THE LOCAL IMPACT OF ECONOMIC GROWTH

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC GROWTH, TAX, AND CAPITAL ACCESS

OF THE

COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

HEARING HELD
SEPTEMBER 27, 2018

Small Business Committee Document Number 115–091
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
31–559 WASHINGTON : 2019

HOUSE COMMITTEE ON SMALL BUSINESS

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

KEVIN FITZPATRICK, *Majority Staff Director*
JAN OLIVER, *Majority Deputy Staff Director and Chief Counsel*
ADAM MINEHARDT, *Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Hon. Dave Brat	1
Hon. Dwight Evans	2

WITNESSES

Mr. Larry Lopez, President, Green JobWorks LLC, Baltimore, MD, testifying on behalf of Associated Builders and Contractors	3
Mr. Mansour Azimipour, President, A&K Development Corporation, Locust Grove, VA	5
Ms. Brenda Jones Barwick, President and CEO, Jones Public Relations, Oklahoma City, OK, testifying on behalf of Women Impacting Public Policy	7
Ms. Valarie J. Cofield, President and CEO, Eastern Minority Supplier Development Council, Philadelphia, PA	9

APPENDIX

Prepared Statements:	
Mr. Larry Lopez, President, Green JobWorks LLC, Baltimore, MD, testifying on behalf of Associated Builders and Contractors	17
Mr. Mansour Azimipour, President, A&K Development Corporation, Locust Grove, VA	24
Ms. Brenda Jones Barwick, President and CEO, Jones Public Relations, Oklahoma City, OK, testifying on behalf of Women Impacting Public Policy	29
Ms. Valarie J. Cofield, President and CEO, Eastern Minority Supplier Development Council, Philadelphia, PA	35
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
IAHC - International Association for Health Coaches	43

THE LOCAL IMPACT OF ECONOMIC GROWTH

THURSDAY, SEPTEMBER 27, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX AND CAPITAL ACCESS,
Washington, DC.

The Subcommittees met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Dave Brat [chairman of the Subcommittee] presiding.

Present: Representatives Brat, Knight, Kelly, González-Colón, Fitzpatrick, Balderson, Evans, and Clarke.

Chairman BRAT. Good morning. I would like to call this hearing to order.

As I am sure you all know, I used to teach economics for a number of years, and on that note, I would like to welcome one of our college students out here. Kira came and she has got relatives on the panel. Thanks for being with us today.

And I think this Subcommittee has done an excellent job this Congress of having both sides of the aisle coming together to examine and promote policies that promote economic growth and small business.

At the beginning of this Congress, this Subcommittee held a hearing examining the state of small business economy. The economy had just come off a 1.6 percent growth rate in 2016. There are a lot of economists beginning to ask the question, have we reached a new normal? Can we rise above the 2 percent GDP growth that seems to characterize Europe?

However, 2018 has marked a stark difference to those years of slow growth. In the second quarter of 2018, economic growth hit 4.2 percent according to the Council of Economic Advisors. GDP is on track to hit its highest mark since 2005 and the Atlantic Fed has us growing at I think 4.6 percent next quarter. So this Committee obviously wants to keep that rolling.

This growth has also allowed companies to make long-term investments. According to UBS, capital spending, the primary variable that drives economic growth rose 21 percent in the first quarter and 24 percent in the second quarter this year, which are both the highest increase seen since 2011. Increased capital spending means that businesses are using more resources to make needed renovations, research the next great idea, and maximize economic growth. In economics, we also know that capital investment in the hands of workers increases productivity, and in macroeconomics, productivity is equated with wage growth. And in August we had

3 percent wage growth. So the capital investment is making people's lives better across the board.

This recent expansion has not just benefitted a select few, but rather helped Americans in small businesses across a variety of economic and demographic backgrounds. Unemployment rates across every demographic are at or near historic lows, decade lows. Wage growth since the beginning of 2017 for nonwhite Americans has outpaced the national average. Furthermore, minority-owned small businesses are growing faster than the national average, and their impact will continue to grow even greater in the years to come.

This morning, we have an excellent panel. I met with all of them—we discussed sports for a while—to discuss how the recent surge in economic growth and the policies and acts of this Congress have impacted minority-owned small businesses. By hearing their stories, we hope to further understand how Congress can continue to promote pro-growth policies to help small businesses of all industries and backgrounds.

And I would now like to yield to the Ranking Member, my friend, for his opening statement.

Mr. Evans?

Mr. EVANS. Thank you, Mr. Chairman. And good morning.

Minority entrepreneurs play a significant role in the U.S. economy. They own almost 8 million firms generating nearly $1.4 trillion in revenue and employ over 7 million workers. I am glad we are here taking time today to talk about minority small business owners and how the entrepreneur successes are critical to the prosperity of the United States.

Despite these impressive numbers, minority-owned businesses still face many barriers starting and growing their businesses. The policies of the Trump Administration have not helped minority entrepreneurs. Since the tax reform bill passed last December, it has become clear that the majority of the benefits from the tax reform bill go to larger corporations and the very wealthy. Some small firms are seeing, at best, marginal benefits. Many others have yet to see meaningful advantages.

Additionally, the tax plan jeopardized health coverage for 13 million Americans. The future deficit pressures could impair Social Security, Medicaid, and Medicare. Ultimately, ACA and vital Social Security net programs impose indirect costs on responsible entrepreneurs who want to do the right thing by the employees.

Additionally, the Congress has played a critical role in ensuring regulations are not too burdensome while at the same time protecting the American public. It is, therefore, irresponsible for the legislative or the executive branch to haphazardly get rid of regulations without thoroughly looking at the impact and the long-term consequences. Although on its face, Executive Order 1371, which says that for every new regulation issued at least two prior regulations should be identified for elimination, may seem like a good idea, it has very real impact on the lives of small business owners. We must collaborate to thoroughly produce streamlined regulations for small firms, while keeping in mind our ultimate goal to protect consumers and public safety.

If the Trump Administration truly wants to support minority businesses, they would not have eliminated the Minority Business Development Agency (MBDA) in the President's Fiscal 2017 Budget Proposal. Even after objections from the business community, the Trump administration's proposed budget only resulted in $6 million for the MBDA. This number is significantly less than the $34 million appropriated in fiscal year 2017. How can they say we are serving the needs of minority businesses when the administration continues to attack the sole agency focused on the needs of minority-owned businesses? Trying to get rid of the agency is just irresponsible.

And I would like to add that we sent a letter to the appropriators in the House and the Senate, along with my Pennsylvania colleague, Senator Casey, stressing the importance of the MBDA in Philadelphia, which is run by a woman by the name of Della Clark.

Minority business owners offer an invaluable contribution to our economy and they need help.

