

**EXPLORING THE STATE OF WESTERN KENTUCKY'S  
SMALL BUSINESSES**

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

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None.	
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None.	



## **EXPLORING THE STATE OF WESTERN KENTUCKY'S SMALL BUSINESSES**

**MONDAY, JUNE 18, 2018**

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

The Committee met, pursuant to call, at 10:10 a.m., at the Paducah Area Chamber of Commerce, Paducah Bank Room, 300 South 3rd Street, Paducah, KY, Hon. James Comer presiding.

Present: Representative Comer.

Mr. COMER. Good morning. I call this hearing of the Committee on Small Business to order.

I appreciate everyone coming out today. This is something that we have been working on for a long time. Small business is important, and I have a statement that I am going to read. But just so everyone knows, the purpose of this Committee is to get testimony and do a question-and-answer from four leading business people in West Kentucky in all different businesses that have a huge impact on West Kentucky. I want to be able to listen to the success story that each have, but if they also have impediments to future growth.

What we are trying to do with the Small Business Committee is find solutions to problems that we can take back to Washington to determine future legislation, especially after the August recess. I think we will have an aggressive fall in Washington, especially in the lame duck session. There are a lot of problems that we have as a nation, but I believe that these problems can be solved if we work together.

Let me add that small businesses are the backbone of the American economy, making up 99.9 percent of all U.S. businesses, and 46.5 percent of all U.S. employees. By the latest count, there are more than 30 million small businesses in the United States, including more than 347,000 here in Kentucky.

Small businesses employ nearly 57 million Americans, including more than 696,000 in Kentucky. Small businesses were responsible for 1.9 million net new jobs in 2015, including more than 17,000 net new jobs in Kentucky. While in Washington, my fellow Small Business Committee members and I regularly held hearings and participated in roundtables where we heard from small businesses from all across America, subject-matter experts and government officials about policy recommendations to create an environment that will spur entrepreneurship and help small businesses grow and create jobs.

We also write legislation that will improve federal policies and initiatives that will help these small business owners and job cre-

ators succeed. Access to capital has always been a top priority for this Committee. It gives small businesses the resources they need to keep the doors open and the lights on, to purchase inventory, and to pay employees.

However, since the financial crisis almost a decade ago, the number of community banks in the United States has decreased, the amount of paperwork for banks and businesses has increased, and it has become more difficult for small businesses just to meet payroll.

The Small Business Committee is continuing to work to ensure that small businesses and entrepreneurs are able to access the funds they need to expand and grow their businesses.

Another concern is one-size-fits-all regulations that have a substantially higher impact on small businesses than the rest of the economy. We continue to fight career Washington bureaucrats to reduce the burden of regulations on small businesses so that employers and employees can focus on running their businesses rather than dealing with confusing and duplicative paperwork.

As most of you know, Paducah is a dynamic, fast-growing city that engages its citizens and is recognized as a regional leader on many levels. Paducah is also financially sustainable, maintains quality infrastructure and facilities, and has a thriving river industry. It is a small city with big aspirations that offers great incentives for families and businesses to flourish.

This morning we will hear from a distinguished panel of West Kentucky small business leaders. I requested this field hearing so that I could hear your concerns and get your advice on the policies and initiatives that matter the most to small businesses in West Kentucky and Paducah. I will take these ideas and recommendations back to Washington and continue to work with my colleagues at the Small Business Committee to focus on these priorities.

I appreciate the witnesses for taking time from their businesses to be here today, and I look forward to your testimony.

I am going to explain real briefly what we have here in front of you. We have to deal with the lights. Each person on the panel will have an opening statement that has been prepared, and it will be submitted for the record.

I would like to take a second to explain the lights. You will have 5 minutes. Once 4 minutes pops up, you get a warning light. If you go over that 5, we are not going to be too strict on that rule. But in Washington, you have to have a timer on everything, everything. If you didn't, we would still be on the floor talking about something.

But before I do the introductions, I want to thank the Paducah Chamber. Senator Wilson is here in the back. Thank you for allowing us to be here. Hopefully most people know we have a regional district office here in Paducah, upstairs. Marty is the field rep in the back. If you ever have any questions or concerns, feel free to talk to Marty.

I also want to recognize Senator McConnell's field rep is here, Morgan Alby, in the back. Thank you for being here.

We have a lot of good friends and business leaders in the crowd.

I would like to take time to introduce our witnesses. I will introduce each witness, and then we will start when I conclude the introduction. I will let Mr. Kimbell start.

But I would like to introduce our first witness, Bruce Kimbell. Mr. Kimbell is President and CEO of First Community Bank of the Heartland in downtown Clinton. He is a graduate of the University of Kentucky and a past member of the Board of Directors of the Kentucky Bankers Association.

I would like to also acknowledge Mr. Greg Gunter, Vice President of First Community Bank of the Heartland, who is here today. I appreciate you being here.

I look forward to hearing Mr. Kimbell's testimony today.

Our second witness is Mr. Leon Owens. Mr. Owens is President of Swift & Staley in Paducah. Swift & Staley began in 1979 as a construction contractor and has participated in electrical and general contracting. In December 2017, Mr. Owens was elected to serve as the 2018 Chair of the Board of the Paducah Area Chamber of Commerce, which I might add is by far the best Chamber of Commerce in Kentucky, probably in America. He is a graduate of Eastern Illinois University and earned an MBA from Murray State University. We welcome Mr. Owens here today.

Our next witness is Mr. Edward Musselman. Mr. Musselman is the owner of Musselman Properties in Paducah. Musselman Properties restored the Coke plant in Paducah as a home for 10 local small businesses, including the Dry Ground Brewery Company, owned by the Musselmans and Socially Present's representatives, who are also testifying today.

I would also like to recognize Ms. Megan Musselman, Co-Owner of Musselman Properties. Is she here?

Mr. MUSSELMAN. She is unable to be here.

Mr. COMER. Okay. We welcome Mr. Musselman here.

Mr. MUSSELMAN. Thank you.

Mr. COMER. Our final witness is Mr. Jonas Neihoff. Mr. Neihoff is the President and Founder of Socially Present, a digital marketing firm in Paducah. Socially Present provides a variety of services for clients not only in Paducah but also in St. Louis, Nashville, Louisville, and beyond. Mr. Neihoff is a graduate of Mid-Continent University in Mayfield. Welcome, Mr. Neihoff.

We appreciate everyone being here. I think this is as good of a panel as we could assemble to talk about the challenges that we have in small business and to hear some success stories. So with that, we will start with the testimony.

Mr. Kimbell, you may begin.

**STATEMENTS OF BRUCE KIMBELL, PRESIDENT, FIRST COMMUNITY BANK OF THE HEARTLAND, CLINTON, KY; LEON OWENS, PRESIDENT, SWIFT & STALEY, INC., PADUCAH, KY; EDWARD MUSSELMAN, OWNER, MUSSELMAN PROPERTIES, PADUCAH, KY; JONAS NEIHOFF, OWNER, SOCIALLY PRESENT, PADUCAH, KY**

**STATEMENT OF BRUCE KIMBELL**

Mr. KIMBELL. Thank you. Good morning, Congressman Comer and other guests. My name is Bruce Kimbell, President and CEO

of First Community Bank of the Heartland. We are a community bank headquartered in Clinton, Kentucky, with five offices here in the Purchase area and two in Northwest Tennessee.

The history of our \$220 million bank dates back over 80 years, and we pride ourselves on being able to serve the financial needs of our local area. I appreciate the opportunity to be here today to present my views on helping the agricultural and small business community through public-private partnerships like the 7(a) program.

Here in my time at the bank, the SBA's 7(a) program has been an important tool as we resolve to help the small businesses in the communities we serve. At my bank, we are intensely focused on building and maintaining long-term relationships with our customers. We view our customers not as numbers but as individuals and business owners. They are our friends, neighbors, and job creators in the communities.

The SBA programs, like the USDA loan programs that we also utilize, are an important part of our business in ag lending. They help fill a critical gap, particularly for new and beginning businesses that need access to longer terms and the flexibility that guarantees provide.

The guarantee is critical to the bank as we seek to manage the risk associated with these loans and facilitate opportunities that might never have been made without this important level of support. Government guarantee programs like those provided through SBA have been an important product for our institution since my arrival in 1989. 7(a) lending at one time was a core product, but unfortunately changes to the program over the years have complicated the loan-making process not only for us but for several of my peers that I have reached out to for comment.

We continue to try to utilize the program and have had the good fortune of helping many beginning farmers as they sought to diversify their family farming operation. Our guaranteed business lending has assisted a wide variety of enterprises all along Main Street, and each of these entities play a key role in their local rural community providing job opportunities and needed services.

On March the 6th, 2018, the SBA Inspector General released a report on ag lending within the 7(a) program which examined 11 poultry loans made between 2012 and 2016. The IG then recommended taking corrective actions on the loans if necessary, and to review current arrangements between integrators and growers. My understanding is that the SBA examined all loans and found that they were correctly made in accordance with SBA policy at the time.

As you are aware, poultry loans represent approximately 1 percent of the entire 7(a) portfolio. Our utilization of federal and state-sponsored guarantee programs to assist our poultry customers and other small ag producers has allowed numerous farm families to remain on the farm and to remain a viable economic entity. Farmers need to have as many financing options as possible as every farmer is different and sooner or later will experience both good and bad times. Maintaining access to the 7(a) program is critical for the development and success of our nation's smaller producers in the overall ag economy.



As with any other program, there is room for improvement, and I would like to share some examples of how the program can be improved primarily related to the servicing of SBA loans.

One, we should be able to enable consolidation or refinancing by the same lender of a single borrower; provide a carve-out for small portfolio lenders such as the First Community Bank and other community banks across the country to attain a guarantee to avoid regulatory loans to one borrower limitation; and then facilitate liquidation of multiple loans to a borrower.

In conclusion, banks play an integral role in promoting the economic strength of the communities we serve. The SBA's 7(a) loan program is a vital piece of that, as our bank wants to facilitate and promote economic growth, and this program should be vigorously supported in the future.

Thank you for having this meeting and my invitation to speak. I look forward to any questions you might have. Thank you.

Mr. COMER. Thank you, Mr. Kimbell.

Mr. Owens?

