

**MAKING WASHINGTON WORK FOR AMERICA'S
SMALL BUSINESSES**

HEARING
BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES
ONE HUNDRED FIFTEENTH CONGRESS
FIRST SESSION

HEARING HELD
MARCH 22, 2017



Small Business Committee Document Number 115-010
Available via the GPO Website: www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

24-673

WASHINGTON : 2017

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

HOUSE COMMITTEE ON SMALL BUSINESS

STEVE CHABOT, Ohio, *Chairman*
STEVE KING, Iowa
BLAINE LUETKEMEYER, Missouri
DAVE BRAT, Virginia
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa
STEVE KNIGHT, California
TRENT KELLY, Mississippi
ROD BLUM, Iowa
JAMES COMER, Kentucky
JENNIFFER GONZÁLEZ-COLÓN, Puerto Rico
DON BACON, Nebraska
BRIAN FITZPATRICK, Pennsylvania
ROGER MARSHALL, Kansas
VACANT
NYDIA VELÁZQUEZ, New York, *Ranking Member*
DWIGHT EVANS, Pennsylvania
STEPHANIE MURPHY, Florida
AL LAWSON, JR., Florida
YVETTE CLARK, New York
JUDY CHU, California
ALMA ADAMS, North Carolina
ADRIANO ESPAILLAT, New York
BRAD SCHNEIDER, Illinois
VACANT

KEVIN FITZPATRICK, *Staff Director*
JAN OLIVER, *Chief Counsel*
ADAM MINEHARDT, *Minority Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Hon. Steve Chabot	1
Hon. Brad Schneider	2

WITNESSES

Ms. Maxine Turner, Founder, Cuisine Unlimited, Salt Lake City, UT, testifying on behalf of the U.S. Chamber of Commerce	5
Ms. Ann Chambers, Co-Founder and CEO, Red212, Cincinnati, OH, testifying on behalf of Women Impacting Public Policy	6
Mr. Rutland "Skip" Paal, Owner, Rutland Beard Floral Group, Baltimore, MD, testifying on behalf of the Society of American Florists	8
Mr. David Borris, Owner, Hel's Kitchen Catering, Northbrook, IL, testifying on behalf of the Main Street Alliance	9

APPENDIX

Prepared Statements:	
Ms. Maxine Turner, Founder, Cuisine Unlimited, Salt Lake City, UT, testifying on behalf of the U.S. Chamber of Commerce	23
Ms. Ann Chambers, Co-Founder and CEO, Red212, Cincinnati, OH, testifying on behalf of Women Impacting Public Policy	30
Mr. Rutland "Skip" Paal, Owner, Rutland Beard Floral Group, Baltimore, MD, testifying on behalf of the Society of American Florists	38
Mr. David Borris, Owner, Hel's Kitchen Catering, Northbrook, IL, testifying on behalf of the Main Street Alliance	44
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
None.	

MAKING WASHINGTON WORK FOR AMERICA'S SMALL BUSINESSES

WEDNESDAY, MARCH 22, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building, Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Luetkemeyer, Kelly, Blum, Bacon, Evans, Murphy, Lawson, Clarke, Adams, Espallat, and Schneider.

Chairman CHABOT. Good morning. I call this hearing to order. And I want to thank everyone for being here. We especially appreciate the witnesses' time being taken from their businesses, and very significant ones at that. So we really do appreciate your testimony.

And for those of you who follow our Committee, you know how relentless we are in our advocacy for America's 28 million small businesses. We constantly remind folks about how important small businesses are to the American economy. We remind people that they make up 99 percent of all firms; that 48 percent of the people working today work for a small business; that they account for 46 percent of our gross national product. We do this because it is important. We have to continue to shout it from the rooftops because too often some folks here in Washington take small businesses for granted.

Take, for instance, the implementation of the Affordable Care Act, or Obamacare. Small business witness after small business witness has come before us, and constituent after constituent back home, and stated how unworkable the whole thing is. We hear stories of astronomical premium increases, severely limited choices, and little to no assistance for small businesses trying to help themselves to get insurance or to their employees. Yet, there are folks out there who think that Obamacare is working just fine. Well, it is not, and small businesses are usually the ones left holding the bag.

Another problem that continually hinders small business growth is the avalanche of unnecessary and unworkable regulations. Because of the unique role small businesses have in the economy, regulations have a substantially higher impact on them than they do on larger business entities. In fact, a recent study by the National Association of Manufacturers found that small firms pay an aver-

age of \$2,041 more per employee per year than their larger counterparts.

It does not get any easier for small businesses in the tax realm either. A study by the Small Business Administration's Office of Advocacy disclosed that small firms pay 67 percent more to comply with the Tax Code than do large firms. The growing number of tax provisions, along with the fact that small firms frequently do not have an in-house accountant or tax attorney means that small business owners must hire outside experts or add duties to another employee's work load, which that takes time away from their actual contribution towards the business because they just have to figure out the tax burden. These issues are important because too often small businesses get the short end of the stick, which is counterproductive to the economic health of our Nation.

This hearing is a little bit different than others that we have done. Instead of focusing on just one topic as we usually do, we simply asked the witnesses to give us advice on the policies and initiatives that we could be focusing on to help them the most. By getting input now, we can focus our efforts throughout the 115th Congress to serve our constituency, which are small businesses, as responsibly and as effectively as possible.

We have an excellent panel, as I mentioned before of witnesses here today, and I again want to make note of how important it is that you are all with us.

And I would now like to yield to the gentleman from Illinois, Mr. Schneider. Ms. Velázquez, who is usually here, is unable to be here this morning, so Mr. Schneider is filling in.

Mr. SCHNEIDER. Thank you, Mr. Chairman. Thank you for calling this hearing. I, too, want to thank the witnesses for taking the time to be here.

There are nearly 30 million small businesses in the United States representing more than 99 percent of all businesses. These small firms employ nearly 50 percent of all private sector employees in the United States. At the same time, 1 out of every 10 Americans are self-employed, and another 7 percent of American workers are actively trying to start a business. These trailblazers, both new entrepreneurs and small growing firms, animate the American economy. They take great risks by launching new ventures, developing new products, establishing new industries, and ultimately spurring job growth.

As we look to foster and encourage this type of risk-taking and entrepreneurship, there are a range of policy areas that come into play. Federal regulation, for example, is a fundamental tool of government used to implement public policy. They serve to protect workers and clarify how our Nation's laws are implemented. Most regulations serve an important purpose, like ensuring food is safe to eat and our air and water remain unpolluted. In fact, according to a recent poll by the American Sustainable Business Council, Main Street Alliance, and the small business majority, 86 percent of small business owners see regulations as a necessary part of our modern economy.

Of course, we must always be mindful of the burdens and compliance costs certain regulations impose on smaller companies, but we also must bear in mind that regulations and regulatory certainty

are needed to protect the public health and can even be necessary for economic growth.

Just as regulations are part of a thriving and modern economy, so is accessibility to affordable quality health insurance. Seven years ago, President Obama signed into law the Affordable Care Act. Since then, about 22 million people have secured coverage. These gains have been significant for small business employees as their uninsured rate fell from 27 percent to less than 20 percent between 2013 and 2015.

The Congressional Budget Office estimates that the Republican Healthcare Bill, or Trumpcare, would rip away health insurance from 14 million Americans in the first year alone. That number jumps to 24 million over a decade, nearly doubling the share of Americans who are uninsured.

And of particular note for small employers is the elimination of the Small Business Health Care Tax Credit. Rather than improving this provision to make it work better for small firms, Trumpcare simply eliminates it.

Slash-and-burn proposals like this leave little optimism for making bipartisan headway in other areas like tax reform. That is unfortunate because I think everyone on this Committee agrees on the need for reforming our Tax Code. Simplifying the Tax Code would give small businesses greater certainty and allow them to spend their time and resources on what they do best: creating new jobs in their own local communities.

I am grateful that we are here today to learn how Congress can serve the needs of small businesses and entrepreneurs so they can help grow our economy. The difficulty will be identifying tangible, bipartisan solutions we can all get behind and hopefully implement. In that regard, the small business community's input will be critical.

This Committee does its best work when we hear firsthand from small businesses. In that regard, I look forward to hearing today's testimony. Let me again thank the witnesses, and I yield back.

Chairman CHABOT. Thank you very much. The gentleman yields back.

And if Committee members have opening statements prepared, I would ask that they be submitted for the record.

And I would like to take just a moment to explain our timing rules in this Committee. It is pretty simple. It is a 5-minute rule. Each of you will get 5 minutes and then each of us will get 5 minutes to ask questions. And there is a lighting system to assist you in staying within the limits. The green light will be on for 4 minutes. The yellow light will come on when you have got a minute to wrap up, and then when the red light comes on, if you could wrap up by then, we would appreciate it. If you go a little bit over, that would be okay, but not a lot over. So if you could stay within that we would greatly appreciate it.

I would now like to introduce our very distinguished panel here this morning. Our first witness is Maxine Turner, who is the founder of Cuisine Unlimited in Salt Lake City, Utah. After 8 years in the financial services industry, Ms. Turner was asked to join a nonprofit organization in heading their fundraising catering program. Her interest in events grew from this experience and she

later established Cuisine Unlimited Catering and Special Events, an award-winning national and international catering and special event company. Established in 1980, her company now employs over 120 people. She is testifying on behalf of the United States Chamber of Commerce in her capacity as chairperson of their Small Business Council, and we welcome you here this morning, Ms. Turner.

Our next witness will be Anne Chambers, who is the owner of Red212 in Cincinnati, Ohio. I will repeat that. In Cincinnati, Ohio, which happens to be my hometown. Red212 is an independent content strategy agency that offers digital, traditional, and cultural solutions. She is testifying on behalf of Women Impacting Public Policy, WIPP, a national nonpartisan organization advocating on behalf of women entrepreneurs. Since its inception in June of 2001, WIPP has reviewed, provided input, and taken specific positions on many economic issues and policies which affect the bottom line of its members. And we thank you also for participating this morning.

And up next is Rutland "Skip" Paal, president and CEO of Rutland Beard Floral Group, RBF, a fourth generation family-owned floral business with more than 180 employees across 4 States. RBF delivers nearly 100,000 floral orders annually, and under Skip's leadership and direction the company has grown over 1,500 percent during the past decade. He currently serves on the board of directors of the Society for American Florists and is testifying in that capacity today. We also welcome you here.

And I would now like to yield to Mr. Schneider, who is not only filling in for Ms. Velázquez, but is also the ranking member in his own right for the Agriculture, Energy, and Trade Subcommittee, for introducing our next witness.

Mr. SCHNEIDER. Thank you. It is always an honor to introduce an expert witness. It is even a greater honor to introduce a friend.

David Borris of Hel's Kitchen in Northbrook, Illinois. David began in 1985 in a 900-square-foot retail storefront with his wife. Pursuing the American dream, all they wanted to do was have the opportunity to use their balanced energy and acquired hospitality skills to offer our community, the North Shore of Chicago, a new experience in gourmet retail carryout food. Armed with a handful of amazing family recipes and a steadfast, unfailing work ethic, they set out to fulfill this vision. Thirty-two years and three expansions later, Hel's Kitchen Catering has become a permanent fixture in our community. What started as a simple dream for two committed entrepreneurs has become the lifeblood and livelihood for dozens of employees.

David has been a leader with Main Street Alliance since 2008. He is a member of the Main Street Alliance Executive Committee, has represented Main Street Alliance numerous times in Illinois, and even here in Washington, D.C., on a variety of issues ranging from health care, job quality, climate justice, tax reform, incorporation transparency, Wall Street reform, and more. He understands the issues, he is a good friend, and I am glad to have you here. Thank you very much.

Chairman CHABOT. Thank you very much.

As I said, we have a very distinguished panel and, Ms. Turner, you are recognized for 5 minutes.

STATEMENTS OF MAXINE TURNER, FOUNDER, CUISINE UNLIMITED; ANNE CHAMBERS, CO-FOUNDER AND CEO, RED212; RUTLAND "SKIP" PAAL, OWNER, RUTLAND BEARD FLORAL GROUP; DAVID BORRIS, OWNER, HEL'S KITCHEN CATERING

STATEMENT OF MAXINE TURNER

Ms. TURNER. Thank you so much. Chairman Chabot, Ranking Member, thank you so very much for this opportunity to speak with you today.

My name again is Maxine Turner. I am the founder of Cuisine Unlimited. We are a catering and special event company in Salt Lake City, Utah.

My 37-year-old company is now a second generation family-owned business with 120 employees catering events certainly locally, nationally, and internationally. We have been involved with seven Olympic Games, including exclusive cater at USA House in Athens and Torino.

I represent the U.S. Chamber of Commerce, of which I am on the board and chairperson of the Small Business Council. I am honored to speak before you today regarding the critical issues that affect our small business community.

