic diversity, including consideration of rural markets; and

(2) ensure adequate staffing throughout the regions of the Administration, to promote in-person customer service.

(c) DETERMINATION OF EMPLOYEES ELIGIBLE FOR A CHANGE IN DUTY STATION.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Administrator shall include each headquarters employee of the Administration as eligible for a change in permanent duty station under subsection (a).

(2) EXCEPTION.—A headquarters employee of the Administration who is a qualified individual who receives an accommodation to telework on a full-time basis as a reasonable accommodation under title I of

the Americans with Disabilities Act of 1990 (42 U.S.C. 12111 et seq.)—

(A) shall not be determined to be eligible for a change in permanent duty station under subsection (a); and

(B) shall be counted as a headquarters employee of the Administration for purposes of complying with subsection (a)(1).

(3) NOTICE OF DETERMINATION OF ELIGIBILITY.—Not later than the day before the date on which the Administrator submits the report required under subsection (d), the Administrator shall notify each headquarters employee of the Administration who the Administrator determines is eligible for a change in permanent duty station under subsection (a) of that determination.

(d) REPORT.—Not later than 180 days after the date of enactment of this Act, the Administrator shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives a report that provides—

(1) the number of headquarters employees of the Administration, as of the date of enactment of this Act;

(2) the number of headquarters employees of the Administration identified as eligible for a change in permanent duty station, in accordance with subsection (c);

(3) the number of headquarters employees of the Administration whose permanent duty station will be changed to be at an office of the Administration at a location outside the Washington metropolitan area under subsection (a);

(4) the number of headquarters employees of the Administration subject to an exception under subsection (c)(2); and

(5) the plan of the Administrator to implement subsection (a).

(e) IMPLEMENTATION.—

(1) IN GENERAL.—Not earlier than 60 days, and not later than 90 days, after the date on which the Administrator submits the report required under subsection (d), the Administrator shall notify each headquarters employee of the Administration whose permanent duty station will be changed to be at an office of the Administration located outside the Washington metropolitan area under subsection (a)—

(A) that, effective 90 days after the date of the notification—

(i) the permanent duty station of the employee shall be changed;

(ii) the rate of pay of the employee shall be calculated based on the pay locality for such permanent duty station; and

(iii) the employee shall not be authorized to telework on a full-time basis; and

(B) of the location of such permanent duty station.

(2) FULL-TIME TELEWORKERS REMAINING IN THE WASHINGTON METROPOLITAN AREA.—

(A) IN GENERAL.—For any employee described in subparagraph (B), effective on the date that is 180 days after the date on which the Administrator submits the report required under subsection (d), the employee shall not be authorized to telework on a full-time basis.

(B) EMPLOYEES COVERED.—An employee described in this subparagraph is a headquarters employee of the Administration—

(i) who teleworks on a full-time basis, as of the date of enactment of this Act;

(ii) who is not subject to an exception under subsection (c)(2); and

(iii) whose permanent duty station is not changed to be an office of the Administration at a location outside the Washington metropolitan area under subsection (a).

(3) NO RELOCATION INCENTIVES.—If, pursuant to this Act, the official worksite (as defined in section 531.602 of title 5, Code of Federal Regulations, or any successor regulation) of an employee changes from the residence of the employee to the headquarters of the Administration, notwithstanding any other provision of law, the employee shall not be paid any relocation incentive.

SEC. 4. REDUCTION IN HEADQUARTERS OFFICE SPACE.

(a) IN GENERAL.—The Administrator shall reduce the amount of office space for the headquarters of the Administration by not less than 30 percent.

(b) IMPLEMENTATION.—The Administrator shall—

(1) begin reducing office space under subsection (a) not later than 180 days after the date of enactment of this Act; and

(2) complete the reduction of office space required under subsection (a) not later than 2 years after the date of enactment of this Act.

SEC. 5. INFORMATION INCLUDED IN BUDGET JUSTIFICATION MATERIALS PROVIDED TO CONGRESS.

The Administrator shall include in the first budget justification materials of the Administration submitted after the date of enactment of this Act, and the budget justification materials of the Administration for each fiscal year thereafter—

(1) the number of headquarters employees of the Administration;

(2) the number of employees of the Administration assigned to a permanent duty station in—

(A) a field office of the Administration;

(B) a district office of the Administration; or

(C) a regional office of the Administration;

(3) the number of employees of the Administration who telework on a full-time basis; and

(4) the number of employees of the Administration who are a qualified individual who receives an accommodation to telework on a full-time basis as a reasonable accommodation under title I of the Amer-

icans with Disabilities Act of 1990 (42 U.S.C. 12111 et seq.).

