

**THE PERSPECTIVE OF RURAL SMALL BUSINESSES
IN NORTH MISSISSIPPI**

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COMMITTEE ON SMALL BUSINESS
UNITED STATES
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CONTENTS

OPENING STATEMENTS

| | Page |
|-------------------------|------|
| Hon. Steve Chabot | 1 |
| Hon. Trent Kelly | 3 |

WITNESSES

| | |
|----------------------------------------------------------------------------------------------------|----|
| Mr. Pat Woods, Owner, Woods Farm Supply, Inc., Byhalia, MS | 6 |
| Mr. Geoffrey Carter, Founder, President and CEO, Hyperion Technology Group, Inc., Tupelo, MS | 8 |
| Mr. Michael Hatcher, President, Michael Hatcher & Associates, Inc., Olive Branch, MS | 9 |
| Mr. Jason Bailey, President and CEO, Summit Management Services, LLC, Oxford, MS | 11 |

APPENDIX

| | |
|----------------------------------------------------------------------------------------------------|----|
| Prepared Statements: | |
| Mr. Pat Woods, Owner, Woods Farm Supply, Inc., Byhalia, MS | 25 |
| Mr. Geoffrey Carter, Founder, President and CEO, Hyperion Technology Group, Inc., Tupelo, MS | 27 |
| Mr. Michael Hatcher, President, Michael Hatcher & Associates, Inc., Olive Branch, MS | 29 |
| Mr. Jason Bailey, President and CEO, Summit Management Services, LLC, Oxford, MS | 31 |
| Questions for the Record: | |
| None. | |
| Answers for the Record: | |
| None. | |
| Additional Material for the Record: | |
| None. | |

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MONDAY, JUNE 18, 2018

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

The Committee met, pursuant to call, at 2:02 p.m., at the ServPro Training Center, 1160 Stateline Road East, Southaven, MS, Hon. Steve Chabot presiding.

Present: Representatives Chabot and Kelly.

Chairman CHABOT. Good afternoon. This hearing will come to order, the hearing of the House of Representatives Small Business Committee.

Before we get too far into this, I want to sincerely thank Mr. Kelly for inviting me down here to Southaven this afternoon. This is such a beautiful area of the country, and I am glad to be with you all here today.

Now, in our Committee back in Washington, we have members that come from all over the country, including, of course, from the south like Florida and South Carolina, Kentucky, and they all bring their own unique voice to our collective work, but none so much as Trent Kelly, who I used to think had quite an accent, but now I am starting to find since I have gotten here that I am the one that has the accent.

[Laughter.]

He is certainly a very valued leader on our Committee. In just a short time, he serves as Chairman of the Subcommittee on Investigations, Oversight, and Regulations, and he works diligently to represent the important issues facing North Mississippi small businesses in that role.

Another thing I really like about Trent Kelly is his willingness to reach out across the aisle and work together with Democrats in a bipartisan manner. As the Small Business Committee, we really strive to work together to tackle the issues facing small firms in a very bipartisan fashion. You could say our Committee is an outlier in what has become the hyper-partisan city known as Washington, D.C.

But enough about Trent; let's talk about me.

[Laughter.]

I am Congressman Steve Chabot, and I represent my home town, Cincinnati, Ohio, and some of its surrounding areas. As you might have figured out already, I am also Chairman of the House Small Business Committee, which I have served on for the past 22 years.

I also serve on the House Foreign Affairs Committee, as well as the House Judiciary Committee.

During my tenure on the House Small Business Committee, two of the concerns that we have repeatedly heard from small businesses are the burdens of overregulation, and also taxes, the complexity of it and just the level of taxation in our country.

Let's start by talking about regulations because that is where we have made some headway that some in the press have already forgotten about. President Trump has worked very effectively, I believe, with Congress to tackle overregulation. He signed 15 CRAs, which are Congressional Review Acts. These are resolutions essentially determining that certain regulations that President Obama enacted had to go. In fact, 17 have already passed one chamber or the other.

In addition to that, he signed a number of executive orders that directly address regulations. My favorite is the one that says for every two new regulations coming out of Washington, we have to get rid of two new regulations for every one coming out of Washington. I am sure that I don't have to tell our witnesses or any other small businesses in attendance that the cost of federal regulations can be a lot, up to about \$11,000 per employee per small business.

So the progress that we have made is important, and it is something that a year ago we could have only dreamed about.

There is also good news on the tax front, as I am sure that most of you are aware. Last year we passed the most comprehensive overhaul of the tax code that we have seen in a generation. Because of that, a recent survey done by the National Federation of Independent Businesses, NFIB, said that small businesses are more optimistic now than they have been in the last three decades, the last 30 years.

Now small businesses can invest more in their people, in increasing their benefits, giving their employees bonuses, buying and updating new equipment and, most importantly, creating jobs. Because small businesses are now out from under the yoke of excessive regulation and taxation, they are creating jobs at an historic pace.

Our unemployment level is now 3.8 percent. Imagine that, 3.8 percent. That is a big deal. Even the New York Times, a publication that certainly avoids giving credit oftentimes to this president or to his allies in Congress, had a headline earlier this month that said "we ran out of words to describe how good the jobs numbers are." But we can always do better, and that is what we are striving to do.

Today especially we are examining how small businesses in America's rural areas are faring and what they need to continue expanding and creating economic prosperity for small towns that they serve. I certainly appreciate being out here with rural folks who are in the trenches and hearing what they feel about the federal government and what we should do to help them live their entrepreneurial dreams.

I again want to thank Trent Kelly for his service to his country, of course, and particularly his service in Congress and inviting us to be here with you all today.

I would now like to yield to General Kelly for the purpose of making an opening statement.

Mr. KELLY. Thank you, Mr. Chairman.

This is kind of funny, because in D.C. we have 5-minute clocks and, let me tell you, you get rapped down if you go over 5. So we get a little leeway here, so I will talk a little more than I do in Washington today.

I thank Chairman Chabot and welcome him to Mississippi's 1st District. I appreciate very much, and I hope you guys do, that he took the time to come down here to my district to do things and to learn about our small businesses here in Mississippi, but that is the kind of guy he is.

I guess we are kind of tied at the hip because in 2009 and 2010 I took kids from Xenia and Lebanon, Ohio, to Iraq with me, about 340 of them, which if they are not in his district, they are within rock-throwing distance of his district. So that is very important.

As Chairman Chabot mentioned in his opening statement, they do talk about and rib me a little bit about the way I talk. I don't say "I" right. I don't know all these words, but every now and then we will have a good southern witness who speaks right, and I will say it is good to have somebody up here without an accent.

[Laughter.]

But down here today in my neck of the woods, you are the one who talks funny.

[Laughter.]

Anyway, we really appreciate him being down here, and all kidding aside, I really appreciate Chairman Chabot's leadership on the Small Business Committee. As he mentioned, our Committee does work in a bipartisan fashion, and he set the tone three-and-a-half years ago when he became the Chairman. He fostered a fantastic relationship with the Ranking Member, Ms. Velázquez from New York, even though they couldn't and I couldn't be more ideologically different from her area of the world and where we live and what we represent and what she does.

But as he and she often say, when it comes to small business, there are no Republican issues and there are no Democratic issues. So thank you again for your leadership on the Committee and your willingness to work across the aisle to actually get things done in a place where that is so rare.

It is definitely an exciting time for businesses. We are seeing record-breaking small business optimism, and the national unemployment rate is at an 18-year low of 3.8 percent. Write this number down, 6.7 million jobs in America, and only 6.2 million workers who are looking for work right now, 6.7 million jobs, 6.2 million people looking.

This rate is down significantly from the most recent high of 10 percent in October of 2009, and the economy has created 16 percent more jobs in the first five months of 2018 than in the first five months of 2017. Business is booming, and deregulation and tax reform action taken by the President and the Congress have certainly primed the pump for what is looking like an extended period of economic growth that we haven't seen in decades. I just saw recently where they had to re-up their estimate for the GDP growth this

quarter, and that is the second time I think that they have done that this quarter.

But as in everything in life, we can do better. There are still some nagging problems small businesses face, and these problems are especially acute in rural areas, like most of the area I represent. For example, despite good news in most segments of the economy, the financial lending environment continues to be challenging for small businesses. According to the recent report by the United States Small Business Administration Office of Advocacy, small business lending decreased significantly during the Great Recession and has remained depressed compared to pre-recession levels. Access to affordable capital can make or break a small business, and the continuing strain on the system caused by the Dodd-Frank reforms after the Great Recession continue to hamper capital markets and affect small firms, particularly in rural areas where fewer and fewer lenders are located.

Another problem is reliable access to broadband Internet. As the economy continues to rely on a more global marketplace, access to broadband is crucial to keeping businesses competitive. Many of the industries central to rural communities such as agriculture, fishing, mining, energy production, and manufacturing depend on mobility and connectivity to run their daily operations. Unfortunately, small firms in rural areas continue to be at a disadvantage when it comes to access and broadband.