The Chamber represents the interests of over 3 million businesses of all sizes, sectors, and regions. The majority of Chamber members are small firms. In fact, 96 percent have fewer than 100 employees. Our Small Business Council works to ensure the views of small businesses are part of the Chamber's policymaking procedures.

As chair, I have met with hundreds of business owners to better understand the small business landscape. Over the past decade there have been many obstacles, including the worst recession since the Great Depression and a multitude of Federal mandates that have challenged our very existence.

We want to grow our companies. We find, however, roadblocks to that opportunity. We want to work with you to change that course so that we may have the resources to expand and create new jobs.

Law passage of the Dodd-Frank law may have calmed fears of another financial meltdown. An unintended consequence of that law has been limiting small businesses access to capital. My company was impacted by these over-restrictive credit policies. We were awarded the exclusive catering contract at our Performing Arts Center. It required an investment to equip three kitchens on-site with small wares. We met with several banks and our SBA representative. We have had four very successful loans with SBA, all repaid ahead of schedule.

The bottom line, we were turned away by all the banks. How could we fulfill our obligation to this contract without financial backing? We looked to other sources and learned of a grant offered by our city. We applied and received one-third of the necessary funds. We made due equipping only one of those kitchens and used the small wares that we had existing in our catering operation. We used much of our profits from 2016 to purchase critical items with the hope that 2017 will see us through any additional challenges.

My story is not unique. It simply should not be this hard for businesses to get access to the capital they need.

A Small Business Council member, Ashok Krish, is a good example of how tech firms are struggling to keep up with staffing needs. Ashok is the owner of Kaizen Technologies in Edison, New Jersey. There are over 3,000 IT firms in the tristate area. His needs for highly skilled workers cannot be met without a reliance on foreign professionals who work under the H1B visa program. He cannot fill the technical positions he currently has.

Many of our small business members have voiced concerns about regulations. From the overtime rule to the fiduciary rule, the minimum wage, to Affordable Care, we have worked with policy committees at the Chamber and have testified before your Committee to try and bring about regulatory reform.

Tom Donahue, in his State of the American Address, said if we are able to move our economy 2 percent to that 3 percent growth, that is not a 1 percent increase in performance; it is a 50 percent increase. Ultimately, growth is not about numbers. Growth is about people. This growth rate would have an extraordinary impact on jobs and opportunities, not for just a few, but for the many.

New opportunities, beginning with tax reform, regulatory reform, and other priorities should have better result on our economy. A healthcare program that meets the needs of our citizens with reasonable costs will spark new optimism. We are here to support and to work with you, to stroke an economy where opportunities abound.

Thank you again for this opportunity to speak with you today, and I look forward to any questions you may have.

Chairman CHABOT. Thank you very much.

Ms. Chambers, you are recognized for 5 minutes.

STATEMENT OF ANNE CHAMBERS

Ms. CHAMBERS. Thank you. Good morning, Chair Chabot, and good morning to the Committee. My name is Anne Chambers. I am the CEO and owner of an ad agency in Cincinnati called Red212, as well as a startup called Jambaar. I am testifying today on behalf of Women Impacting Public Policy, a national nonpartisan organization that advocates on behalf of women entrepreneurs.

I admit the title of this hearing is a little daunting, "Making Washington Work for America's Small Businesses." But I think the tagline for my business, Red212, might be helpful to this conversation.

"At 211 degrees Fahrenheit, water is just hot. But by raising the temperature just 1 degree to 212 degrees, water boils and change occurs. Steam is created with a force so powerful that it can hurtle a locomotive across a continent and this 1 degree makes all the difference."

I understand that this Committee has a history of bipartisanship and we are really thankful to the leadership of the Committee for its ability to get things done, mostly by raising cooperation and collaboration by 1 degree. WIPP publishes an annual blueprint that lays out policy principles and recommended congressional actions.

The 2017 edition is hot off the presses, so I will concentrate my remarks on a few of the major issue areas that we know Congress is interested in pursuing. First and foremost is tax reform. For far too long, small businesses have struggled with the cost of compli-

ance, and we have paid far higher taxes than large businesses. Higher rates. The House Blueprint on Tax Reform finally addresses the tax rate of pass-through entities by capping it at 25 percent. Further, it proposes to repeal the estate tax and the alternative minimum tax. This meaningful reduction in taxes would give us additional capital to grow our businesses and create jobs. Our economic blueprint calls for fair and equitable tax treatment for all businesses.

Health reform is another issue constantly on our minds. The primary concern here is that any changes made to the current system take into account the impact on the small group market. Without the ability to pool, small businesses do not have the market clout to buy insurance.

Equally important is access to pricing. We are disappointed that the current pooling mechanism, the instate-based exchanges, have underperformed. We are not wedded to the current system of exchanges. However, ensuring that a replacement plan contains an effective pooling mechanism will make Washington work for us.

Access to capital continues to hinder business growth for women-owned businesses, as Maxine pointed out. With the emergence of technology-based lenders, crowd funding, and community development financial institutions, CDFIs, more options exist for women business owners than ever before. But women still lag behind their male counterparts with respect to access to capital. In fact, only 4 percent of all commercial loan dollars and 10 percent of all venture capital goes to women-owned firms.

We recommend that Congress take the following steps. First, support SBA programs that provide women business owners with the business assistance they need to obtain capital, such as Women's Business Centers, SBDCs, and SCORE.

Second, continue to support SBA loan programs. Again, as Maxine pointed out the importance of these, we encourage you to modernize the microloan program which has proven to be an important source of capital for women-owned businesses.

As this Committee is well aware, WIPP fought for access to Federal contracts through the WOSB Procurement Program for 15 years. Although great strides have been made with respect to accessing Federal contracts, much more remains to be done.

In 2016, WIPP published a report, "Do Not Enter," which showed that women lack access to the government's largest contracts, Multiple Award Contracts, MACs. We are calling on Congress to require SBA to do a study of all MACs and determine to what extent women and other socioeconomic groups have tracks which allow them to compete for these large contracts.

Last but certainly not least, compliance with regulations is part of doing business. We certainly appreciate the efforts by this Committee to increase the SBA's Office of Advocacy's clout as this will result in an amplification of our voice.

President Reagan once said the most terrifying words in the English language are, "I am from the government and I am here to help." WIPP believes that by working in a bipartisan fashion, Washington can truly be here to help. Women entrepreneurs all over this great Nation have the expectation that our elected officials are here to help. Whether it is access to Federal markets, ac-

cess to capital, or lessening the tax burden, we stand ready to work with you on these important issues.

This concludes my testimony. Thank you so much.

Chairman CHABOT. Thank you very much, Ms. Chambers. And we would like to think that this Committee is here to help, but I do not know if I can speak for overall Washington.

Mr. Paal, you are recognized for 5 minutes.

STATEMENT OF RUTLAND "SKIP" PAAL

Mr. PAAL. Mr. Chairman and distinguished members, thank you for inviting me to present testimony before the Committee.

I am a fourth generation florist. In 1923, my great-grandfather opened a flower shop and greenhouses outside Baltimore. We now operate out of 12 locations in Maryland and New Jersey, including my great-grandfather's original location. Our employees are the heart of our business. They are the ones who comfort grieving families, share hugs with new grandparents, and see true love between couples preparing for marriage.

We have always taken care of our employees. We were offering health care decades before ACA required us to do so. We established a company-sponsored retirement plan when we realized Social Security might not be enough for our retirees. We have a paid leave program that is extremely competitive for retail and nearly unheard of in the flower business.

As a result, we have many valued employees who have made a lifelong career with us. It is important to note that our company attracts talent by offering competitive wages and benefits because we want to, not because we are forced to. Having the opportunity to set ourselves higher than required allows us to maintain a competitive employment environment.

Since several years have elapsed since full implementation of the ACA, we have had an opportunity to see firsthand the devastating impacts that have occurred as a result of the legislation in our business. Since the enactment of the ACA, our monthly premiums have nearly doubled, yet our deductibles have more than tripled. In my opinion, it is not wise Federal policy to force us to pay significantly more for substantially less coverage.

In addition to skyrocketing costs and reductions in benefits, the ACA has placed me at a competitive disadvantage because my competitors are not required to offer health care and are able to entice prospective employees with a higher salary. I ask Congress to fix the broken ACA system that is detrimental to me and countless other Main Street businesses.

I applaud the recognition by Congress and the administration that the Tax Code, which seems to be so complex that not even my account can fully understand it, needs to be drastically simplified.

Payroll taxes are simple, straightforward to calculate, and easy to plan for. We need something just as uncomplicated for corporate and pass-through taxes.

While I highly commend efforts to reform our Tax Code, the Border Adjustment Proposal would be devastating to my business. Nearly 95 percent of the flowers I use in my retail flower shops are grown overseas. There is no domestic capacity to meet the demand. Flowers are not a necessity like food, clothing, or housing. If our

products are taxed at a higher rate, those costs will translate to higher prices and consumers will shift their spending to other products where flowers have traditionally been appropriate.

I ask that any border adjustment and tax reform exempt floral agricultural products to avoid significant harm to the more than 10,000 small flower shops across the country.

There also needs to be certainty in legislation and regulation that allows small business owners to properly plan and prepare. The current environment creates economic chaos where we are unable to plan for payroll, benefits, or growth. Due to the current uncertainty, I am not comfortable continuing to expand my business. Constant political upheaval and shifting rules are counter-productive to business growth.

In an era where only some criticize our government, I do want to take an opportunity to say thank you. I urge the Committee to celebrate prior bipartisan successes, such as repealing 1099 reporting requirements and reforming the estate tax, which have been issues with bipartisan support that have directly benefitted Main Street. However, there is much more work to do. I am hopeful that this Committee and this Congress will act to give a degree of certainty and clarity to business and to craft and pass legislation which will lead small business into a new era of prosperity.

I am hopeful that my great-grandchildren will be able to take the reins of the family business 94 years from now just as I am today.

Thank you again for giving me the opportunity to present this testimony before the Committee, and I look forward to answering any questions the members may have.

Chairman CHABOT. Thank you very much.

Mr. Borris, you are recognized for 5 minutes.

STATEMENT OF DAVID BORRIS

Mr. BORRIS. Thank you, Chairman Chabot, Congressman Schneider, and members of the Committee. Thank you for the invitation to testify today.

My name is David Borris, and I serve on the Executive Committee of the Main Street Alliance, a national network of small business owners. I have been a small business owner for 32 years. My wife and I opened a homemade food store in 1985, and over the years have expanded it into a full-service catering company with 33 full-time employees and over 80 part-time and seasonal workers. We take great pride in what we do.

Businesses need safety, transparency, and predictability in order to thrive. Today, I will focus on what Washington can do to ensure these basic vital conditions are met so small businesses like mine can succeed.

This starts with ensuring that my employees, my family, and I can access quality, affordable health coverage. Hel's began offering health care in 1992, as we felt a moral obligation to do right by the people who are making our lives' work theirs as well. Employees contributed 50 percent in the first year and nothing thereafter. Beginning around 2002, though, we began to experience a series of annual, volatile premium increases. In 2004, 21 percent; in 2005, 10 percent; in 2006, 16 percent; in 2007, 17 percent; and in 2008,

yet another double-digit increase forced us to ask long-term employees to reach into their pockets once again.

Just as confounding as the premium swings themselves was the source of their unpredictability. For example, we had a dishwasher, great at his job for he suffered from a malady that required kidney dialysis. When I met with my insurance broker to discuss the steep rising premium for the upcoming year, he quietly acknowledged the spike was primarily due to the illness of that one single employee.

The ACA has helped stabilize these costs as insurers can no longer underwrite based on health status and must adhere to medium medical loss ratios. This shields my business from sharp swings in premiums based on the health of one or two employees. I see these gains in my bottom line.

My company has witnessed an unprecedented slowdown in rate increases. Since the passage of the ACA, our average annual increases are a fraction of what they were before, averaging 4.6 percent annually for the past 7 years. I am saving money on premiums and can plow those savings back into business investments and job creation.

Beyond health care, the Federal Government has to ensure that we have sensible, protective regulations in place. As a small business owner who deals with regulations every day, I recognize the profound value of good regulation. Let me give an example close to home.

I make my living preparing food. On a daily basis, I receive poultry, beef, and dairy products at my back door. I know that I can trust the safety of that food because of strong national industry regulations. And food service operations are some of the largest consumers of potable water in the country. We need powerful oversight of food and clean water regulations to stay in business. If Northbrook, Illinois, were to go through what Flint, Michigan, went through, I would be out of business the next day.

Finally, what businesses like mine require more than anything from our Federal Government are evidence-based policies that keep overall consumer demand strong. The single-most important thing I need to be successful and to create more jobs is more customers, not tax breaks, not fewer regulations, customers; customers with enough disposable income to engage my services. The health of my business is tied to a healthy economy that has money circulating in a virtuous cycle of rising wages, consumer demand, and job creation. To do this we should raise the Federal minimum wage.

