



To: Members of the House Committee on Small Business

From: Andrew Lautz, Director of Federal Policy, National Taxpayers Union

Date: September 8, 2021

Subject: Committee's Reconciliation Title Would Direct Far Too Many Dollars to an Overburdened Agency

I. Introduction and Key Taxpayer Considerations

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to Committee Members and staff as you consider a nearly \$25-billion reconciliation title focused on small business issues. NTU is deeply concerned that, with this legislation as written, lawmakers will grant an overburdened Small Business Administration (SBA) far too many taxpayer dollars with few or no safeguards in place to protect taxpayers' decade-long investments in a greatly expanded SBA.

As noted above, NTU tallied nearly \$25 billion in appropriations for SBA under this title. The legislation would appropriate, on average, just under \$2.5 billion per year over the next ten years to an agency that, from fiscal years (FYs) 2012 through 2021, received an average regular appropriation of [just \\$1.2 billion per year](#).¹ SBA's receipt of nearly \$1 trillion in additional appropriations under COVID-19 relief legislation does not justify a near tripling of SBA's budget over the next 10 years, and SBA's troubled implementation of a number of small business relief programs over the past year-plus should serve as a cautionary tale to lawmakers.

Some recent findings from the SBA Office of Inspector General (OIG) and the Government Accountability Office (GAO) highlight billions of dollars of potential waste in taxpayer dollars under SBA's recent purview. These findings include:

- That more than two million Paycheck Protection Program (PPP) loans [totaling \\$189 billion](#) were "flagged as potentially not in conformance with the CARES Act and related legislation";
- That [more than \\$78 billion](#) in Economic Injury Disaster Loans (EIDL) to small businesses through just July of 2020 could have been through "potentially fraudulent loans and loans to potentially ineligible businesses";
- That [more than \\$3.5 billion](#) in PPP loans went to recipients that were potentially ineligible based on their inclusion on the Treasury Department's Do Not Pay list; and
- That small businesses in underserved and/or vulnerable communities [did not receive](#) a robust amount of PPP loans, despite Congressional requirements that SBA prioritize such businesses.

¹ This average does not include the significant supplementary and/or emergency appropriations that SBA received in FYs 2020 and 2021 under COVID-19 relief legislation.

All of these findings and more should give lawmakers significant pause when it comes to additional SBA appropriations, or at minimum should give rise to strict reporting requirements and the use of robust oversight levers that accompany any additional funding.

Instead, sponsors of the Committee's reconciliation title have devoted one-tenth of one percent of the title's appropriations -- \$25 million out of nearly \$25 billion -- to OIG. Compare this to the typical OIG budget at SBA: over the past ten fiscal years, OIG has received, on average, 1.7 percent of SBA's overall appropriations. Clearly, a larger portion of the Committee's reconciliation instructions should be devoted to OIG oversight.

We are also concerned that nearly sixteen percent of the title's total funding, more than \$3.9 billion, goes to administrative expenses. While SBA will no doubt need additional staff and/or contractors to stand up the nearly 20 new programs established by this legislation, the Committee is effectively asking taxpayers to fund sixteen cents out of every dollar towards an expanded SBA bureaucracy rather than towards support for small and disadvantaged businesses.

Absent *significant* changes to the Committee's reconciliation title, NTU would urge all Committee Members to **OPPOSE** the legislation.²

II. Amendments That Could Improve the Committee's Reconciliation Title

The following amendments would improve the Committee's reconciliation title from the taxpayers' perspective:

- **Strike Subtitle D:** Subtitle D is the largest single subtitle in the Committee's title, appropriating more than \$9.5 billion to the SBA for new equity funding initiatives. The vast majority of this funding goes to a new "venture small business investment company facility" that would have the SBA purchase or hold limited partnership interests in private equity funds investing in small businesses. The Committee has not offered a compelling reason for why SBA should be involved in venture capital or private equity (PE). Absent extremely compelling or emergency needs to commit taxpayer dollars to PE, lawmakers should strike this section, keeping government agencies out of PE and improving the title's fiscal standing.
- **Strike Section 100502, or add significant reporting requirements and taxpayer safeguards:** Another major line item in the Committee's appropriations title is nearly \$4.5 billion in Section 100502 for SBA to originate and disburse direct loans to small businesses. The loans appear to come with few instructions and lack prudent guardrails, even though this appropriation alone makes up nearly 20 percent of the entire title's spending. Absent compelling or emergency needs for this "small dollar loan funding" program, lawmakers should strike the section. At minimum, they should add strict reporting requirements and oversight of SBA spending in this category.

² As a reminder and to avoid any confusion, NTU does *not* include Committee markup votes in our annual rating of Congress. That said, we weigh in at the markup level to improve legislation from the perspective of the taxpayer before it reaches the House and/or Senate floor.

- **Strike Section 100503, or limit the extension of temporary fee reductions to one year or less:** The Committee’s title commits \$1 billion to extending “temporary fee reductions” in SBA loan programs, first enacted under COVID-19 relief legislation, for five more years (through FY 2026). Given the temporary fee reductions were enacted as a means to [assist](#) small businesses applying for 7(a) loans during the COVID-19 pandemic, a five-year extension of such fee reductions is premature. Lawmakers should consider striking this section, and instead should closely observe how the economic recovery impacts small businesses accessing 7(a) loans. At minimum, lawmakers should reduce the temporary fee reduction extension from five years to something more reasonable, like one year or six months.
- **Increase the proportion of total title funding devoted to OIG:** As noted above, it is troubling that one-tenth of one percent of the title’s funding is devoted to OIG, which plays a critical role overseeing SBA programs and guarding against waste, fraud, abuse, or misuse of taxpayer dollars. Lawmakers should consider increasing appropriations to OIG, while making corresponding reductions to other sections or subtitles of the legislation to offset additional appropriations to OIG.

III. NTU’s Current Thinking on the Combined Reconciliation Package

As the authorizing committees in Congress work on separate reconciliation bills, NTU wishes to inform Members and their staff that we have several significant concerns with the current framework of the overall, combined reconciliation effort. This proposed legislation would spend a staggering \$3.5 trillion -- possibly adding trillions to the national debt and impacting America’s economic recovery effort from the COVID-19 pandemic. If the combined reconciliation bill came to the House or Senate floor today, we would advise Members to vote “NO” on the legislation. The bill would be heavily weighted in NTU’s annual rating of Congress.

IV. Contact Information

Should you have any questions about the recommendations in this memo, please do not hesitate to reach out to Andrew Lautz alautz@ntu.org.