#### STATEMENT OF LEON OWENS

Mr. OWENS. Good morning. My name is Leon Owens. I am President of Swift & Staley, Inc., a 100-percent employee-owned local business, government and commercial contractor. I would like to thank the members of the House Small Business Committee, especially Kentucky's 1st Congressional District Congressman, James Comer, for hosting the field hearing in Paducah. We sincerely appreciate the opportunity to share our story and provide insight into the challenges we encounter.

Swift & Staley Mechanical Contractors, Inc., was established in 1979. The initial focus was to provide electrical and mechanical contracting support services to local businesses. In 1994, the company split. The husband and wife team, Mr. and Mrs. W.G. Holsapple, Jr., purchased the assets of the mechanical portion of the business. The Holsapples had a vision for Swift & Staley Mechanical and redirected the company's efforts toward mechanical maintenance support for area hospitals.

The Holsapples ultimately wanted to position the company for business opportunities in the government contracting arena. The vision came to fruition in 2000, when Swift & Staley Mechanical Contractors was awarded a general site services subcontract by Bechtel Jacobs Company, LLC, to perform facility maintenance, roads and grounds maintenance, and janitorial services at the site of the Paducah gas infusion plant in Paducah, Kentucky.

The United States Department of Energy Office of Environmental Management awarded Bechtel Jacobs a management and integration contract for 5.5 years that included a provision for Bechtel to serve as a site integrator, which meant they were to hire subcontractors through competitive bids to accomplish the end mission in Paducah.

In 2004, recognizing the potential benefit that small business could provide, and seeking to improve small business contracting goals, DOE solicited requests for proposal for the first DOE EM complex-wide small business prime contract, the Paducah site infrastructure contract. Based on the excellent performance that

Swift & Staley Mechanical had experienced as a subcontractor to Bechtel, the Holsapples formed a team and submitted a proposal for the opportunity. The scope of this initial contract included environment safety and health and quality, safeguards and site security, roads and grounds maintenance, snow and ice removal, property management, fleet management, information technology, and janitorial services. In June 2005, Swift & Staley Mechanical commenced work as a small business prime contractor.

Since the initial contract award in 2005, Swift & Staley has won the re-competitions in 2010, and again in 2015. And the contract itself has grown in revenue, as well as employees. The contractual scope of the work expanded in 2015 to include engineering, construction, and additional facility support and maintenance.

In 2012, the company changed its name to Swift & Staley, Inc. This change was made to alleviate confusion with another small business of a similar name. And in 2016, Swift & Staley and North Wind Solutions, an Alaska Native small business corporation, formed a joint venture and submitted a proposal for work, similar to what we were performing in Paducah, in Piketon, Ohio. The effort was successful and the joint venture, Portsmouth Mission Alliance, was awarded a firm fixed-price contract.

Swift & Staley transitioned from a privately-owned entity to an employee stock ownership plan in May of 2017. We are aggressively looking to expand our service to other federal sectors and locations while maintaining our core competencies and client focus. On behalf of all small businesses, we would like to thank Congressman Comer and the Small Business Committee for supporting H.R. 5236, better known as the Main Street Employee Ownership Act. As a small business prime contractor, we would like to highlight a few of the challenges that we have encountered.

Number one, small business size standard. Swift & Staley, Inc.'s primary North American industry classification code, or NAICS code, is 561210, Facility Support Services, with a revenue basis of \$38.5 million on a three-year rolling average. Because we obtained additional work to support our client in years 2014, 2015, and 2016, Swift & Staley exceeded this revenue threshold for 2017. And based on that, we were unable to competitively bid any small business set-aside procurements. We respectfully request the Committee review the small business size standard methodology, simplify the process, and include an annual increase in the revenue threshold to allow for small business growth.

Number two, at the national laboratories across the United States, the U.S. Department of Energy should require the outsourcing to small business of all necessary site functions that otherwise distract the labs from executing their core mission in high-end science, R&D, and weapons. Example areas to be outsourced include environmental compliance, facility maintenance, safeguards and security, occupational medicine services, IT and cyber, roads and grounds, capital projects, engineering construction, maintenance and repair of real property. Importantly, every dollar subcontracted to a small business by a national laboratory counts toward DOE's prime contracting goals.

Number three, competitive prime opportunities are limited for capable small businesses and should be made available through a

more balanced and fair procurement process. Unless a small business possesses extraordinary qualifications, only a few companies, large or small, within the DOE sector can qualify for most prime opportunities.

Number four, small businesses are often left with Tier 2 DOE opportunities that are not meaningful in nature, and predominantly staffing contracts or less sophisticated project scope that is low price driven or reverse option. The terms and conditions for execution are often iron clad, and all risk is driven down to small business. Most prime contractors would not agree to perform work under these same terms and conditions they impose on small business contractors.

Number five, consistent with unrestricted prime contracts, the DOE should consider a 10-year contract term that includes a five-year base period and one or two multiple-year option periods for small business prime contract set-asides. Longer contracts enable small business to bid competitive pricing through forward-looking pricing models. It also encourages a long-term government contractor partnering where efficiencies and execution are gamed and progress is made. It eliminates frequent competitive bids that are costly and time-consuming for both the government and the contractor.

Congressman Comer, we want to thank you for chairing. We appreciate your consideration and look forward to your questions.

Mr. COMER. Thank you, Mr. Owens.

Mr. Musselman?

#### **STATEMENT OF EDWARD MUSSELMAN**

Mr. MUSSELMAN. Thank you, sir. This is written to all members of the Small Business Committee and any other interested parties, and thank you for the interest in the region. Obviously, you as well have a lot of interest in the region. I believe this inquiry is very timely. Western Kentucky has been slow to grow over the years. Many of the region's larger employers have reduced jobs. Some plants have ceased operations altogether. There has been a fear for many years about what our region is going to look like in years to come.

However, there has been a recent mounting of enthusiasm and excitement for the creativity that has swelled to relevance in Paducah and surrounding areas through small business growth. It is momentum that can forever change the landscape of our local economies and have a lasting impact on our region, or it can be abused and squandered through lip service of support and accompanied cash grabs.

I really don't know if the intent here is to celebrate wins in our region or to point out where help may be needed. What I want to see is a booming economy of small businesses opening and flourishing, increasing the draw to the area for visitors and residents alike.

Over the past 5.5 years my wife and I have worked on a project that really depicts what makes small business success so difficult. Those "supporting" are often the ones who are guaranteeing limitations on levels of success and achievement. Lenders and government are two specific bodies that come to mind. I refuse to accept

no for an answer, even when hearing it continuously for years, and quitting is not in my nature.

We took a building that was deemed a liability of no use and slated for demolition and put it back to its former grandeur. With that said, we saw the opportunity to better showcase and promote some creative people and their businesses and higher visibility, that it might help them, us, and the attractiveness of our community. We have been celebrated locally and regionally, featured in publications across the state and the country. An economic development group here in Paducah has won an international award due to the small business undertaking. We have been awarded state preservation awards. We and the tenants of the Coke plant employ many talented folks and are involved in countless collaborative activities with area businesses and non-profits.

Why was something this appreciated not easy to achieve? Answer: Imposed limitations by people doing a job that aren't empowered to do anything risky, which really translates to new, creative, innovative, or change creating. The only risky thing here that I see is if it would have imposed enough fear and small thinking onto our project to change the outcome to one of failure.

There have been some helpful contributors throughout this process, many of them, in fact, and thank you to the partners and supporters. But understand that it took everything that we had to get it to go. This was an absolute gut-wrenching sacrifice that our family made and had to endure. We put our head down, we did what we had to do.

Why? Why was it that hard?

There were far more challenges that were necessary to make this celebrated thing come to fruition. Why? Why is the climb so steep to get a small business around all the naysayers and powers-that-be that control one's ability to get open and operating successfully? Why is the immediate tax burden so high? Are governing bodies so short-sighted that they want to grab all they can right out of the gate, rather than foster prosperity to the business so they can yield many magnitudes greater reward down the road than the cash grab up front, followed by yet another vacant storefront and the questioning as to why?

The Affordable Care Act is just one example of several federal and state examples of limitations that our government brings us. The Affordable Care Act impacts restaurant owners in a way that I do not believe was intended. Obamacare was set to waive small businesses from penalty. The criteria is confusing, and no one is an expert on the subject except the insurance companies, and that is questionable. Seeking advice on if you need more insurance from an insurance company is like going to a car lot and asking if it is time to buy a new car. All businesses owned by someone pulled together for the Obamacare calculation, and restaurants are very personnel heavy. It is not difficult to get to 50 full-time equivalents as a restaurateur and heavily penalized by the government.

Does that make you a big business? I certainly do not believe so. Does this discourage hiring, expanding, opening, owning additional businesses? I believe it does.

We have earned federal tax credits through the extensive cost of proper historic preservation. The tax credits are appreciated, and

I want to state that clearly, are appreciated and significant, and would be very beneficial in assisting with cost reduction of start-up. But unlike the state historic tax credits, the federal tax credits are not refundable and can only be used against passive income. By the time I have enough passive income to use these tax credits, I won't need them anymore. I need them now.

We have active income that applying this credit towards would benefit our situation greatly, but it appears it only applies toward passive income. This is after consultation with accountants and experts on historic preservation at the state and federal levels. Despite the belief by some that it is intended to and can be used on active income, we have reached no definitive path to applying these credits in any manner despite some exhaustive effort.

If these tax credits had immediate value to our situation, we would already be undertaking preservation from an additional historic building that we own. As it stands, we currently have no feasible financial means to that.

We applied for an SBA loan. During this process, for one of our businesses in the Coke plant and after the extensive red tape of the application and the obligatory begging process, they said yes and strung us along for seven months before finally saying no. All that time-wasting run-around did was increase the challenge and decrease the time available to achieve a baseline of success to avoid foreclosure, then bankruptcy and making the naysayers right. It is very easy to say something can't work, and there are a lot of people out there who are going to prove that that is right.

It wasn't easy, and it should have been, but I am okay with that. I was determined to never quit, and I knew we would make it work. I am not sure that everyone would have, and I can say with all likelihood that very, very, very few would not have quit at some time in the last five years.

This celebrated landmark has become a blueprint for growth in other communities and brought good things to our community should not have been able to happen. It is not necessarily because I am good at anything. It is because I don't know when to quit and I believed in what we were doing. But people who are conditioned to quit during tremendous adversity have zero chance. Hence, high small business failure rates, foreclosure rates, bankruptcy rates, and subsequent tightened lending principles mandated by the Federal Government comes as a result of the failures of under-capitalized businesses. It is kind of cyclical.