Henry Ford understood the link between well-paid employees and paying customers more than a century ago when he recognized his business would only succeed if his workers earned enough money to buy the cars they were building and he doubled their wages overnight. In our local economies, the same link applies. My fairly paid employee is my neighbor businesses' paying customer. When people in my neighborhood cannot earn enough to keep up with the basics—things like buying goods, obtaining school supplies, and making car repairs—the entire local economy becomes unstable. That is bad for small business and bad for the economy as a whole.

And finally, sensible immigration reform is critical for an inclusive healthy middle class. In the 10th Congressional District of Illi-

nois alone, there are over 172,000 immigrant residents, including 5,700 entrepreneurs paying \$1.7 billion in taxes and spending over \$4.5 billion in our economy. Our current immigration and visa policies not only discourage international tourism and business travelers, but also hinder many businesses from finding the workers they need. We need to change that.

In closing, I believe the role of Washington is to create the basic market conditions that allow small businesses like mine to thrive and compete on a level playing field with our larger competitors. We cannot continue to be the job creators and innovators that America needs us to be without these basic conditions. Affordable quality health care, sensible protective regulations, and policies that fuel a strong middle class, this is the recipe for small business success.

Thank you again. I look forward to your questions.

Chairman CHABOT. Thank you very much.

We would now like to go into our questioning and, Ms. Turner, I will begin with you. I recognize myself for 5 minutes.

It is said that a rising tide lifts all boats, and we have been seeing some good news lately in a number of areas. We have seen the stock market at record highs. We have seen unemployment numbers coming down, and productivity gains and other positive economic factors lately. What can we do here in Washington to ensure that those gains reach the small business segment of the American economy?

Ms. TURNER. Can you hear me okay? I think it is the access to capital first and foremost. We have been waiting for such a long time in order to be able to expand our companies, to grow our businesses. I think the access to capital, especially since the economy is strong at this point, that would be the number one thing that we could use.

Chairman CHABOT. And you mentioned that Dodd-Frank has been particularly detrimental to that effort to make sure that small businesses get more access to capital, is that right?

Ms. TURNER. I do. I think that has to be reformed.

Chairman CHABOT. Okay. Thank you very much.

Ms. CHAMBERS, I will move to you next. This week the House is debating H.R. 1101, the Small Business Health Fairness Act, which would allow small businesses to band together through associations to purchase quality health care for their workers and their families, hopefully at a lower cost. You mentioned that WIPP, Women Impacting Public Policy, supported such measures in the past. Could you explain how policies such as the one that we are considering this week could help small businesses lower their healthcare costs?

Ms. CHAMBERS. WIPP has supported—

Chairman CHABOT. Can you turn the mic on? I am not sure if it is on.

Ms. CHAMBERS. I am sorry.

Chairman CHABOT. That is all right.

Ms. CHAMBERS. WIPP has supported association health plans for a long time and the idea is that it gives us so much more negotiating power because as small businesses we simply cannot compete with the negotiating power that big businesses have. So if

Congress can allow small businesses to join bigger pools, especially across State lines, it gives us even more buying power.

Our objectives really are to have choice of plans and lower prices. That is our main goal. It is complicated. I think we talked about it earlier, Mr. Borris, and the devil I think is in the details, but this is important to us.

Chairman CHABOT. Okay. Thank you very much.

Mr. Paal, I will go to you next. Could you talk a little bit about the nexus of how Obamacare has not only driven up costs, especially in your instance. I think you said that your premiums have doubled and the deductibles have risen, so actually using that has tripled. So even if you have coverage, oftentimes you are paying so much out-of-pocket, by the time the insurance kicks in, you effectively, arguably do not really have health insurance, or at least very good health insurance. And it has also raised taxes, Obamacare has, on small business owners, and significantly increased regulatory costs. Arguably, it is kind of like a triple whammy. Would you address that?

Mr. PAAL. Sure. Thank you for the question.

As far as ACA is concerned, one of the biggest challenges that it hits us with is we are in this middle ground. We have more than 50 FTEs, so we are required to offer health care, but we do not have more than 50 full-time employees. And so as a result, we get put into large group insurance plans when we really only have 15 to 20 employees who actually participate with them. So the ratings and the underwriting that is involved on our end ends up driving those premiums way up.

In addition, we happen to own a number of individual, stand-alone, retail flower shops. Most other retail flower shops do not hit that threshold of having to provide coverage, so most of my competitors are able to offer a little bit more in terms of a salary to their employees or prospective employees whereas those employees can then go on the exchange and get a lesser expensive plan or a subsidy. We are not able to do that because we have to offer them the coverage, and if they do not take it from us, they do not get the subsidy. So it is a vicious cycle that definitely needs some work.

Chairman CHABOT. Thank you.

And I do not have a whole lot of time, but I want to go to you, Mr. Borris, if I can. In your testimony you did not mention any regulations that negatively impact your business. Are there any Federal regulations that you do not like?

Mr. BORRIS. Yeah, so we are a small business. Right? I can honestly tell you that I cannot think of a time that I sit at my desk and I am tearing my hair out over why do I need to comply with this and why do I need to comply with that? Now, it just has not really hit me in that way.

Chairman CHABOT. Okay. Fair enough. The answer basically is there are not any that come to mind that you do not like coming out of Washington?

Mr. BORRIS. Correct.

Chairman CHABOT. Okay. Thank you very much.

The ranking member is recognized for 5 minutes.

Mr. SCHNEIDER. Thank you. And again, thank you to the witnesses for sharing your experience, your insight. It is so important

for us to hear what you are dealing with so we can understand. Ms. Chambers, as you said, we really can and hope to be of some assistance to clear away the obstacles to help small businesses succeed.

As I think, and I come from a small business background, having my own business working with other clients in my consulting practice, but in my mind there are four big things that the businesses really need to succeed. The first we cannot help you with. It is the concept. Each of you have your own business concept. People come up with their ideas. Some are good, some are bad, some will succeed. That is what the market should determine. But the other areas I think we can help.

The second thing I think we need, and you have touched on it, is talent. Access to talent. Good people who have the skills to come to your businesses, learn your specific business, and that I think falls on us to make sure that we are investing in education, that we are providing young people the skills and lessons they need to go into business to do any variety of things and training the next generation of entrepreneurs.

Ms. Turner, as you touched, and I agree with you, the need to have access to capital, we all have our ideas. Without the capital behind them, whether that is going to get a loan from a bank, to be able to reach out to angel investors—and I will complement the chairman on his effort of passing in the House anyway, the Halos Act, and we need to see that pass in the Senate. But capital is crucial.

It is the fourth thing that I think is most important in general for the economy, and that is a stable business environment. That comes from sensible regulation that lays out the lines. In my mind I use my analogy all the time of a bowling alley. Regulations should be the bumpers and the gutter to keep the balls from going in the gutter. If they start to encroach on the alley and make it more difficult to knock down the pins, they have gone too far. If they start exposing the gutter to risks, they have gone too far the other way.

But it is also on taxes, as you touched on, Mr. Paal. It is on confidence, knowing what is coming out of this institution so small businesses in particular can make the plans. I think the reason we have seen small businesses not leading the last recovery is because small business owners can make the decision to wait another month, another year to do that. So I think that is key.

As I focus on the uncertainty, Mr. Borris, I am going to turn to you and part of your last remarks because you talked about immigration reform, the need for immigration reform. Well, the CBO has said if we pass comprehensive immigration reform it would add \$2 trillion to our economy. What impact has the uncertainty and perhaps the recent executive orders had on your business?

Mr. BORRIS. Yeah. So my entire kitchen staff, right, are all immigrant workers, and half my operation staff, 70 percent, 80 percent of my hourly laborers are from immigrant families. And it is this climate of fear that is living in there now. Even though, you know, we have I9s, all my guys are legal, but I do not know what the story is with their extended families—parents, brothers, uncles, sisters—and it is an extraordinarily uncomfortable thing for them. And to look at them and juxtapose to my Caucasian, you know,

five-generation citizens of the United States, to impose that on them is extraordinarily uncomfortable.

And what we do not know is that if this thing starts to turn into tremendous mass deportations, what happens when an uncle gets deported and now my guy says, well, I cannot really stay here now because I have got to go back home and help him out even though I can stay here and be here. I think we all know the comprehensive immigration reform is critical to getting people out of the shadows, getting people to a point where they can earn more money so that they can feel empowered that they can negotiate and not feel like they have to be afraid with their bosses, feel empowered to work in safe working conditions. I mean, it is a train wreck and the way to address it is not to—

Mr. SCHNEIDER. I do not mean to cut you off, but I want to turn to the others. If it were possible that across the aisle we could come together and come up with a policy to secure our borders, to have certainty around immigration law, would it have an impact on your business? Mr. Paal?

Mr. PAAL. Most certainly it would. There is a huge segment in the floral growing industry, especially on the West Coast, that depends heavily on immigrant labor, and they are struggling right now with finding good people and it is an issue for us on an ongoing basis. Not me directly, but it is the trickledown to me. If they are able to get the flowers grown then, then it lessens some of the impact on some of the other issues.

Mr. SCHNEIDER. Ms. Chambers, Ms. Turner?

Ms. CHAMBERS. For me, not as directly for Red212, but for Jambaar, the startup that I am doing, in terms of technology expertise and the growth that we are going to need with employees, yes, I do think it will.

Mr. SCHNEIDER. And Mrs. Turner—Ms. Turner?

Ms. TURNER. Absolutely. We have about 15 immigrant employees, and there is that feeling of uncertainty for them. Even though they have been through E-Verify and we know that they are here, it is the extended families that we worry about and the impact that that could have on our company. And they are family. Some of them have been with me for 20, 25 years. It is a difficult situation and we empathize that they worry about this every single day.

Mr. SCHNEIDER. Well, thank you. My time is expired and I yield back.

Chairman CHABOT. Thank you. The gentleman's time is expired.

The gentleman from Nebraska, Mr. Bacon, is recognized for 5 minutes.

Mr. BACON. Thank you. We appreciate our distinguished panel for being here today and I associate my comments, too, with Mr. Schneider there. I think we do need to find a bipartisan way forward on securing the border, but plus, find a better way to meet business concerns with immigration. We have got to modernize that and find a compassionate way ahead for those who are here. So I think we can do that working together.

My first question is for Mrs. Turner. We had a previous testimony here that said that regulations were the top concern for small businesses, but it has recently been superseded by health

care and the ACA and the impacts of the costs. I think also going around my district I hear about health care, regulations, taxes, access to capital, and also having a hard time finding a workforce to fill spots. What would be the top one or two things that we should be focusing on out of that list?

Ms. TURNER. You know, I think so much of this is regionalized, because what is affecting middle America is different for other regions. Every single one of these is important. Every single one of these has to be addressed. If I were looking at my own company in my narrow part of the world, it would be regulatory.

Mr. BACON. Okay.

Ms. TURNER. Has a tremendous affect. But having spoken with small businesses throughout the company, there is not one thing that I would say comes to the top of the list every single time. It is a gamut.

Mr. BACON. So we have got a lot of work to do. That is what I am hearing.

Ms. TURNER. You certainly do.

Mr. BACON. Okay.

Ms. CHAMBERS, could you expand a little bit on why it is so important for Congress to nullify the blacklisting rule by passing H.R. 37?

Ms. CHAMBERS. I do not know what the blacklisting rule is.

Mr. BACON. Okay. Okay, well, we come back to that then.

Are there others?

Ms. CHAMBERS. Okay. I understand blacklisting contractors. WIPP is happy for the repeal that was done.

Mr. BACON. Okay.

Ms. CHAMBERS. Blacklisting contractors.

Mr. BACON. Are there any other regulations we should go after with the Congressional Review Act? Or any other regulations we need to pull out?

Ms. CHAMBERS. No. I mean, my focus is on access to capital and representing Women Impacting Public Policy.

Mr. BACON. Okay.

Ms. CHAMBERS. So our issues are really around parody and—

Mr. BACON. The access to capital focus area. Okay.

Ms. CHAMBERS. As well as tax reform for small businesses.

Mr. BACON. And one last question to Mr. Paal. Your testimony about the premiums are compelling: double the premiums, triple the deductibles. Hard to afford that.

Mr. PAAL. It is. And where we really see it, you know, it hits home. We had my first son 5 years ago, or 5-1/2 years ago, and I remember our deductibles then. And we are pregnant with our third now and our deductibles are much different and our copays are much different this time around. And so you see it firsthand in the course of just a couple of years.

Mr. BACON. I just encountered a recent mom who had a \$12,000 deductible. Her health care paid not a single penny for the delivery of her child, so it did not work for her.

Could you expand a little bit about the impact of the overtime rule and how that has impacted your business? We are going to open it up to all four of you.