Today's hearing offers two opportunities to discuss how Congress can better help our nation's minority entrepreneurs prosper. I look forward to hearing from our witnesses on how we can ensure American minority entrepreneurs have the resources they need to grow and prosper.

I want to thank the Chairman especially, and I yield back the balance of my time.

Chairman BRAT. Great. Thank you very much, Mr. Evans.

If Committee members have an opening statement prepared, I ask they be submitted for the record.

I would like to take a moment to explain the timing lights for you. I doubt they will come into play.

You will each have 5 minutes to deliver your testimony. The light will start out as green. When you have 1 minute remaining, the light will turn to yellow. Finally, at the end of your 5 minutes, it will turn red. I ask that you try to adhere somewhat within the parameters of that. If you go over a little, do not worry about it.

And with that, I would like to start introducing our first witness with us today, Mr. Larry Lopez, President of Green JobWorks in Baltimore, Maryland. This morning, Mr. Lopez is testifying on behalf of the Associated Builders and Contractors, where he chairs their Diversity Committee.

Thank you very much for being with us today, Mr. Lopez, and you may begin your testimony. Thank you.

STATEMENTS OF LARRY LOPEZ, PRESIDENT, GREEN JOBWORKS LLC; MANSOUR AZIMIPOUR, PRESIDENT, A&K DEVELOPMENT CORPORATION; BRENDA JONES BARWICK, PRESIDENT AND CEO, JONES PUBLIC RELATIONS; VALARIE J. COFIELD, PRESIDENT AND CEO, EASTERN MINORITY SUPPLIER DEVELOPMENT COUNCIL

STATEMENT OF LARRY LOPEZ

Mr. LOPEZ. Good morning, everyone. Chairman Brat, Ranking Member Evans, and members—well, we only have the two of you today but Committee, Subcommittee, and members of the Committee, Subcommittee on Economic Growth, Tax, and Capital Access. Thank you for allowing me to be with you today to discuss this positive impact that the Congress and administration's policies have had on my small business, and businesses of all kinds.

As you stated, my name is Larry Lopez, and I am the President of Green JobWorks.

Today, I am testifying on behalf of ABC, Associated Builders and Contractors. They are a national construction industry trade association, who were established in 1950, and they represent more than 21,000 members throughout the country. We were founded on the merit shop philosophy, and ABC and its 70 chapters help members develop people, win work and deliver that work safely, ethically and profitably for the betterment of the communities which the members live and work in.

So my company, Green JobWorks is a construction staffing company. We were founded in 2011 in Baltimore, and we provide labor to the industry. We really believe that we take the burden away from hiring people, which can be very challenging. We find the right people for the right job for our clients to help them deliver work the right way.

We also have expanded and grown and developed several other divisions in our company in construction. So we do demolition, we move asbestos, and we do post-construction cleaning. So we kind of dip on both sides here.

My company today, I wanted to tell you how it has benefitted from tax cuts and the regulatory changes that have happened. The Tax Cuts, and the Jobs Act, specifically, really helped my business. With the increase in the construction industry, all its growth, companies having higher profit margins, being more comfortable just really doing business and growing, it has really built up, I feel, a lot of confidence in the industry. And that specifically has helped my company grow and be able to reinvest that growth with benefits to my employees. So I have been able to implement annual raises from a staffing perspective, which is pretty unheard of. Pay increases for folks after working for me 30 days. We promote people internally. Positions like crew leaders on projects. We have obviously implemented more technology on our projects. We use iPads on job sites now. We use iPads to do applications and onboarding. So all the changes have really helped my company tremendously.

And as far as the divisions that I mentioned earlier, the growth in my demolition, asbestos, and post-construction cleaning has been really kind of off the charts. At one point it was probably about 10 percent of my revenue and it is at around 30, 35, and it continues to grow.

All this happens, in my opinion, due to the changes that have taken effect in the last year or so. Because of all this growth, obviously, I have had to hire more staff. We are continuing to even look to hire more. So given the challenges in the workforce, we believe that, you know, training is critical, on-the-job training even more so. So we are looking to create a full-time training position from a staffing model to allow our clients to have our employees trained on the job.

The last point that I think is important as far as workforce is diversity. I would be remiss if I did not talk about—you mentioned that I was the Chair of the ABC Diversity Committee. I take that role very seriously. It is really important, I think, to make it clear that as a country, we are not going to make it if we do not understand the importance of the fact that we have to diversify our workforce. We have to diversify—we could go all day on it, but as the industry itself, I think it is critical that we understand we have to look at different places to find folks right now because of the workforce shortage. While it is great that unemployment is low, it is very difficult, I feel, to be able to fill all these positions if we do not start training people. And I know we talk about it a lot, but there is not enough.

So what I will ask Congress is that continuing to pass legislation like H.R. 2353, which is the Strengthening Career and Technical Education for the 21st Century Act, that allows dollars to go to private organizations to do training, because that is really important if we are going to continue to backfill the workforce that is aging out right now.

There are a lot more things I really wanted to say, but I will close by saying this: The contributions that Congress and the administration have made in the past year on tax reform and regulatory relief have unlocked the potential for my small business to create growth and opportunities for everyone.

So I want to thank Chairman Brat, Member Evans, again, for inviting me today to participate in this hearing. I look forward to answering any of your questions about how my small business has benefitted from economic growth in my community and become more successful in this really competitive market. Thank you.

Chairman BRAT. Thank you. It is not every day we have a good news Committee panel. So great to hear the good news that is happening out there.

Our next witness is a business leader in my own community and a good friend over the years, Mansour Azimipour. And he is President of the Construction and Development Company, A&K Development Corporation in my district in Virginia. Mr. Azimipour also established the Economic Development Partners Group of Orange County, which actively works with new and existing businesses in the county to maximize investment and job creation. He is a good friend of the community. He knows how to make friends across the aisle, across every demographic and friendship group you can have. He is an ideal person to have testimony today.

Thank you for being here with us, and you may now testify.

STATEMENT OF MANSOUR AZIMIPOUR

Mr. AZIMIPOUR. Thank you, Mr. Chairman. Thank you, Mr. Evans. I am honored to be here today. I am talking on behalf of myself. I am not debt master with anybody.

I am here and proud to be a part of Virginia small business, the state that is one of the top states to do business in and the best place for me to live in.

My story starts from about 50 years ago, 50-plus years ago when I was just 9 years old when I started my corporate-like business hiring kids twice as much my age, teenagers, to sell my fireworks in neighborhoods and get their commission. And they were acting actually, because their livelihood depends on that money, they were acting like my bodyguard to make sure that I am safe to give them the product to sell. And I am proud of that time.

And since then I am proud also to say that all these years I never received a paycheck from anybody. I am the one who actually provided paychecks to other people.