SEC. 6. SEVERABILITY.

If any provision of this Act or the application of such provision to any person or circumstance is held to be unconstitutional, the remainder of this Act and the application of the provision to any other person or circumstance shall not be affected thereby.

SEC. 7. SUPERSESSION.

This Act shall supersede any other provision of law and any provision of a collective bargaining agreement or master labor agreement.

SEC. 8. NO PRIVATE CAUSE OF ACTION.

Nothing in this Act shall be construed to establish a private cause of action, equitable or otherwise, to challenge any selection, change, or decision made, or action taken, under this Act.



March 11, 2025

The Honorable Mark Alford
Chair
House Committee on Small Business
Subcommittee on Oversight, Investigations
and Regulations
U.S. House of Representatives
Washington, DC 20515

The Honorable Derek Tran
Ranking Member
House Committee on Small Business
Subcommittee on Oversight, Investigations
And Regulations
U.S. House of Representatives
Washinton, DC 20515

Dear Chairman Alford, Ranking Member Tran, and Members of the House Committee on Small Business Subcommittee on Oversight, Investigations, and Regulations:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 67 chapters representing more than 23,000 members, I appreciate the opportunity to comment on the committee's hearing, "Restoring the SBA: Putting Main Street America First." The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. The industry consistently has one of the highest concentrations of small business participation and its members play an integral role in building America's infrastructure.

Throughout the last four years, small business contractors around the country faced severe economic uncertainty. The Biden-Harris administration advanced numerous regulations that imposed substantial burdens on Main Street, picking winners and losers along the way. What's worse, federal agencies utilized loopholes in the Regulatory Flexibility Act to implement these regulations at the expense of America's small business community, all while ignoring the advice of the Small Business Administration. Now, with a business-friendly administration and like-minded Congress, the SBA can once again be empowered to properly advocate for Main Street businesses.

Last Congress, the House Small Business Committee released an RFA report detailing a concerning lack of compliance in the federal rulemaking process. The report revealed that federal agencies' continuously utilized loopholes in the RFA that allowed them to circumvent the proper analysis needed to accurately consider the costs and number of affected small businesses when issuing new rules. What's more, the SBA's Office of Advocacy found agencies often improperly certify that rules will not have a significant economic impact on a substantial number of small entities, only consider the direct costs on small businesses or misrepresent the costs on small businesses from regulation.

For this reason, ABC is proud to support the Prove It Act in the 119th Congress (H.R. 1163), which strengthens the RFA by allowing Main Street businesses, and the groups that represent them, to petition the SBA to examine whether a federal regulation would have significant economic effects on a large number of small businesses. Currently, agencies are not required to perform a regulatory flexibility analysis if they certify that a proposed rule would not have a significant economic impact on a substantial number of small entities. Through the Prove It Act, groups like ABC can call on the SBA to challenge the agency's claim and request an analysis if they see fit.

It is crucial that we take the necessary steps to ensure that small businesses are no longer burdened by excessive red tape. Empowering the SBA and small businesses nationwide will restore balance and ensure that the voices of small businesses are considered during the federal rulemaking process. In doing so, we can help to level the playing field for Main Street America.

ABC remains committed to advocating for policies that support the growth and success of small businesses, and we look forward to working with the committee and the SBA to put small businesses first.

Sincerely,



Kristen Swearingen
Vice President, Legislative & Political Affairs

DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
Chief Advocacy Officer

March 10, 2025

The Honorable Mark Alford
Chairman
Oversight, Investigations, and Regulations
Small Business Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Derek Tran
Ranking Member
Oversight, Investigations, and Regulations
Small Business Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Alford and Ranking Member Tran,

I write to you today to urgently request **regulatory reforms that will empower credit unions to better serve America's small businesses**. As a representative of the credit union community, I have witnessed first-hand how **outdated statutory caps and bureaucratic obstacles hinder credit unions from fully supporting local entrepreneurs**. By addressing these challenges, Congress and the Small Business Administration (SBA) can unlock billions in capital for small businesses – **at no cost to taxpayers** – and help create tens of thousands of jobs. The need for action is clear and compelling, and the potential benefits to our economy are substantial. DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing over 40 million members and having over $525 billion in assets.