For example, about 39 percent of the rural population, or 23 million people, still lack access to broadband services that is defined as fast by the FCC. Increasing access to broadband in rural communities can also mean access to better education, health care, higher wages, which all lead to economic growth.

Technology is changing at an amazing pace, and we have got to be vigilant to ensure rural communities are not left behind.

Finally, the economy's success is also causing a problem that hits small firms harder than their larger brethren. For the first time since the Department of Labor began tracking job vacancies, the number of vacant jobs surpassed the number of unemployed Americans. So while employees who are looking for work are finding it easy to locate jobs in several industries and can even command higher wages and better benefits, the increase has unified jobs and inhibited business growth, and therefore economic growth. Small firms are finding it difficult to find qualified employees and are at a disadvantage to large firms who can often provide larger salaries and greater benefit packages. In a sense, small firms are victims of their own success.

That said, all in all, things are looking up. But what we would like to do today is hear from small businesses in North Mississippi and how they are doing. We have asked them to talk about the good and the bad. We want them to be honest with us so we can take their testimonies back to Washington to share with our colleagues and develop policies to alleviate day to day problems they face. The best ideas don't flow from Washington to the people. The best ideas flow from the people back to Washington.

Again, thank you, Chairman Chabot, for joining us here today, and I yield back.

Chairman CHABOT. Thank you very much.

The gentleman yields back.

I will take just a moment to sort of explain our lighting system, which is going to be a little different than the lighting system we use in Washington. We have kind of a fancy system up there where there is a green light on there to let you know. It is on for 4 minutes. We operate by the 5-minute rule where each of the panel members gets to talk to us for 5 minutes and talk to you all, and then we ask questions for 5 minutes, and then we will go back and forth. And then a yellow light comes on and lets you know you have a minute to wrap up, and then the red light comes on, and then you stop. But we are in the south, so we are going to go by the honor system. We are going to ask you all to try to stay within the 5 minutes. If anybody goes too far, I will maybe tap like this to let you know that you have gone over, and then I can tap real hard if you don't stop. But we won't have to do that, I am sure. So we would ask you to just kind of stay within 5 minutes, and we will all get along just great.

So I would now like to turn the floor back over to Mr. Kelly to introduce our very distinguished panel here this afternoon.

Mr. KELLY. Thank you again, Mr. Chairman.

Our first witness is Mr. Pat Woods, Owner of Woods Farm Supply in Byhalia, a family-owned and -run small business that started in 1953. It began when his grandfather, JP, bought the local gin. The family began selling feed at the gin in 1975 and has continued to expand to its multi-faceted operation today that includes a wholesale fertilizer bagging line, a retail farm supply store, a hardware store, and a 300-head cow/calf operation. He attended both Northwest Mississippi Community College and Mississippi State University.

Mr. Woods, we appreciate you being with us today.

Our second witness is Mr. Jeff Carter, Founder and President and CEO of Hyperion Technology Group in Tupelo. Hyperion is a multi-million-dollar defense contractor with over 25 full- and part-time employees. The company has licensed technologies from a variety of research institutions and developed several new technologies, including one designed to protect the warfighter for the Army that is currently deployed in Afghanistan. He received a Bachelor of Science and his Master's in Electrical Engineering from Mississippi State University.

Thank you for being here, Mr. Carter.

He is also my neighbor.

Our next witness is Mr. Michael Hatcher, President of Michael Hatcher & Associates in Olive Branch. His company is a full-service landscaping provider, has been providing a full range of professional landscaping services for over 30 years to homeowners and commercial properties in Memphis and surrounding areas, including parts of Mississippi and Arkansas. The company relocated its corporate headquarters to Olive Branch in 2016 and currently employs over 110 full-time associates.

It is a pleasure to have you testifying here today, Mr. Hatcher.

Up next is Mr. Jason Bailey, Owner and CEO of Summit Management Services, LLC in Oxford. Summit is a full service property management firm that offers a variety of rental options to local residents and businesses. He oversees the day to day operations of

40 different condominium and homeowner associations and over 700 long-term rental properties. Since 2012, he has also served as an alderman for the City of Oxford. He received his Bachelor of Business Administration from Ole Miss.

Mr. Bailey, thank you for being with us today.

Mr. Chairman, I do want to recognize Mr. Brian Rigby, who is the owner of the ServPro franchise here, and also in Tupelo, for making this venue available to us today, and I yield back.

Chairman CHABOT. Thank you very much.

The gentleman yields back.

Mr. Woods, you are recognized for 5 minutes.

STATEMENTS OF PAT WOODS, OWNER, WOODS FARM SUPPLY, INC., BYHALIA, MS; GEOFFREY CARTER, FOUNDER, PRESIDENT AND CEO, HYPERION TECHNOLOGY GROUP, INC., TUPELO, MS; MICHAEL HATCHER, PRESIDENT, MICHAEL HATCHER & ASSOCIATES, INC., OLIVE BRANCH, MS; JASON BAILEY, PRESIDENT AND CEO, SUMMIT MANAGEMENT SERVICES, LLC, OXFORD, MS

STATEMENT OF PAT WOODS

Mr. WOODS. Thank you. Chairman Chabot, Congressman Kelly, and other members of this Committee, I appreciate the opportunity to come before you today representing a small agricultural business in North Mississippi. My name is Pat Woods. My family and I operate Woods Farm Supply in Byhalia, along with roughly 35 employees. We also farm cotton, corn, soybeans, cattle, and timber.

In my allotted time, I would like to focus my brief comments in three primary areas of federal policy: tax reform, regulatory relief, and rural broadband deployment.

The first of these is tax reform. First and foremost, I applaud the efforts of the Congress and the Committee on Small Business to bring true tax reform to the American public and our small businesses across the country. Passage of H.R. 1, the Tax Cuts and Jobs Act, was long overdue. Reductions in individual rates, reforms in the corporate rates, and changes in the estate tax rules was a monumental activity that will help put America back on the road to economic recovery.

As a small business owner and member of the board of directors for my local bank, I see the benefits of this legislation firsthand on a daily basis. For our business sales are up, and new construction loans at our bank have also taken a recent increase.

I also serve on our local rural electric power cooperative board of directors. Our management tells us that there has been a recent spike in new connections to new homes being built in our service area. At our operation, my employees are seeing more take-home pay in their payroll checks, and they are investing those extra funds back into our local community.

Additionally, I am pleased with the changes in the estate tax rules that allow me to pass my farm on to my three children. The estate tax is one of the most unfair laws on the books, and I sincerely appreciate those changes made by H.R. 1.

In summary, I can confidently stand before you today and say that the economy is growing in my area and residents are seeing

a higher quality of life. All of these positive movements and the boost in consumer confidence I attribute to the efforts made in the area of tax reform passed by Congress, teamed with a new Administration that fosters a pro-business climate.

Secondly is regulatory relief. Another major area of federal policy for us as small business owners and farms that I would like to discuss is regulatory relief. As a farm business and farm operation owner, we deal with a host of federal regulations. One of the largest and most positive movements for us was the repeal and replace of the Waters of the U.S. Rule, and it was replaced by the EPA. This massive federal overreach would have been detrimental to every aspect of my farm and my farm business, and my customers as well.

The overall business community in rural America has benefitted from the new vision at EPA, back to the philosophy of cooperative federalism, where the federal government is more of a partner and co-regulator with state lead agencies. This new view and philosophy at EPA has brought comfort to small businesses and farms that the federal government plans to be there to help them stimulate growth in our economy, not to be an obstacle in the way.

And lastly, rural broadband deployment. The last final policy area that I would like to highlight which is vital to small businesses and farm technology is the topic of rural broadband deployment. Rural Mississippi is lagging behind in the area of connectivity to the Internet. I hear stories on a daily basis of school children that have to come to town to download their homework, business growth hampered by a lack of adequate service, and precision agriculture technology that loses a signal due to a lack of connectivity in their area.

As you know, it is a huge problem for rural America, small businesses, and farm operations. I commend the Committee for all the work that has been done to bring broadband to rural America, and I cannot stress how important this is to stimulating the growth of the economy and quality of life for rural Americans.

Specifically, I want to thank Congressman Kelly for his efforts in sponsoring legislation last December. The Small Business Broadband and Emerging Information Technology Act, H.R. 4677, addresses the bipartisan push for nationwide broadband that specifically targets small businesses' needs and potential.

One delivery model I would like to suggest and encourage the Committee to look at as a means to bring this infrastructure to rural communities is through the rural electric power cooperatives. Broadband is now the electricity of the 1930s. The only way that electricity was brought to rural America was through the rural electric power cooperative model under President Roosevelt's New Deal. Numerous rural electric power associations are effectively deploying broadband across the rural countryside in the country right now. I would ask the Committee to look at ways that Congress can further study this concept, and also pursue any and all measures of federal policy that fosters connectivity in rural portions of the country.