I consider myself a live statute of American dreams and born to be an entrepreneur. I am proud to say in my entire life I have really done that.

I served on a Board of Directors of a community bank for 7 years from late 1990s to early 2000, and that experience was one of the best experiences I had because it has helped me to see the problems going through the financial situation and a slowdown in 2005. And that helped me to save my business and my life during the financial crisis.

I am also a board member of a Board of Trustees of a private school of PK-12 in Virginia. And with a few local friends we made an economic partnership in Orange County that has been outstanding with the results we have. The economic development brings every month the leaders of the company at the same table. We have a Board of Supervisors, Planning Commission, elected officials, the Chamber of Commerce, a local community college, business leaders, a school board, and all the people who can make a decision, they come in and they make actually an informed decision and that helps the county to make an amazing result out of it.

About a year ago, I asked you, Mr. Chairman, give me something that I would be happy for to get out and give it to my kids that they would be happy, and this is what you said: "The free market platform we have for small businesses and its owners in our system is what will help us to move forward at any time." And that was the best ever I got from my representative. And still I remember it because that was it.

Small business owners take risk unlike other businesses. They take 100-plus persons of risk on all they have to make the business work. The risk is not an abstract concept for a small business. A small business is there to make it work. And always, when you get a loan, they want your personal guaranty. Even they do not give you enough money but they do that.

My time is getting a little bit short. Okay.

Many external factors impacted a level of risk the small business owner must take. Regulation, especially adding a new requirement that could not have been anticipated, greatly impact a small business. Regulation affects the ability to borrow, to start or expand a business. Regulation diverts times and resources away from the main business. Regulation can slow implementation of a new project or the movement of the new product to the market. I encourage all legislators to truly evaluate the risk that examines for new regulation imposed to the business climate, especially the regulation that crosses the line and adds risk to a level that discourages business startup or expansion.

Small business is a critical part of our economy. In Orange County, Virginia, where I have my business, we have about 900 employers. Over 90 percent of them employ less than 20 people. But that represents nearly 30 percent of the entire workforce. At the local level, the financial ability of a community and sensitivity to impact of rules and regulation are helping the environment that encourage investment by a small business owner. In the last 24 months, we have 84 new startup companies in Orange County.

Availability of capital to a small business. To start this part of my testimony, I should say I believe most of the banks are almost closed when it comes to providing much needed capital to small businesses. Because that happened in our economy after 2007, banks are so afraid of making loans to a small business after they made millions of bad loans between 2000 and 2006, which that was one of the reasons we had the financial crisis. The present banking behavior reminds me of two things that I heard from my parents. A person was standing on the flat roof of a high-rise. Someone told him, be careful, do not fall. He walked back and fell from the other side. And the banking underwriters are like someone who was bitten by a rattlesnake. And for their entire life they want to be afraid of black and white rope. And that does not really work.

During the recession, most of the small business owners' credit got hit, and the banks that were giving loans to those businesses, up to more than 80 percent loan-to-value, now I have seen many cases that they are not even approving 30 to 40 percent even if the owner does the personal guaranty with all of their assets. This is unfortunate that most of the available capital to small businesses are in the hands of the secondary market with 12 to 18 percent APR with very difficult terms which barely any small business owner can afford the consequences of that financing.

My hope is to see the banks, which are one of the most tools of our economy growth, find a way to be able to help small business owners with the much-needed capital for their new and expansion ideas. About the taxes, I am not an expert. I just can tell you as a business owner, right now the tax dollars and the change is helping small businesses and the biggest help we got started from President Bush, and President Obama extended that when they said companies were making money and paying taxes between 2001 and after and they were losing money after 2006. They could go back and consider that. I believe that regulation saved tens of thousands of businesses by doing that. Thank you very much.

Chairman BRAT. Thank you very much, Mansour. That was great.

The next witness will be Ms. Brenda Jones Barwick, President and CEO of Jones PR in Oklahoma City, Oklahoma. This morning, she will be testifying on behalf of Women Impacting Public Policy. Jones PR helps clients in several industries with public affairs, corporate communications, and consumer marketing needs.

Thank you very much for being here all the way from Oklahoma, and you may begin your testimony. Thank you.

STATEMENT OF BRENDA JONES BARWICK

Ms. BARWICK. Chairman Brat, Ranking Member Evans, and members of the Subcommittee. Thank you for the opportunity to testify today.

My name is Brenda Jones Barwick, and I am President and CEO of Jones Public Relations, located in Oklahoma City, Oklahoma, and I am testifying today on behalf of the Women Impacting Public Policy, of which I am a board member.

WIPP is a national, nonpartisan policy organization that advocates on behalf of women business owners. And when I started my business in 2001, not many people would have really given me much of a chance because I came primarily from a political background that included a position in the White House West Wing, and with U.S. Ambassador to Switzerland, among several other positions at several international agencies. This year, I am proud to say that my company, Jones Public Relations, is ranked the 109th largest PR agency in America.

But I would like to set the stage by giving you a snapshot of Oklahoma's economy. 99.4 percent of all businesses are considered small, the majority of which are nonemployers or businesses without employees, and women-owned firms have an average of nine employees, which is lower than the male-owned counterpart companies. Small businesses created over 13,000 net jobs in 2015, with firms employing fewer than 20 employees experiencing the largest gains. As for the state and local economy, so far in 2018, Oklahoma City has hit a 10-year employment high, and this begs the observation that small business policy is not one dimensional. Policies affect companies differently depending on their size and their business purpose and their business segment.

Tax policy, for example, affects every business in America, and yet, until this year's tax reform bill, the Congress only recognized C corps, and now for the first time, the tax bill treats income from businesses organized as pass-through entities as business income. So my company is organized as an S corp, and this change has allowed me to pay bonuses to my employees, hire more personnel, and increase salaries up to 10 percent for all employees.

Another difference that requires new rules but has tremendous consequences for small companies is how retirement is treated. More than one-third of small business owners do not have a retirement plan, and many small companies find offering 401(k)s to be cumbersome and expensive. My company does offer a 401(k) plan to its employees with an up to 4 percent match. However, rule changes are needed to specifically help small businesses remain competitive in their retirement plan benefits. President Trump's recent executive order and consequent legislation is beneficial, not only for the owner, but also for the employees of small businesses, and we applaud this effort.

Additionally, health insurance continues to be one of the biggest financial challenges for small businesses, as it is expensive and often without many choices. Since its inception, WIPP has advocated for small business pools across state lines and we were encouraged to see that the Department of Labor supports the notion of association health plans, but we do not think these plans will work as long as the pool is limited by state boundaries. One brought spot on this issue has been recent House action to change the definition of full-time employees from 30 hours to 40 hours a week with respect to the required health insurance coverage. And WIPP has been pushing for this change since the ACA was enacted.