Mr. PAAL. Absolutely. It has impacted us tremendously. We have a number of, especially our management team, they are all salaried employees. And being a somewhat seasonal business, Valentine's week, everybody is working. Everybody is working every day and we are working long hours. And one of the privileges that our staff that were salary-based had enjoyed was being able to take some extra time off the next week or the next month and still get their full pay. So their cash flow at their level was consistent. We had to redesign our whole compensation package when those regulations came out, so we still have, you know, when I talk about uncertainty, that is it in a nutshell right there. We do not know where it is going to land.

Mr. BACON. Right. Mr. Borris, has the overtime rule impacted you?

Mr. BORRIS. Yeah. So what we did with the overtime rule is we had to be a little bit thoughtful about how we were structuring salaries in the \$35,000 to \$40,000 range, because I do have people who earn in the \$35,000 to \$40,000 range. And our understanding of the overtime rule is that you can create a salary based on a workweek larger than 40 hours. Right? As long as you are not falling underneath minimum wage requirements. Right? For us, we actually have higher minimum wage requirements personally in my company than we do in the State of Illinois, or sadly at the Federal level. I mean, we have an \$11 minimum wage as a company minimum wage. So I think that some of the conversation on the overtime rule can continue to be expanded. I think the intent of it is critical, though, that we look at when we are talking about either hourly wages or salaried wages that what we are looking at is how do we continue to put upward pressure on wages so that we put upward pressure and more money circulating in the economy? So while I am not necessarily averse to having a deeper discussion on how we nuanced the overtime rule, I think the idea behind it is important. And when we look at what has happened with salaried employees over a 30-year period and we look at the lack of purchasing power and then we look at organizations who deeply take advantage of people. Right? A kid working at a gas station is supposed to be 70 hours a week and because we give him a key and tell him he can lock the door, so he satisfies the duties test and he is getting paid \$22,000 to work 70 hours a week, that does not help my local economy.

Mr. BACON. Well, my time is expired. I want to thank you all for your testimony, and I yield back.

Chairman CHABOT. Thank you. The gentleman yields back. And I might note my first job was pumping gas in an Ohio station, in Cincinnati, Ohio, and I made \$1.25 an hour. I thought I was making big money, so.

Mr. BORRIS. At least you got the \$1.25 for every hour you worked.

Chairman CHABOT. That is right. And the job, there are not many people who pump gas anymore, other than they used to do it at the Exxon station on Capitol Hill on Pennsylvania Avenue where it is like \$2.10 elsewhere and it is like \$5 up there, but it is one of the only stations around so you pay it. Sorry, I digressed there a bit.

The gentleman from Pennsylvania, Mr. Evans, who is the ranking member of the Subcommittee on Economic Growth, Tax, and Capital Access, is recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Borris, I would like to—the title of this hearing is “Making Washington Work for American Small Business” is the title. Then when I go to your testimony, on page 4 you say, “Small business owners need policies that keep consumer demand strong.” So what I am trying to figure out is, are we talking past each other?

Because I am listening carefully to what you said. You said not tax breaks, not fewer regulations, not less oversight, but more customers. So what I am interested in is you said making Washington work for small business, and I need you to tell us, it does not sound like we are either listening to you on the frontline, and I am just curious if anybody else has that same view because I thought you were very direct in what you said, the name of the game is customer, not that your taxes need to be in—not that everything is overregulated. I am just trying to reconcile what is being said at the hearing and what you were saying.

So are we missing something? Tell me.

Mr. BORRIS. Yeah, that is a nice broad-based question.

Mr. EVANS. Yes, I need this.

Mr. BORRIS. I think that there is a few areas, right?

Mr. EVANS. Go ahead.

Mr. BORRIS. One I touched on is wage growth.

Mr. EVANS. Right.

Mr. BORRIS. For Washington to get behind seeing solid wage growth and to create conditions that push for that I think is really important. I think on tax policy it is really important.

I think every small business owner at the table would agree with me that as a small business, none of us have—do any of you guys have five or six tax accountants working for you and trying to pick out the loopholes, right? So I think that when we look at companies that do not pay their fair share, right, when we have, you know, if it is 288 profitable Fortune 500 companies, 26 paid no Federal income tax last year. So where does that money sit? So it sits in their coffers. They are not putting it back into the economy.

We have trillions of dollars expatriated offshore. If we could figure out a way to get that back in a fair way and not in such a low rate that they are incentivized to do it again and again and again and put that money to work in this economy, that is going to exponentially help the free flow of capital through the economy. For me, it is really about aggregate demand, right?

So when you guys are looking at policies, I would say that the test for that is, is this going to stimulate additional demand in the economy or is this just going to provide a whole boatload of dough that is going to get scraped off the top into the pockets of people who do not really need it and not going to be flowing through the economy? Without being a policy expert, you guys are policy experts, I am just a small business owner, but those would be the things that I think would be helpful.

Mr. EVANS. I think you are a better policy expert than anybody because you are on the front line. I mean, you are. So that is why I wanted to kind of reconcile the hearing title and you.

Mr. Paal, your reaction to the aspect of the recognition of the title and are we talking past each other?

Mr. PAAL. No. I think there has been an atmosphere, as far as I have seen, of Washington working for Washington back and forth in this and the typical politics that you hear about on the news shows and whatnot. I think just physically having this hearing makes it very clear consideration that this Committee and this Congress is interested in what small business is involved in.

I have had a lot of visits from local representatives back in district at a bunch of our different retail locations, and it is nice. They walk in, what can we do to help you? And they are hearing at that point not just from me as a business owner, but also my employees, our delivery drivers, our flower designers, and our sales clerks that are working part-time. So I applaud having the meeting for sure.

Mr. EVANS. Ms. Chambers?

Ms. CHAMBERS. I would echo what Mr. Paal said, that I think the very fact that we are having this hearing speaks volumes and that I think it really says that you are listening and that we are having this back-and-forth, and I think the collaboration is what is key. I think the bipartisanship is fantastic, but I think that the collaboration and this conversation is really important for our businesses.

Mr. EVANS. Ms. Turner?

Ms. TURNER. I think you are definitely hearing us. I think that, as Mr. Bacon outlined, you have down the main points of what it is that is concerning businesses. And so I do, and it is a pleasure to be able to come forward and to speak with you today because this is the kind of dialogue that is needed. It is now your responsibility to then take what our concerns are and to put these into policies that are then making a difference for each and every one of our small businesses.

Mr. EVANS. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you very much. The gentleman's time is expired.

The gentlelady from North Carolina, Ms. Adams, is recognized for 5 minutes, and she is the ranking member of the Subcommittee on Investigations, Oversight, and Regulations.

Ms. ADAMS. Thank you, Mr. Chair and Ranking Member, and thank you to all the witnesses for your testimony.

Ms. Chambers, to start, can you speak about what Congress can do to proactively help small firms adapt to the current levels of lending, which are better today, but still not as great as previous session lending numbers?

Ms. CHAMBERS. Could you repeat that question for me?

Ms. ADAMS. Can you speak about what Congress can do to proactively help small firms adapt to the current levels of lending, which are better today, but still not as great as previous session lending numbers?

Ms. CHAMBERS. In terms of the area that I focus on with women-owned businesses because the numbers are so small, I think as I said in my presentation or in my testimony, supporting the various programs, particularly the SBA, modernizing the micro-lending programs would be very beneficial for women-owned businesses and businesses in general. But until women have access

to capital for their businesses, I think this is an issue that will not go away.

Ms. ADAMS. Yes, ma'am. Would anyone else like to respond?

Mr. BORRIS. Yeah, I will jump in.

Ms. ADAMS. Yes, sir. Go ahead.

Mr. BORRIS. Yeah, so I think that either between the SBA and between looking back at the Community Reinvestment Act, right, so that we get more robust enforcement of what was originally intended, right? That what we want to do, and I think these guys would agree with me, also, we want to open up this flow of capital not just for businesses with 500 employees and 400 employees, but for businesses with 10 and 20 and 30 and 50 employees, right? Businesses who are trying to grow from a \$2 million business to a 4- or \$5 million business, and not just talking about \$50 million and \$100 million businesses. They might well become \$50 million businesses in the future if we can help them get over the next leg.

So that would be my thinking on it. Not so much money going into the big banks for the big loans, but pushing money into community banks for smaller loans and being able to help small business that way.

Ms. ADAMS. Thank you. To any member of the panel—

Ms. TURNER. Ms. Adams?

Ms. ADAMS. Yes? Oh, yes, ma'am. Go ahead.

Ms. TURNER. I think the repeal of Dodd-Frank would be a very good way to begin, so that the community banks would be able to lend to small businesses again.

Ms. ADAMS. Okay. Thank you for your comments.

With regard to tax reform, what policies are necessary to include in a reform package, and which policies would you consider a non-starter with regard to its impact on small businesses? Anyone who would like to respond can do so.

Mr. PAAL. Well, I could tell you and I spoke about it in my opening statement. The Border Adjustment Tax would be a real deal killer in the flower business. You know, most of our flowers come out of either South America or Holland or Canada. There is some growing happening in Mexico now. There is just not production ability in the U.S. That is all we sell. It is not like you say, okay, well, you know, the price of avocados is going to go up at the grocery store. That is all we sell in our business is flowers. So if that passes through, we cannot absorb a 20 percent price increase, and we cannot pass it on to our consumer because our customers will simply—they will just not buy flowers. They will buy a fruit basket or candy or something that is grown domestically. So that hits real big for us. And whether there is an exemption for floral agriculture or maybe an exemption for small business to a certain threshold that would assist other industries as well.

Ms. ADAMS. Okay. Does anyone else want to comment with a few seconds left?

Ms. CHAMBERS. Yes. I just want to add on that reforming the Tax Code to make deductions and credits equitable no matter what the structure of the business, especially around pass-throughs, permanently repealing the estate tax and allowing small businesses to pass from one generation to another as you talked about, and then

simplifying the Tax Code for small businesses, as Mr. Borris said, I just want to support that as well.

Ms. ADAMS. Great. Thank you very much. Mr. Chair, I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

The gentleman from Florida, Mr. Lawson, who is the ranking member of the Subcommittee on Health and Technology, is recognized for 5 minutes.

Mr. LAWSON. Thank you, Mr. Chairman.

My question will center around access to capital, and the question would be since more credit unions and commercial lenders have been getting involved in making loans to minority and women-owned business, has that been very beneficial, especially for women-owned businesses in the marketplace to have greater access to capital? Ms. Chambers, you might want to respond to that.

Ms. CHAMBERS. Well, certainly there has been improvement, but we have such a long way to go. Women are still receiving only 16 percent of all small business loans, so without making much greater strides we are going to be behind our male counterparts for a long, long time. So we are going to need to continue with this push and think of different programs. The idea that in government contracting we have finally reached our 5 percent quota last year, but it took 16 years to get there. So I think that there is a lot of work that needs to be done.

Mr. LAWSON. Okay. And if I may, and someone else can answer it, and this is where they say that they would like to keep the government out of the small business situation, should there be legislation that requires a financial institution to provide resources for minority and women-owned business at a certain level?

Mr. BORRIS. Is that an open question?

Mr. LAWSON. Yeah.

Mr. BORRIS. So yes, I think. The CDFI funding that was zeroed out in the Trump budget should certainly be restored. That is where I would begin, and I would also say that if we are looking for where that money comes from into our Federal coffers, I know there is going to be a big argument about what the rate of repatriation is, but I think we can take one step back in that conversation and talk about how we start ending deferral to begin with so we do not have to deal with this again with trillions of dollars in the future.

Mr. LAWSON. I have another question that you might have responded to earlier. It appears that everyone speaks about rebuilding America, you know, and I think about it as rebuilding ports, railroads, bridges, and highways. Infrastructure improvement is critical to America. Everyone talks about it in every political campaign and so forth. Can you detail the regional impact of spending, and is that critical to small business growth?

Mr. BORRIS. Sure. I think that for any one of us to look at what happened when Dwight Eisenhower made the decision, right, to build the interstate highway system, for any of us to believe that the business growth that we saw in the 1960s in this country, to pretend that had nothing to do with taxpayer investment and being able to move goods and services from Cincinnati to New York in half the time that they used to move, that matters tremendously.

And I think the critical question on infrastructure investment, though, is when we start granting these contracts and we start investing taxpayer dollars, are we going to allow companies to pay \$6 an hour so that the company that has the contract gets to keep all the profit which they suck out of the community and take it to their multinational headquarters? Or are we going to demand union wages, prevailing wage? Are we going to make certain that that money gets spent and stays in the pockets of the local communities where the infrastructure development is being done? I think that is the critical question.

Mr. LAWSON. Okay. And I will try to be brief on this question. When I was in Florida in the Senate, I repealed the intangible tax on businesses that are earning less than at that time \$25,000, you know, because it took probably more money to pay the accountant to do the forms than the tax that it was paying to the government. Should there be more consideration done about repealing some of the other burdens that they have on small businesses? Ms. Turner? I only have about 15—

Ms. TURNER. Absolutely. I totally agree with you that changing that outlook will make small businesses flourish and quicker. As I stated before, we have been waiting for this to take shape and I think it is very important that we move forward as quickly as possible. Once we start putting money back into the small business community, we are going to see a tremendous growth. And if we can hit that 1 percent, that 2 to 3 percent movement, then we are going to see extraordinary things happen.