Again, Mr. Chairman and members of the Committee, I appreciate all that you are doing to promote and protect small businesses across the country.

Thank you for the opportunity to be a part of this distinguished group of witnesses. I will be happy to take any questions that you may have.

Chairman CHABOT. Thank you very much, Mr. Woods.
Mr. Carter, you are recognized for 5 minutes.

STATEMENT OF GEOFFREY CARTER

Mr. CARTER. Chairman Chabot, Congressman Kelly, my name is Geoff Carter. I am President and CEO of Hyperion Technology Group in Tupelo. Hyperion is a small business founded in 2009 which now employs 31 people. Hyperion is a custom engineering research and development company with a primary focus on federal government contracting. Hyperion supports all branches of the military, as well as the Departments of Energy, Homeland Security, and the United States Secret Service, developing and building sensor and sensor systems to protect both civilians and the warfighter.

Hyperion also works with several major public universities, including Mississippi State University and the University of Mississippi, supporting their research and development efforts and commercializing university-developed technologies for the public benefit.

In addition, Hyperion's commercial division serves industrial customers with custom engineered solutions that increase productivity, with an emphasis on workplace safety.

Over the past 18 months Hyperion Technology Group has seen significant growth in both government and commercial sales. Since the 2016 election, our workforce has increased by 30 percent, our revenue has doubled, and we have outgrown our facility with the recently announced construction of our new headquarters, with five new jobs created just this year.

Some of the factors contributing to our recent growth include the fact that government contracts seem to be moving through the system more quickly; there is an increased emphasis from the government on military research and development and modernization; a more positive and contractor friendly dealing with government contracting officers and staff; industry's desire to spend capital for facility modernization and improvement; and increased revenues from larger businesses' expenditures resulting from H.R. 1, the Tax Cuts and Jobs Act.

The tax cuts afforded to us by H.R. 1 will make it easier for Hyperion to continue to grow and expand its footprint in both the government and commercial sectors. We anticipate our growth to continue as long as the current business environment prevails. The lower corporate tax rates and the increased ability to expense capital improvements will promote reinvestment, growth, and expansion of small businesses, as is evident from our recent announced expansion.

While I have this opportunity to speak as an advocate for small business, I would like to mention how some of the regulatory and compliance burdens disproportionately affect small business government contractors.

We recognize the importance of security, safety, export, and employment regulations, but the compliance and reporting require-

ments of these regulations are essentially the same for small and large businesses alike. Certain areas of our business are regulated by multiple agencies and departments, adding complexity and increasing the compliance with the reporting burden to unnecessary duplication. Many of these requirements demand full-time support staff to ensure full compliance, which dramatically increases our overhead costs. These fixed overhead costs are less significant for a large business but hit us harder as a percentage of overall budget in the small business community.

I would like to recommend that the Committee consider introducing legislation in the form of tax credits targeted specifically towards small business government contractors to offset some of the burden that is required in order to comply with these important regulations.

I would like to thank the Committee for this opportunity, as well as for your time and consideration.

Chairman CHABOT. Thank you very much, Mr. Carter.

Mr. Hatcher, you are recognized for 5 minutes.

STATEMENT OF MICHAEL HATCHER

Mr. HATCHER. Thank you, Chairman Chabot and Congressman Kelly. Again, welcome to North Mississippi. We are glad to have you here.

I am Michael Hatcher. I am the Owner and President of Michael Hatcher and Associates. We are a full-service landscape/design/build company that will service customers in a three-state area in about a 120-mile radius where we are today. We have been in business for over 36 years. As a graduate of Mississippi State University, I can assuredly share with you that our industry has changed dramatically in the 30 years that I have been in this industry, of which we have seen a lot of technology, we have seen a lot of opportunities, but none the least of which I will share with you in greater detail as I conclude would be the shortage of labor.

Now, as we continue to move forward, we are excited to tell you that the results of the Tax Cuts and Jobs Act that was recently passed has played a significant impact in our area. As a small businessman, it has given me the opportunity to invest and to expand our facility and continue to expand our assets. For our customers, it has driven growth by approximately 20 percent this year. It has been tremendous.

Gentlemen, we work on expendable income. The landscaping services that we provide are not life and death services. They are expendable income, and when that expendable income increases, so do our revenues, and we want to continue to take advantage of that.

Some of the things specifically that have happened is that we were able to give a 7 percent raise across the board this year. When you start talking about the FTEs that we have that are in excess of 110, that is a substantial investment, and we continue to make sure that we hire the best people that we can hire, and to train them, and to retain them.

We are a drug-free workplace. We have been participating in the E-Verify program—some of you may recognize that as the I-9—since its inception. I was a contractor working in a government fa-

cility in 2006 when that was enacted in June, and we adapted to that immediately.

Our workman's comp mod rating, as I talk to you, is at .78. That means that we represent 22 percent safer working environment than our industry standard, and I am proud to talk to you about those things, and they are a direct result of some of the savings that we have received from the TCJA that has allowed us to invest in safety programs.

As we continue to have those opportunities to grow, we must continue to recruit, as we do, regional universities, colleges, vo-tech schools and local high schools, as well as our area residents. As you just referred to earlier, Congressman Kelly, there are more jobs available than there are people to fill them. We have chosen to participate in the H2B program for the last three years.

Gentlemen, I need not tell you—you live it every day—the significance of the immigration reform policies that are before us. As a small businessman I can tell you that that is where the rubber meets the road. So we have adapted to the program. As you referred to earlier, Mr. Carter and Mr. Woods, there is an undue burden of rules and regulations to follow by the Department of Labor, the guidelines of the H2B program. If we continue to work with those requirements for eligibility, the DOL has set wage rates for the positions that we field at a minimum of \$12.97 per hour.

Gentlemen, that is your new minimum wage rate. There is no longer a need for you to debate this program. It is coming through the DOL, which you all may or may not be aware of, which sets a market rate for the rest of us in the area, the requirement that mandates that all of our full-time employees pay that. So if I am hiring a high school worker for the summer, just working alongside one of those H2B documented workers that we have, we are paying that rate. We don't mind paying that rate because as an E-Verify drug-free workplace, we are attracting the best workers.

During the past three years we have incurred expenses of that program of over \$100,000, and that \$100,000 does not include the salaries of the workers. Those are the fees that we are required to pay to receive those people across the border through the consulate, through the legal fees that we have to provide them.

As we continue, this is a very burdening process that we incur, and then there is no assurance most recently with the cap being met. Fortunately, we have been in the program long enough. We know how to facilitate our request and do it at an early start. So for the 2019 workforce, we have already started this process.

We want to continue to celebrate the successes that the TCJA has had, and it has been a tremendous success. We compliment each of you and your constituents for all the hard work to get that accomplished. Now we are missing the last piece. We are missing that piece to be able to facilitate the growth of the small businesses in our area.

With that, gentlemen, I would like to conclude and thank you for your time.

Chairman CHABOT. Thank you very much, Mr. Hatcher.

Mr. Bailey, you are recognized for 5 minutes.

STATEMENT OF JASON BAILEY

Mr. BAILEY. Thank you. Good afternoon, Chairman Chabot and Congressman Kelly. I want to thank you for the opportunity to be able to be here today and speak to you about small business and things facing small businesses like mine in the Mississippi 1st Congressional District.

My name is Jason Bailey. I am the Owner-Operator of Summit Management Services, LLC. I started my business in 2007 under the name Bailey Management Company, and I literally started my business out of a broom closet in one of the buildings that I managed. In 2009, three management companies that were in Oxford came together and we formed Summit Management Services.

Right now I have a business partner. He and I are the sole owners and the operators of our business, and we are now working with the City of Oxford to go through our final approval to get a building built for our office. So we have come a long way since that little broom closet, and we are kind of excited about that.

When we began we had four employees, including owners. Through the efforts of many, we have grown our company five-fold since that first day. Currently we average 18 employees, both full-time and part-time, and in 2007 I was named by the Mississippi Business Journal as one of the top business persons of the year for the top 15 under 40, and this honor was given to me but it was earned by many. It wasn't just earned by me. So, I have a lot of support and really do appreciate that.

Today we are very excited about the future of our company. The past nine years have been filled with challenges, including the Affordable Care Act. The Affordable Care Act has certainly had an impact on our business and our employees. But under this law, we do not have to provide health insurance to our employees, but we value them greatly and feel that health insurance and health care is something that we would like to provide to our employees. We have done that. That was part of our goal as we started our business, to provide that 100 percent from day 1.

At the time when we first started our business, the expense of health care was the seventh largest expense on our ledger. Today it is the second largest expense. When we started we were able to provide 100 percent health care to our employees. But because of the rollback, we have had to roll back 20 percent, and now we pay 80 percent to our full-time employees and they have to come up with the 20 percent. This is less money that they take home, and it restricts our growth as a company.