If governments would lower the take from the small business owner in the first place, few would be operating short of funds. There would be more happy stories and fewer bankruptcies and less need for the mandated red tape that slows growth to a crawl when approaching lenders.

We told everyone what was going to happen in this building 5.5 years ago. They thought we were crazy, but we did it despite the necessary roadblocks. There is no reason it should have taken five years to get to this point. There are likely many, many, many success stories that would stop just short due to all the wrong reasons.

Small business success needs to be available to many, not to a few. It needs to be achieved with reasonable effort and commitment

to necessary challenges with limited bureaucratic imposed barriers, and that will be good for all.

Small business development center I have already stated is great. Chris Woodard has been very helpful in our process. However, his office and others in the region are underfunded and spread thin. The Paducah location of the Kentucky Innovation Network has disbanded recently. Also, the focus for small business services is typically to get you open, not helping keep costs down through services offered once business is operational.

The Forward Paducah initiative through Paducah Economic Development is a great vision and road map for this region. I believe Entre Paducah is back in action, getting people pointed in the right direction. There is a non-profit, Maker Space Sprocket. Our Visitors' Bureau is a tremendous asset and promoter of creative offerings in our area, but I think there is more needed to raise the level of expectation for small business growth in this relatively rural region.

Lower costs, lower payments to governing bodies, and fewer mandates are real access to real value provided by those governing bodies. If someone has a talent and a business is needed to showcase and present their talent for a living, they need to first abandon all focus on their skill, which is the reason for them opening a business, become a jack of all trades. Master accounting, marketing, bookkeeping, legal, HR, hiring, et cetera, et cetera, et cetera. It is endless. While trying to open a business and attract customers and compete with larger companies, they also must learn how to perform professional-level services that one may have little interest or aptitude for, or hire an accountant, a payroll clerk, bookkeeper, an attorney, et cetera, which would make paying the many tax bills that much more difficult.

Obviously, this is a known battle that small businesses have to account for, but all this could be outsourced or handled adequately in-house if federal, state, and local governments were not showing up to the ribbon cutting with palms extended.

There will be jobs. There will be increased values when fewer commercial locations are vacant. There will be growth. With growth comes money. But there is no growth when the doors are shuttered due to an inability to keep up with tax burdens, licensing fees, ridiculous and unnecessary increases in cost of construction improvement associated with code interpretation, which comes down to one hired person's interpretation, and there is no means for a small business owner to really adequately challenge or question those costly opinions of inspectors.

If you want people to step out and step up to grow and change areas, let it happen. Aide if you will, but just allowing more money to stay in the hands of those driving change and starting businesses will allow for more growth to occur.

One of our small businesses is a brewery. We own a brewery and a restaurant under the same roof. The restaurant sells the beer that is brewed by the brewery. The three tier system in Kentucky prevents self-distribution, and therefore prevents the direct sale and transfer of the beer 60 feet from one cooler to another. Instead, we are mandated by Kentucky state law to use a distributor, a distributor that we don't need, and they must transfer our beer 250

miles to here in Kentucky where it must sit for 24 hours in a bonded cooler before traveling 250 miles on a return trip back to Paducah to the same building where it was brewed and mandated by law to have left the day before.

This is not environmentally friendly. This drives up cost for the small business. This potentially diminishes product quality, and it most certainly is an unnecessary inefficiency felt by buyer and seller, in this case my wife and I on both ends. This is a state law, but the state law is hurting businesses nonetheless.

We did something that was very difficult, and now it is a jump. Now it is the city and the state and the Federal Government's cash cow, and that limits our growth and hiring.

Having free or reduced access to bookkeepers, accountants, attorneys, marketing firms, human resources services, hiring agencies, et cetera, et cetera, that would be a real help to improving success rates of small businesses. Or better yet, just let small businesses keep the money that they are earning. Most will be immediately returned to the economy by easing the burdens that restrict growth.

If the cost of doing business is less, more will be able to successfully operate businesses while providing an adequate living to their family and those that they employ. Fewer vacant buildings will strengthen real estate markets. More jobs, more offerings, and strong economies will attract additional residents and businesses. This is all known; this is all very obvious. I am not sure why we are not doing it.

I certainly mean no disrespect to any individual or specific business or organization. I appreciate the willingness of Mr. Comer and the other members of the Small Business Committee to be inviting feedback in this manner here today. I know there is some over-simplification of some complex issues that might intertwine with commitments to other stakeholders other than small business owners, but I am hopeful that consideration will be given to the further reduction of burdens placed on the shoulders of the American small business owner.

Small businesses don't have lobbyists. We appreciate opportunities such as these to voice concerns.

Thank you all very much for the invitation, the time, and your attention. Thank you.

Mr. COMER. Thank you very much.

Mr. Neihoff?

#### **STATEMENT OF JONAS NEIHOFF**

Mr. NEIHOFF. All right. Well, you all have my written testimony, so I am going to go off script a little bit and just kind of share a little bit. It is probably a horrible mistake, but I am going to go ahead and do it anyway.

Just a little bit of background on myself. I am one of six kids. My father is a home painter. My mother cleans homes. We grew up in a lot of challenging situations, both my parents working for themselves. I saw their struggle. I saw my dad have multiple ideas and aspirations and things he wanted to achieve, only to hit roadblocks himself and feel that it was just too overwhelming. The discouragement of trying to step out and start a business when you

have a complex business ecosystem like we have now with government, but also technology changing, it can be very intimidating.

As Ed said, it is not for the faint of heart. You have to have some grit to really get through it. You have to have a little bit of your quitter to just be missing in your brain to keep going. It is not easy.

So I saw those challenges, and that is really what inspired me to start Socially Present. When I went to school for business, I wanted to be able to help those people navigate through some of the complexity of business and accomplish some of their dreams and their goals, because I saw my own father not being able to do that.

And I have seen time and time again throughout my life with this that entrepreneurs who are stepping out and trying to do something hitting these roadblocks because everything is just overly complicated. It is just overly complicated. We need to simplify things. We need to make it easy and provide real help.

I think a lot of that complexity comes, and where the bureaucracy kind of comes is because we take outlined situations and we start to build policies and procedures around them, and they are outlining situations that don't apply to everyone because business is dynamic. Every business, every organization is different.

So we try to systemize, and I understand why the government tries to do that, to create their own efficiencies, but it has created inefficiencies. We have had all these legal loopholes to jump through that slow down our ability to just grow, as Ed was saying, being able to just really grow and expand.

The two sides of what I feel would be the most helpful is—and when I look back at my success, the question was asked what is the biggest resource, and what was your biggest obstacle? I would say by far the biggest obstacle is the complexity of business. There are just too many things that you have to jump through. The government makes it difficult a lot of times, and the technology changing, all the different aspects, putting a business plan together. It seems like half the time when we meet with people, by the time they have their business plan put together it is not even relevant anymore. Things just change so quick. So by far, the biggest obstacle is the complexity.

The biggest resource when I look back at what helped me was, honestly, the very core of it was a mentor. Having someone who had been there and had gone on and accomplished some great things to help me along the way and help me navigate the complexity of business was an incredible resource. And it wasn't always just the education, but sometimes it was that encouragement to keep going and to keep moving forward.

Looking back and after meeting with several business owners, I realize how rare that was that I had the opportunity to be able to find someone like that and how really valuable it truly was. I see these others who don't have access to that, and I see organizations like Chris Wooldridge and some of the others, that these organizations exist and they are trying to fill that gap, but they are incredibly under-resourced. They don't have the resources to meet the demand.



I spoke with a gentleman this week who said that he had gotten involved in the SCORE program, and it was six months before he even got matched up. I mean, it takes too long to do it. In the meantime, and this is kind of a soapbox rant, but I see a Baby Boomer generation that is retiring that I think would be a great asset to field some of those mentor programs.

But I think that the biggest two things, again, that I think the government and that I would ask that we could do is really remove some of the complexity and get rid of some of the bureaucracy that it takes and realize that every business is different and dynamic and unique; and then the second is to meet that need. What I would love to see is a statewide mentorship program, whether it be even some of the seminars and some of the things that Chris has done, or even matching people with others in their industry throughout the state. The difficulty of doing that on a local level is a lot of times you are matched up with people who might be perceived competitors. Statewide, you could give people access to great minds and that are a little further along that are willing to share that knowledge and help Kentucky grow as a whole.

That is really all I have.

Mr. COMER. Well, thank you all very much for your testimony.

Again, this is the Small Business Committee. So when I requested to have a field hearing, we wanted to have four diverse small businesses in West Kentucky. So we have a community banker with a large agriculture portfolio; we have one of the subcontractors for the DOE side; we have a real estate developer; and we have a startup technology company based here in Paducah. So I think that is a pretty diverse portfolio of small businesses.

At this time, what I am going to do is we have notes from the testimony that was submitted and from things that I just jotted down listening. I am just going to go down the line and ask each of you different questions, and when we conclude I will probably ask a question to the effect of what would you like to see Congress do, what can Congress do legislatively to help small business? But that will be the last question, and we will be mindful of everyone's time, and we will rattle down through these questions, and hopefully we can get everything in and then get the concluding statements. Then I will go back to Washington and hopefully we can get some results from this field hearing, and I think we will. I am very confident.

I will start with Bruce Kimbell. One of the reasons that we asked you to be on the panel is you all do a lot of SBA loans. I was with a bank in a rural community that didn't do any SBA loans, but the other bank, the other community bank did. This Committee has jurisdiction over SBA, SBA loans, and things like that.

What are some things that need to be changed with the SBA program to make it easier? I know that Mr. Musselman gave an example of someone applying for an SBA loan for a long time and then they were rejected. What are some things that can be done to tweak the SBA program to make it easier to get a final decision quicker? I don't know if Dodd-Frank reform has changed that any or what.

Mr. KIMBELL. I don't know if there is an easy answer for that or not. Just as Mr. Musselman was talking about a few moments

ago, we too have seen the struggles as far as trying to deal with some of our borrowers. Most recently, it just so happens in the same line, in the same industry, the restaurant business, we just recently had closed an SBA loan, I guess within the last couple of months, and I think that that particular deal took us about a year to get through.

Mr. COMER. Versus how long would it take a normal loan? If you were going to the SBA, your bank was doing it, what would that be?