WIPP has also long advocated for an end to the "one size fits all" approach to banking regulation. We applaud the new law enacted this year, which gives small and midsize banks regulatory relief.

Access to capital continues to be problematic for women-owned businesses who only receive 16 percent of all conventional small business loans.

Regulations and compliance costs impact Jones PR in a couple of ways. We serve many clients in the energy and financial sectors, and as regulations are rolled back, it allows these companies to have more funds to invest in marketing. And second, Jones PR will be forced to hire an independent professional employment organization company in order to reduce our risks of being in compliance with federal regulations.

While we have seen many positive changes initiated by this Committee, there is still more work to be done. The Federal Government has continued to miss its 5 percent goal of contracting with women-owned businesses, and the consequences of this missed goal means fewer dollars flowing to women-owned businesses and to their local economies. In addition, the government actively discourages small business growth for federal contractors, limiting these companies from reaching their full potential.

So we applaud the passage of H.R. 6330. That is the 5-year look back legislation passed by this Committee to help address this problem.

In summary, the economy is healthy and unemployment is at a record low. In today's regulatory landscape with recent legislative changes and a strong economy offers an environment for small businesses to thrive. And we especially want to thank this Committee for paying attention and playing such an important role in the success of small businesses in this country. Thank you.

Chairman BRAT. Thank you very much for that testimony.

And now I would like to yield to our Ranking Member, Mr. Evans, for the introduction of the final witness.

Mr. EVANS. Thank you, Mr. Chairman.

It is my pleasure to introduce Valarie J. Cofield, Chief Executive at the Eastern Minority Supply Development Council. I can tell you she is very active in my district and in the City of Philadelphia. Valarie's background includes expertise in the area of supply diversity, MBA, MBE, WBE, and WE business development. She has previously worked at INTECH Construction and the City of Philadelphia Minority Business Enterprise Council. Ms. Cofield is a board member of the Philadelphia Habitat for Humanity, member of the Philadelphia Board of Labor Standards, and an active member of the Girl Scouts, serving Girl Scout leaders of monthly level troop. She holds a bachelor's degree from Franklin and Marshall College in Lancaster, Pennsylvania, and we welcome you, Ms. Cofield.

STATEMENT OF VALARIE J. COFIELD

Ms. COFIELD. Thank you, Congressman Evans.

Good morning, Chairman Brat, and Congressman Evans, and members of the Subcommittee. Thank you for the opportunity to provide testimony about the growth and development of minority businesses, particularly as it relates to three key areas: the economic impact and importance of development and growth of minority-owned businesses, the impact of H.R. 1, Public Law No. 115-

697, the Tax Cut and Jobs Act, and the continued funding of the Minority Business Development Agency.

As previously stated, my name is Valarie J. Cofield, and I am the President and CEO of the Eastern Minority Supplier Development Council, EMSDC as I will refer to it going forward.

EMSDC is headquartered in Philadelphia, Pennsylvania, with a satellite office in Pittsburgh, Pennsylvania. EMSDC is one of 23 regional affiliates of the National Minority Supplier Development Council operating in Pennsylvania, Southern New Jersey, and Delaware. As the President of EMSDC, my mission is to ensure that all diverse businesses have access to and opportunity in the private sector and public supply chains.

In March of 1969, recognizing the impact and importance of minority businesses, President Nixon signed Executive Order 11458, requiring government agencies and their contractors to contract with minority-owned companies and to report the results against pre-established goals to the Office of Minority Business Enterprise, which became the Minority Business Development Agency in 1971. In 1972, as a result of several federal grants focused on private sector engagement of minority businesses, the National Minority Supplier Development Council was formed. Formation of NMSDC in 1972 represented a private-public partnership to provide increased procurement and business opportunities for minority businesses of all sizes. By 1974, the newly formed NMSDC contracted with the U.S. Department of Commerce's Office of Minority Business Enterprise to encourage major corporations to increase their purchases of goods and services from minority businesses. Today, NMSDC, a privately funded organization, represents over 1,400 Fortune 100 and Fortune 500 businesses and over 12,000 certified businesses.

EMSCD's foundation as an NMSDC affiliate directly aligns us with the most powerful minority supply organization in corporate America. EMSDC boasts corporate membership of over 120 Fortune 100 and Fortune 500 companies either headquarter in or doing business in Pennsylvania, Southern New Jersey, and Delaware, all with organizational commitment to supplier diversity. Our corporate members' revenues are estimated to exceed $1.1 trillion annually.

Corporations throughout America understand the value and importance of diversity and inclusion in business. On average, supplier diversity programs add $3.6 million to the bottom line for every million dollars in procurement operation costs.

In 2017, EMSDC's MBEs, our 495 MBEs had average annual revenues of $7.8 million and collective revenues of $3.9 million. That is in Pennsylvania, Southern New Jersey, and Delaware. In 2017, of our 495 certified businesses, we employed 17,612 individuals, or an average of 35.6 employees per business, far outpacing the rate of employment for the average small business of 20 employees.

Minority-owned businesses are growing at a much faster rate than that of the U.S. businesses overall. At the time of the 2007 survey of businesses, minority-owned businesses accounted for 21.3 percent of the Nation's businesses, employed 5.8 million persons, and generated $1 trillion in receipts.

Given the rate of growth of diverse businesses, it is important to examine and understand the implications of H.R. 1, the Tax Cut and Jobs Act. The initial read of the benefits offers optimism as we have heard from the other witnesses in reduction of the effective tax rate for all businesses. The concern is the past-through deduction that is not equally applied to all businesses. The structure of H.R. 1 creates concerns because most small businesses, specifically diverse businesses, are not C corps and are passthroughs, and therefore, the effective tax rate of 21 percent will not apply to these businesses. Since small businesses are typically passthroughs, the impact is too soon to fully measure. There are several immediate observations, however, that can be made and must be reviewed. This disparate application of the 20 percent pass-through bonus adversely impacts professional services businesses, which represent 40 percent of all small diverse businesses and therefore, may provide little to no tax saving to these business owners. Savings that will result in investment in new talent, technology, business development tools, and resources will not be necessarily realized for these businesses, and ultimately will negatively impact long-term growth and viability.

The various business tax deductions and credits that have been eliminated will have a direct impact on small businesses as well, who use these deductions and credits to offset tax liability and provide additional benefits to employees. Further, the provisions of H.R. 1 are too short-term to have sustainable impact on small businesses as the potential for savings and investment will be mitigated by limited access to capital and rising healthcare costs.