As a small business owner, we have not realized the new tax benefits yet. We look forward to those that will be coming into play. Our employees are able to take home more pay, and we are grateful for that. But I feel more can be done.

One of the casualties of the new tax reform change was removing the tax credit for entertaining clients. This is something that we really value in our business. This is how we grow our business. This is how we meet and form those relationships with potential clients. And due to our clients' busy work schedules, we find entertainment and lunch meetings, and unfortunately these things are now out-of-pocket expenses, whether it is us or whether it is our company or whether it is our employees. We feel like that is some-

thing we could probably work on and change that. I think that was one of the things that came out that we could definitely change.

As we continue to grow, one of the many challenges is when to invest in another full-time employee. As you can imagine in the service business, as we are, people are critical. But due to some of the government issues, we have held back from hiring and searching for our people further. As you know, there is a breaking point with personnel, and we don't want to reach that. But oftentimes we make plans to grow to other markets and purchase other companies, but without any benefit from growth it makes it harder to do so, and the ROI is just too far down the road.

One of the positive things that we have seen in the past six months is the new Opportunity Zone. This is something that will have a positive impact on rural Mississippi as we will see investors flock to the area to realize the tax benefits and invest in our communities.

One wish I have is the opportunity to benefit from this program across all small businesses. For example, we are going to be the new owner-operator of our building, and because we are outside the Opportunity Zone, literally one block outside this Opportunity Zone, we are not going to realize that benefit.

For example, our depreciation schedule when we build our building will now be 39 years, versus just down the street where an investor, maybe from out of state, will be able to realize the benefit in 10 years and can sell and reinvest. We invest in our market each and every day. I would like to see something like this for entrepreneurs like us that are owner operated and not geographically challenged.

Think about it this way: We are investing in a market and not just here to build, rent, sell, and cash out. We do not want to cash out. This is our home, and we want to be in business for a long time. Think of a landscaping company that wants to invest in a new shop to help operate their business, a doctor that chooses to invest in an office in a rural area, a property management company that will own-occupy a building in the community that they are a key part of. I believe this is something we can work on and that can be done.

I was excited to see the rollback of regulations of Dodd-Frank. When a banker could not invest in someone they knew from church, kids school, sports programs, and just being a part of the community because of regulations placed on the banks, it became a weighted anchor on the growth of the economy in rural America. When I was starting out I was lucky enough to have a banker that knew my potential and invested in my future. If I started five years later during the Dodd-Frank regulations, I would not have been able to realize some of the opportunities I have. I look forward to seeing these regulations rolled back and appreciate you all's effort on that.

In closing, I want to thank you for the opportunity to speak with you today, and I will be happy to answer any questions you have. Thank you.

Chairman CHABOT. Thank you very much. I think it was excellent testimony from all four of the witnesses, so we appreciate it.

We now go into our side asking for 5 minutes. Usually the Chairman starts with himself, so I guess I will do that, and then I will turn it over to Mr. Kelly, and then we will go back and forth a couple of times. So we may take two rounds, maybe three, but we will see how it is going.

I will begin with you, Mr. Woods. I recognize myself for 5 minutes.

You had mentioned that the Tax Cuts and Jobs Act, which was the tax cut bill that went into effect at the end of this past year that the President signed into law and that I would say both Mr. Kelly and I both voted for, you had mentioned that one of the parts of it that had to do with the estate tax was particularly helpful to family farmers in that area.

Mr. WOODS. Yes.

Chairman CHABOT. Could you sort of explain to folks who may not be terribly familiar with it how that did benefit you and could benefit others?

Mr. WOODS. Well, what it benefits is the sweat and blood it takes to build a farm for generations that was passed down from my grandfather to my father to me. I am a 7th generation farmer in Marshall County. My first grandfather came in around 1817, so I have been there that long farming. And as we work and we are able to buy a piece of land and we are able to work that land, and our kids grow up on the land, we want to be able to pass it on to them because it is part of their life. So many people work so hard, and then when it comes to the point that, all of a sudden they are gone and their family realizes that they may have to sell the farm just to pay the taxes when the taxes have been paid by the owner or the person for all their lifetime, it is just a very unfair burden. We just want to be able to have a legacy.

So we want that to be carried on. That is one thing that makes us get up in the morning to do this, to hopefully have my grandkids, who just came to see me yesterday—I have eight and one on the way, will be nine—I want them to have a place, and hopefully one day they will have a place to raise their kids on the farm of granddaddy or great-granddaddy, for their own provided for them.

Chairman CHABOT. Very good. Thank you very much.

Mr. Carter, I will go to you next. You are involved in the SBIR program on occasion; is that right?

Mr. CARTER. Yes, quite a bit actually.

Chairman CHABOT. Could you tell us how that works and how you are able to take advantage of it?

Mr. CARTER. We have several active Phase I and several active Phase II SBIRs now, all with DOD. That is a great program for somebody like Hyperion that is in the technology development and R&D type of world. It allows us to take a lot of the things that we develop and push them out, specifically towards the military.

We do find, though, that the proposal process for DOD is through one common website, one common portal, but each branch of the military actually has their own requirements. So once you are given an award for an SBIR, if you are lucky enough to win, depending on the branch that you are getting the award from, the requirements can be vastly different.

So, for example, the Air Force has a much higher reporting requirement than does the Army for an SBIR. But for us, we have been very, very successful. We have quite a few active programs, and we are right now actually in the middle of another proposal cycle and hope to win a few more this year.

Chairman CHABOT. Very good. Thank you very much.

Mr. Hatcher, I will turn to you now. You mentioned the H2B program, and there may be folks in the audience who aren't necessarily familiar with what that is. I am a proponent of it and have been trying to increase the numbers, and there are a lot of us trying to work on that right now.

Sometimes you will get criticism, "Oh, this is going to take jobs away from Americans." Would you explain your view on that and what the H2B program is and why if that is true, or if it is not true why it is not true?

Mr. HATCHER. Yes, sir. Certainly. Thank you for this opportunity to expound on this. The Department of Labor is set up so that we must advertise through multiple avenues for positions that are open prior to the season.

Chairman CHABOT. And these are generally seasonal employees. They are not going to work 12 months a year. They will work during the summer or—

Mr. HATCHER. That is correct, the majority. So, of the 110 people, we have 30 that are participating this year. So we have tried just all kinds of things, through radio ads, through print ads, through social media, to fill these positions for the local people.

Chairman CHABOT. In fact, that is a requirement—

Mr. HATCHER. Yes, sir, that is a requirement, and you have to do it multiple times to meet those obligations. You have to completely write the job description so they understand what it is. So there is an exhausting effort to make sure that you are looking for all the people locally.

As I mentioned to you in my presentation about drug-free workplace, we often run into the real challenge in local employees of getting people to just be able to pass the drug test, and that is a real challenge for us. E-verification, as I mentioned also, the I-9 process, is there and it is in place. As I mentioned to you, I started participating in June of 2006. Early on, before we had E-Verify, when we were working documented workers, the Social Security Administration used to send us a No Match letter if we had people that didn't match, their numbers didn't match with the names. And following that was the I-9 or the E-Verify system which was starting to identify a lot of fraud that was outside of the employment. A lot of that fraud was then showing up in government subsidy programs.

As your direct question relates back, there is an H2A program, which relates more to the farmers on the agricultural side, and the H2B program which, as you know and understand, is for the service business, whether it be a hotel maid or someone taking care of your hotel, the seafood industry that we have down on the coast. Any of those service-oriented industries work through the H2B program.

We work under a cap system, as you know, that only allows a certain number of people to apply every year.

Chairman CHABOT. It is about 65,000 nationally, I believe.

Mr. HATCHER. That is correct. Yes, sir. So when you look at some of the things, and we listened to Congressman Kelly talk about the number of jobs that are available, and then we are only allowing that many documented workers in, it is a real regimented process for the individuals that are applying for us to get through the consulate in Mexico to become eligible. So they are vetting all of these people extensively. If there is any sort of warrants or issues, any problems, then they are not allowed to come work for us.

Chairman CHABOT. Thank you very much.

Mr. Kelly, I went over a little while, 8 minutes and 32 seconds. I will get to the second round.

The gentleman from Mississippi, Mr. Kelly, is recognized for 5 minutes, or 8 minutes and 14 seconds.

Mr. KELLY. All right. I am going to start with you, then, Mr. Bailey. In your testimony you talked a little bit about Dodd-Frank. I am not a big fan of the CFPB and Dodd-Frank. I think it has been extremely detrimental to our small bankers, and I think if you don't have a bank, you don't have a town anymore, to replace the Post Office.

In your testimony you talked about how Dodd-Frank put the brakes on commercial lending to small firms. You started five years before Dodd-Frank, so you have seen what it was like before, during, and now, after a little easing on the regulations.