Mr. KIMBELL. Sixty days, maybe. I am guessing. Sixty to 90. You would hope 60. You would hope less than that. But still, that particular process to the individual, they were a multifaceted company, a husband and wife team. They had two or three different lines of business that were all fairly new over the last 10 years. So it complicated the process going through each one of those entities, where that might not have been the case. But just trying to find that, I spoke with—I am sorry, I can't remember his name here, the staff member—and the issue that I have seen. I started with our bank in 1989. At that point in time, there was a regional SBA office in Louisville. I can remember the gentleman's name, David Heil.

When we had a problem with a loan or trying to work through a process, we called David. David helped us through that process. I haven't seen Mr. Heil in 20 years, but he has expertise, he has ability to help us work through that process, versus today where everything is automated, everything is standardized. You are trying to put everything into a box, and just as you spoke of the differences between each one of us and the stories we brought, each small business brings that to the table also. So it is very difficult to put that into a box. It is difficult to make a standardized process.

Now, I understand the need to be efficient. I see where that comes from. But yet anything that we can do to push that back down to the local level helps, even if that local level is still 300 miles away in Louisville. That is still better than—I am not sure now, maybe California where we send an application today.

So that, to me, is one step that could very easily help, is just trying to bring some of that back down to a closer level.

Mr. COMER. Thank you.

I am just going to go down the line. We will do this for a few questions, and then we will try to start wrapping it up.

Mr. Owens, I am intrigued by the ESOP. I didn't know—I should have known. I didn't know you all were an ESOP until I read your testimony that you submitted. I am a big fan of ESOPs. I think one of the most successful companies in Kentucky is Hutchinson Industries. I know people who work at Hutchinson's. I know low-level workers that were back boys that were in the ESOP that retired with just unbelievable pensions because the company had grown and stuff.

One thing I want to mention is our Committee and the full House advanced H.R. 5236, which you mentioned, the Main Street Employee Ownership Act. The bill allows small business owners to participate in ESOPs, which I think is the most beneficial program in the world for employees to gain wealth and be part of the man-

agement team and everything at the company. But this bill hasn't advanced in the Senate yet, so we are working on trying to push the Senate, our counterparts in the Senate Small Business Committee to try to get this bill pushed through. I wanted to mention that.

But can you tell us anything about the ESOP? Has it been any type of change going from a private company to an ESOP or anything like that?

Mr. OWENS. Yes, sir. I think it has been a major culture change for us because previously, as I stated, we had a husband and wife that owned the entire company, and the decision-making was centered based on their experience. But now we have a board of directors, and that board of directors is made up of employees who have been with the company for a number of years. But the board of directors also recognizes that for us to maintain a level of excellence, and also to be relevant moving forward, it is in our best interest to make different decisions than if the profits were going directly to individuals, and that has been the largest, probably the biggest change.

I think also the ability to look and venture out beyond just our local area, because we currently have another project that we are performing in Ohio, and we are branching out into Tennessee and then in some other areas and not just be specific to one particular governmental agency like we are right now. I think being able to diversify is very important.

Also, Van Meter Insurance, we have had a long-term relationship with them, and I think just listening to their story has been an encouragement for us as we move forward because we just completed our first year in the ESOP world.

Mr. COMER. That is great.

The second question to begin with, we get a lot of complaints in our office about the definition of size for the DOE contracts. You mentioned that in your testimony. We have other subcontractors at the DOE site that are in the audience today.

What do we need to do to change the definition of size? We want small businesses to grow, and it seems sometimes they grow and they slightly exceed the definition of a small business, and then they are going to shrink because they are ineligible for contracts.

Agencies are trying to meet the small business goals. That is something that we hear about in Washington. The goal of this Committee is we want more small businesses awarded subcontracts for projects like the deactivation. But the growth of small businesses kicks them out once they move past that threshold.

What do you think needs to be done? You had mentioned changing the threshold. What should the threshold be?

Mr. OWENS. I think, Congressman, if you take a look—and again, I will use us as an example. But if you gain additional work, if you are already a prime contractor, not a subcontractor, not doing staff augmentation, but if you are already a prime contractor and you have an opportunity to gain additional work, you are always looking to see and you are having to work with your accountants to make sure, because—I will come back to your question—there is a gap between the 38.5 and then a large business. As I pointed out, last year we were unable to compete as a small busi-

ness because we had exceeded the revenue standard by a small amount, but it doesn't matter, we had exceeded it.

In order for us to then compete, we would have to be in the area that is called full and open competition, and that brings in all of your large, multi-billion-dollar companies, and you can't compete with that. I mean, there is no way that you can compete in a full and open.

There is a whole other discussion about the deactivation contract here in Paducah. I can make a strong case to you that that did not have to be a large business procurement. I can make a case to you that it could have been a small business set-aside. I can make a case to you that what that large business is doing by subbing out all these pieces of work, a small business can do the same thing because it is not about performing that work as a large business. It is about managing the work that you subcontract out. There is a difference there.

But I think that there should be an automatic cost-of-living adjustment that is built in to the revenue size standard because we may exceed that again, and if you exceed it one year, then you are out of business for a couple of years based on that rolling average.

So I just think that there is a way to have a more simplified process. As each one of the panelists has mentioned, there has to be a way to have a more simplified process. You could tie it to the cost-of-living index. You could have an automatic increase. Right now it is 38.5. You could use some type of calculation to make that 40, and each year, because as businesses grow—I mean, that is what you want. You want your revenue to increase. So quite naturally, you would then want to have the size standard increase as well.

One other option, though, too, Congressman, is some of the NAICS codes are set aside for a number of employees and/or revenue. So you could easily say if you have 250 employees or less, or the revenue size standard of 38.5, you would still qualify. So there are a couple of options there that could be utilized.

Mr. COMER. Thank you.

Mr. Musselman, I appreciate your testimony and your story and the difference you made in Paducah, especially there at the brewery. I appreciate risk takers. In this Congress, I can say today, we try to reward risk takers because we believe that that is the path to growing the economy, not through the government.

One of the goals of this Committee and of President Trump has been to try to reduce unnecessary and burdensome regulations to try to be able to free up the private sector to where you invest more money into the economy, grow the economy, create the jobs and things like that.

One of the big issues, certainly in the year-and-a-half that I have been in Congress, and beyond, has been the Obamacare mandate. I want to mention this. The Small Business Committee has written the IRS seeking more information about enforcement for small businesses with 51 to 1,500 employees for 2015 and going forward. The IRS, believe it or not, has not provided the information, but we are going to continue to request that. There has been a lot in the news about Congress requesting information from the Department of Justice and the FBI on another issue that I certainly don't

want to get into today, but we are trying to break this bureaucracy. The government created a huge bureaucracy over the last decade. We are trying to disrupt it. We have disrupters here. You all are younger entrepreneurs, more of the disrupters, and we are trying to battle the bureaucracy.

But I wanted to ask a specific Obamacare question because you mentioned that in your testimony. While employers with 50 or fewer employees are not subject to Obamacare's burdensome employer mandate, many small business employers still find the cost of health insurance unaffordable and options limited. How important is it that we continue to fight to repeal and replace Obamacare so that Americans have more options for better access to care and to try to reduce the cost of health care, or at the very least stop the double-digit growth of health care premiums every year?

Mr. MUSSELMAN. Well, that is certainly a very high-level question, and thank you very much for the kind words. I am no expert on Obamacare, but I have been involved in two restaurant operations, one that I was an advisor, one that I am an owner, and both I just feel are being brought into Obamacare standards outside of the intention of that law. If you are running an accounting firm or you are running an architecture firm, you have 50 architects, you probably are a big business. Running a restaurant with 50 employees is not a big business.

So I feel like the restaurants specifically are falling into a grey area that really—I mean, we want to provide health care for employees that are doing a good job for us. It is not about that. It is really about the mandate itself, and there are so many employees who aren't necessarily in a restaurant looking for health care because it is a small business.

So I feel like the restaurants are falling into a grey area that was intended to probably be falling into the small business side.

Mr. COMER. What about the—and if you don't want to answer this, you don't have to. When we were doing the tax reform bill, the historic tax credit initially was—

Mr. MUSSELMAN. I would love to talk about the tax credit.

Mr. COMER.—was taken out, and we got a lot of calls from Paducah. Sandra Wilson is a very effective lobbyist in the Paducah area, and I will be honest, I didn't realize there were as many people in the 1st Congressional District of Kentucky that were taking advantage of, in a good way, the historic tax credit.

Mr. MUSSELMAN. I think it is fantastic.

Mr. COMER. Did you participate?

Mr. MUSSELMAN. Absolutely. I probably spent, again—you know, I don't want to dig into finances. I mean, everybody has their issues, needs, wins, losses, whatnot. But I put about \$10,000, I would estimate, between drawing up the paperwork, as well as paying for the process of getting that tax credit, probably around \$10,000 cash out for a tax credit that is non-refundable, which means it does not come in the form of cash if you can't use it that year. Some do. Kentucky state historic tax credit does, and it only applies towards passive income.

So I would love to be operating passive income at a level where I could actually use the tax credit that I earned, but I am not in a position to do that. So when I need it, when my businesses are

in their infancy, when I am trying to grow and expand and do more things and I am fighting the burdens of short-term loans, unable to take advantage of SBA loans and whatnot, we have stepped out on a long limb, and we are very proud of what we have done. I am very confident in the direction that we are going.

But if that tax credit could play a role now rather than 10 years from now, it is a game changer, and I would jump right back into another project rather than not be able to.

Mr. COMER. And I appreciate that. We are obviously taking notes. I believe that there will be another tax reform clean-up bill. The President calls it Tax Reform 2. One of the goals will be to make the individual tax cuts permanent. I think that is a very doable goal, but also to kind of tweak some mistakes, some unintended consequences of the tax bill. We will certainly look at that again.

Mr. MUSSELMAN. I very much do not want that tax credit to go away.

Mr. COMER. Right.

Mr. MUSSELMAN. I think it is very beneficial.

Mr. COMER. And it won't, I am pretty confident. It is very popular.

Mr. MUSSELMAN. It is fantastic, and if I were a wealthy individual sitting here, I probably would be using that in the next two to three years.