Impact of the 12.25% Member Business Loan Cap: In 1998, Congress imposed an arbitrary cap limiting most credit unions to lending no more than **12.25% of their assets** to member businesses. This cap has **no safety or soundness rationale**, yet it severely constrains small business credit. Many credit unions are now **bumping up against this 12.25% cap**, forcing them to **turn away creditworthy local businesses**. The cap is not constraining risky lending; it is **stifling growth**. Credit unions have proven to be **prudent business lenders.**

Credit Unions' Limited Participation in SBA Loan Programs: Credit unions enthusiastically participate in SBA-guaranteed lending – when they can. SBA loans align perfectly with credit unions' mission to serve **underserved entrepreneurs**, and credit unions have dramatically increased their SBA lending in recent years. Since 2014, credit union SBA loan portfolios nearly **tripled from $1.33 billion to $3.74 billion** (as of Q3 2024). Yet despite this growth, credit unions still originate only a **tiny slice of SBA 7(a) loans – roughly 2.7% as of last fiscal year**. According to SBA lender reports, in FY2024 credit unions made just **1,684 SBA loans (about $826 million) out of $31.1 billion total 7(a) volume**. Only **167 credit unions** across the country were SBA lenders that year, compared to over 1,200 banks and other institutions. This disparity is not because credit unions lack interest or capacity – **it is due to structural barriers** that make it difficult for credit unions to participate on a level playing field. In fact, thousands of credit unions don't offer any member business loans at all, partly because the **12.25% cap prevents them from achieving the scale needed to support a robust business lending program**. Those that do engage must navigate a process that is often onerous for smaller institutions. **Credit unions' share of SBA lending (under 3%) is disproportionately low**, especially considering that credit unions hold over $1.8 trillion in assets and have capital ready to deploy. With fewer legacy small business customers than banks, credit unions often reach *new* borrowers that banks overlook – truly expanding the pie of credit, not eating someone else's slice. (Notably, banking groups have conceded that **most credit union business loans serve borrowers banks **"would not otherwise"** lend to.) We are leaving a huge opportunity on the table to get more funds into the hands of entrepreneurs.

SBA Preferred Lender Program (PLP) Restrictions – Delays and Lower Approval Rates: A major reason credit unions account for such a small portion of SBA loans is the **difficulty in obtaining "Preferred Lender" status**. Under the SBA's Preferred Lender Program (PLP), experienced lenders are given delegated authority to approve 7(a) loans **in-house, often within 24 hours**. This streamlines the process tremendously. Unfortunately, **very few credit unions have been granted PLP authority**, leaving the rest to submit each loan to the SBA for approval. The difference is stark: instead of a one-day turnaround, non-PLP lenders often wait **1–2 weeks (7–10 business days) for SBA approval**, on top of the time already spent underwriting the loan. These delays can be devastating for a small business trying to, say, secure an equipment purchase or meet payroll during a crunch. By the time an approval comes through, the opportunity may have passed or the business may have resorted to high-cost credit. One credit union CEO described the SBA's process for non-PLP lenders as *"very time-consuming" and "very burdensome"* for his organization. Because his credit union lacked delegated authority, they had to **shoulder extensive paperwork and wait on SBA's loan-by-loan reviews**, making it **cost-prohibitive to fully utilize SBA programs**. He noted that they would need to hire dedicated SBA-specialist staff – *"very expensive for us to do"* – to handle the complexity, an investment hard to justify under current volume limits. The end result is that many credit unions curtail their SBA lending or avoid it altogether, even when there is borrower demand, because the **process is too slow and cumbersome**. Those that do participate without PLP authority face an uphill battle: not only slower approvals, but sometimes more conservative decisions. A lender deeply familiar with a local borrower might be willing to approve a marginal case that makes sense with SBA's guarantee – but if that loan must be sent to a distant SBA office for review, nuances can be lost and the application may be declined. In short, **the PLP bottleneck means fewer small business loans and slower funding** for the loans that do get made. This is a loss for the very entrepreneurs the SBA program is meant to help.