Can you walk us through what the credit markets were like in all three of those years, before, during, and what you are seeing now?

Mr. BAILEY. I was a very young entrepreneur when I first went to the bank and asked for a loan. The banker that was there looked at me, knew who I was—I grew up in my community—and said I am going to take a chance on you, and gave me 100 percent financing on what I needed. I was very thankful, and it allowed somebody young who didn't have the cash or the cash position to realize his opportunity. I took that money, have invested that money, have paid that back, and I think I have five years left on that loan.

Because of that, I have been able to acquire more and more loans and more property. But if I were to have started five years later, the regulations would have been through the roof. Since that time I have gone and got additional loans and have had to come up with cash capital, and somebody that is young like myself and is trying to put food on the table for two boys and trying to provide for my family, those opportunities are restricted because you have to come up with some capital.

If the banker realizes your potential and sees your future and wants to invest in it, under these new regulations they are so handcuffed in what they can and can't do. Not only that, through our business as well, we do condo association management as well, and we have seen more and more paperwork come through our office, so we have to have somebody that hires to take care of this paperwork just to get a condominium owner financed. They do condo questionnaires, and when you receive one it takes about an hour to do, and when you receive 50 of those in a month, you could

imagine what time that takes away from somebody else doing additional work.

I am just now learning about the rollbacks. I am hoping that we will see some of those regulations go by the wayside. I don't know exactly just yet what that is going to look like. I think it is just in its infant stage, but I don't expect we will roll everything back, but I do expect if we can get rural lenders to be able to invest in their community and in their people like they had in the past, I think it will be a positive, positive thing.

Mr. KELLY. Very good. And going to you, Mr. Carter, you mentioned that regulatory burden disproportionately affects small farmers. We have made some progress on that front since the president took office. What more can we do? And going back to Dodd-Frank, for small farmers, what that does is it adds a price to the end user. So your loans are more expensive, they can't function, so everything comes out because they don't have anything.

What are some more things we can do to roll back regulations?

Mr. CARTER. Well, what I would like to do is give you an example that has kind of been at the forefront of things at my office over the past several weeks. We have recently had several countries contact us asking if we can export some of the things that we build, both some of the military items and the non-military items. We have found that, at least in our business, there are six departments that have jurisdiction over exports in the United States. That includes the Department of Commerce, the Department of State, the Department of the Treasury, the Department of Commerce Bureau of the Census, the Department of Homeland Security, U.S. Customs and Border Protection, and, of course, the Department of Defense.

There is no unified, integrated management system to address all of those departments at the same time, and before we can even consider releasing any technical information about anything we do, we have to go through an application process with all six of those departments, and that is just a burden that has had two of my employees tied up now for several weeks just going through that process.

Mr. KELLY. Okay.

Mr. Chairman, I yield back.

Chairman CHABOT. I will go with Mr. Bailey, then, and go back. You had mentioned the Affordable Care Act, or Obamacare as a lot of people will refer to it, and I think you had said—correct me if I am wrong, but I think you said before Obamacare, health care was the seventh costliest thing as a business person you had to pay for.

Mr. BAILEY. That is correct.

Chairman CHABOT. After Obamacare, it was the second most expensive thing.

Mr. BAILEY. That is correct.

Chairman CHABOT. Now, on top of that, you said you had 18 employees?

Mr. BAILEY. About eight full-time employees, and then 10 part-time employees.

Chairman CHABOT. Okay. And Obamacare isn't even supposed to affect those directly under 50 employees. So could you kind of explain so we can all understand how in the heck is that possible?

Mr. BAILEY. How does it affect us as a small business?

Chairman CHABOT. Yes.

Mr. BAILEY. I believe it is under 50 employees you do not have to provide health care as a small business owner. We as a business choose to do that for our employees. That was one of our goals. When we started and we were meeting to form our company, we said one thing we want to do is provide health care for our employees. We value them. We value their health. We want them to be healthy because a healthy employee is a more productive employee. But we chose to provide that.

Because of the cost of it, it wasn't that great at the time. I mean, it was I think for somebody like myself starting out, I think it was \$139 for a monthly charge for health care. Now I think I am over \$400 a month. But we want to provide that for them, and we want to be able to retain our employees because it is out there in the marketplace. In Mississippi, if you don't provide that, all of a sudden you have a great worker, and another office realizes it and offers them, and you have lost all that institutional knowledge. So we provide that for the employee to retain them mostly. When we did that we were able to provide 100 percent of health care cost as the seventh largest expense in our ledger, and today we are only providing 80 percent, they are providing 20. It is less take-home pay for them, and it is the second largest on our ledger.

Chairman CHABOT. Thank you very much.

As you may be aware, Mr. Kelly and myself both believe that the American people deserve a whole lot better than what they are getting under Obamacare, or the Affordable Care Act, and we attempted and passed in the House doing just that, replacing it with something that we thought was better. We got it through the House, but unfortunately it missed by one vote over in the Senate for passing. So we are sort of stuck with it right now. We are not happy about that.

I know in this job, as Chairman of this Committee, we get to talk to people all over the country, and I hear the same thing from people in my district as I do from people all over the country, that they wish we would change this to something that makes more sense. The American people really deserve better, and I totally agree with that sentiment.

In the Tax Cuts and Jobs Act that we passed, there was one good thing in there about health care. It did do away with the individual mandate where you had to buy what the government told you to as an individual or you got penalized for that, a lot of money for a lot of folks. So that is an advantage, but the system still—people deserve a lot better.

I think it was Bill Clinton, of all people, who said it is the craziest system in the world, talking about Obamacare. You are paying twice what you used to pay and getting half the coverage. I think he was right. I haven't agreed with him a lot over the years, but I definitely agreed with him on that one. So, thank you.

I think I will at this point yield back and turn it over to Mr. Kelly for further questions.

Mr. KELLY. Yes, sir. Thank you, Mr. Chairman.

I am going to come to you, Mr. Woods. WOTUS, I am sure you know what that is, Waters of the U.S. Rule, that has been nixed. It would have been a major problem for family farms such as your own. Can you talk a little bit about if Congress had not acted in conjunction with the President to repeal and replace it how this rule would have affected your day to day operations?

Mr. WOODS. Yes, sir. With the WOTUS Rule, it just covered every mud puddle in the country. It could be somebody's backyard. It could be in our pastures. If it rained a good rain and left standing water, that was Waters of the U.S. We could not work our fields under certain conditions. It was going to have to make us quit farming some of the areas. It allowed us not to be able to use proper drainage that we know how to do, drain our fields to make production better and more economical.

I don't know where to begin, really. It was going to touch every—and it was so overreaching, and I don't even know all the areas it really touched because it was just huge. That is all I can say. I can't even describe it.

Mr. KELLY. I remember when I had a chance with the past Administrator of the EPA and I got to talking to her, and I had a specific incident in Mississippi where there was a manmade irrigation ditch that had been dug many, many years ago, probably before I was born, was now grown over, but the cost to mitigate that property, because it was declared a Water of the U.S., was basically what it meant is a million-dollar business didn't come to Mississippi because of the mitigation cost. The property was worth more to mitigate, and so no one could afford to buy it.

Mr. Hatcher, I am going to ask you—thank you for your answer.

Mr. Hatcher, you stated you have had a 20 percent growth in your business receipts since this time last year based on the Tax Cuts and Jobs Act. You also say you gave your employees a minimum of a 7 percent raise to all of your employees. Just if you can articulate how impactful it has opened up capital, or how impactful it has been for your employees, and also for your business.

Mr. HATCHER. Certainly. As the growth came, it came from the actions that I can say were strictly from the Tax Cuts and Jobs Act because it freed up corporations. So when I talk to you about 20 percent growth in revenue year over year, it is not in any one area. We are full service, so we do both government, commercial, industrial, and residential work. So an expendable-income, service-related business, it absolutely put more money into the budgets of all of those entities that directly reflected—a lot of it was deferred work that hadn't been done.

How has it affected the employees? When that 7 percent raise came across the board, this is tied back into part of the DOL's mandate on the minimum wage rate that we pay. But as it went across from top to bottom, whether you are the CFO or whether you are the operator of a grass height reduction device, we gave 7 percent across the board. So in that, you start seeing new vehicles, you start seeing new cars, you start hearing them talking about what they are doing in upgrading their homes. So that is directly how that affected us.

Mr. KELLY. Very good.

This is kind of for the panel, so any one of you can jump in. I have about a minute-and-a-half left. But one of the things that I like to work on and one of the things that I am most passionate about is making sure people understand the great workforce we have here in Mississippi. And number two, in conjunction with our universities—I know, Geoff, you work with Mississippi State, and also Ole Miss—you get these bright engineers that they send to you, our community colleges, our high schools. What can we do in Congress that makes it easier for you all to get qualified workers who fit the needs that you have in your industry?