Mr. COMER. And I want to mention something else that has nothing to do with this one, but it does have to do with West Kentucky. I stayed at the Meadows Hotel in Fulton. I don't know if anybody has been there yet. I highly recommend it. You are going to be shocked when you see it. That wouldn't have happened without the historic tax credit. That is according to the developer that developed that hotel, too. That was one of the things that I learned during the tax reform bill, how many people were utilizing that, and how many projects probably wouldn't have happened without it.

Mr. MUSSELMAN. Our project was actually on the cover of that. I don't know if you are familiar or not. I mean, I was very much involved in all of those conversations and very much—I mean, between you and I and everybody else listening to this testimony, I can make that statement, but it is only partially true.

The Kentucky state tax credit, that is a fact. I got that back as a—any that I did not use, any tax burden that was not relieved I got as a check to offset expenses. This right here, I will go ahead and throw it out there just for the magnitude of it. It is \$670,000 that I probably won't be able to use in the next 20 years, and you can imagine if that were a small percentage of the cost of our project, it would be pretty valuable to plug in.

Mr. COMER. Absolutely. Good to know. Thank you.

Mr. MUSSELMAN. Thank you.

Mr. COMER. Mr. Neihoff, when we look at one of the challenges facing rural Kentucky, rural America but specifically rural Kentucky, our best and brightest young people, when they graduate from high school they go off. They would maybe like to come back to rural Kentucky, but they don't have the opportunity there that

they may have in a Nashville and St. Louis and Louisville, particularly when it comes to a technology job, high-tech jobs.

What are some things that we can do in rural Kentucky to try to foster more startups like yours? I know you had impediments like every other small business, access to capital. You are starting out as a startup with no business plan, probably no tax history to be able to obtain a loan in the traditional method. But what are some things that we can do to try to get more high-tech startups from this next generation, from the Millennials and maybe the younger generation, the X-ers and things like that?

Mr. NEIHOFF. I think there are really kind of two sides to that question, the one of recruiting young people to this area and what is important to them, whether they are going to be employed or they are going to start a company themselves. Is that kind of what you are asking? Do you want to move them back here to be employed or to be entrepreneurs themselves?

Mr. COMER. Either, either/or.

Mr. NEIHOFF. Okay. Well, I think for me, what I see in our area, and when we talk about marketing our area as a whole to young people, I have asked all the time why do you choose to stay in Paducah and live here? Well, for me it is being on the ground level of a community that you know is about to grow to the size of a Nashville or one of those other areas. I imagine being in one of those larger communities when it was just kind of grassroots and it was still growing, you feel like you have the ability to actually be part of voicing how that community shapes. So that is very appealing to me, and I feel like that is probably appealing to a lot of younger people as well, that you have the freedom—and Paducah is good about this—the freedom as a young person to have a voice. I think that is what people are ultimately looking for in the community that they live in if they are those Type A, get-'er-done type of people. You have that desire to want to create the place that you live.

As far as entrepreneurs, I go back to it is just that everything has become way too complicated, and there are barriers to entry for a lot of young people to go out and start their own. I think that it is both financial barriers that, again, if you try to reach out and get a grant or you try to get funding, it is a complicated process that discourages a lot; and then also the lack of education and knowledge of knowing how to do that. That is where I feel like that mentorship program could go a long way because really, I feel like successful young people are those who honor and value the wisdom of those who have gone before them. I think that is a big difference.

So I guess really, for this area, I don't feel like we compete with Louisville and Nashville and St. Louis. I feel like that is the wrong conversation to try to even compete with them. If people want to live in a larger community, a cosmopolitan, metropolitan area, they are going to move to those. They are not even going to consider Paducah. But there are a lot of people like myself. I have three children—11, 9, and 7. I don't want to live in one of those communities. I want to live in one that I have a voice in, that I can be successful in, that I can have some access to some cool things for my family to be able to do, and that is really what I am looking for.

So I feel like if we want to recruit those people, we need to better market and communicate who we are as a community, and we need to remove some of the barriers and provide them with mentorship and encouragement to be able to launch those companies and businesses.

Mr. COMER. A couple of specific questions for your industry which we have some jurisdiction over. I want to ask a quick question about intellectual property protections and trademarks, just real briefly.

In your experience, are startups aware of intellectual property protections?

Mr. NEIHOFF. Are they aware of intellectual property protections? I don't think they are aware, a lot of times, of even the laws, what that goes into. You run into a lot of theft in that area. A lot of businesses will step out and try to take a design or take a piece of creative property without really understanding how that even works. So I think there are some limitations and really a need to educate the public on those types of things.

Mr. COMER. I am going to ask this question about trademark. If you can answer it, that is great. If not, don't worry about it. But can you describe the process a small business owner goes through to obtain a trademark?

Mr. NEIHOFF. Talk to an attorney.

[Laughter.]

Mr. COMER. Okay.

Mr. NEIHOFF. That is the extent of what I know.

Mr. COMER. That is a great answer.

In the technology field, if you were looking for more employees in that field, how difficult is it to find employees that are tech savvy, that have a high tech IQ?

Mr. NEIHOFF. It is very difficult. The reality—and I don't know all the statistics on how it all goes, but I hear all the time that there are people without jobs, and then there are jobs without people. Any time you have that, when you have one side saying we can't find work, and you have another side that says we can't find employees, you have a workforce development issue, and I think that there needs to be better access and better training and better promotion of existing programs to help people learn those types of skills.

I think again, kind of going back to the issue of complexity versus simplicity, we over-complicate that because we put these programs together that, by the time they are done and ready, they are irrelevant. Technology changes too fast.

So again, having access to people who understand those things to be able to coach and expand and help young people grow in that area I think would be very valuable. I think we need to start at a very young age, I think even the middle-school level and up, that people need to not just learn systems and processes but understand how to learn. They need to learn how to learn. They need to be critical thinkers of being able to figure out how coding and some of those technology things work, because if you can teach people to learn, then it doesn't matter what is presented to them, they will soak it up.



I have always said with college and math and things, I love math and things of that nature, and people say, well, when are you ever going to use calculus? Well, that is not the point. What calculus does for individuals is it teaches them to formulate a problem and put it together and solve that problem. I think that it is an exercise for your brain. Your brain is a muscle, like anything else, and you are training people to be thinkers and problem solvers, and that is what we need to do. We have to get out of the process, the traditional education system.

Mr. COMER. Good deal.

One thing that the Small Business staff passed along that I wanted to mention. We recently, we the Small Business Committee, recently had a hearing on intellectual property for small businesses. Our considered legislation would provide more resources for small business through SBA. But one of the big problems with the trade issue now with Canada is stealing our intellectual property, and that applies to the big businesses much more so than the small businesses. But that is something that we wanted to note, something that the Committee is going to be delving into as we move forward.

I want to go back and ask Bruce a couple of quick questions, and then we are going to wrap this up. We said we would keep it to an hour-and-a-half.

Mr. Kimbell, we finally have a success story in a piece of legislation that small businesses were wanting that passed the House, the Senate, it actually passed the Senate first and then the House, the President signed into law, and that is Dodd-Frank reform. For those of you that may not be familiar with that, that was a piece of legislation that Congress passed after the big banks failed, the big banks being Bear Stearns, Lehman Brothers, those Wall Street investment banks.

The community banks didn't do anything wrong, especially in Kentucky. To my knowledge, not one community bank went under, not one community bank was even in danger of going under. But Congress overreacted and passed legislation that treated the community bank in Clinton the same as Bear Stearns or Lehman Brothers or Bank of America or Citibank, much different types of banking, much different sizes.

So we passed this Dodd-Frank repeal for community banks only. When do you think you will be able to start seeing change in the compliance and all that? Have you gotten any indication of when?

Mr. KIMBELL. Hopefully the sooner, the better. As that worked its way through the process, the biggest piece probably for us is some of the residential aspects, trying to work through putting things in our own loan portfolio that would allow us to do away with certain underwriting requirements. So that is probably going to be very helpful for us as we go through, as I have heard from a lot of my peers across the state that that is going to be helpful to them. Maybe in some of the more populous areas, that is probably going to be more of a benefit to them.

Any time, though, I guess when there is a change of attitude as far as the regulatory side where they are trying to work with us, just as we all heard today from the regulatory side working its way down from one-size-fits-all, that is hard. That makes it very hard.

From Washington, D.C. to Clinton, Kentucky is a long way, and that step there, a lot of things can go into something that makes it very difficult for us to put into play every day, or makes it very difficult for us to do our jobs.

As a community bank, there is nothing that makes you happier than seeing someone, one of your customers being successful. I had the good fortune of coming home, to come back to our bank. So any time that I can see young people that have been successful that I have known their entire lives, that makes you very happy as a banker, because we know these folks. We see the heartaches, we see the struggles, we see the successes, but we don't go off somewhere to a faraway, distant place either. We go back home, and so we know these people. That makes it a little bit more touching.

Mr. COMER. Absolutely. That is what I would tell the critics that were complaining about Dodd-Frank reform. It was going to lead to big banks needing to be bailed out again, which I completely disagree with. No bank wants to make a bad loan. It is not in your best interest to make a bad loan.

Mr. KIMBELL. And the larger banks, the whole standardization process, the larger banks are the ones who appreciate that because they don't have to know the community. They don't have to know the people. All they have to know is what the process is, and then how can we make that as efficient as we possibly can.

Mr. COMER. Switching gears, one last question. We spend a lot of time in the Small Business Committee with the SBA program because we have jurisdiction over the SBA. I know you all have a big poultry portfolio with SBA. Are there other types of agriculture that you can get an SBA loan approved for other than poultry?

Mr. KIMBELL. Pretty much on the livestock side, whether it be poultry or pork.

Mr. COMER. Pork.

Mr. KIMBELL. Those would be the two.

Mr. COMER. Vertically integrating—

Mr. KIMBELL. Vertically integrating. You probably could get off into some—I would be guessing, so I can't really speak to that. But we have always tried to look to USDA and to SBA to try to assist us just because of the specialized nature of those buildings and of the whole process.

Mr. COMER. Okay. Great.

Well, I appreciate everyone's open testimony and your answering the questions.

I am going to let everyone say if there is anything that you have a recommendation for the Small Business Committee. Obviously, every word will be in the official record. We are taking this back to the Small Business Committee. We want to try to get results. Each of you have unique small businesses. You have successful small businesses. But you each have some challenges that I think government could make life a little easier for you to be able to grow and expand your businesses.

So I will start with Bruce Kimbell, if you have any closing recommendation or if there is anything you forgot that you wanted to mention for the Small Business Committee in Washington.