Pass-through businesses will bear the burden of H.R. 1 and receive the least benefit or relief. These businesses are disproportionately minority owned. The sustainable, immeasurable benefits to small businesses may ultimately be indirect and the result of increased demand from current and potential customers that may increase spending and seek their services due to their realized savings as larger C corporations. EMSDC and the NMSDC network, along with agencies like MBDA will continue to monitor and report on the impact of H.R. 1 to minority-owned businesses.

Speaking of MBDA, MBDA has been the premier Federal Agency dedicated to supporting the expansion of minority and native-owned businesses for over 45 years. Unlike the Small Business Administration and other Federal Agencies, their focus on broader demographic and emerging businesses, the MBDA's directive is focused on unique challenges and needs of minority-owned businesses. It is the only Federal Agency dedicated to growth and global competitiveness of our nation's minority business enterprises, which according to the U.S. Census Bureau contributed $1.4 trillion in total economic output and employed nearly 4 million Americans.

MBA continues to be important because minority owned businesses are growing significantly faster than nonminority owned businesses. Their employment grew by 33 percent, their receipts by 57 percent, versus the shrinkage by nonminority firms of 5 percent. And yet despite these gains, MBEs overall receipts versus nonminority firms, that is 196K versus 650K on average, do not reflect a balance between the rate of growth and market share. While there has been an increase in the number of minority-owned businesses from 21 percent to 29 percent, this growth has lagged behind the pace of growth of the nation's minority population.

Currently, the administration's fiscal year 2019 budget blueprint recommends the reduction of the agency through the elimination of the network of MBDA centers nationwide. The elimination of these 40 business centers would reduce needed hands-on assistance and facilitate an access to capital and contract opportunities. It is important that MBDA remain fully funded and that the network of MBDA centers nationwide have adequate resources to support minority businesses doing work to assist these businesses in overcoming the barriers to growth and economic parity that they disproportionately encounter.

You may ask why I am lobbying on behalf of MBDA. As you know, MBDA and NMSDC started at approximately the same time and we have worked in partnership as organizations bringing services to the minority business community. And while I do not personally operate an MBDA center, I work in collaboration with the Philadelphia-based MBDA center, as do my other council partners throughout the Nation.

In conclusion, the sustainability of small businesses, particularly small diverse businesses, is bolstered by private-public partnerships, programs, and initiatives. The NMSDC and its network of affiliate councils, including the EMSDC, is well equipped to support the continued development and growth of minority businesses.

However, continued support is needed in the form of the MBDA from the Federal Government to ensure the small diverse businesses are well-positioned for continuous growth and long-term economic impact. Through business development and access, supplier diversity fuels the broadest economic growth opportunities for diverse businesses by creating equity and equality in a marketplace and allowing diverse businesses to succeed while overcoming extraordinary barriers. Thank you very much.

Chairman BRAT. Thank you very much for your testimony.

At this time we will open it up for questions, and I think we will give ourselves about 5 minutes each.

So I would just like to go down through the whole panel in a minute or so. If you had to rank the most important work we can do up here. Everybody mentioned capital access is pretty important, and everybody mentioned skilled workforce, the human capital side, and so if you had to focus on one or two things, what would they be? And I taught economics at the college level for 20 years, and so I was shocked that the incoming freshman class had not received significant economic and business training. Right? The kids did not know what a price was or a cost, accounting, profits, what an entrepreneur is. Half the kids coming out of high school will not go to college, and so the good news is education is still at the local level, primarily. Local and state. We do mandates up here and fund about 10 percent of it. So the good news is education is still in your hands at the local and state level. And so if you have got any comments on what we can all work on there to get the skills development going. But I am just curious, access to capital or education, human capital.

And your comments, Mr. Lopez, we will start with you.

Mr. LOPEZ. I am going to stick to the human capital side of things and I will say that I really think that just training dollars, somehow having on a national level, because this issue of the shortage of people out here, it is around the country. Being part of ABC on a national level, I travel around the country and I get the same conversation. You are a staffing company? Do you have people? Do you have an office here? I mean, it is a serious issue. So if you could somehow put some legislation in place that allows those organizations easier access to capital to train people so that these companies can actually hire them with some skills rather than have to figure out a way to do it on the job, that would be really, really helpful, I think.

Chairman BRAT. Great. Thank you.

Mansour?

Mr. AZIMIPOUR. I believe we need to start to teach our kids at a young age, to show them how to look outside of the box. Unfortunately, all of our student kids, they have been framed with certain kinds of curriculum and there is nothing really you can expect out of it. When they come to college, they even do not know how to understand a credit card. Still, they are using parents' credit card.

For someone like me that I bought my first house on my 18th birthday because that was the day I could sign it, I believe we need to help our kids to understand it. First, the school needs to make a platform for them to understand. They need to change some real-life curriculum to the system. They need to bring the expert on a regular basis to talk to them, show them how they can look out of what they just go after. They need to learn money management. That is the most important part of any education we can give our kids. They need to have communication skills, especially face to face. They need to go after their interests, their wishes. They need to try those ones.

And one very good program that I have seen it, and it is in Culpepper County, some citizens, they made a group called E Squared. They are making the kids to come in and present their ideas, like Shark Tank, and show how valuable is that one. And this is about five or six years. I am familiar with that. So far, several of the high school kids, actually, they did go out and their ideas got to the point that investors have invested in their ideas. And if we can really put the foundation for those kind of stuff at the schools, I believe we are going to be a winner.

Mr. BRAT. Thank you very much.

I think we will circle back. I am going to let our Ranking Member go for 5 minutes on his round of questions and then we will get to other members as they may show up.

Mr. EVANS. Thank you, Mr. Chairman.

Valarie, I would like to start with you, then go down the list from what I heard you say, and I thought you gave excellent testimony.

Obviously, the Chairman and the mission of this discussion is impact and review. We talked about tax policy, regulatory reform, obviously workforce, and you talked about MBDA. And I really want to get that message across from what I have heard you say in terms of its potential impact. Obviously, it was started under Richard Nixon, and here we are in the 21st century. So help me understand again the value that you think that entity is versus all the other things we talked about. I do not think it is an either-or on tax policy, regulatory, or workforce, but I heard you really emphasize that in terms of minority business development.