Regulatory and Compliance Burdens on Credit Union SBA Lending: Beyond the PLP issue, **duplicative and onerous compliance requirements disproportionately impact credit unions**, which tend to be smaller institutions with lean staffing. By regulation, SBA loans demand *extensive* documentation, servicing, and reporting. Lenders must navigate lengthy Standard Operating Procedures (SOPs), collect detailed borrower information beyond normal commercial loan standards, and **file monthly reports on every SBA loan (Form 1502), paying servicing fees and performing regular audits of each borrower**. If any step is missed, the SBA's guarantee on the loan could be voided, so meticulous compliance is essential. Large banks have entire SBA departments to manage this; most credit unions do not. The **fixed costs** of maintaining an SBA lending program – training staff, updating software to interface with SBA's E-Tran system, compliance reviews, etc. – are difficult to absorb when the credit union business lending portfolio is capped at 12.25% of assets. In practice, the average SBA loan made by a credit union has historically been quite small (about **$100,000 on average as of 2011**), meaning the extensive work required per loan represents a high relative cost. Even today, credit unions often focus on **microloans and smaller-dollar SBA 7(a) loans**: for instance, during the recent Paycheck Protection Program (PPP), the **average PPP loan made by a credit union was under $50,000 – less than half the overall PPP average loan size**. Credit unions excel at serving very small businesses, but these loans generate only modest income, so **heavy compliance burdens make the economics challenging.**. This extra expense and time is worthwhile when we can actually make the loans – our members benefit greatly – but it becomes a hurdle if arbitrary limits prevent sufficient volume. **Thousands of credit unions have the financial capacity to help small businesses but choose not to enter the SBA lending arena at all, precisely because the regulatory overhead is so high under current constraints**. In other words, the **status quo discourages many community-based lenders from participating in SBA programs**, to the detriment of underserved entrepreneurs who might otherwise access credit. We believe smarter regulation can maintain safety and soundness while **bringing more of these mission-driven lenders into the fold**.

Real Small Businesses Are Being Affected: The victims of these limitations are **America's small businesses – the startups, mom-and-pop shops, and local job creators who rely on financing to survive and grow**. When a credit union must say "no" due to regulatory reasons, it doesn't hurt any big bank's profits – it hurts the small business owner who had one fewer avenue for affordable credit. Consider also the experience of many minority-owned and community-based businesses during the COVID-19 pandemic. As big banks prioritized larger PPP loan applications, **credit unions stepped in to assist smaller firms** that might otherwise have been left behind. Credit unions and other community lenders made a profound difference: *nearly 45% of credit unions participated in the PPP program in 2020*, and collectively **credit unions delivered 361,980 PPP loans totaling $15.1 billion, helping to protect almost 200,000 jobs** during the pandemic. The **average credit union PPP loan was just $47,000 in 2020 (and $34,000 in 2021)**, indicating that credit unions reached the tiniest businesses – sole proprietors, family restaurants, independent contractors – who often lacked established banking relationships. In fact, in 2020 credit unions' PPP loans supported about **1.3 million jobs (roughly 6 jobs per loan)**. These are the hair salons, corner stores, and food trucks that *larger lenders often overlook*. During the crisis, regulators temporarily **lifted barriers (such as granting all federally-insured credit unions expedited SBA authority for PPP)**, and credit unions responded by rushing aid to those who needed it most. This experience proves that **when regulatory handcuffs are removed, credit unions can and will deliver capital effectively to underserved small businesses**. We have countless stories of grateful borrowers: the independent bookstore that a credit union helped keep open during lockdowns, the minority-owned startup that received an SBA microloan when no bank would take a chance, the veteran entrepreneur who turned to his credit union for a business line of credit and built a thriving enterprise. But for every success story, there are others who were turned away due to the cap or stuck waiting due to red tape. **If Congress allows credit unions more freedom to lend, we will see more businesses started, more jobs created, and more vibrant local communities**.

Economic Benefits of Reform – Data and Projections: The upside of empowering credit unions in small business lending is enormous. Various analyses – both recent and prior to the pandemic – have quantified the potential:

- **Unlocking Billions in Capital:** The Credit Union National Association (CUNA) estimates that simply **removing the member business lending cap** (12.25% of assets) would **free up about $5.5 billion in additional small business loans in just the first year**. NAFCU (the National Association of Federally-Insured Credit Unions) projected similarly that raising the cap for experienced credit unions (from 12.25% to 27.5% of assets) would **inject roughly $13 billion in new small business credit** over the first year or two. That is new capital directly into America's job-generators, without any government spending.
- **Job Creation and Higher Growth: Every $1 million in small business loans creates an estimated 10 jobs**, and possibly more in distressed areas. CUNA's conservative estimate is that **lifting the cap would create nearly 50,000 jobs in the next year alone**. In the early 2010s, credit unions told Congress that raising the cap could **facilitate 140,000 new jobs** in the first year or two. Even if actual results are somewhere in between, we are looking at **tens of thousands of employment opportunities** that depend on credit unions being allowed to do what they do best – lend prudently to local members. By comparison, when banks received a $30 billion taxpayer-funded small business lending incentive in 2010, they left roughly **two-thirds of that fund unused and still turned away many borrowers**. Credit unions are asking for **no such taxpayer money** – just the ability to deploy our own capital to meet unmet credit needs. Given the chance, we will help drive a post-pandemic small business renaissance, fueling innovation and economic growth from the ground up.
- **Serving Underserved Markets:** Greater credit union flexibility in SBA lending would especially benefit **traditionally underserved segments – minority, veteran, and rural small businesses** – that often align with credit unions' member bases. For example, Congress is considering the **Veterans Member Business Loan Act**, which would **exempt loans made to veteran-owned businesses from the credit union cap**. This bipartisan measure recognizes that encouraging credit unions to lend more to veterans could significantly improve veteran entrepreneurs' access to capital. Similar logic applies to other groups: credit unions have a mandate to serve people of modest means and communities overlooked by others. If allowed greater lending capacity and given a seat at the SBA table, credit unions could channel more funding to **minority-owned businesses**, which research shows are often declined by mainstream banks at higher rates. The economic ripple effects – in new business formation, wealth creation in disadvantaged communities, and reduced inequality – are difficult to quantify but profoundly important. Simply put, **empowering credit unions to do more small business lending is pro-growth and pro-economic inclusion**. It complements other federal efforts to support small businesses, and does so by leveraging private capital (credit unions' member deposits) rather than public funds.

In light of these facts, we urge you to consider the following **policy changes to eliminate barriers and expand credit unions' role in small business lending**:

- **Raise or Eliminate the Credit Union Member Business Loan Cap:** Congress should enact legislation to **eliminate the MBL cap.** The cap is a blunt instrument that is now doing more harm than good. Lifting it would **unleash billions of dollars to small businesses** that have few other options.

  Expand Access to the SBA's Preferred Lender Program for Credit Unions: We ask the SBA to **streamline the process for credit unions to obtain delegated authority (PLP status)** and actively encourage more credit union participation. The **approval criteria for PLP could be adjusted** to account for a credit union's overall financial strength and lending experience (even if not solely in SBA loans), so that more credit unions qualify. Currently, some credit unions face a *catch-22*: you must do a high volume of SBA loans to earn PLP, but it's hard to do volume when each loan is slow and cumbersome without PLP. SBA should consider pilot programs to **grant temporary or probationary PLP authority to experienced credit unions** under, say, close monitoring, allowing them to prove performance. Additionally, Congress could direct the SBA to **set a target for increasing the number of credit unions with PLP status** each year. Even simply **allowing credit unions to use the SBA's Express programs for slightly larger loans** (the SBA Express cap is $500,000 currently) could help – for example, giving qualified credit unions delegated approval on 7(a) loans up to $1 million would dramatically speed up many deals. We also encourage the Committee to exercise oversight of SBA's lender approval processes to ensure **there is no bias (whether intentional or not) against non-bank lenders like credit unions**. The goal should be to **put credit unions on equal footing with banks** in the SBA lending arena, because every additional PLP credit union means faster service for borrowers and more competition in the market.