Mr. KIMBELL. I would just like to reiterate, number one, thank you for hosting this today. I very much appreciate it. Anything we

can do to promote Western Kentucky is a great thing. We have a lot of individuals here today, not only at this table but in the back of the room too, that bring their best every day to try to make this a great place to live.

Anything that can be done to push those decision-making processes back down to the local level, I think that is always where we have to concentrate at. We have to put it back to us. We are the ones that live with it. We are not going to do something foolish just to expedite something because, as I said, we live in the communities. We see the results, both good and bad, so why would we put ourselves into that situation? So put it back to where we can make those decisions and that we can try to work with our customers to help them achieve what they want to.

Mr. COMER. And I appreciate, Bruce Kimbell, in Hickman County, Monroe County, where I reside, and all the communities around where I reside, the community bank is the best corporate citizen in town.

Mr. KIMBELL. We try to be.

Mr. COMER. Every sponsorship of every Little League program, or any time that they need anything, they go to the community banks first. So we appreciate the role that the community banks provide as a corporate citizen and as a provider of access.

Mr. KIMBELL. Thank you very much.

Mr. COMER. Mr. Leon Owens.

Mr. OWENS. Congressman Comer, again, we would just like to thank you for taking the time out of your busy schedule to have a field hearing here. I think it is very important. I think this is the first field hearing that has been held in Paducah since the late '80s. So we commend you for doing this.

I have two comments that I would like for you to be mindful of. In regard to the ESOP, this legislation that hopefully will pass the Senate and then be signed by the President, it is the first ESOP legislation in over 20 years. We know that there is a significant tax benefit that ESOP companies receive. We would ask the Committee to please continue to be mindful of that and be diligent to ensure that that benefit still continues for ESOP companies because we know that any time a business, whether it is small or large, but particularly a small business is able to receive a tax benefit, that is something that is looked at by others in a less-than-favorable manner. So we would encourage the Committee to continue to just be supportive of any ESOP legislation that might come before you.

The other thing that I would like to add is small businesses, government contractors, it is a dying breed, so to speak, because oftentimes—and I will use us as an example—a lot of federal agencies do not want to deal with small businesses from a prime contract standpoint. They want to deal with the large businesses because that is what they are used to. As was pointed out, the large businesses have the high-paid lobbyists. The small businesses don't. The small businesses have to use their existing staff and do the best that they can to ensure that their positions are identified and promoted. We would ask that any legislation that could be favorable to small business be promoted.

The other thing is each one of these federal agencies, they have a small business office, the office of small business that is respon-

sible, supposedly, to promote small business within that agency. I know that we have found over time that their mission is contrary to what is promoted, and that is very difficult for small business. I will give you a quick example.

The contracts that we have been fortunate and blessed to win, they are in excess of \$100 million, and you need to have mature systems, accounting systems, HR systems, to be able to successfully manage those contracts. But then I can point to a contract that might be \$50 or \$60 million that should be set aside for small business, but it is not. It is considered full and open competition for large business. Why?

Those are the kinds of concerns that we have, that there is not a recognition of small business as prime contractors by various governmental agencies.

So again, we appreciate you for taking time to have the hearing here.

Mr. COMER. And we look forward to working with you on that as we proceed.

Mr. OWENS. Yes, sir.

Mr. COMER. Thank you.

Mr. Musselman?

Mr. MUSSELMAN. Yes, thank you very much again for the invitation. We really appreciate that.

I guessing paring it back to what I think is a tangible, reasonable request, I think looking at where restaurants can fall into the Affordable Care Act, whether or not the intent, whichever side of the line the intent was intended for, let's clarify that and see. Again, I don't feel like one single restaurant should be qualifying people as a big business.

Tax credits, historic tax credits are a fantastic thing. It is very expensive to do proper historic rehabilitation. Many times, it is much more expensive than new construction. But there is culture, there is history, there is real value in protecting and maintaining our built heritage, and the tax credits are a tangible offset to that. It still would probably not go 1-to-1 on cost, but getting that actual return. So seeking whether or not those could be refundable tax credits, as they are in the state, that would be a huge change in whether or not people are actually continuing with these projects.

And then again, I appreciate your and Mr. Kimbell's insights on the Dodd-Frank repeal. It will be interesting to see how that impacts the local level. All of our financing has been provided at the local level by community lenders, and they have been doing the best that they can to provide support. Hopefully this will enable them to abbreviate the process and get hands—not in mine. I am pretty well to the point where I am through the entry to small business. But there are so many talented folks in our area that just really need an opportunity, and that opportunity is with capital, and potentially reduction in taxes as well.

Thank you very much.

Mr. COMER. Well, thank you, and I look forward to your next big investment in Paducah. I think you all may have missed it. I visited your establishment last night.

Mr. MUSSELMAN. Wonderful. Thank you very much.

Mr. COMER. Mr. Neihoff?

Mr. NEIHOFF. I just want to start out by saying thank you as well for your time. I appreciate the opportunity to sit up here with such a distinguished group here. I feel like why am I here sometimes.

Just to kind of echo what Mr. Kimbell has said, I think really it is important to put the resources in the hands of local organizations to make those decisions. It is very difficult for someone who is hundreds of miles away to make the decision on whether or not this business needs these resources. I would think even the decision-making on grants and loans and things of that nature would be better used on a local level, and also funding for organizations like Wooldridge and people of that nature, that they can be better staffed and better provide programs that can provide education.

So I think both on the financial side and the education side, being able to mentor, those being pushed to the local level would be very valuable to any small community or any metropolitan area.

Thank you again.

Mr. COMER. Great.

I want to thank again our witnesses for being here today. I appreciate both your testimony and your contributions as small business leaders in Western Kentucky. With individuals like you leading the way, it is no wonder that Paducah has been recognized as one of the world's 50 smartest cities and one of the 100 best communities for young people.

I will take your recommendations and ideas back to Washington and continue to work with my colleagues at the Small Business Committee to improve federal policy so that entrepreneurs can start businesses, access the capital that they need, and spend more time running their businesses than dealing with burdensome regulations.

I ask unanimous consent that members may have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

We are adjourned. Thank you all.

[Applause.]

[Whereupon, at 11:31 a.m., the Committee was adjourned.]

**A P P E N D I X**

*June 18, 2018*

*Testimony of*

**Bruce Kimbell**

*before the*

**House Committee on Small Business  
United States House of Representatives**



*June 18, 2018*

**Testimony of  
Bruce Kimbell  
before the  
House Committee on Small Business  
United States House of Representatives  
June 18, 2018**

Congressman Comer and members of the Committee, I am Bruce Kimbell, President and CEO of First Community Bank of the Heartland. First Community Bank is defined by its name and I have had the good fortune to be an employee since 1989. We are a community bank with five offices in far western Kentucky and two in north-west Tennessee. The history of our \$220 million bank dates back over eighty years. We pride ourselves on being the community bank that is ready and able to serve the financial needs of our local area. I appreciate the opportunity to be here today to present my views on the role community banks play in helping the agricultural community and small business through public private partnerships like the Small Business Administration 7(a) loan program.

During my time at the bank, the Small Business Administration's (SBA) 7(a) Loan Program has been an important tool, as we seek to help the small businesses in my community and communities served across the nation. At my bank, as is true of my banker colleagues around the country, we are intensely focused on building and maintaining long-term relationships with our customers. We view our customers not as numbers but as individuals and business owners. The success of First Community Bank is inextricably linked to the success of the communities we serve. They are, our friends, neighbors, and the job creators in our communities.

Small businesses are an engine of growth and job creation for the U.S. economy. In order for small businesses to grow, they require safe and reliable funding. Community banks focus intensely on small business lending.

The SBA programs, like the USDA loan programs that we more heavily utilize, are an important part of business and agricultural lending for many banks. They help fill a critical gap, particularly for an early stage businesses that needs access to longer-term loans and the flexibility

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they offer. The guarantee helps reduce both, the interest rate and credit risk associated with the loan and facilitates lending opportunities that might never have been made without this important level of support.

**I. SBA 7(a) Loans are Critical to Support Many Small Businesses**

Loans to small business comprise **100 percent** of our commercial lending at First Community Bank. Government guarantee programs like those provided through SBA have been an important product for our institution since my arrival in 1989. SBA 7(a) lending at one time was a core product as we sought to assist the small business client when they were unable to obtain credit elsewhere. Unfortunately, changes to the program over the years have complicated the loan making process, not only for us but also for several of my peers that I have reached out to for comment.

We continue to try to utilize the program, as we know that the SBA 7(a) program has helped many entrepreneurs and job creators start their own business, purchase an existing business or expand a current business during the past ten years. We have had the good fortune of helping beginning farmers with a new poultry or swine enterprise as they sought opportunities to diversify their family farming operation. Our guaranteed business lending has assisted a wide variety of enterprises, from wholesale food products, restaurant, dry cleaners, t-shirt shop and a convenience store. Each of these entities play a key role in their local rural community in providing job opportunities and needed services.

**II. SBA 7(a) Loans are Important to Support Poultry Farmers and Agriculturally-based Small Businesses**

On March 6, 2018, the SBA Inspector General (IG) released a report on agricultural lending within the 7(a) program, which examined 11 poultry loans made between 2012 and 2016. The IG then recommended taking corrective actions on the loans if necessary and to review current arrangements between integrators and growers. My understanding is that the SBA examined all 11 loans and found they were correctly made in accordance with SBA policy at the time. The SBA also stated the loan guarantees will continue to be honored for poultry loans and that further guidance will be released by August 31<sup>st</sup>, 2018.

It should be noted that from 2012 to 2016, SBA made over 2,200 poultry loans, of which my bank made 3 **as we have primarily focused our efforts on the USDA programs**. As you are



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aware, there are currently over 265,000 7(a) loans within SBA's portfolio, so poultry loans represent approximately 1% of the entire 7(a) portfolio. Poultry loans have been good loans for our bank over the last 29 years and our utilization of the various federal guaranteed programs and state sponsored loan programs has allowed numerous farm families to remain on the farm and be a viable economic entity.

Farmers need to have as many options as possible when it comes to financing their operations. Every farm is different and they need the tools in the toolbox to help them succeed. SBA 7(a) loan programs provide another way to finance our farmers, through both the good times and bad. Removing the ability for lenders and farmers to use the 7(a) program, would only hurt farmers in the long run. Maintaining access to the SBA 7(a) loan program is critical for the development and success of our nation's smaller poultry farmers and the overall ag economy.