Chairman CHABOT. Thank you. The gentleman's time has expired. Go ahead.

Mr. BORRIS. Okay. I would just say I agree. The incubator conversation is an important conversation. Right? This is a scalpel conversation versus a hatchet. And when we are looking at regulations, yes, allowing it to soften on the smallest of small businesses so we can incubate them and give them a chance to grow makes sense. But to take that and then run that up to business that are doing hundreds of millions of dollars and letting them be the beneficiaries of those carve-outs because we are going to try a one-size-fits-all does not work.

Chairman CHABOT. Thank you. The gentleman's time is expired.

Just a brief comment from the chair before we adjourn the hearing here today. The gentleman mentioned infrastructure and, Mr. Borris, you mentioned the interstate highway system. I happened to be at a speech last night and the keynote speaker was somebody who probably half the people in this room thinks is great and the other half loathe. And he gave an interesting speech, and a couple of things he mentioned. One thing he mentioned was Abraham Lincoln approving the intercontinental railroad and he mentioned Eisenhower approving the interstate highway system as you just mentioned that. And then he was talking about the infrastructure bill and the importance of that. I do not know if he was talking about putting himself in the same category as those other two presidents, probably in his mind yes, but it was interesting to hear your question, your response, and think of what I just heard last night.

But in any event, I think this hearing has been very helpful, and there is a whole lot of things going on. Tomorrow we are supposed to have a key vote on one of the issues that we touched on: health care. Whether that vote will happen or not remains to be seen. It depends on whether the votes are there, I think, or not, and maybe that is the reason some members are not here; they are being worked on. But there is a lot of key issues, like that one tomorrow on health care.

Regulations, you know, are a key issue that affect small business folks. Tax reform that we touched upon, access to capital and Dodd-Frank, a whole range of things are very important issues, and I think this panel was very, very helpful in letting our members and the members that we will communicate with that did not have the ability to be here today to let them know what the small business community thinks about these issues and what kind of changes that we ought to be making. Not just because it is relevant the small business community, but they are paramount as far as this Committee is concerned.

So I want to thank you for shedding light on each of these topics. You all did a great job, I think. Whether you were called by the majority or the minority really, I think you are all very, very good. So thank you very much for that.

I would ask that all members have 5 legislative days to submit statements and supporting materials for the record. And if there is no further business to come before the Committee, we are adjourned. Thank you very much.

[Whereupon, at 12:09 p.m., the Committee was adjourned.]

APPENDIX



Statement of the U.S. Chamber of Commerce

Making Washington Work for America's Small Businesses

Maxine Turner

**Founder of Cuisine Unlimited Catering & Special Events
and
Chair, U.S. Chamber of Commerce Small Business Council**

**Before the Small Business Committee
U.S. House of Representatives**

March 22, 2017

1615 H Street NW | Washington, DC | 20062

The Chamber's mission is to advance human progress through an economic, political, and social system based on individual freedom, incentive, initiative, opportunity, and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96 percent of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Thank you Chairman Chabot, Ranking Member Velazquez, and Members of the Committee for the opportunity to speak with you today. My name is Maxine Turner and I am the Founder of Cuisine Unlimited Catering & Special Events in Salt Lake City, Utah. I am here representing the U.S. Chamber of Commerce of which I am a Board Member and chairperson of the Small Business Council. I am honored to speak before you today regarding the critical issues that affect or small business members.

The Chamber is the world's largest business federation. It represents the interests of over 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The majority of Chamber members are small firms. In fact, 96 percent of Chamber member companies have fewer than 100 employees and 75 percent have fewer than 10. Our Small Business Council works to ensure the views of small business are considered as part of the Chamber's policy-making process.

My company, Cuisine Unlimited, was established more than 37 years ago offering off-premise catering. Today, we are a second-generation family owned business with 120 full and part-time employees offering full catering and events services in our local community, nationally and internationally. We have catered events throughout the country and have been involved with seven Olympic games. We were the exclusive caterer at USA House for the United States Olympic Committee in Athens and Torino.

As chair of the Small Business Council, I have met with hundreds of small business owners to better understand the U.S. small business landscape. Over the past decade, there have been many obstacles to overcome, including the worst recession since the Great Depression and a multitude of federal mandates coming from Washington, DC that have challenged our very existence. We want to grow our companies and contribute to the success of our communities. We find, however, roadblocks to that opportunity. We want to work with you to change that course so that our businesses have the resources to expand, create new jobs, and have a positive impact on our economy.

Sometimes it is overlooked that small businesses comprise 99 percent of all U.S. employer firms and provide almost half the private-sector jobs.¹ An individual employer may seem small, but the collective economic power of small business is very large. Roughly 50 percent of small businesses are women-owned and the small business sector is a job-creation machine, accounting for 2/3 of the net new jobs over the past two decades.² These facts reinforce the importance of policies that encourage and help sustain our businesses so we may invest in our future and that of our country.

As chair of our Small Business Council, I have the opportunity to hear from our members on a regular basis. Their stories are compelling and one cannot help but empathize with the difficulties faced by these business owners.

¹Office of Advocacy, U.S. Small Business Administration, *Frequently Asked Questions* (June 2016), available at: https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2016_WEB.pdf.

²*Id.*

Access to Capital

The challenge of obtaining capital has been a consistent theme for small businesses. It is, however, the very fundamental component that drives innovation and business growth. Small businesses do not have large cash flows, cash reserves, or emergency funding. Therefore, access to capital plays a paramount role in economic growth and job creation.

While passage of the Dodd-Frank law may have calmed fears of another financial meltdown, an unintended consequence of the law has been limiting small businesses' access to capital.

Natalie Kaddas is an example of the unintended consequences of Dodd-Frank. Kaddas Enterprises is an active member of the Salt Lake Chamber of Commerce and I met Natalie through our mutual leadership in Salt Lake City. Kaddas is a 50-year old plastic molding manufacturing firm and a few years ago they secured an international contract for their BirdguardTM product. Natalie thought this incredible opportunity was the time to take an entrepreneurial leap forward and build a new facility. They immediately filled out bank applications, and worked with a realtor and contractor to begin the process. Hopes were dashed when three banks with Small Business Administration (SBA) guarantees turned them down. Land was pledged, collateral offered, but like so many others, Kaddas didn't make it high enough up the point system for any bank to consider the loan.

Personally, my company faced the exact same problem. We were awarded the exclusive contract for all food and beverage services at our new performing art center that opened in November 2016. It required that we make the investment to equip three on-site kitchens and all the necessary small wares. This annual multi-million dollar contract gave us the opportunity to expand. We would increase from a staff of 50 to well over a hundred within a few months. We met with three banks and our regional SBA representative. We have had four very successful loans through SBA and all repaid ahead of schedule. The bottom line, all three banks turned us away. How could we fulfill our obligation to this contract without financial backing?

We looked for other sources of revenue. We learned of an economic development grant offered by our city. We applied and received 1/3 of the necessary funds needed. We made due, equipping only one kitchen and pulling used small wares from our catering operation. We halted a remodel to our main catering facility to accommodate the additional inventory and servicing the theater. We used much of our profits from 2016 to purchase the most critical items with the hope that 2017 would be a good enough year to see us through any additional challenges. It left us with little working capital and no reserves. It simply should not be this hard for businesses to get access to the capital they need.

Competitive Workforce

In his State of American Business address, the President & CEO of the U.S. Chamber of Commerce, Tom Donohue, expressed his

concern regarding a competitive workforce. He stated, “A well-trained, well-educated workforce is also critical to driving economic growth—and to making sure all Americans have a genuine opportunity to share in that growth. ...[W]e need to help young people, as well as adults who need retraining, obtain credentials—degree, certificate, or otherwise—that are valued in the labor market. We need to encourage work-based learning opportunities and develop more partnerships between local business communities and local educators.”³

The lack of a skilled workforce is challenging for all businesses no matter the size. For small businesses, access to job seekers with the skillset needed is a tedious and time-consuming task. When the Goldman Sachs 10,000 Small Business initiative partnered with Babson College to study small business issues, they discovered that over 70 percent of small businesses find it difficult to hire qualified employees.⁴ The main reason cited was that potential candidates lack the requisite skillsets.⁵

I commend the U.S. Chamber of Commerce and its efforts to address these issues. A priority for the Chamber is to improve the workforce system by working with Congress to reauthorize the Carl D. Perkins Career and Technical Education Improvement Act of 2006. The law’s reauthorization will help ensure alignment between career and technical education (CTE) and other workforce development laws, such as the Workforce Innovation and Opportunity Act. Also, reauthorization will continue the strong emphasis of developing CTE programs with employer input, that reflect regional labor market needs, and that are relevant and meaningful for students by providing them with a path to a postsecondary degree or certificate or to high-skilled, high-paying jobs.

Another Small Business Council member, Ashok Krish, is a good example of how small tech firms are struggling to keep up with staffing needs. Ashok is the owner of Kaizen Technologies in Edison, New Jersey. There are over 3,000 IT firms in the tri-state area and his needs for highly skilled workers cannot be met without a reliance on foreign professionals who can work for him under the H-1B Visa program. Like many small business owners, Ashok works with his state’s labor department and assists in training programs for those returning to the workforce. Even with his networking, good will, and resources devoted to training potential hires, Ashok needs to utilize the H-1B Visa program so he can fill the technical positions he has available to meet the growing demand for these skills.

Many small businesses have partnered with trade schools offering their students paid internships. Large corporations are offering recent high school graduates good pay with on-the-job training with a guarantee of a high-paying job upon completion of their edu-

³Tom Donohue, *2017 State of American Business Address*, U.S. Chamber of Commerce (January 11, 2017), available at: <https://www.uschamber.com/speech/2017-state-american-business-address>.

⁴Babson College, *The State of Small Business in America 2016* (June 24, 2016), available at: <http://www.goldmansachs.com/citizenship/10000-small-businesses/US/news-and-events/babson-small-businesses/multimedia/babson-state-of-small-business-in-america-report.pdf>.

⁵*Id.*

cation. Small business owners are feeling the pressure that their future workforce will no longer be available.

Regulations

A supportive regulatory environment is essential to protect the general public and help guide sound business practices. Over regulation is burdensome and the recent upsurge in regulations over the past several years has left business owners overwhelmed and concerned.

As noted by J.D. Foster, Chief Economist for the U.S. Chamber of Commerce, “Regulations have costs that go far beyond the simple calculations presented. They also create uncertainty among affected businesses as they wait for the regulations to come out, become final, and then become internalized within the business. Perhaps even more important, when businesses are subject to such an onslaught of regulations in complete disregard to the economic damage they inflict, and especially in combination with other policies such as the administration’s enacted and proposed anti-growth tax policies, the net result is to create at least the appearance of an antagonistic attitude toward businesses. Businesses can then become overly cautious and defensive and these consequences appear in the declining business investment in [the middle two quarters of 2016].”⁶

The Chamber has heard loudly from its small business members about the problems with the torrent of federal regulations emanating from Washington, DC. Research conducted by the U.S. Chamber of Commerce Foundation probes into the costs of red tape on small business and spells out how the \$1.9 trillion annual cost of federal mandates is a drag on the American economy. The Foundation study includes a survey of leaders from local chambers of commerce who are alarmed by the slump in new business startups and insist that federal regulations are largely to blame.⁷

I am proud of the members of the Chamber’s Small Business Committee for voicing concerns to agencies and to Congress about problems with red tape. From the overtime rule to the fiduciary rule to minimum wage thresholds and problems with the Affordable Care Act, we have worked with policy committees at the Chamber and have testified before your Committee and others to try and bring some “Main Street common sense” to regulatory policy decisions here in our nation’s capital.

I also greatly appreciate this Committee’s work to address the problems associated with unnecessary, duplicative, or excessive federal red tape by guaranteeing that small business stakeholders like me have a place at the table when regulatory decisions are made. That is the concept embodied in H.R. 33, the Small Business Regu-

⁶J.D. Foster, *Declining Labor Productivity; Both a Symptom and a Warning*, U.S. Chamber of Commerce, *Above the Fold* (August 11, 2016), available at: <https://www.uschamber.com/above-the-fold/declining-labor-productivity-both-symptom-and-warning>.

⁷Michael Hendrix, *Regulations Impact Small Business and the Heart of America’s Economy*, U.S. Chamber of Commerce Foundation, *Above the Fold* (March 14, 2017), available at: <https://www.uschamberfoundation.org/blog/post/regulations-impact-small-business-and-heart-americas-economy>.

latory Improvements Act that passed the U.S. House of Representatives. I hope the Senate takes up the measure soon.