- **Reduce Regulatory and Paperwork Burdens:** We urge a thorough review of SBA's rules and procedures with an eye toward **simplifying compliance for community-based lenders**. Some steps can be taken by the SBA administratively, and others may require legislative support. For instance, SBA could **further simplify the application and closing documentation for loans under a certain threshold** (say $250,000) – these smaller loans are common for credit unions and have relatively low risk. The SBA's recent moves to remove the requirement for a formal Loan Authorization and to modernize their SOPs are a good start. We ask that SBA **continue to digitize and streamline** the 7(a) loan process, and perhaps create an **"SBA Lending Hub" support program for smaller institutions**, where credit unions can receive centralized guidance or share services for packaging and servicing SBA loans. On the legislative side, we support efforts to **harmonize NCUA and SBA regulations** so that examinations and reporting can be coordinated. Credit unions already undergo rigorous safety and soundness exams from NCUA; to the extent that SBA can rely on NCUA oversight (for example, leveraging NCUA's data on credit union loan performance) it would prevent redundant compliance work. We believe it is possible to **maintain accountability without burdening lenders twice**. In short, **cut the red tape** that dissuades credit unions from making SBA loans. Free up credit union officers to spend more time extending credit and less time on duplicative paperwork. This will inevitably lead to more loans being made, especially smaller-dollar loans that big banks find less profitable.
- **Support Credit Unions' Role in Serving Underserved Communities:** Policymakers should view credit unions as **key partners in expanding access to capital** for groups that have historically faced barriers. In addition to raising the cap and easing SBA restrictions, we ask you to support initiatives that specifically leverage credit unions' strengths. For example, the Committee could champion **pilot programs for credit unions to reach rural entrepreneurs or minority small business owners** using SBA guarantees, and ensure those credit unions have the flexibility needed to be successful. Likewise, we respectfully urge you to **oppose any efforts that would diminish the credit unions' capacity to serve small businesses**. One current concern is the SBA's proposal to license more non-bank fintech lenders for 7(a) loans. While innovation is important, the SBA has finite resources for lender oversight. We echo NAFCU's caution that **diverting SBA's attention to supervising new, unproven fintech lenders could undermine support for existing community-based lenders**. Credit unions, as federally regulated depositories, are already closely supervised and have a duty to serve their members. In our view, **entrusting more lending capacity to credit unions is a safer, more reliable way to reach underserved markets** than depending on unregulated finance companies. We welcome competition, but please ensure it is **fair competition** and that credit unions are not left at a disadvantage relative to fintech or bank lenders. In summary, we ask you to **champion policies that allow credit unions to lend more freely to small businesses**, especially those in underserved segments, and to **remove policies that needlessly restrict or penalize those efforts**.

America's **small businesses are the engine of our economy**, and they depend on access to credit to start up, scale up, and thrive. Community-focused lenders – in particular, credit unions – have untapped potential to provide that credit. The reforms we propose will **drive small business growth** by enabling credit unions to **deploy more capital quickly and prudently**. Independent studies have affirmed that increasing credit union small business lending **does not crowd out banks, but rather fills a gap in financing that would otherwise go unfilled**. Small businesses will have more choices, better rates, and faster service when they can turn to their local credit union as a viable option for SBA loans and other commercial credit. The competition will spur all lenders to improve, and the only "loser" will be unnecessary bureaucracy.

Recommended Reforms and Expected Outcomes: In closing, we urge you to advance the above policy changes, which can be summarized as **1) lifting the credit union business lending cap, 2) expanding SBA delegated lending authority to more credit unions, and 3) streamlining regulatory requirements** for credit union small business lending. These steps will **empower an already safe and sound sector to do even more for our nation's entrepreneurs**. The anticipated results are straightforward: **billions in new small business loans, tens of thousands of new jobs created or retained, and an increase in lending to underserved communities**. Importantly, all of this can be achieved **without risking taxpayer funds or compromising safety** – credit unions will continue to operate under strict oversight and will only make sound loans, as they always have. In fact, credit unions' **7(a) loan default rates are among the lowest in the industry**, reflecting our careful underwriting and the deep relationships we have with our member-borrowers. By allowing credit unions greater flexibility, **Congress would simply be removing an artificial cap and outdated roadblocks**, thereby letting market forces work to provide more credit where it is needed.

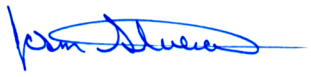
I appreciate the Committee's thoughtful attention to these issues. **Now is the time to act**. Small businesses are rebounding from the pandemic and grappling with economic headwinds; they need all the support we can give them. Regulatory relief for credit union lending is a bipartisan solution that will spur job creation on Main Streets across America. I respectfully ask you to **support legislative proposals to modernize the credit union member business lending cap** and to **hold the SBA accountable for including credit unions as full partners in its lending programs**. These changes have broad support – from credit union members and small business owners to nonprofit consumer advocates – because they simply make sense. Let's not allow outdated restrictions to stand in the way of economic growth and innovation.

Thank you for your consideration and for your ongoing efforts to strengthen small businesses. **By enacting these reforms, Congress will enable credit unions to deploy our capital and expertise more effectively to the benefit of entrepreneurs nationwide.** We are eager to be part of the solution to America's small business credit needs. I would be happy to provide any additional information or work with you on crafting policies that ensure a robust, fair, and inclusive small business lending landscape.

I urge the Committee to ensure that credit unions are included in the SBA's lending partnerships and that legislative efforts support their ability to serve America's small business community.

Should you or your team have any questions or desire additional information, please do not hesitate to contact me at 202.557.8528 or by email at jstverak@dcuc.org.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: House Small Business Committee Members

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