Ms. COFIELD. So one of the reasons why those three issues bucket together very well is that MBDA is focused specifically on minority businesses. I want to go back to the point, it is the only Federal Agency that is focused on minority businesses. The Small Business Administration has programs that focus on veterans, on women, on the disabled, but they do not have a program that focuses on minority-owned businesses. So it is critically important to understand that. And while you have the 8(a) program, the 8(a) program is for socially and economically disadvantaged individuals and minorities are presumed to be but it is not specifically only for minorities. MBDA is specifically designed to focus on the needs and challenges that minority-owned businesses have. And within that bucket, you are talking about access. You are talking about capital. You are talking about understanding the implications of tax reform for expansion and long-term sustainability. MBDA has 40 centers. That means that it is reaching every part of our Nation in providing services to minority-owned businesses. The growth that you see in our minority business community does not happen in a vacuum. It happens with the supportive services that come out of agencies like MBDA, like the National Minority Supplier Development Council, because each of those organizations, and we do this in partnership. I will let you know that nine of my counterparts run MBDA centers in partnership with the National Minority Supplier Development Council affiliates.

Mr. EVANS. And your point, I heard you say your point is as a result of the administration's recommendation from a budget investment standpoint, you obviously see an impact?

Ms. COFIELD. Absolutely. You are talking about 40 centers. Forty centers that are providing day-to-day services to minority-owned businesses. Whether they are helping them gain access to the Federal procurement process, whether they are helping them with access to capital, whether they are helping them with business development and business planning, those services now go away from a Federal standpoint and they go away as a resource in the various marketplaces.

Mr. EVANS. Let me go to the next witness because you raised the issue about the Federal Government not getting to that 5 percent. And you have heard just what Valarie said. You know, how do you juxtapose what I just heard, you know, in terms of working towards that objective of getting women?

Ms. BARWICK. I believe the 5 percent goal is still not a priority within the departments. And, in fact, I met with a major federal agency 3 weeks ago and I had mentioned about the sole source for women-owned businesses that was passed, I believe, in December 2015, and the contracting officer was unaware of that, which stunned me. So when a lot of the contracting officers are not even aware of the sole source opportunity for women-owned businesses, that impedes reaching the 5 percent goal. And I believe it just has not been made a priority among the departments. And I would like to find a way to make it absolutely mandatory that the departments reach at least 5 percent. And that is a really small goal when you look at the complete landscape. WIPP is not asking for a lot, a mere 5 percent, and there should not be any reason why they cannot meet that 5 percent goal.

Mr. EVANS. Real quick, Val, what is your response to that, what you just heard? I mean, it sounds like even though we talk about tax policy, regulatory policy, workforce, you know, in two particular cases for minorities and women, it seems like it is going in the wrong direction.

Ms. COFIELD. Well, absolutely. I mean, I agree. Five percent is not an aggressive goal, particularly when you look at the population distribution of our company. Five percent should be low-hanging fruit, as it should be for minority-owned businesses. The fact that we are still having to enforce goals in order to get access for minority and women-owned businesses in the Federal Government supply chain is alarming. And I think at this point, the importance of the programs out of the SBA for women and the importance of making sure that the Federal Government is doing their part. You see private industry stepping forward and taking more responsibility. We are your customers ultimately as your constituents. We are your customers and it needs to be a priority that diverse businesses have a seat at this table and are sharing in the opportunities that are presented through the Federal Government.

Mr. EVANS. Thank you, Mr. Chair. I yield back the balance of my time.

Chairman BRAT. If anyone wants to follow up on Dwight's question, feel free. We have a few minutes left.

Ms. BARWICK. Mr. Chairman, may I follow up on your initial question regarding education?

Chairman BRAT. Sure. You bet. Please.

Ms. BARWICK. Thank you.

There are thousands of entrepreneurs, future entrepreneurs sitting in high school and college right now, but they do not even know they are entrepreneurs. And they are not receiving any type of financial education. They do not even know what liabilities, assets, income. I mean, they have no concept of that. And I would say especially for young girls, I want to make a statement, but it seems like young boys, maybe because they have the influence of their fathers, seem to have an understanding of business, but young girls do not. And so when a young girl out of high school or college wants to start her own business, she is already handicapped because she does not have that knowledge. So I would love to see some kind of effort of getting small business, which will continue to fuel our economy, into high schools and colleges.

And then I would also add on another point. In Oklahoma, our top two industries are energy and aerospace. And college is a great place to learn about energy and aerospace, but our career techs are booming. And young people can have amazing, a very livable life in the energy and aerospace industry by going through career techs. And especially for women as that being a more viable option. They do not always have to go to college, but we are desperately needing more people to come from the career tech area in aerospace and energy.

Ms. COFIELD. Mr. Chairman, may I respond as well?

Chairman BRAT. Please.

Ms. COFIELD. It is interesting because in my position, education is critically important. And as you know, I have my daughter here, so she is getting her education. But what I want to say more importantly though is as we educate our young people, we need to educate them around entrepreneurship. We are talking about creating new talent in terms of a new employee base. But wealth is built through ownership. And entrepreneurship is that pathway to wealth. And when you talk about the lack of exposure of women, you also can speak to the diminished exposure that minorities have to entrepreneurship as being a viable opportunity for them to build wealth and to have that as a career path. And so that education of our young people is critically important, but also the education of adults. I mean, what do you do when you are unemployed? You know, entrepreneurship becomes a way of survival. You build a business, but how do you create a business that moves from being a lifestyle business to a legacy business? And that is what we need to be focusing on from my standpoint when you look at entrepreneurs is not only building lifestyle businesses that are not necessarily employers but building legacy businesses that are building wealth in communities and employing people.

Chairman BRAT. Well said. And thank you very much to the entire panel.

Dwight, do you have any other? You are good.

I just want to thank you all for being with us. I think we are starting to zoom in on the end. There seems to be a consensus across the board on the capital and education side.

I am on the Education Committee, K-12, just so you know, the Feds have been mandating high stakes testing for years now, and there is a consensus, kids surely do not like it, I have got a few myself. And the teachers do not like it, and the principals do not like it, and the incentives. And so we lightened that up somewhat. Now the mandate has been lightened from all the subjects to just math and English. So that fees up the states and localities. They may not know that. It is a little bit more play. And so when you go back to your local school boards, they have the latitude. Getting changes through bureaucracies is hard but there is a little play there. And then the higher ed, we did some good work on career and technical this year, and so there is some good news there as well.

But most importantly, just follow up with us. Zoom in. We are all on the same page on these kind of things. So get exactly what you want and write up, help our staffs, work with our staffs to write up very specifically in terms of goals and what we can do, and we will all work together because I think we have shared goals in the room today.

And so I just want to close by thanking all of the witnesses. Excellent job to everybody.

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

Without objection, so ordered.

This hearing is now adjourned, and thank you all again.

[Whereupon, at 10:57 a.m., the Subcommittee was adjourned.]