Closing Remarks

In closing, Tom Donohue, in his January State of American Business Address, said, “if we are able to move our economy from 2 percent growth to 3 percent growth, that’s not a one percent increase in our performance—it’s a 50 percent increase. Yet ultimately, growth is not about numbers. Growth is about people. Increasing our growth rate 50 percent or more would have an extraordinarily positive impact on jobs, incomes, and opportunities—not just for the few, but for the many.”⁸

New opportunities for entrepreneurs, beginning with tax reform, regulatory reform, and other priorities, would result in an economic vigor that would benefit every family across this country. A health care program that meets the needs of our citizens with reasonable costs would spark new optimism. We understand the serious work that must be done to solve many of these issues. We are here to support and work with you to stroke an economy where opportunities abound.

Thank you for the opportunity to speak with you today and I look forward to any questions you may have.

⁸Tom Donohue, *2017 State of American Business Address*, U.S. Chamber of Commerce (January 11, 2017), available at: <https://www.uschamber.com/speech/2017-state-american-business-address>.



**Statement on Behalf of
Women Impacting Public Policy**

**Making Washington Work for
America's Small Businesses**

Testimony of Anne Chambers
Before the Small Business Committee
U.S. House of Representatives

March 22, 2017

Good morning. Chair Chabot, Ranking Member Velazquez and distinguished Members of the Committee, thank you for the opportunity to testify. My name is Anne Chambers, and I am the owner of two businesses in Cincinnati, Ohio - Red212, an independent content strategy agency that offers digital, traditional, and cultural solutions, and Jambaar, a video creation company providing data and technology for business growth.

Today, I am here representing Women Impacting Public Policy (WIPP), an organization of which I am a member. WIPP is a national nonpartisan organization advocating on behalf of women entrepreneurs - strengthening their impact on our nation's public policy, creating economic opportunities, and forging alliances with other business organizations.

First, let me thank the Committee for holding this hearing. WIPP is appreciative of the bipartisan efforts of this Committee to advance the agenda of women entrepreneurs including accessing capital, accessing federal markets, and providing a business-friendly environment.

Few topics are as timely as today's hearing: *Making Washington Work for America's Small Businesses*, as women business owners are a strong economic force that make up a third of all American businesses. We are growing at a rate four times the rate of male owned firms, and contribute over \$1.6 trillion dollars to the nation's economy.¹

To provide information on the issues most important to women entrepreneurs, WIPP has prepared an economic blueprint which sets a bold, comprehensive set of public policy expectations on behalf of the women's entrepreneurship community. ***The Economic Blueprint expresses our voice and our interests regarding the pressing business challenges that require action by our elected officials. My testimony outlines many of the blueprints core principals.***

Economy

Government and private sector efforts should be focused on increasing investments that drive economic growth. Policy-makers are responsible for ensuring the business environment is conducive to growth and that the federal government is a wise steward of tax payer dollars.

1) Investment in Entrepreneurship Pays Off

Over 36% of American businesses are women-owned, a segment growing at four times the rate of men-owned businesses.² Critical support for these entrepreneurs includes access to credit, access to the federal sector and access to training and counseling. Doing so maximizes their already sizable impact: contributing \$1.6 trillion

¹ 10 Million Strong: The Tipping Point for Women Entrepreneurship: 2015 Annual Report. National Women's Business Council (2015).

²*Id.*

annually to the economy and employing nearly 9 million Americans.³

2) Provide Women-Owned Businesses with Certainty in Economic Policy and Regulations

Federal regulations cost businesses just under \$10,000 per employee annually, with the annual total cost burden on the typical U.S. business coming in at a \$233,182.⁴ This problem is exacerbated by the government's inability to provide long-term policies on which businesses can rely. Whether it is the continued threat of government shutdown in the annual budget/debt ceiling debate, steep spending cuts across the government, or even retroactive tax credits, women entrepreneurs are often left to guess at government outcomes affecting their businesses.

WIPP appreciates the support of this committee to ease the regulatory burden on small businesses. In particular, we would like to thank Members of the Committee for their support of the following legislation:

H.J. Res 37, which nullifies the Federal Acquisition Regulation (FAR) contractors blacklisting rule. While the intent of the rule, to keep bad actors from doing business with the government, is good, the execution was too burdensome for contractors.

H.J. Res 83, which nullifies the Department of Labor (DOL) rule that would enable the agency to cite employers for record-keeping violations up to five years old.

The Regulatory Accountability Act (H.R. 5), which would strengthen the Small Business Administration (SBA) Office of Advocacy and allow for the issuance of smarter, less burdensome regulations that consider the direct economic effects on small businesses.

The Regulations from the Executive in Need of Scrutiny (REINS) Act (H.R. 26), which would send new rules that will have a significant impact on the economy to Congress for an up or down vote before they can be implemented.

Tax

A Congressional tax overhaul should include an equitable reform of tax rates for all businesses. Given that 90% of all businesses in the U.S. are pass-through, entities, reform should address the individual as well as the corporate tax rate.⁵ On the Federal level, pass-through entities are subject to a top individual tax rate of 43.4% and up to an additional 13.3% for state and local taxes.⁶

WIPP supports:

- Reforming the tax code to make deductions and credits equitable no matter what the structure of the company

³*Id.*

⁴W. Mark Crain and Nicole V. Crain, "The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business," National Association of Manufacturers (September 2014).

⁵Scott Greenberg, "Pass-Through Businesses: Data and Policy," Tax Foundation, (January 17, 2017).

⁶*Id.*

- Permanently repealing the estate tax and allowing small businesses to pass from one generation to the next
- Simplifying the tax code for small businesses to reduce the imbalanced cost of compliance versus large businesses

Access to Capital

Capital is the lifeline of business and the ability to secure capital is often the determinant of an entrepreneur's opportunity to start or grow a business. For women, however, accessing capital continues to be difficult. Women-owned businesses ask for less funding - on average, \$35,000 dollars less than male-owned counterparts.⁷ Yet, women receive just 16% of all small business loans made each year.⁸ A Congressional report on women entrepreneurs found that women only receive 4% of all commercial loan dollars.⁹

WIPP's annual membership survey regularly finds that women must make multiple attempts to secure bank loans or lines of credit - with a full 40% never succeeding. Yet, women make up one-third of business owners, generating more than \$1.6 trillion annually in receipts, and growing at 1.5 times the rate of average businesses.¹⁰

In response to this crisis of capital, WIPP proposes the following policy-based solutions to spur lending to fuel the innovation and success of women entrepreneurs.

1) Changing the Capital Infrastructure

Simplify Intellectual Property Protections

Traditional and alternative investors are increasingly interested in the intellectual property (IP) value of companies seeking funds. Women entrepreneurs, however, lag significantly behind male counterparts in filing patents.¹¹ Additionally, simplifying the IP patent process for entrepreneurs will catalyze interest in investment smaller firms.

Re-think Credit Scores

Lending decisions relying on credit scores, employment history and income are undermined by the many studies that show women lag behind male counterparts in pay.¹² Beyond pay discrepancy, antiquated scoring models disproportionately hinder women entrepreneurs seeking loans.

FICO introduced in 2014, and adopted in 2016, an alternative credit scoring system that would allow up to 15 million previously "unscorable" Americans to be scored based on alternative data. This includes payment histories, utility bills, cable bills, cellphone bills, and public record information (e.g., address history). This al-

⁷Jared Hecht, "State of Small Business Lending: Spotlight on Women Entrepreneurs," Fundera Ledger (September 6, 2016).

⁸*Id.*

⁹U.S. Senate Committee on Small Business and Entrepreneurship, Majority Report, 21st Century Barriers to Women Entrepreneurship (July 23, 2014).

¹⁰*Supra*, note 1.

¹¹Margaret E. Blume-Kohout, "Understanding the Gender Gap in STEM Fields Entrepreneurship," SBA Office of Advocacy (October 2014).

¹²The Simple Truth About the Gender Pay Gap, American Association of University Women (2017).

ternative scoring model may also help give lower lending rates based on a higher credit score. These modernizations in the credit industry hold great promise for women entrepreneurs and should be utilized in government lending programs.

Develop Female Fund Managers through “Emerging Managers” SBIC Program

Venture capital (VC) continues to be elusive to women who need it. Less than 10% of overall VC funding goes to women-owned companies.¹³ Data from Small Business Investment Companies (SBICs) licensed by the SBA, show women receive only 3% of investments.¹⁴ Few fund managers are women. In a classic “chicken and egg problem,” many women cannot gain the requisite portfolio managing experience to become a fund manager, leading to a cyclical exclusion of women managers—ultimately preventing women from lending to women.

Creating an “Emerging Managers” track in the SBIC program and allowing these managers to engage in equity-based financing would help develop a generation of female fund managers, who in turn would increase the VC opportunities for women-owned firms.

Tax Incentives for Angel Investors

According to the Angel Capital Association, an estimated 300,000 people have made an angel investment in the last several years.¹⁵ The same estimates found a potential of 4 million investors nationwide. Incentivizing this kind of capital should be a priority.

More than half of U.S. states offer tax incentives for angel investors.¹⁶ Creating a federal tax credit mirroring state models, would increase angel investment at the critical early stage, such as Connecticut’s. Federal support could include: grants, matches, or a dedicated fund. Additionally, to the extent possible, tax credits could be designed to incentivize angel investment in women-owned businesses.

2) Supporting Small Lending Institutions

Ending a “One-size-fits-all” Approach to Regulation

Currently, banks and credit unions of all sizes largely face the same requirements under Dodd-Frank reforms. Small regional and community banks have the highest approval rate for small business loans. For example, community banks lent \$2.6 trillion in loans to consumers, small businesses and the agricultural community.¹⁷ Yet, community banks have struggled with compliance and the regulatory environment that allows them to lend to small businesses. Congress should enact legislation to address the regulatory relief needed for smaller lending institutions.

Lift the Credit Union Lending Cap

¹³ JMG Consulting, LLC & Wyckoff Consulting, LLC, *Venture Capital, Social Capital, and the Funding of Women-led Businesses*, SBA Office of Advocacy (April 2013).

¹⁴ Annual Report Fiscal Year 2014, *The Small Business Investment Company Program* (2014).

¹⁵ FAQ: The Value of Angel Investors and Angel Groups, Angel Capital Association (2013).

¹⁶ State Angel Investor Tax Incentive Programs, Angel Capital Association (accessed March 16, 2017).

¹⁷ Independent Banker 2017 Media Guide, Independent Community Bankers of America (2017).

A cap limits most credit unions to lending no more than 12.25% of their assets to small businesses.¹⁸ Credit unions could lend an additional \$16 billion to small businesses if Congress increased the statutory cap on credit union business lending.

3) Strengthening Government Investment

Accelerate SBIR Commercialization

Innovative products are developed for government use through the Small Business Innovation Research (SBIR) program, which has three phases. Federal support generally ends after the second phase of meeting the government needs. The Department of Defense (DoD) has successfully utilized the Rapid Innovation Fund (RIF) to commercialize SBIR technology. A RIF fund should be created at all federal agencies conducting research and development, to enable the government to purchase innovative products and services from small businesses. Additionally, agencies could also model the third stage commercialization of SBIR products on a public-private partnership to bring a pipeline of innovative products - already proven for government use - to market.

Modernizing the SBA Microloan Program

Women are the biggest users of loans under \$50,000, accounting for 45.2% of loans made through the SBA Microloan Program in Fiscal Year 2016.¹⁹ Not only should Congress continue to fund this program, they should also modernize it. WIPP looks forward to working with this Committee to remove limitations on technical assistance and allow for funds to be distributed more effectively.

Provide Adequate Resources for Financial & Business Counseling

Obtaining assistance and coaching is the first key step in the capital access process. Businesses that receive assistance have an 80% success rate, compared to the 50-80% mortality rate for small businesses overall.²⁰

Congress should adequately support organizations such as Women's Business Centers, Small Business Development Centers, and other non-profits that provide financial counseling and prepare women to obtain capital. Traditionally funded by the Small Business Administration, the Department of Agriculture, and the Department of Treasury, investing in these programs will ensure that business owners receive the coaching they need to be a part of the 80% of businesses that succeed.

WIPP appreciates the efforts of this committee to enable women entrepreneurs to secure the capital necessary to start and expand businesses. We look forward to working with this Committee to make changes necessary to support all entrepreneurs.

Procurement

¹⁸ H.R. 1151, 105th Cong. (1998).

¹⁹ U.S. Congressional Research Service, Small Business Administration Microloan Program (R4 1057, Dec. 6, 2016) by Robert Jay Dilger.

²⁰ Bridging the "Pioneer Gap": The Role of Accelerators in Launching High Impact Enterprises, Aspen Network of Development Entrepreneurs (accessed March 21, 2017).