Mr. BAILEY. I don't know if there is a mechanism to give a credit if somebody goes and gets further education, or if you hire a new employee and invest in that person, if there is a credit for a small amount of time, maybe a year or two, but I think that is something that would help.

Mr. KELLY. You know, and I want to highlight real quick—I mean, Mr. Carter, they do some high-tech stuff. When people think of Mississippi, they don't think about the things that I got to use as a soldier in Iraq that I was the beneficiary of it saving my soldiers' lives. I visited other countries that also used the products and things that they develop. We are not in the right environment to talk about what those are, but for the most part these are Mississippi folks with Mississippi minds. So we may talk funny to other people, but I can tell you, our minds I will put up against anybody's in the world, whatever business that you are in.

With that, I yield back to you, Mr. Chairman.

Chairman CHABOT. Thank you.

The gentleman yields back.

One thing I probably should mention, my mom was born and raised in North Carolina, Charlotte, North Carolina, so I think you all talk just fine.

But in any event, I am going to ask just a couple of questions, and then I am going to turn it over to Mr. Kelly again to wrap up with any questions that he might have. I again want to say that the panel has been, I think, very good in answering all of these questions and really helping us. What we learn here today and what we hear today we take back to our colleagues on the Committee, and they in turn take it back to the rest of the members of the House of Representatives. We also have Committee folks from Washington that are taking down all this information that they will take back to the staff, too.

So everything that goes on here ultimately goes back there, and then we try to use that when we are looking at new regulations or getting rid of regulations, or new legislation that we might introduce and that sort of thing. So that is basically the type of thing that we are accomplishing here.

Mr. Woods, I wanted to go back and ask you something. I have been hearing—now, this isn't the Agriculture Committee, but I know there has been a drop in net farm income in recent years.

Mr. WOODS. Yes, sir.

Chairman CHABOT. What impact—because as a farmer, obviously, you are the definition of a small business. What impact is that having? Is there anything that you think should be done either out of Washington or through the Small Business Committee,

anything that you can come up with that we ought to be working on to assist the Agriculture Committee that is kind of struggling right now?

Mr. WOODS. Well, we have a lot of associations that we are part of, you know, the Farm Bureau being one of them, who really advocate for farmers, and they do an excellent job.

Chairman CHABOT. Yes, they come by our office a couple of times a year.

Mr. WOODS. Well, we are glad. We hope they come by more. But as a member of that and other organizations, we are just pushing hard because all these commodities are traded, and that has an effect on investors getting in the market because they are not doing well in another sector, so they come in and they drive the prices up. So we get to benefit them, but we are at a five-year low at this time. We are looking at potential trade wars that certainly have a big effect on what our future may be. The average farmer is a little over 60 years old, and I am 61, so I am right in the median of that. We are encouraging young farmers to come and try to get help, but all this with the creditors, they are all looking at the bottom line.

But to help us with the markets, the reporting bureaus, sometimes they miss the mark on how many million bushels of corn are out there, or how much exports are, and sometimes they come back and say, oops, we made a mistake. Well, that was 30 cents a bushel later, and we are in the hole. I am not sure how you correct that, and I am sure they are doing a good job, the best they can. I am not going to try to be a Monday night, armchair quarterback on that.

But there are just so many things. Somebody can breathe wrong and the markets go out. I mean, I don't know. We can't control Mother Nature, so I know that is not the case. But I think keeping the safety net of the Farm Bill is a certain way to keep the farmers where they just don't fall on their face 100 percent. With the Farm Bill that you ought to try to work on, I applaud your efforts, and as a cotton farmer I appreciate—we got left out in the rain in the last one, so we are hoping that we will be taken care of this time.

But we are at the mercy of the markets. We buy everything at retail and sell everything at the lowest common denominator. I wish you could tell me that and I would figure out how to be very successful.

Chairman CHABOT. Thank you very much.

Joe Harts, who is our representative here from the Small Business Committee staff, reminded me that the Farm Bureau will be testifying before the Small Business Committee in Washington this week. So we will be hearing from them, and I know, as I mentioned before, they are very often letting us know what is happening out there in the farming community.

Mr. WOODS. Well, we depend on them a lot.

Chairman CHABOT. Yes.

And then my last question would be for anybody on the panel, any or all that would like to answer.

I would say there have been two major things that have really impacted small businesses positively in the last year, year-and-a-half. One is—and I think it has already been reflected here by the

testimony here this afternoon. That is the Tax Cuts and Jobs Act that was passed that President Trump signed into law recently.

The other thing is the President coming into office and saying that he wanted to get rid of two regulations, existing regulations for every new one that the bureaucracy and Congress comes up with in Washington. We have made some real progress in that.

But what I am wondering is, is there anything that is still out there in red tape and regulation as a small business person that you think, boy, this is one that I sure wish they would either modify or get rid of it or it just doesn't make sense anymore, or whatever?

So I will just go down the line for whoever wants to go first is welcome to. But is there anything out there that you think we ought to take a look at in the area of regulation that you would like to see changed? And then after I am done I am going to turn it over to Mr. Kelly and we are going to wrap up.

Mr. CARTER. Well, I certainly agree with Mr. Bailey on his comments on the health care. For my business, we pay 100 percent of our employees' health care costs, and that is the most expensive—that is the top line—

Chairman CHABOT. That is rare these days, 100 percent. I commend you.

Mr. CARTER. It is actually more than the next six items combined. In order to attract and retain the kind of talent that we require, and to keep them from escaping to Huntsville, those are the kind of benefits we have to offer.

Chairman CHABOT. Thank you.

Anybody else?

Mr. HATCHER. If I may, Chairman Chabot, I would like to back up to you, Congressman Kelly, and your reference to the educational system. Let's not forget those that are not attending higher education and whatever help could be assisted through the high schools or vo-technical schools. There is a lot of opportunities there.

Mr. KELLY. I agree. I mentioned high schools, and we have here at DeSoto County, we have a great vo-tech system here that does not just the ones that we went through as students, but they do high-tech jobs that are things that people like me couldn't get in. But they are high tech, and they are very, very good in DeSoto County. We have some model programs here that other people should look at.

Chairman CHABOT. My time has expired. So, Mr. Kelly, if you have any additional questions?

Mr. KELLY. Just very quick. We were talking about Farm Bureau, Mr. Chairman, and we had the President, Mr. Mike McCormick, and his congressional liaison I think is what he calls him, Justin Ferguson, who is here. They are in our office, but they are also here in this meeting. They are engaged in our small businesses across this state, and I thank Mike as the president for being here.

I also want to once again thank my friend, Brian Rigby, for making this venue available.

Now, I want to ask you guys just very quickly, about 30 seconds each, what advice would you give entrepreneurs who are considering starting or relocating their businesses to North Mississippi?

My experience has been workforce, infrastructure availability, and also the cost of doing business here in Mississippi. So you can talk about if those things apply to you or whatever else you think why people ought to move here from somewhere else and start businesses here in Mississippi.

Mr. Bailey?

Mr. BAILEY. My advice for somebody starting out would be—I don't know about regulations, but just to go for it and do it as hard as they can, with the love and passion they would do with anything else.

As far as why Mississippi, our cost of doing business and starting a business is a lot lower than it is everywhere else in the nation just because of the price of rents, the price of utilities, the price of just everything is lower, which is great. Our state tax is not that burden on small businesses, which is a wonderful thing.

The only thing I would say is if you are starting out and you are young, have a good accountant, because you don't want to all of a sudden get an oops of here is an additional \$15,000 that you have to pay to the government. So have a good accountant.

Mr. KELLY. So it is basically those payroll taxes. I know, I was there. And then you have to write a check for a 25 percent penalty and 15 percent. So you spend a lot of money you didn't have to start with.

Mr. BAILEY. Exactly.

Mr. KELLY. Mr. Hatcher?

Mr. HATCHER. I would always recommend or suggest people to come to North Mississippi. It is the quality of life. The quality of life here is unparalleled to any other areas. The tenacity and the perseverance to be an entrepreneur is just strap on your boots.

Mr. KELLY. Mr. Carter?

Mr. CARTER. Well, considering my wife just started her own small business and has been working closely with the SBA and our local bank, I would definitely recommend anybody to take a long, hard look at Mississippi if they want to start a small business, not only the people and our education system but just the support in general that you just get from being in Mississippi.

Mr. KELLY. And Mr. Woods?

Mr. WOODS. Y'all come.

[Laughter.]

That is what we are. We are the hospitality state. We make people feel welcome. People can come here and start a business and get some good people that will work hard. If you have the heart to want to go through that first five years to kind of get over the hump, and I agree with the accountant statement, you just have to keep up with where you are, know where you are. As my banker told me one time when he made me a loan to start the company, he said don't walk in here and just tell me without having something prepared. I already know what you need. Explain it and believe it, and then we will try to help you. You just have to have that heart of wanting to succeed before you ever start.