APPENDIX

Statement for the Record for Associated Builders and Contractors

The Local Impact of Economic Growth

Testimony of
Larry Lopez

Before the
U.S. House Small Business Committee Subcommittee on Economic Growth, Tax and Capital Access

Sept. 27, 2018

Chairman Brat, Ranking Member Evans and members of the U.S. House Small Business Committee Subcommittee on Economic Growth, Tax, and Capital Access, thank you for allowing me to be with you today to discuss the positive impacts that this Congress' and administration's policies have had on my small business, and businesses of all kinds. My name is Larry Lopez, and I am the president and chief executive officer of Green JobWorks.

I am testifying today on behalf of Associated Builders and Contractors (ABC), a national construction industry trade association established in 1950 that represents more than 21,000 members. Founded on the merit shop philosophy, ABC and its 70 chapters help members develop people, win work and deliver that work safely, ethically and profitably for the betterment of the communities in which its members live and work.

ABC and the construction industry are fueled by small businesses. According to the most recent census data, businesses employing fewer than 100 employees account for 99 percent of all construction firms. And in an industry of 7.8 million construction professionals, 89 percent of ABC member companies earn annual revenues of $20 million or less.

One of those small businesses is my company, Green JobWorks, a construction staffing company headquartered in Baltimore Maryland. Founded in 2011, Green JobWorks provides both skilled and general labor to clients in Maryland, Washington, D.C., and Virginia. If you're a contractor in need of construction labor, you call Green JobWorks. We take away the burden of having to hire people on a per project basis and help our clients find the right worker for the right job. In addition to offering labor to the construction industry, Green JobWorks also has construction demolition and final cleaning divisions.

Today, I would like to share how my small business has benefited from the economic growth in my community to become more successful in a competitive market.

As the members of this subcommittee know, America is facing an enormous workforce shortage, which is drastically impacting our sector. Of the six million open jobs currently in the United States, an estimated 500,000 of those are in the construction industry. And while an improved economy is good, it also tends to tighten the workforce. While it has been challenging recently to find qualified labor to hire and provide to clients, Green JobWorks is being proactive and setting ourselves apart as an industry leader by developing a process to attract workers in a competitive market. This process and my company's recent growth are in large part attributable to the impact of policies such as *H.R. 1, the Tax Cuts and Jobs Act.*

The Impact of Economic Growth

At Green JobWorks, and in the construction industry across the United States, confidence is high. In fact, according to ABC's most recent Construction Confidence Index (CCI), more than three in four construction firms expect that sales will continue to rise over the next six months, three in five expect higher profit margins, and more than seven in 10 expect to bolster staffing levels. All three key components measured by the CCI signal an ongoing expansion in construction activity.[1] This increased confidence has allowed Green JobWorks to not only reinvest in our business, but to implement new benefits for our employees. These investments would have not been possible without the Tax Cuts and Jobs Act, which has provided positive momentum for our business and the industry as a whole.

We have implemented annual raises, which are not typical for a staffing company because of the industry's transient nature. While our unskilled workers start at $13.00 an hour, they are eligible for a raise to $15.00 an hour after 60 days of good performance. Recently, we have shortened this period to 30 days. Green JobWorks promotes from within, also not typical of a staffing company, and hires crew leaders from our existing staff. All 18 of our crew leaders have been promoted from the employee ranks. We have been able to implement more advanced technology, like iPads to better communicate between jobsites, utilize analytics and increase efficiency. These investments, which were made possible by recent economic growth in the industry, have set us apart from our competition in the industry and created new opportunities for our employees.

On top of implementing raises and new technology, my small business is growing

[1] https://www.abc.org/News-Media/News-Releases/entryid/15803/contractors-remain-upbeat-in-q2-according-to-abc-s-latest-construction-confidence-index

alongside the improved economy. In June 2018, we opened a Washington D.C. office to expand on increased opportunities in the region. We were able to budget for the opening of this office because of the added revenue and savings we received through the Tax Cuts and Jobs Act.

With an increased number of construction projects, my demolition and final cleaning divisions are winning more work. Traditionally accounting for only 10 to 20 percent of our business, these divisions have increasingly become a larger percentage of our revenue. As a result, I was able to promote an in-house worker to manage all aspects of the final cleaning division who will further expand the division.

Green JobWorks' next expansion will be to hire a full time on-site trainer to develop new hires with limited skills or experience. Employers who hire our workers want them to be fully trained and ready to work, so we are excited to create a new position to develop the skills of our workforce through on-the-job training. This development will allow our business to take the training burden off our clients while creating more opportunities for our employees.

Despite recent economic gains, finding workers and addressing the skills gap remain very serious problems for Green JobWorks and the construction industry as a whole. ABC members invest $1.1 billion on workforce development to educate more than 475,000 industry employees annually, and ABC chapters have set up more than 800 apprenticeship, craft and safety programs across the United States. Yet more than 80 percent of ABC members report they have trouble finding skilled labor, which impacts construction firms of all sizes.

One of the best things Congress can do to help shrink the skills gap is to empower organizations to recruit and develop a workforce with the education that is necessary to succeed in the construction industry. Soft skills are important, but it's the hard skills that are key to filling the construction jobs that are currently vacant. To keep the economic momentum moving, Congress and the administration should continue to pass and sign into law legislation like *H.R.2353, the Strengthening Career and Technical Education for the 21st Century Act*, and encourage all forms of workforce development, including Department of Labor-registered and industry-recognized education programs.

Diversity and Inclusion

I have learned that attracting and cultivating a qualified and dedicated workforce has allowed my business to provide more value to our clients. At ABC and at Green JobWorks, we are taking proactive steps to give all Americans terrific opportunities in the construction industry. We strive to embrace diversity as an empowering competitive advantage through education, awareness and business practices.

As chairman of ABC's Diversity and Inclusion Committee, which was formed to better reach underrepresented communities within the construction sector, I help set diversity-focused goals for the association. In this role, I design the content for the Diversity & Inclusion Summit, an annual meeting for industry leaders and key stakeholders held in June in Washington, D.C. I also facilitate ABC's Diversity Resource Groups, which play an essential role in articulating, promoting and supporting the needs and goals of African Americans, Asians, Hispanics, LGBT, Native Americans, people with disabilities, veterans and women in construction. The committee also recognizes ABC members that display exemplary diversity leadership in their company, workforce, supply chain and community with best-in-class recruitment policies, retention practices and training and mentoring programs through the National Diversity Excellence Awards.