In FY2015, for the first time, 5.06% of all government contracts were awarded to women-owned businesses.²¹ While reaching the contract goal is certainly a milestone, a report issued by the U.S. Department of Commerce showed that women-owned businesses are still 21% percent less likely than male counterparts to be awarded a federal contract.²² Below are WIPP’s suggestions to correct that inequity.

1) Ensure Acquisition Reforms Support Women-Owned Businesses

Last year, WIPP published a report, Do Not Enter: Women Shut Out of U.S. Government’s Biggest Contracts. The report showed that women have limited opportunities to win some of the government’s largest contracts, also known as Multiple Award Contracts (MACs). **We Urge Congressional action to require the SBA to conduct a comprehensive study on the participation of all small businesses on MACs. WIPP will work to ensure that agencies structure MACs to include all socio-economic groups, including women.**

The continued effort to implement broad reforms in government procurement has not fully taken into consideration the damaging impact on small businesses. WIPP urges Congress to ensure that procurement reforms, including government-wide acquisition initiatives like category management, take into consideration impacts on government contractors, while also supporting the government’s fundamental goal of getting “best value” in federal procurement.

2) Adequately Support and Train the Contracting Workforce

Procurement professionals struggle to keep up with changes to acquisition policy. Often these changes are designed to benefit small, minority, or women-owned businesses. New contracting policies, like sole source authority in the WOSB Program, should be explained to the government acquisition workforce to ensure changes passed by Congress are fully utilized by federal buyers.

3) Sole Source Parity

In 2015, WIPP pressed for—and achieved—the swift implementation of sole source authority to the WOSB Procurement Program. The WOSB sole source is limited to contracts valued at \$6.5 million or less for manufacturing and \$4 million or less for all other procurements.²³ While the WOSB sole source was being finalized, the amount for manufacturing sole source was increased from \$6.5 million to \$7 million for other socio-economic groups. We urge the Committee to ensure that WOSB sole source for manufacturing is also raised to \$7 million.

Healthcare

²¹SBA Press Release: Federal Government Breaks Contracting Record for Women-Owned Small Businesses (March 2, 2016) available at <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-federal-government-breaks-contracting-record-women-owned-small-businesses>.

²²David N. Beede, Robert N. Rubinovitz, Utilization of Women-Owned Business in Federal Prime Contracting, Report Prepared for the Women-Owned Small Business Program of the Small Business Administration (December 31, 2015).

²³80 C.F.R. § 251 (2015).

Small businesses face higher administrative and premium costs for health insurance. This puts women entrepreneurs at an inherent disadvantage, as health insurance is an important benefit to attract and retain employees. Congress and the Administration should implement the healthcare reforms targeting this inequity.

1) Implement a Strong Pooling Mechanism for the Small Group Market

The Affordable Care Act (ACA) established SHOP exchanges, but only on a statewide basis. Prior to the ACA, WIPP supported the concept of Association Health Plans (AHPs), which would have allowed small businesses to pool their buying power through associations in order to purchase healthcare across state lines. While WIPP supported the mechanism of state exchanges in the ACA, WIPP urges Congress to consider structuring the purchasing pools to maximize small business participation by revisiting the ability to shop across state lines.

2) Define Work Weeks as 40 hours

The Affordable Care Act defined a full-time worker as working thirty hours a week. The definition matters for defining whether a business is exempt from the employer mandate (under 50 FTEs is exempt). WIPP supports efforts to define the workweek traditionally, as forty hours. When revising health care legislation, WIPP urges Congress to define the workweek as 40 hours, if the employee mandate is retained.

3) Allow Health Insurance Deductions for the Self-Employed

WIPP supports reforming the tax code to make deductions and credits equitable, no matter what the structure of the company.

WIPP looks forward to working with Congress to ensure that any reform to health care addressed challenges for women business owners.

Conclusion

Opportunities for the nation's ten million women entrepreneurs have never been stronger, but challenges still remain. WIPP's economic blueprint outlined in this testimony, provides solutions to improve in a number of key areas including: tax, access to capital, health care, and procurement. This Committee has always acted in a bipartisan manner to support women entrepreneurs and we appreciate your interest in our input, making sure that the challenges of women entrepreneurs are considered.

Thank you for the opportunity to testify and I am happy to answer any questions.



Rutland Beard Floral Group

Testimony of Rutland “Skip” Paal, Jr.
On Behalf of the Society of American Florists

Before the House Committee on Small Business
United States House of Representatives

“Making Washington Work For America's Small Businesses”

March 22, 2017

Rutland Beard Floral Group
5639 Baltimore National Pike
Baltimore, MD 21228
(888)316-8371

Mr. Chairman and distinguished Members, thank you for inviting me to present testimony before the Committee regarding my company.

I am a fourth generation florist. In 1923, my great-grandfather opened a flower shop and greenhouses outside Baltimore where he grew and sold flowers and plants. My grandparents took over the business in the 1950's and ran it until my parents took over in the 1970's.

When I joined the business in a full-time capacity in 2002, our family owned two retail flower shops and had just under 20 total employees, of which 8 were considered full-time. Soon thereafter, I realized there was an opportunity to grow our business by acquiring additional locations. In 2007, I purchased my first location and have continued to acquire retail flower shops.

In 2009, we expanded beyond traditional retail to include a wholesale florist and import division. Last year my company employed over 180 people and operated at 12 different locations in Maryland and New Jersey, including my great-grandfather's original location outside Baltimore.

My company employs about 90 people on any given day—about 25 full-time and 65 part-time. Seasonal increases for the peak periods of Valentine's Day, Mother's Day, and Christmas will almost double our daily workforce.

Our operation is multi-channel—we service import, wholesale, and drop-ship segments of the floral industry. However, our main street retail existence remains our largest presence within the flower business. Through our local brands, we deliver smiles to the faces of nearly 100,000 people each year. Our company receives numerous awards every year at both the local level as well as the national level.

Our employees are the heart of our business. They are the ones who comfort grieving families, share hugs with new grandparents, and see true love between couples preparing for weddings. We have always taken care of our employees.

We were offering health care decades before Affordable Care Act (ACA) required us to. We established a company-sponsored retirement plan when we realized that Social Security might not be enough for our retirees. We have a paid leave program that is extremely competitive for retail business and nearly unheard of in the floral industry.

As a result, we have many valued employees who have made a lifelong career with us. It is important to note that our company attracts talent by offering competitive wages and benefits because we want to, not because we are forced to. Having the opportunity to set ourselves higher than required allows us to maintain a competitive employment environment.

While the overall economy is certainly in better shape than it was several years ago, it is important to understand that our industry and small businesses all over the nation are still experi-

encing significant challenges which are preventing entrepreneurs from fully attaining the American Dream.

Since several years have elapsed since full implementation of the ACA, we have had an opportunity to see firsthand the devastating impacts that have occurred as a result of the legislation. I want to share my experience with the ACA in an effort to encourage Congress to pass legislation to correct the devastating impacts the ACA has had on my business and ability to offer quality health care insurance to my employees.

It is important to note that while I support employer-sponsored health care for true full-time employees as evidenced by my company's insurance offerings for multiple decades, the current mandate for employer-sponsored health care simply is not working.

I received renewal quotes from our health insurance broker a few weeks ago. Our premiums will be increasing by over 30%, and the past several years have seen similar surges. Increases of that magnitude are simply not sustainable. Since the enactment of the ACA, our monthly premiums have nearly doubled and our deductibles have nearly tripled.

In my opinion, it is not wise federal policy to force us to pay significantly more for substantially less coverage.

In addition to skyrocketing costs and reductions in benefits, the ACA has placed me at a competitive disadvantage because of the cost of insurance. The actual employer's cost to insure a full-time employee on our health insurance policy adds over \$2.00 an hour that ACA defined "small employer" competitors do not incur. This burden places me at a disadvantage since many other employers are not required to offer coverage to the same individual and can therefore afford to entice them with a higher salary.

For an hourly-based employee making \$14 an hour, that \$2 an hour is a significant monetary factor and often times makes the difference between working for us and taking a job elsewhere. Additionally, since many other employers are not required to offer coverage to their employees, the employee can still benefit from subsidies on the exchange which they would not have access to under employment with me. The result is a variance in net expendable income to an employee of thousands of dollars a year, which to someone making \$20,000-\$30,000 a year creates a significant difference of their income.

I ask Congress to fix the broken ACA system. It is detrimental to me and countless other main street businesses. If something is not done quickly, I fear that when I receive next year's health insurance quote it will simply be unaffordable to the point where we would no longer be able to offer that benefit to our employees.

I applaud the recognition by Congress and the Administration that the Tax Code, which seems to be so large that not even my accountant can fully understand it, needs to be drastically simplified.

Tax relief to small business is incredibly important. The complexity of the Tax Code and its associated case law is not some-

thing that I can even begin to understand. Payroll taxes are simple, straightforward to calculate, and easy to plan for—we need something just as uncomplicated for corporate and pass-through taxes.

The tax rate also needs to be lowered. The United States has the highest corporate tax rate in the developed world and its obviously too high. Our current tax system discourages hiring and growth. The high tax rate forces businesses to make decisions on how lower their net tax rate rather than how to grow their businesses and hire more employees.

While I highly commend efforts to reform our tax code, the border adjustment proposal would be devastating to my business. Eighty percent of the flowers sold in the United States are imported. Nearly 95% of the flowers used in my businesses are grown overseas. There is no domestic capacity to meet the demand. Flowers are not a necessity like food or housing—if our products are taxed at a higher rate, those costs will translate to higher prices and consumers will shift their spending to other products where flowers have traditionally been appropriate.

I ask that any border adjustment in tax reform exempt floral agricultural products to avoid significant harm to small floral businesses nationwide.

One of the greatest concerns that I and other members of my industry have is the sense of uncertainty and lack of clarity in legislation and regulations. It is impossible for small businesses to make decisions and plan when legislation and rules are constantly changing. I have discussed the challenges I face with several of my peers in different segments of the floral industry. Every single person told me their greatest concern was either uncertainty or lack of clarity.

For example, when regulations changing overtime policy were issued, I, along with many of my peers, recreated the entire compensation structures for our full-time employees to conform to the new regulations.

Being in a somewhat seasonal business, we had previously offered our salaried employees the opportunity to bank extra hours worked during peak weeks and redeem them as additional paid time off during other slower periods. Our employees had always viewed this as a benefit that allowed them to maintain consistency in their cash flow throughout the year.

Because the overtime rule forced us to restructure our compensation structure, our workplaces were highly disrupted. I even had one employee quit after we informed her that she would not be able to accrue comp time during peak weeks. Please try to imagine the frustration after we redesigned our compensation plan only to have the regulation halted just days before it was scheduled to go into effect.

There needs to be certainty in legislation and regulation that allows small business owners to properly plan and prepare. The current environment creates economic chaos where we are unable to plan for payroll, benefits, or growth.

One of the greatest uncertainties that I have rests in the handling of non-hard assets during acquisitions. There has been little released about how assets such as trade names, phone numbers, websites, and goodwill—normally depreciated over a longer period of time, minimizing any benefit—would be handled under any of the tax reform proposals being considered. I am not comfortable continuing to expand my business without knowing how those asset will be treated under a reformed tax system. Constant political upheaval and shifting rules are counterproductive to business growth.

In an era where many people only criticize our government, I want to take an opportunity to say thank you. Recently a number of significant challenges have been overcome thanks to the support of our legislators. I urge the committee to celebrate these prior successes as we all work together to make the future brighter.

While the Affordable Care Act remains substantially intact, there have been some requirements under the ACA which have been reviewed and changed to assist small businesses. For example, the original ACA legislation required 1099 reporting requirements which would have been overly burdensome, especially on small business. Through bi-partisan cooperation, this burdensome provision was removed. I am hopeful that Members of Congress will continue to work to eliminate many of the other tedious reporting provisions with which small businesses have struggled.

The Estate Tax has been an ongoing issue for small business, especially in multi-generational businesses where the business itself sits upon real estate which has been passed down from one generation to the next.

I applaud the efforts over the years by legislators to keep Estate Tax levels at a level which allows for transition of small businesses from one generation to another without forcing family members to take out life insurance policies or loans to pay the taxes which might occur as a result of the death of a family member. I urge Congress to continue to maintain a vigilant watch on Estate Tax levels and concepts to allow for small businesses to continue to grow and pass from one generation to the next without fear of losing the business from a tax liability incurred by the death of an owner.

Following the recession a decade ago, financing for my business became very difficult. Credit lines were cut or closed and it was nearly impossible to find a bank that was able to write a loan for small business. I have been fortunate to have a local community bank to work with—one who knows us as people and a business, not just an account number. Policies should encourage the continuity of small and local banks as a financing partner for small business.

While Congress has passed legislation over recent years to help small business, the work remaining is immeasurable. I implore the Committee to be our voice in Washington and to craft legislation to address some of the concerns that I have shared with you.

Small businesses should not be punished by their own government for contributing to economic growth and hiring employees.