### III. Additional Opportunities for Improving the SBA 7(a) Loan Program

Below are some examples of how the program can be improved, primarily relating to the servicing of SBA loans:

➤ **Enable Consolidation or refinancing by the Same Lender to a Borrower**

SBA loans cannot be consolidated or refinanced by the same lender. In instances where the borrower is experiencing rapid growth, the bank is required to make multiple loans on the same collateral. Frequently, loans are cross collateralized, which make extending additional loans more complex. Servicing and administration of the loans is difficult for the borrower and the bank.

➤ **Provide a Carve-Out For Small Portfolio Lenders**

SBA guidelines no longer allow a bank to obtain a guaranty to avoid regulatory loans-to-one-borrower limitations. This is a disadvantage to small banks that are portfolio lenders and are attempting to meet the credit needs of customers in their market. A carve-out for banks that are under \$1 billion in assets engaged in portfolio lending should be considered.

➤ **Facilitate Liquidation of Multiple Loans to a Borrower**

A loan is liquidated based on the type of loan program. When a borrower has multiple

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loans, liquidation can involve multiple service centers in different states. This creates a duplication of work for the bank. More importantly, borrowers have a difficult time making an "Offer in Compromise" until all claims are processed.

**Conclusion**

Banks play an integral role in promoting the economic strength of the communities that they serve. The SBA 7(a) Loan Program is one example of how bank lending facilitates and promotes economic growth, and this program should be vigorously supported in the future.

**STATEMENT OF LEON OWENS, PRESIDENT, SWIFT & STALEY INC., PADUCAH, KY  
BEFORE THE U.S. HOUSE OF REPRESENTATIVES SMALL BUSINESS COMMITTEE,  
Exploring the State of Western Kentucky's Small Businesses  
MONDAY, JUNE 18, 2018, 10:00 a.m. CDT**

Good morning.

My name is Leon Owens. I am president of Swift & Staley Inc., a 100% employee owned local small business government and commercial contractor.

I would like to thank the members of the House Small Business Committee; and, especially Kentucky's 1st Congressional District Congressman James Comer for hosting the Field Hearing in Paducah. We sincerely appreciate the opportunity to share our story and provide insight into the challenges we encounter.

Swift & Staley Mechanical Contractors Inc. was established in 1979, and the initial focus was to provide electrical and mechanical contracting support services to local businesses. In 1994, the company split, and a husband and wife team, Mr. and Mrs. W.G. Holsapple, Jr. purchased the assets of the mechanical portion of the business. The Holsapple's had a vision for Swift & Staley Mechanical and redirected the company's efforts toward mechanical maintenance support for area hospitals. The Holsapple's ultimately wanted to position the company for business opportunities in the government contracting arena. The vision came to fruition in 2000 when Swift & Staley Mechanical Contractors was awarded a General Site Services subcontract by Bechtel Jacobs Company, LLC to perform facility maintenance, roads & grounds maintenance, and janitorial services at the site of the Paducah Gaseous Diffusion Plant in Paducah, KY.

The U.S. Department of Energy-Office of Environmental Management (DOE-EM) awarded Bechtel Jacobs a Management and Integration (M&I) performance-based 5 1/2 year contract that included a provision for Bechtel to serve as a site integrator, hiring subcontractors through competitive bids to accomplish the EM mission in Paducah. In 2004, recognizing the potential benefit that small business could provide and seeking to improve small business contracting goals, DOE solicited request for proposals (RFP) for the first DOE-EM complex wide small business prime contract, the Paducah Site Infrastructure Contract.

Based on the excellent performance that Swift & Staley Mechanical had experienced as a subcontractor to Bechtel, the Holsapple's formed a team and submitted a proposal for the opportunity. The scope of the initial contract included: environment, safety, health and quality assurance; safeguards and site security (excluding the protective force), roads & grounds maintenance; snow and ice removal; facility maintenance; records management and document control; fleet and property management; information technology; and janitorial services. In June 2005, Swift & Staley Mechanical commenced work as a small business prime contractor. The initial contract value was approximately \$48M, the contract vehicle was a cost plus award fee procurement, and Swift & Staley Mechanical had approximately 80 employees.

Since the initial contract award in 2005, Swift & Staley has won the re-competitions in 2010 which was another cost plus award fee contract with an approximate value of \$140M, and again in 2015 with the contract vehicle firm fixed price hybrid (cost reimbursement and indefinite delivery indefinite quantity items), approximate value of \$177M, and the current number of employees is 160. The contractual scope of work has expanded to include engineering, construction and additional facility surveillance and maintenance.

We have been the recipient of 2 DOE Small Business of the Year awards, 1 Hub Zone of the Year award, the Commonwealth of Kentucky Governors Health and Safety Award in multiple years, and worked in excess of 1.7 Million hours without a lost work day case. The last point is the equivalent of approximately 7 1/2 years of work. The client has consistently rated Swift & Staley's contract performance highly favorable. In addition, we have been an excellent community partner contributing time and financial support to the Paducah Area Chamber of Commerce, Paducah Economic Development and a host of other non-profit and charitable organizations.

In 2012, we changed the Company name to Swift & Staley Inc. This change was made to alleviate confusion with another company with a similar name. In 2016, North Wind Solutions, an Alaska Native Corporation Small Business and Swift & Staley formed a joint venture to submit a proposal for a similar DOE-EM Small Business set-aside contract in Piketon, Ohio. The effort was successful and the joint venture company, Portsmouth Mission Alliance, was awarded a firm fixed price hybrid contract with an approximate value of \$150M and the alliance has 170 employees.

Swift & Staley Inc. transitioned from a privately owned company to an Employee Stock Ownership Plan (ESOP) Company in May 2017. We are aggressively looking to expand our service to other federal sectors and locations while maintaining our core competencies and client focus.

On behalf of all ESOP small businesses, we would like to thank the Committee for supporting H.R. 5236 (Main Street Employee Ownership Act).

As a small business prime contractor, we would like to highlight a few of the challenges that we have encountered:

1. Small Business Size standard- Swift & Staley Inc.'s primary North American Industry Classification System (NAICS) Code is 561210-Facility Support Services with a revenue basis of \$38.5M on a 3 year rolling average. Because we obtained additional work to support the client in 2014, 2015, and 2016, Swift & Staley's revenue exceeded the \$38.5M threshold for 2017 and consequently we were unable to competitively bid any small business set-aside procurements.

We respectfully request the Committee review the small business size standard methodology, simplify the process, and include an annual increase in the revenue threshold to allow for small business growth.

2. At the National Laboratories across the nation, the U.S. Department of Energy should require the outsourcing to small business of all necessary site functions that otherwise distract the labs from executing their core mission in high-end science, research and development, and weapons. Example areas to be outsourced include: environmental compliance, facilities maintenance, safeguards and security, occupational medical services, IT/cyber, roads and grounds, capital project engineering/construction, maintenance and repair of real property. Importantly, every dollar subcontracted to a small business by a National Laboratory, counts towards DOE's prime contracting goals.
3. Competitive prime opportunities are limited for capable small businesses and should be made available through a more balanced and fair procurement process. Unless a small business possesses extraordinary qualifications, only a few companies (large or small) within the DOE sector can qualify for most prime opportunities.
4. Small businesses are often left with tier two DOE opportunities that are not meaningful in nature and predominantly staffing contracts or less sophisticated project scope that is low price driven or

reverse auction. The terms and condition for execution are often iron clad and all risk is driven down to the small business. Most prime contractors would not agree to perform work under these same terms and conditions they impose on small business contractors.

5. Consistent with Unrestricted prime contracts, the DOE should consider a 10-year contract term that includes a 5-year base period and one or two multi-year option periods. Longer contracts enable small businesses to bid competitive pricing through forward-pricing models. It also encourages a long-term Government/Contractor partnering where efficiencies in execution are gained and progress is made. It eliminates frequent competitive bids that are costly and time-consuming for both the Government and the contractor.

Thank you for your consideration.

June 18<sup>th</sup>, 2018

To the members of the Small Business Committee and other interested parties:

Thank you for your interest in our region. I believe this inquiry is very timely. Western Kentucky has been slow to grow over the years. Many of the region's larger employers have reduced jobs and some plants have ceased operations altogether. There has been a fear for what that will mean to our region for years.

However, there is a mounting enthusiasm and excitement for the creativity that has swelled to relevance in Paducah and surrounding areas through small business growth in recent years. It is momentum that can forever change the landscape of our local economies and have a lasting impact on our region...or it can be abused and squandered through lip service of support and accompanied cash grabs.

I really don't even know if I'm supposed to be celebrating the "wins" in our region, or pointing out where help may be needed. What I want to see is a booming economy with small businesses opening and flourishing, increasing the draw to the area for visitors and residents alike.

Over the past 5 and a half years, my wife and I have worked on a project that really depicts what makes small business success so difficult, and that those "supporting" are often times the ones who are guaranteeing limitations on levels of success and achievement (Lenders and Government).

I refuse to accept "no" for an answer even after hearing it continuously for years, and "give up" is not in my nature. We took a building that was deemed a liability of no use and slated for demolition, and put it back to its former grandeur. With that, we saw the opportunity to better showcase and promote some creative people and their businesses in higher visibility that might help them, us, and the attractiveness of our community. We have been celebrated locally and regionally, and featured in publications across the state and country. Our Economic Development group won an international award due to this small business undertaking. We have been awarded state preservation awards. We, and the tenants in The Coke Plant, employ many talented folks and are involved in countless collaborative activities with area businesses and non-profits. Why was something this appreciated not easy to achieve? Answer: Imposed limitations by people doing a job that aren't empowered to do anything "risky", which really translates to anything—"new, creative, innovative, or a change creator". The only risky thing that I see here is if they would have imposed enough of their fear and small thinking onto our project to change the outcome to one of failure.

There have been some helpful contributors throughout this process (thank you to partners and supporters), no doubt, but understand that it took everything we had to get it to go (not just financially). This was an absolute gut-wrenching sacrifice that our family had to endure. Why? There were far more challenges than necessary to make this celebrated thing come to fruition. Why? Why is the climb so steep to get a small business around all the naysayers and powers-that-be that control one's ability to get open and operating successfully? Why is the immediate tax burden so high? Are governing bodies so short-sighted that they want to grab all they can right out of the gate rather than foster prosperity for the business so that it can yield many magnitudes greater reward down the road than the cash grab up front (followed by yet another vacant storefront and then their questioning as to why)?