Mississippi, especially North Mississippi, is a wonderful place. I wouldn't want to be anywhere else. I have had people come here to start businesses that I know, and they said it was the best thing that ever happened to them.

So, thank you all for letting me make some remarks.

Mr. KELLY. And I am going to take a privilege of playing on my home field. But the other thing is our work ethic here is second to none. We have great community colleges and universities, all of which do great training and workforce. And I think something that is often overlooked in Mississippi that maybe other parts of the world don't have, we got river, rail, and major highway systems to everywhere in my district, right here in DeSoto County. We are not that far from the Mississippi River. Over on the other side of my district we got the Tenn Tom Waterway, which is the least expensive way to move major products. We have rail and highways that connect those, major interstates, and I think that is really good.

Our governor and our state really works hard to bring industry into Mississippi.

And with that, Mr. Chairman, I yield back.

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

In wrapping up this hearing of the House Small Business Committee, I would just make a couple of comments.

First of all, if I didn't live in Cincinnati, I think I would want to live in Mississippi after what I have heard here this afternoon, some real fine people and excellent testimony from really an excellent panel of witnesses here. Your testimony was very good, very helpful, and the answers to the questions were also very helpful.

Just in saying a couple of things about your Representative, Trent Kelly, you all know Trent Kelly, but what you don't necessarily know is how others of his colleagues in Washington think about him. He is very, very respected among other Members of Congress on both sides of the aisle, both Republicans and Democrats. It is not often that a member, in as short a time as Trent Kelly has been in Congress, to be a subcommittee Chairman already. He, of course, as I mentioned early on, he is the Chairman of the Investigations, Oversight, and Regulations Subcommittee, which is a very important area, and it is small businesses all across the whole country. Seventy percent of the new jobs in America are created by small businesses. So it is very important.

Of course, you also don't become a general without having a lot of leadership abilities and being a leader of men and women, and having served our country I believe two terms in Iraq. He literally saved a bunch of lives, as you may know, about a year ago on a ball field outside Washington, D.C. when he was literally in the line of fire of a shooter there, and not thinking of himself but thinking of the others. He was the closest person to that gunman, and he wasn't thinking about himself, he was thinking about others.

Now, I wasn't there. My contribution to the Republican baseball team was not being on the team.

[Laughter.]

But Trent warned all the other persons. He said, "Shooter, active shooter." There is no question he saved lives that morning.

But beyond that, he is really an excellent member of Congress, and I would say just on a personal level I think you are lucky to have him representing you, and it is an honor to serve with him.

At this time, that concludes my remarks. I would now like to turn it over to Trent for any closing remarks he might have.

Mr. KELLY. I am just going to be very brief.

Thank you, Mr. Chairman. Again, I am grateful that you were able to travel here to Southaven this afternoon and listen to my constituents and see where I live and see what is important to us.

As I said in my opening statement, and I know you agree, the best ideas come to Washington, not from Washington. And while the economy is currently thriving, we need to pay close attention to how our small businesses are evolving. Of particular concern to me as I represent a large amount of rural areas here in Mississippi is how businesses and our small towns are faring because they face a unique set of challenges than their more urban counterparts do.

I appreciate each of our witnesses taking time away from your businesses and busy schedules to provide the Committee testimony.

I also want to thank each of you in the audience for coming and listening today.

And finally, once again, thank you to Chairman Chabot for spending the day with us here in Mississippi, and I yield back, Mr. Chairman.

Chairman CHABOT. Thank you very much.

The gentleman yields back.

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

Mr. KELLY. Without objection.

Chairman CHABOT. Without objection, so ordered.

If there is no further business to come before the Committee, we are adjourned.

Thank you very much.

[Whereupon, at 3:20 p.m., the Committee was adjourned.]

APPENDIX

U.S. House of Representatives Committee on Small Business
Field Hearing-Monday, June 18, 2018 – Southaven, MS
“The Perspective of Rural Small Businesses in North Mississippi”
Comments by Pat Woods, Owner-Woods Farm Supply-Byhalia, MS

Chairman Chabot, Congressman Kelly, and other distinguished members of committee; I appreciate the opportunity to come before you today representing a small agricultural business in North Mississippi. My name is Pat Woods. My family and I operate Woods Farm Supply in Byhalia, Mississippi, along with roughly 35 employees. We also farm cotton, corn, soybeans, cattle, and timber. In my allotted time, I'd like to focus my brief comments in three primary areas of federal policy: *tax reform, regulatory relief, and rural broadband deployment.*

- **Tax Reform:** First and foremost, I applaud the efforts of the Congress and the Committee on Small Business to bring true tax reform to the American public and our small businesses across the country. Passage of H.R. 1, the Tax Cuts and Jobs Act was long overdue. Reductions in individual rates, reforms in the corporate rates, and changes in the estate tax rules was a monumental activity that will help put America back on the road to economic recovery. As a small business owner and member of the board of directors for my local bank, I see the benefits of this legislation first hand on a daily basis. For our business, sales are up and new construction loans at our bank have also taken a recent increase. I also serve on our local rural electric power cooperative board of directors. Our management tells us that there has been a recent spike in new connections to homes in our service area. At our operation, my employees are seeing more take home pay in their paychecks and they are investing those extra funds back into the local economy. Additionally, I am pleased with the changes in the estate tax rules that allow me to pass my farm on to my three children. The estate tax is one of the most unfair laws on the books, and I sincerely appreciate those changes made by the H.R. 1. In summary, I can confidently stand before you today and say that the economy is growing in my area and residents are seeing a higher quality of life. All of these positive movements and the boost in consumer confidence, I attribute to the efforts made in the area of tax reform passed by Congress, teamed with a new Administration that fosters a pro-business climate.
- **Regulatory Relief:** Another major area of federal policy for us as small business owners and farms that I'd like to discuss is regulatory relief. As a farm business and farm operation, we deal with a host of federal regulations. One of the largest and most positive movements for us was the repeal and replace of the Waters of the U.S. Rule (or WOTUS) by the EPA. This massive federal overreach would be detrimental to every aspect of my farm and farm business. The overall business community in rural America has benefitted from the new vision at EPA, back to the philosophy of “cooperative federalism;”

where the federal government is more of a partner and co-regulator with state lead agencies. This new view and philosophy at EPA has brought comfort to small businesses and farms that the federal government plans to be there to help them stimulate growth for our economy, and not be an obstacle in the way.

- **Rural Broadband Deployment:** The last final policy area that I'd like to highlight which is vital to small businesses and farm technology is the topic of rural broadband deployment. Rural Mississippi is lagging behind in the area of connectivity to the internet. I hear stories on a daily basis of school children that have to come to town to download their homework, business growth hampered by a lack of adequate service, and precision agriculture technology that loses a signal due to a lack of connectivity in their area. As you know, it's a huge problem for rural America, small businesses, and farm operations. I commend the Committee for all the work that has been done to bring broadband to rural America, and I cannot stress how important this is to stimulating growth of the economy and quality of life for rural Americans. Specifically, I want to thank Congressman Kelly for his efforts in sponsoring legislation last December. *The Small Business Broadband and Emerging Information Technology Act (H.R. 4677)* addresses the bipartisan push for nationwide broadband that specifically targets small businesses' needs and potential. One delivery model I would encourage the Committee to look as a means to bring this vital infrastructure to rural communities is through the rural electric power cooperatives. Broadband is now the electricity of the 1930s. The only way that electricity was brought to rural America was through the rural electric power cooperative model under President Roosevelt's New Deal. Numerous rural electric power associations are effectively deploying broadband across the rural countryside right now. I would ask the Committee to look at ways that Congress can further study this concept; and, also pursue any and all measures of federal policy that fosters connectivity in rural portions of the country.

Again, Mr. Chairman and members of the Committee, I appreciate all that you are doing to promote and protect small businesses across the country. Thank you for the opportunity to be a part of this distinguished group of witnesses. I will be happy to take any questions you may have.

TESTIMONY FOR FIELD HEARING
U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS
JUNE 18, 2018

WRITTEN TESTIMONY OF GEOFFREY E. CARTER,
PRESIDENT AND C.E.O. OF HYPERION TECHNOLOGY GROUP, INC.
3248 WEST JACKSON STREET, TUPELO, MS 38801

The Perspective of Rural Small Businesses in North Mississippi

Good afternoon Small Business Committee Members. My name is Geoffrey E. Carter. I am President and C.E.O. of Hyperion Technology Group, Inc. ("Hyperion") in Tupelo, Mississippi. Hyperion is a small business founded in 2009 which employs 31 people. Hyperion is a custom engineering, research and development company with a primary focus on federal government contracting. Hyperion supports all branches of the military, as well as the Departments of Energy, Homeland Security, and the United States Secret Service developing and building sensors and sensor-systems to protect both civilians and the warfighter. Hyperion also works with several major public universities including Mississippi State University and the University of Mississippi supporting their Research and Development efforts and commercializing university-developed technologies for the public benefit. In addition, Hyperion's commercial division serves industrial customers with custom-engineered solutions that increase productivity with an emphasis on workplace safety.

