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Congress of the United States
House of Representatives
Washington, DC 20515-0514

April 23, 2020

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The Honorable Steven Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
Small Business Administration
409 3rd Street SW
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

We write to request additional information regarding the April 16 Paycheck Protection Program (PPP) Report. This report outlining the dispersal of PPP loans by state provides much-needed insight into how these critical loans are being allocated across the country. Consequently, we were concerned to discover that California lagged behind Texas in number of recipients of PPP loans. Although California received incrementally more in loan funding, the amount still does not seem to adequately reflect the fact that California is economically much larger than Texas and one of the states hit hardest by the coronavirus. In fact, California ranked 50th in a state-by-state comparison of funds received for eligible payroll costs. In California, only 38 percent of the state's eligible payrolls will be covered compared to Texas' 58 percent.¹

The coronavirus pandemic is putting an unprecedented level of stress on our health care systems and local economies. According to a U.S. Chamber-MetLife survey, 54 percent of all small businesses report that they are closed or on track to close in the coming weeks. There is no doubt that American businesses are suffering. The \$377 billion in small business aid provided through the *Coronavirus Aid, Relief, and Economic Security Act (CARES) Act* was intended to be a lifeline for struggling businesses. However, in practice, the funds have been exceedingly difficult for employers to access and painfully slow to reach the hands of business owners. The historically high funding level of PPP necessitates equally high levels of transparency in its administration. Americans should feel confident that critical financial aid is being distributed in a fair and formulaic manner.

In a basic comparison of the two states, California is economically larger, more populated, and has a higher number of coronavirus cases. In 2018, California's economic output was nearly \$3

¹ <https://www.bloomberg.com/graphics/2020-sba-paycheck-protection-program/>

trillion² and the fifth largest in the world.³ Comparatively, Texas' economy was valued at \$1.8 trillion – over \$1 trillion less. A record 2.8 million California residents applied for unemployment benefits with 1 million sign-ups occurring in the span of just one week. Over the past month, a total of 1 million Texans applied for unemployment benefits.

PPP loans were created to help businesses that have suffered financially as a result of the coronavirus outbreak because of stay-at-home orders. California experienced some of the earliest known cases of COVID-19 and subsequently was the first state to implement a stay-at-home order. Although California's statewide order was formally announced on March 19, over 21 million of the state's 40 million residents were already under some form of stay-at-home order at the local level.⁴ Business owners will attest that every day that local and state economies are shut down is another major blow to the business' chance of survival. For that exact reason, Texas' stay-at-home order was not effective until April 2.

California took such immediate and drastic actions because it is one of the hardest hit states by the coronavirus. California was an early hotspot and currently has 35,396 cases.⁵ By comparison, Texas has 21,096 cases of COVID-19.⁶ Considering all these factors, it is logical to believe that California would receive an appropriate portion of PPP loans. The available demographic and public health data do not discernibly indicate the rationale for Texas receiving over 21,000 more individual loans compared to California.

We appreciate both the Department of Treasury and Small Business Administration's efforts in creating and implementing a program of this magnitude during a time of immense stress for our nation. We respectfully request the SBA and Department of Treasury to clarify its methodology for allocating roughly \$342 billion in funds to lenders serving residents in each respective state.

Specifically:

1. Given the high volume of requests, how does SBA prioritize lenders' requests for funding?
2. Does SBA factor in the number of PPP applications submitted in each state when allocating funding?
3. How does SBA enumerate the impacts of COVID-19 on a state's economy when allocating funding? Are there any efforts to prioritize businesses in COVID-19 "hot spots"?
4. Some financial institutions decided to use their own version of the PPP application. Does that slow down SBA's review of their request or have any other adverse effects?
5. What efforts are being employed to ensure that no one state or region receives an inappropriate level of PPP loans compared to its need and the needs of other states?

² https://www.bea.gov/system/files/2020-01/qgdpstate0120_2.pdf

³ <https://fee.org/articles/us-state-gdps-compared-to-entire-countries/>

⁴ <https://www.kqed.org/science/1959566/california-gov-gavin-newsom-orders-state-to-shelter-in-place>

⁵ <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/ncov2019.aspx>

⁶ <https://txdshs.maps.arcgis.com/apps/opsdashboard/index.html#/ed483ecd702b4298ab01e8b9cafc8b83>

We thank you for taking the time to provide answers to these important questions. Our intent is to have a better understanding of how this novel program is being implemented and to ensure that the hard-working business owners and workers in our state are receiving their fair share.

Sincerely,

A handwritten signature in blue ink that reads "Jackie Speier". The signature is written in a cursive style and is positioned above a horizontal line.

Jackie Speier
Member of Congress

Jimmy Gomez

Anna G. Eshoo

Jerry McNerney

Barbara Lee

Salud O. Carbajal

Mike Thompson

Julia Brownley

Zoe Lofgren

T. J. Cox

Ted W. Lieu

Mike Levin