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## United States Senate

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SMALL BUSINESS  
AND ENTREPRENEURSHIP

April 28, 2022

The Honorable Isabella Guzman  
Administrator  
U.S. Small Business Administration  
409 3rd Street SW  
Washington, D.C. 20416

Dear Administrator Guzman:

I write to express my concern on the economic impact of record high inflation levels facing small businesses across Iowa and America. This issue has carved deeply into the economic security of small businesses, impacting their ability to provide paychecks to working families; especially those in rural communities.

As I speak with small businesses across the state of Iowa as part of my 99 County Tour, I continue to hear how the high rate of inflation has created a significant financial burden across small business value chains. The most recent Consumer Price Index (CPI) report from the Bureau of Labor Statistics shows that prices increased by 8.5 percent over the last twelve months, which is the largest year-over-year increase since December 1981. Over the same period, the Producer Price Index increased by 11.2 percent, indicating that most small businesses are experiencing increasingly diminished margins in real terms as a result of ongoing inflation. According to the Goldman Sachs 10,000 Small Businesses Survey, 76 percent of small businesses said their financial health has been harmed by inflation. Furthermore, rural states have been hit disproportionately harder by inflation than the national average, with CPI reaching 8.6 percent for the West North Central Division, which includes Iowa.

The Federal Reserve Bank of San Francisco reported on March 28, 2022, that domestic inflation levels have outpaced those from peer nations by 3 percent with a sharp spike in inflation levels after President Biden signed the \$1.9 trillion American Rescue Plan Act of 2021 (P.L. 117-2) into law on March 11, 2021. It is undeniably clear that the record federal spending is causal to the inflationary crisis.

Small businesses are the backbone of the American economy, and as such, pressures caused by recent inflation levels have created a burden on economic security. The impact of inflation on small businesses in the United States is not transitory or short-term. With this in mind, I respectfully request that you provide answers to the following by May 28, 2022:

1. How is the U.S. Small Business Administration planning to address the impact of inflation with regards to small business programs?

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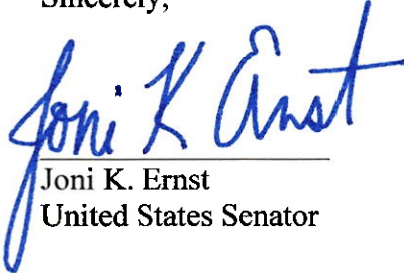
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2. How is the U.S. Small Business Administration planning to address the disproportionate impact of inflation on rural small businesses?
3. How is the U.S. Small Business Administration planning to address the rising costs of doing business with the government on small business contractors as a result of current inflation levels, especially for small disadvantaged businesses?
4. Given inflation is the largest issue facing small businesses today, what steps has the U.S. Small Business Administration taken to support the Office of Advocacy in encouraging the reduction of burdensome regulations on small businesses to help address the inflation crisis?
5. As record federal spending continues to impact inflation levels, how will the U.S. Small Business Administration reduce its spending levels to minimize the inflationary impact on small businesses?
6. With regard to the Paycheck Protection Program, what steps has the U.S. Small Business Administration taken to investigate fraud that has occurred and stop fraud going forward?

I look forward to working with you to address the impact of inflationary pressures on small businesses and to protect our economic security.

Sincerely,



Joni K. Ernst  
United States Senator