OFFICE OF THE ADMINISTRATOR

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

March 20, 2023

The Honorable Rosa L. DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives
2413 Rayburn House Office Building
Washington, DC 20515

Dear Representative DeLauro,

Thank you for your January 19, 2023 letter to the U.S. Small Business Administration ("SBA") regarding plans by House Republican Leadership to cap Fiscal Year (FY) 2024 discretionary spending at the FY 2022 enacted level. President Biden's FY 2024 Budget lays out a detailed plan to invest in America and the small business economy, continue to lower costs for families, protect and strengthen Social Security and Medicare, and reduce the deficit.

Strong Federal support and investments by Congress ensure that America's 33 million small businesses have the resources they need to create jobs across our nation. SBA offers accessto affordable capital, training, and technical assistance to help small businesses grow and thrive. These resources have been critical especially during the surge of new-start small businesses over the past two years under the Biden Administration. Congressional Republicans have proposed unprecedented cuts in FY 2024 funding for key services and programs. While Congressional Republicans haven't released a specific plan, cuts on this scale would have very real and damaging impacts on our small businesses, our communities, our economy, and our competitiveness—undermining a broad range of critical services the American people rely on in their everyday lives. That is why I share your concern that proposed budget cuts could have a negative impact on SBA's ability to deliver important services to American citizens and small businesses who rely on the SBA for guidance and support and capital.

One example of the potential impact is to the SBA's Entrepreneurial Development appropriation which funds critical programs that served 1.2 million small businesses in 2022. If Entrepreneurial Development program funding levels are cappedat FY 2022 levels – a cut of $29.9 million from FY 2023 enacted funding levels—we estimate that up to 125,000 fewer entrepreneurs and small businesses would have access to free business counseling supported by SBA, including the Small Business Development Centers, that help bolster the small business economy. If Entrepreneurial Development Program funding levels were reduced by 22% from FY 2023 enacted, this would be a reduction of $70.4 million, which would equate to nearly 295,000 fewer small businesses being served. Either scenario would have a significant impact on the agency's ability to ensuring that underserved communities such as Veterans, Women, and Native American entrepreneurs receive the support they deserve. We estimate that thousands of veterans and women entrepreneurs would be impacted negatively as they look to start or grow their own businesses. For instance, we would have fewer opportunities to further expand equity efforts for underserved and underrepresented small business communities, including specific reduction to support Veterans, Women, Native American entrepreneurs.

Additionally, reductions to SBA's Salaries and Expense funding would be detrimental to SBA's operations. If funding ise reduced to FY 2022 enacted funding levels in FY 2024, SBA will not have sufficient funding to fully support the Service-Disabled Veteran-Owned Small Business Certification program. A cut to funding in this program could significantly impact SBA's ability to certify service-disabled veteran-owned small businesses. This certification is crucial to the 35,000 veterans and service-disabled veterans that compete for and provide integral services to the Federal Government.

Reverting to FY 2022 spending levels would also shrink SBA's staffing by up to 203 positions which has a direct impact on the agency's ability to deliver and oversee services for small businesses. Staff reductions will result in SBA customer service degradation in loan processing, small business outreach, training and counseling, processing government contracting, and validating small business certifications. Small businesses and resource partners will likely experience longer wait times, and SBA may become to network and cybersecurity infrastructure threats and attacks at the risk of all SBA stakeholders.

A 22% reduction from FY 2023 enacted levels would reduce Salaries and Expenses by nearly 385 positions, which could not be attained without a reduction in force and further reductions to services and outreach to small businesses provided across the board. This would also reduce Disaster Loan Program Administration by nearly $8 million, or over 45 positions, hurting SBA's ability to respond quickly when a disaster strikes to ensure access to capital for disaster survivors.

Finally, maintaining SBA's Office of Inspector General (OIG) funding at the FY 2022 enacted level would decrease OIG's investigative and fraud enforcement capabilities by over $25 million in FY 2024, and would undermine the SBA's OIG mission to fight fraud and abuse, including in COVID-19 relief programs. SBA is committed to combating fraud, waste, and abuse, and the taxpayers benefit greatly from the Inspector General's ongoing efforts. We need to ensure that we continue to build on that commitment.

I stand ready to provide Congress with any further information to ensure the small business owners and entrepreneurs can continue to be supported. Thank you for your partnership in helping the American people and the economy.

Sincerely,

Isabella Casillas Guzman

Isabella Casillas Guzman
Administrator