The Affordable Care Act impacts restaurant owners in a way that I do not believe was intended. Obamacare was set up to waive small businesses from penalty. Well, the criteria is confusing and no one is an expert on the subject except the insurance companies (maybe). Seeking advice on if you need more insurance from an insurance company is like going onto a car lot and asking if it is time to buy a new car. All businesses owned by someone pool together for the Obamacare calculation and restaurants are very personnel heavy. It is not difficult to get to 50 full time equivalents as a restaurateur and be penalized heavily by the government. Does that make you a big business? I certainly do not believe so. Does this discourage hiring, expanding, opening/owning additional businesses? I certainly believe so.

We have earned federal historic tax credits through the extensive costs of proper historic preservation. The tax credits are appreciated and significant and would be very beneficial in assisting with cost reduction of startup, but, unlike the KY state historic tax credits, the federal tax credits are not refundable and can only be used against passive income. We have active income that applying this credit towards would benefit our situation greatly, but it appears it only applies toward passive income. This is after consultation with accountants and experts on historic preservation at the state and federal levels. Despite the belief by some that it is intended to and can be used on active income, we have reached no such definitive path to applying these credits in any manner, despite some exhaustive effort. If these tax credits had immediate value to our situation, we would already be undertaking preservation of another historic building we own. As it stands, it is not currently financially feasible.

We applied for an SBA loan, during this process, for one of our businesses in The Coke Plant and after all the extensive red tape of the application and the obligatory begging process, they said "yes" for 7 months then said "no". All that time wasting runaround did was increase the challenge and decrease the time available to achieving a baseline of success to avoid foreclosure, bankruptcy, and making the naysayers right. And it wasn't easy. It should have been, but I'm okay that it wasn't. I was determined to never quit and I knew we would make it work. I'm not sure that everyone would have...I can say with all likelihood that very, very few would have.

This celebrated landmark that has become a blueprint for growth in other communities and brought good things to our community, should not have been able to happen. It is not necessarily because I'm good at anything. It is because I don't know when to quit and I believed in what we were doing. But, people who are conditioned to quit during tremendous adversity, have zero chance...hence high small business failure rates, foreclosure rates, bankruptcy rates...and then the subsequent tightened lending principles mandated by the federal government come as a result of the failures of "under capitalized" businesses. It's kind of cyclical...if governments would lower the take from the business owner in the first place, fewer would be operating short of funds. There would be more happy stories and fewer bankruptcies, and less need for all the mandated red tape that slows growth to a crawl when approaching lenders. We told everyone what was going to happen in this building 5 and a half years ago. They thought we were crazy, but we did it, despite the unnecessary roadblocks. There is no reason it should have taken over 5 years to get to this point. There are likely many, many more success stories that were stopped short, due to all the wrong reasons.

Small business success needs to be available to the many, not to the few. It needs to be achieved with reasonable effort and commitment to necessary challenges with limited bureaucratic imposed barriers. It will be good for all!

The Small Business Development Center at Murray State is great. Chris Wooldridge has been very helpful. However, his office and others in the region are underfunded and spread thin, and the Paducah location of the KY Innovation Network was disbanded recently. Also, the focus for most small business services is getting you open, not helping with keeping costs down through services offered once a business is operational. The Forward Paducah initiative through Paducah Economic Development is a great vision and roadmap for this region. I believe EntrePaducah is back in action, getting people with an idea pointed in the right direction. There is a non-profit maker space, Sprocket, where budding entrepreneurs can gain access to some advanced technology and training. Our visitor's bureau is a tremendous asset and promotor of creative offerings in our area. But I think more is needed to raise the level of expected small business growth in this relatively rural region.

What will make small businesses more successful or more small businesses succeed?

Lower costs. Lower payments to governing bodies and fewer mandates...OR...real access to real value provided from those governing bodies.

If someone has a talent and a business is needed to showcase and present their talent for a living, they first need to abandon all focus on their skill—the reason for opening their business—and become a jack of all trades; Accounting, marketing, bookkeeping, legal, HR, hiring, etc. While trying to open the business, attract customers, compete with larger companies, they also must learn how to perform PROFESSIONAL level services that one may have little interest or aptitude for...or...hire an accountant, a bookkeeper, a payroll clerk, an attorney, etc, which would make paying the many tax bills that much more difficult. Obviously this is a known battle that small businesses have to account for, but all this could be outsourced or handled adequately in-house if federal, state, and local governments were not showing up at the ribbon-cutting with palms extended. There will be jobs. There will be increased values when fewer commercial locations are vacant, there will be growth. With growth comes money, but there is no growth when the doors are shuttered due to an inability to keep up with tax burdens, licensing fees, ridiculous (unnecessary) increases in costs of construction/improvement associated with code interpretation (with no means to challenge/question costly opinions of inspectors), etc. If you want people to step out and step up to grow and change areas, let it happen. Aid it if you will, but just allowing more money to stay in the hands of those driving change and starting businesses will allow for more growth to occur.

We have a chance to foster real growth in our region, but asking a professional artist to stop painting to learn tax law and marketing is limiting, no?

One of our small businesses is a brewery. We own a brewery and a restaurant under the same roof. The restaurant sells the beer that is brewed by the brewery. The 3-tier system in Kentucky prevents self-distribution, and therefore prevents direct sale and transfer of the beer 60 feet from one cooler to another. Instead, we are mandated by KY state law to use a distributor and that distributor must transfer our beer over 250 miles to Hebron, KY where it must sit for 24 hours in a bonded cooler before traveling the return trip of 250 miles back to Paducah, KY to the same building where it was brewed and where it was mandated by law to have left the day before. This is not environmentally friendly. This drives up costs for the small business. This potentially diminishes product quality, and it most certainly is an unnecessary inefficiency that is felt by buyer and seller (both of which are me and my wife). This is a state law, but this state law is hurting small businesses, none-the-less.



We did something that was very difficult. Now it's a gem. Now it's the city and state and federal government's cash cow...and that limits our growth and hiring.

Having free or reduced access to bookkeepers, accountants, attorneys, marketing firms, human resources services, hiring agencies...that would be real help to improving success rates of small businesses. Or, better yet, just let small businesses keep more of the money that they are working hard for. Most will be immediately returned to the economy by easing the burdens that restrict growth.

If the cost of doing business is less, more will be able to successfully operate a business while providing an adequate living to their family and those that they employ. Fewer vacant buildings will strengthen real estate markets. More jobs and more offerings and strong economies will attract additional residents and businesses. This is all known. This is all very obvious. Why aren't we doing it?

I mean no disrespect to any individual or specific business or organization. I appreciate the willingness of Mr. Comer and the other members of the Small Business Committee to be inviting feedback in this manner, here today. I know there is some oversimplification of complex issues that might intertwine with commitments to other stakeholders (other than small business owners), but I am hopeful that consideration will be given to the further reduction of burdens placed on the shoulders of the American small business owner. Small businesses don't have lobbyists. We appreciate opportunities, such as these, to voice concerns. Thank you all for your invitation, time, and attention.

Sincerely,

A handwritten signature in black ink, appearing to read 'E C Musselman', written in a cursive style.

Edward C. Musselman, small business owner



June 16, 2018

To Whom It May Concern,

Socially Present was birthed out of the desire to make a difference in the world. While my father was a painter, mother cleaned homes and both of them worked incredibly long hours to provide for myself and 5 other siblings. I saw the challenges they faced trying to run their business while they continually strived to make their children's lives better. Their biggest challenges were keeping up with a continually changing marketplace and the rapid increase of technology. This was what drove me to study business and start a company that's mission is to help companies succeed.

Their story echoes throughout the world and many companies at many different stages face the same challenges. The world is changing and technology is growing, and they are finding it more and more difficult to communicate with clarity to their customers. They follow the trends that result in more work and produce the same results of being one step behind. In addition to that, the humanity of shaking someone's hand you trust and doing business with people you know is thrown out and all that is left is a sterile web presence that does nothing to communicate how you are different than the next person.

Our mission at Socially Present is to combine the strengths of timeless values with the power of these new forms of communication. We take a timeless approach to modern marketing and build a strategic marketing and sales process that builds trust and strengthens our clients' relationship with their customer at every stage. Our strategic plans and creative services are designed with the simple principle that people are more important than products, and relationships are more valuable than revenue. We believe in making profit and don't apologize for wanting success, but we also believe it is best achieved when the focus is on clarity and building strong relationships. The customer is always worth more than the one time sale.

When I first launched Socially Present over 6 years ago, there were several obstacles I ran into but also several resources that helped me get started. The main obstacle was a lack of organized information and the complexity of putting together a business plan. Business is multi-dimensional, and I work with aspiring entrepreneurs all the time who seem to be missing one of the major pieces of information they need for their business. Some struggle with clarity in their messaging and marketing. Others lack understanding on how to put together proper financials. Managing human resources seems to be a rising issue as well. These are just a few of the many facets of business that entrepreneurs have to understand and work through on a daily basis. Seeing that need, we launched our own program called "Small Town Big Idea" to

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help budding entrepreneurs develop their idea to a place where it is ready to launch. Chris Wooldridge from the Kentucky Small Business Development Center has been helping our organizing further develop this program into something that will help address this need. It is definitely a program that I wish existed or I had known about when I was just starting.

As far as resources, I would say the greatest for me was having a mentor. I was fortunate enough to have a personal mentor that helped me navigate through many tough decisions and provide encouragement along the way. Looking back, this was probably the greatest contributor to my success, and I realize now how rare it is. There are so many people I see without access to a mentor. Many public organizations are trying to fill this gap, but it appears they are overburdened with demand. I would love to see their time multiplied by setting up a mentor program that engages seasoned local business owners and pairs them with budding entrepreneurs.

I was fortunate enough to start our business without going into debt. I know much of that was the type of business I launched, but I would argue that knowledge is more valuable than giving away money. Loans and grants are very much needed for some startups, and I don't argue those are a valuable resource, but if people are not taught how to run a profitable business it will only result in more businesses shutting down a couple years in. I believe the best thing we can do to help small businesses is to give them more access to great minds.

Sincerely,

Jonas Neihoff  
**President**  
Socially Present