Over the past eighteen months, Hyperion Technology Group, Inc. has seen significant growth in both government and commercial sales. Since the 2016 election, our workforce has increased by thirty percent, our revenue has doubled, and we have outgrown our facility and recently announced construction of a new headquarters. Some of the factors contributing to our recent growth include:

- Government contracts are moving through the system more quickly.
- Increased emphasis from the Government on military research and development and modernization.
- More positive and contractor-friendly dealings with Government contracting officers and staff.

- Industries' desire to spend capital for facility modernization and improvement.
- The increased revenues from large businesses' expenditures resulting from H.R. 1, the Tax Cuts and Jobs Act.

The tax cuts afforded to us by H.R. 1, the Tax Cuts and Jobs Act, will make it easier for Hyperion to continue to grow and expand its footprint in both the government and commercial sectors. We anticipate our growth to continue as long as the current business environment prevails. The lower corporate tax rates and increased ability to expense capital improvements will promote reinvestment, growth and expansion of small businesses.

While I have this opportunity to speak as an advocate for small business, I would like to mention how some of the regulatory and compliance burdens disproportionately affect small business government contractors. We recognize the importance of security, safety, export and employment regulations, but the compliance and reporting requirements of these regulations are essentially the same for small and large businesses alike. Certain areas of our business are regulated by multiple agencies and departments, adding complexity and increasing the compliance and reporting burden through unnecessary duplication. Many of these requirements demand full-time support staff to ensure full compliance which dramatically increases our overhead costs. These fixed overhead costs are less significant for a large business, but hit us harder as a percentage of overall budget. I would like to recommend that the Committee consider introducing legislation in the form of a tax credit targeted specifically toward small business government contractors to offset some of the burden that is required in order to comply with these important regulations.

I would like to thank the Committee for this opportunity as well as for your time and consideration.

Sincerely,



Geoffrey Carter



Michael Hatcher
& Associates, Inc.

How Tax Cuts and Jobs Act has influenced the Small Business in our area and specifically affected Michael Hatcher & Associates

OVERVIEW

The monumental Tax Reform Law has had an immediate impact on our business from multiple aspects:

*As a Landscape Design/Build/Maintain Company we provide jobs for 116 FTE employees. Our customers are Residential, Commercial, Industrial and Government locations throughout a 120-mile radius of our office located in Olive Branch, Mississippi. The roll back and benefits from the Tax Cuts and Jobs Act (TCJA) created significant financial resources available as expendable income to all our customers which has been realized by 20% growth from same period last year. Our business practices allow us to use available resources from not only our own customer surveys and research but substantiation from our affiliation with our national association NALP (National Association of Landscape Professionals).

* TCJA has had a direct influence on our Company investments and expenditures as well, we have made substantial investments in both vehicles, equipment and technology. We are not only replacing older assets but are adding new because of the growth of the revenue. We have also been actively engaged in the acquisition of other companies to build our brand and substantiate the diversification of our services to existing and potential new customers.

*The employees of Michael Hatcher & Associates were direct beneficiaries of TCJA in March of this year when all received a minimum of 7% raise in their base compensation package. This along with other incentives for workplace safety has resulted in several employees purchasing new autos, homes and creating college funds for their children.



Michael Hatcher & Associates, Inc.

*We are a drug free workplace, participating in the E-Verify program since enacting of that policy in June 2007, with a workman's compensation Mod. Rating of .78 representing a 22% safer work environment than our Industry Standard. OSHA certified Managers supervise each division of our company.

*With growth opportunities also comes challenges, the foremost challenge we face is a reliable workforce. We employ individuals with college degrees for professional licensed requirements positions to the entry level individuals for construction and horticultural positions filling roles as crew members to complement our labor force. To fulfill the need for all positions we have been relentless to recruit and hire from Regional Universities and Colleges, Vo-Technical Schools, local High schools and area residents.

The TCJA has been a catalyst for economic growth to many companies in our area and through that success has created a shortage of labor for many different industries and service related employers. Unable to fill all our positions we at Michael Hatcher & Associates have selected to participate in the H2B program for the last 3 years and this program has become a continuous issue due to the political challenges it faces from some elected officials and the public's perception. Most of the opposition is misinformed of the incredible burdening number of rules, regulations and expenses that inhibit the participation and that the Department of Labor requirements to comply for that eligibility. DOL has set wage rates for those positions that are far higher than the market area compensation and the wage rate for our work classification in N. Mississippi at \$12.97/hour. This requirement mandates that all employee's either full time or part time must be paid a minimum of this rate, otherwise we are in violation of the program rules and subject to fines and legal repercussions by the DOL, this is nothing short of a Federal Minimum wage rate increase. During those past 3 years we have incurred expenses more than \$100,000 to comply with the rules and obligations to participate in program and to facilitate the legal fees and travel expenses of our guest workers. Through a very burdening process we incurred some of those expenses with no assurance that we will ever be able to employ those eligible due to the cap of participants allowed into the country. To continue the success and intentions of the TCJA something must be addressed to supplement the labor need for the continued economic success of the small business in North Mississippi.



Good afternoon, Chairman Chabot and Congressman Kelly. Thank you for the opportunity to testify at this field hearing today and discuss issues facing small businesses like mine in Mississippi's First Congressional District. My name is Jason Bailey, owner/operator of Summit Management Services, LLC. I started my business in 2007, Bailey Management Company, LLC; focused on Homeowner Association Management. My first office was a broom closet in a property I managed. In 2009 we merged three management companies and formed Summit Management Services, LLC. Today my business partner Sammie Knight and I are the sole owners/operators of Summit. We are now working with city departments to gain final approval to build our own building to operate from.

When we began we had 4 employees including owners, through the efforts of many, we have grown our five fold since that first day, and currently we average 18 employees both full and part time. In 2017, I was given the honor by Mississippi Business Journal to be named Top 50 under 40 Business Person of the Year; however, I did not achieve this alone.

Today we are very excited about the future for our company. The past 9 years have had its challenges, The Affordable Care Act has certainly had an impact on our business and our employees. Under the law we do not have to provide healthcare to our employees due to the size of our company, but we value them greatly and felt Health Insurance was a key ingredient to our retention. When we first started we were able to provide 100% company paid insurance benefit to our full-time employees. At that time Health Insurance was the 7th largest expense on our ledger, today it is our 2nd largest, behind number one, Payroll. Because of the impact on our profitability in recent years we were forced to have the employees pay 20% and the company 80% of the cost. This takes money out of their pocket and restricts growth.

As small business owners, we have not realized the benefits of the new tax cuts. Our employees are able to take home more pay, and we are grateful for that; however, I feel more can be done. One of the new tax reform changes is the removing of the tax credit for Entertaining clients. Our business often times requires lunch meetings, since our client base works also, and those funds come of our and our staff's pockets and already squeezed for our profits today due to expense like health care.

As we continue to grow one of our many challenges is when to invest in another full-time employee. As you can imagine being in the service business as we are, people are critical, but due to some of these government initiatives, we have to hold back from hiring and stretch our people further, and as you know there is a breaking point with personnel, and we don't want to reach that. Often times we make plans to grow to other markets and purchase other companies, but without any benefit for growth makes it hard to do so and the ROI is just too far down the road.

One of the positive things we have seen in the past 6 months is the new Opportunity Zone. This will have a positive impact on rural Mississippi as we will see investors flock to our area to realize the tax benefits and invest in our communities. One wish I have is the opportunity to benefit from this program across all small businesses. For example, we are going to be an owner operator of our building and because we are outside of the Opportunity Zone, we don't benefit and our depreciation for our building will be 39 years vs just down the street is an investor, often times from another state and renting to local business, will benefit in 10 years and can sell and reinvest. We invest in our market each and every day. I would like to see something like this for entrepreneurs like us that are owner operators and not be geographically challenged. Think about it, we are investing in the market and not just here to build, rent and sell and cash out, we don't want to cash out, it is our home and we want to be in business for a long time. Think of a landscaping company that invests in a new shop to help with the operations of their business. A doctor that chooses to invest in an office in a rural area. A property management company that will own and occupy a building in the community they are a key part of. I believe there is something that can be done.

I was excited to see the rolling back of some of the regulations of Dodd Frank. When a banker could not invest in someone they know from church, kids school, sports programs and just being a part of the community, because regulations placed on the banks, it became a weighted anchor on the growth of the economy in rural America. When I was starting out I was lucky to have a bank that knew my potential and invested in my future. If I started 5 years later during the Dodd Frank regulations, I would not have been able to realize some of the opportunities I have. I look forward to seeing the regulations rolled back. In closing I want to thank you again for the opportunity to speak with you today.

Sincerely

Jason Bailey