I am hopeful that this Committee and this Congress will act to give a degree of certainty and clarity to business and to craft and pass legislation which will lead small business into a new era of prosperity. I am hopeful that my great-grandchildren will be able to take the reins of the family business 94 years from now. I know that my 5-year old is already considering joining the business.

Thank you again for giving me the opportunity to present this testimony before the Committee.

Statement of David Borris, Main Street Alliance Executive Committee Member and Business Owner For House Committee on Small Business Hearing on “Making Washington Work for America’s Small Businesses.”

Wednesday, March 22, 2017

Chairman Chabot, Ranking Member Valezquez, and members of the committee:

Thank you for the invitation to testify today regarding the ways our federal government can work for small business owners.

My name is David Borris and I serve on the Executive Committee of the Main Street Alliance, a national network of small business owners. Our network creates opportunities for small business owners to speak for ourselves on matters of public policy that impact our businesses, our employees, and the communities we serve.

I’ve been a small business owner for 32 years. My wife and I opened a homemade food store in 1985, and over the years have expanded into a full service catering company with 33 full-time employees and up to 80 more part-time and seasonal workers. We take great pride in what we do.

Businesses need safety, transparency, and predictability in order to thrive. For today’s discussion, I would like to focus on what Washington and the federal government can do to help ensure that those basic vital conditions are met so that my business, and small businesses across the country, can succeed.

This starts with ensuring that my employees, my family, and I can access affordable, high-quality health coverage. With the passage of the Affordable Care Act (ACA), premium increases for my company stabilized immediately. My company is no longer vulnerable to dramatic spikes in premiums based on the health condition of a single employee, and there are now basic standards of accountability and coverage to ensure that my we are getting a fair deal. Instead of spending my time sifting through insurance plans or acting as an H.R. Director, I can devote my resources to innovating, growing my business, and producing more jobs.

Second, the federal government has to ensure that we have sensible, protective regulations in place. My business relies entirely on a fundamental confidence that the food and water we consume is safe because of government regulations and effective oversight. Small business owners like myself also benefit from federal financial protections, which, as we know, are even more scarce for us than on the consumer side.

Finally, what businesses like mine require more than anything from our federal government are evidence-based policies that keep overall consumer demand strong. In short, I need the bell on the front door to keep ringing, and that depends on a prosperous middle class with enough disposable income to spend on my goods and services. Policies like a fair \$15 minimum wage, strong federal investment in infrastructure, and comprehensive immigration reform.

Small Businesses Need Affordable, High Quality Health Care

In 1992, when we began offering health care, we had grown to 8 full time employees, and felt a moral obligation to do right by the people who were making our life's work theirs as well. We implemented a structure whereby employees would contribute 50% of the premium in their first year of coverage, and Hel's Kitchen would pick up the entire program thereafter. We continued to grow and expand, and this structure worked well for some time.

Beginning around 2002, though, we began to experience a series of annual, often volatile, premium increases. In 2004, it was a 21% increase; in 2005, 10%; 2006, 16%; 2007, 17%; and a change in carriers to avoid the quoted 26% increase. And in 2008, we were finally forced to ask long time employees to contribute more again because the 17% increase was simply too much for us to absorb. In 2008, I spent almost 13% of my covered employees' payroll on health insurance premiums. Now, that is down to a little over 9%.

Runaway health care rates were a significant drain on my resources, as I witnessed insurance costs consuming an ever-increasing share of my business income. But even more challenging was the unpredictability of our premiums. Premiums could vary wildly from year to year depending on whether a single employee or family member had an expensive illness.

For example, one of our lower wage employees, a dishwasher, was great at his job, but suffered from a malady that required kidney dialysis. When I met with my insurance broker to discuss the premiums for the upcoming year and I asked about the steep rise in my firm's premiums, he attributed the spike to the illness of that one single employee.

The ACA has helped stabilize these costs and correct the market failures that have disproportionately burdened small business owners. This is one of the most direct ways to protect small businesses and help us do our part to create jobs and grow the economy. Insurers now are required to set rates using a single risk pool that includes all enrollees across their small group plans in the entire state. This means that my business is no longer vulnerable to sharp swings in my rates based on the health of a few employees.

Furthermore, insurance companies can no longer underwrite based on health status—so no more charging higher premiums to groups with employees who have a condition requiring expensive treatment. Those costs now get spread over a much larger pool. And, after years of enduring double-digit rate increases with no recourse, insurers are now required to provide justification for unreasonable rate hikes. And, because of Medical Loss Ratio limits, insurance companies must pay back any excess premiums collected at the end of the year. The health insurance industry is unique in its high level of market concentration, but now true competition—competition based on consumer value rather than cherry-picking risk pools from year to year—is now possible, because of the ACA.

I see these gains in my bottom line. My company has witnessed an unprecedented slowdown in rate increases. Since the passage of

the ACA, our average annual increases are a fraction of what they were before, averaging 4.6% for the seven years from 2010 to 2017. I am saving money on premiums, and I am plowing those savings back into business investment and job creation.

The ACA also established minimum standards of coverage and clarity in the benefits of our plan. As a caterer, I am a foodservice professional, not an insurance expert. I don't have the time or bandwidth to pore over countless health insurance plans. I want to know that any plan I purchase is a fair deal—and that means it covers the basic needs of my employees and my family, without surprises. Because of the changes brought by the ACA, I have the security to know that any plan I select will cover essential health benefits, including maternity care, mental health and substance use treatment and prescription drugs. My employees are now more likely to have affordable access to health care that can keep them healthy, and I can devote my time to growing my business instead of administering health care.

Finally, I would be remiss if I don't address the enormous gains in insurance coverage outside of the small group market. For many of my colleagues just starting out their own businesses, the risks they are taking on the chance to succeed are daunting. But, thankfully, they no longer shoulder the added anxiety of being deemed uninsurable.

The ACA and the individual marketplace it established are freeing aspiring entrepreneurs to go out on their own. They are taking advantage of this option. One in five Marketplace enrollees is a small business owner or sole proprietor, and small business owners are three times more likely to purchase Marketplace insurance. This, plus the expansion of Medicaid, has also provided insurance coverage to many employees working in small businesses, particularly those in the lower-wage service and food industries like mine.

Currently, 6.1 million people who work in small businesses are enrolled in Medicaid, and 1.4 million employees have gained coverage through the Exchange. These coverage gains are significant steps to fostering an environment in which small businesses can grow. It means we have a healthier workforce. There is less demand on us as small business owners to administer health insurance programs—valuable time we can spend on improving our products. Most of all, the ACA has given businesses the freedom to choose what makes the most sense for their companies.

Small Business Owners Need Sensible Regulations to Protect Them and Ensure Level Playing Field

Ideological rhetoric blaming government regulations for slow small business growth is at an all-time high. Washington has introduced numerous bills and executive orders aimed at curbing regulations, saying that cutting them will be a stimulus to our economy. Yet, as a small business owner who deals with regulations on a daily basis, I believe these overly broad attacks on regulations are actually harmful for small business owners. An educated, more nuanced approach is deeply warranted.

Let me begin with an obvious example close to home. I make my living in the catering industry. On a daily basis, multiple vendors deliver poultry, beef, and dairy products and fresh produce to my back door. While I'm careful to check the quantity or weight as it is delivered, and make certain the quality is high, I know that I can trust that safety of the food itself because of strong national industry regulations. If I served tainted food at a catering event, people would be hurt, my reputation would be shattered, and my business destroyed. And foodservice operations are some of the largest consumers of water in the country. We need powerful oversight of food and clean water regulations to stay in business. If Northbrook, Illinois were to ever go through what Flint, Michigan went through, I would be out of business the next day.

The same holds true for my fellow small business owners who operate toy stores, appliance showrooms, and machine shops. Both they and their customers trust that the products they sell are not defective or toxic, thanks to wise regulations. Regulations provide the market with an undergirding of confidence, a basic level of certainty to ensure we are protected from tainted food, unsafe drugs, poisoned water, and polluted air. We should not take these things for granted. We see the problems that occur in other countries lacking the stringent regulations that protect the public from the avarice of those who would compromise public safety for a little more short-term profit.

There are other regulations that help small business owners by leveling the playing field against larger, more politically connected, businesses. Anti-trust laws, for instance, give small companies like mine a chance to compete by addressing price discrimination, price fixing, and other unfair business practices. And other regulations enforced under the Small Business Administration ensure that small businesses are prioritized for a certain set of government contracts.

Financial regulations that protect small business owners are equally vital. Many, small business owners use consumer financial products to fund their businesses, particularly through temporary slow periods. Small business owners turn to those types of loans, which are largely unfavorable and often predatory, in times of desperation. It is vital that we have transparent repayment terms, accurate credit reporting, and fair mortgage and short term lending rates.

This doesn't mean the regulatory environment cannot be improved. Navigating the bureaucratic and legal obstacles to obtaining requisite permits or licenses is often difficult and burdensome. But most of these regulatory challenges reside at the local level. Cities, counties, and states have convoluted and slow processes for new businesses, often designed for far larger firms. Easing the burden will entail more coordination among the various government agencies to determine whether any processes can be combined. Washington can help by working with state governments to provide clearer, accessible resources for business owners seeking licenses and permits, and consolidating this information into a single source of access. It can also help by creating one-stop electronic filings of

government paperwork. But all of this should be done in a careful manner that streamlines burdensome processes *without* stripping away vital protections for us, our employees, and our customer base.

Small Business Owners Need Policies that Keep Consumer Demand Strong

I would like to close by saying that I run my business in a local way. My entire client geography exists within a 150-mile radius of my central office. The single most important thing small business owners need to be successful and to create more jobs is more customers—more demand for our products and services. Not tax breaks. Not fewer regulations. Not less oversight. More customers.

Thus we need evidence-based policies that ensure our local communities have a growing, thriving middle class that is not weighted down with excessive debt. These policies include a fair \$15 minimum wage, strong federal investment in infrastructure, and reasonable immigration reform.

While the off-shoring of jobs and a shift to overseas markets have helped large corporations capture record profits, a company like mine can't simply pull up stakes and relocate somewhere across the globe. The health of my business is tied to a healthy economy that has money circulating in a virtuous cycle of rising wages, consumer demand, and job creation.

To accomplish this, we need, first and foremost, to raise the federal minimum wage. Henry Ford understood the link between well-paid employees and paying customers more than a century ago when he recognized his business would only succeed if his workers earned enough to buy the cars they were building, and he doubled their wages overnight.

In our local economies, that same link applies: my business' fairly paid employee is my neighbor business' paying customer. When people in my neighborhood can't earn enough to keep up with the basics—things like buying food, making car repairs, or taking their family out to eat for a birthday or an anniversary—the entire local economy becomes unstable. And those families certainly aren't going to spend money on a caterer. That's bad for small businesses like mine, and that's bad for the economy as a whole.

Second, the federal budget needs to prioritize adequate investment in local communities. This means putting dollars into regional infrastructure, funding trainings for the workforce, and creating financial stability for middle class families. But that spending needs to drive long-term dollars into the pockets of community workers. That is, it should not be spent on low-wage labor that scrapes more profit off the top because that profit is taken out of the community when the project is complete. With these types of balanced, regulated investments in our infrastructure, we'll have a stronger customer base and more resources, which creates a positive multiplier effect for small businesses everywhere.

Unfortunately, the President's budget blueprint does little in this respect. It *dramatically cuts* infrastructure funding in the Depart-

ment of Transportation, the Department of Housing and Urban Development, and the EPA; defunds job-training programs; and underfunds after-school care, higher education training, and childcare for working families. These cuts are concerning for the future of my business and my community. I urge you to reverse these proposed cuts, and to instead adequately fund national programs that boost the economy.

Finally, sensible, comprehensive immigration reform is important for an inclusive, healthy middle class. This country is built on the innovation and drive of immigrants, and the foodservice industry relies on the labor of my peers from all over the world. In the 10th District of Illinois, there are 172,729 immigrant residents, including 5,766 entrepreneurs, paying \$1.7 billion in taxes and with a spending power of \$4.5 billion.

Our current immigration and visa policies not only discourage international tourists and business travelers, but also hinder businesses from finding the workers on which their industry relies. Most of my hourly workforce are immigrants. We start them at 30% over the Illinois state minimum wage, and not only retain most workers for many years, but also give them a solid start to becoming powerful consumers in our local economy.

Conclusion

Small business owners are the engine of our economy, creating two-thirds of all new jobs. The role of Washington is to help create the basic market conditions so that small businesses like mine can thrive and compete on a level playing field with our larger competitors. It's hard to envision a future in which small businesses will continue to be the job creators and innovators of America without the basic conditions I've touched on here today. These include quality, affordable health care, protective regulations, and federal policies that support a strong middle class. We need Washington to maintain and build on the gains of recent years, especially in health care, in order to ensure that the small businesses like mine can continue to flourish.

Thank you again for the opportunity to testify. I look forward to your questions.