I strive to incorporate these principles at Green JobWorks. We partner with ABC Baltimore Metro Chapter's Project JumpStart, a 14-week construction training program that uses industry-recognized curricula to teach carpentry, electrical and plumbing skills to high school graduates and GED holders, including many individuals who were formerly incarcerated. Project JumpStart works with more than 150 area employers, including many ABC members, to hire graduates and set them on a career path beyond an entry-level position. Since 2006, Project JumpStart has graduated more than 800 Baltimore residents and has an 80 percent job placement rate.[2]

We also partner with Baltimore City's Job Opportunity Task Force, Center for Urban Families and other workforce organizations in the Maryland, D.C., and Virginia area. The emphasis that this Congress and administration have placed on reentry programs is bringing potential workers from the shadows into the light, which allows

[2] http://projectjumpstarttraining.org/

businesses like ours to develop more people and fill jobs. Diversity and inclusion needs to be a primary focus in combating the workforce challenge. Legislation like the bipartisan *FIRST STEP Act (H.R.5682),* which recognizes the need for flexible workforce development by providing additional funding for industry-sponsored organizations like Project Jumpstart to develop the workforce that will help solve this shortage. These programs work, and I would encourage Congress to continue to support them.

When we are recruiting for our industry, it's important to seek out a diverse workforce and not to exclude anyone, including ex-offenders. We give people second chances, and we bring them up through training. My passion to build my company through diversity also has led me to commit additional resources to recruit more women into our industry and put them in leadership positions. While there may still be a stigma that construction is a man's job, nothing could be farther from the truth at Green JobWorks. Eleven out of 18 of the crew leaders that we have promoted from within, are female.

Green JobWorks has only been certified as a minority business enterprise (MBE) firm for the Baltimore City MBE and the Metropolitan Washington Airport Authority. Although I am Hispanic and African American, I am only now in the process submitting applications to the remaining local and state agencies to achieve certification. People ask me what took so long, and I say that I just wanted to be known for the quality of work that I do. I didn't want to become successful because I simply met a requirement on someone else's contract. I changed my tune because I realized that if my business had the designation, then we could help our business partners accomplish more and win more work—not because of the designation, but because of the quality of service we are providing already.

As the chief executive of a small construction business in a rapidly changing industry, I see that it's critical to remain engaged on a local and national level in order to succeed. As a member and volunteer leader of ABC, I had the opportunity to meet with President Trump and Linda McMahon, administrator of the Small Business Administration, at a 2017 White House event celebrating small businesses as "The Engine of the American Dream." The event highlighted the administration's commitment to instituting policies that allow small businesses to flourish in America and spotlighted the important contributions they make to the American economy. The contributions that this Congress and the administration have made since that event one year ago on tax reform and regulatory relief has unlocked the potential of my small businesses to spur growth and create opportunities for my employees.

Regulatory Relief

This Congress' and administration's actions to roll back regulations like the Joint Employer rule provides certainty for small businesses like Green JobWorks, while clarifying protections for our workers and making a positive difference in the construction industry. Many members of this subcommittee supported *H.R. 3441, the Save Local Business Act*, which passed the House last fall. The bill would have reversed the National Labor Relations Board's (NLRB) Browning-Ferris Industries decision that greatly expanded joint employer liability under the National Labor Relations Act during the Obama administration. Earlier this month, the NLRB issued a proposed rule that established an updated standard for determining joint-employer status under the National Labor Relations Act. Under the new proposed rule, "an employer may be found to be a joint-employer of another employer's employees only if it possesses and exercises substantial, direct and immediate control over the essential terms and conditions of employment and has done so in a manner that is not limited and routine."[3] ABC and Green Jobworks are supportive of this proposed rule.

For the construction industry and Green JobWorks, harmful regulations can result in fewer construction projects and can hinder businesses' ability to hire and expand. Green JobWorks is proud to be a growing small business that has built on the opportunity in front of us and reinvested in our business and community.

Chairman Brat, Ranking Member Evans and members of the Subcommittee: thank you once again for inviting me to participate in today's hearing. I look forward to answering any of your questions about how my small business has benefited from the economic growth in my community to become more successful in a competitive market.

[3] https://www.federalregister.gov/documents/2018/09/14/2018-19930/the-standard-for-determining-joint-employer-status

Local Economic Expansion for Small Business
House Small Business Committee
Subcommittee on Economic Growth, Tax and Capital Access
Thursday, September 27, 2018

Mansour Azimipour, Founder and President
A&K Development Corp

Congressman Dave Brat, Chair, Subcommittee on Economic Growth, Tax, and Capital Access
Congressman Dwight Evans, Ranking Member, Small Business Subcommittee on Economic Growth, Tax, and Capital Access.

I am here and proud to be part of the Virginia's small business. The state which has been one of the top states to do business in, and is a wonderful place to live and work.

My story starts from about 50+ years ago when I was 9 years old and established my first corporate like business to sell fire works in a small community and hiring teens of almost twice my age to be my salespersons selling my commodity in the other neighborhoods and earning commission. Even though I finished my education in Finance and Management, I never stop working on new businesses and explore the best way to create more jobs for people in my community.

I consider myself a Live Statue of American Dreams, and born to be an Entrepreneur. I am proud to say in my entire life, I have not received any pay checks but have helped people to make a good living.

I have been active in Construction, Development, and Real Estate for last 30+ years. I Established A&K Development in 1988.

I served as a member of Board of Directors of a Virginia community bank for 7 years from late 1990 to early 2000. That experience helped me to see the problems in the economy and the banking in 2005 before all of the worst recession of our history got to a full force like a hurricane 5 and damaged most of what millions of small businesses had worked for in their life time. By making the early decision, I could be able to go through those years.

I am a member of the Board of Trustees of a PK-12 private school in Virginia.

With a few local friends about 8 years ago we established the Economic Development Partners Group of Orange County.

The Economic Development Partners Group is a collaborative discussion group comprised of the Thought- Leaders interested in the local economic development success especially the Germanna Wilderness Area. Our group includes local and state elected and appointed officials, local government professional staff, small business owners, public educators, community college leaders, real estate business owners real estate developers, retired professionals and congressional district staff leaders.

This group meets every month to be updated and discuss public and privet sector initiatives involving Economic Development, K-12 public education, Workforce development, Transportation, Rural broadband Development, healthcare and overall quality of life for Germanna Wilderness Area of Orange County. Through these discussions local leaders are informed and become advocates in supporting these initiatives in a number of critical forums.

Small Business Environment

About a year ago in a public meeting I asked Congressman Brat to give me a good reason to be happy about our future and our economy. His answer was:

"The free Market platform we have for small businesses and its owners in our system is what will help us to move forward at any time."

I still remember what he said because this is the best encouragement I could get from my Representative. As small business owners, we are in a much more comfortable situation now than we were few years ago.

Small business owner takes RISKS unlike almost any other component of our economy. Small businesses frequently, and uniquely, place a significant percentage of total personal assets at risk of loss for the benefit of the business. For a small business owner, risk is not just an abstract concept.

Many external factors impact the level of risk the small business owner must take. Regulations, especially adding new requirements that could not have been anticipated, greatly impact a small business. Regulations affect the ability to borrow to start or expand a business. Regulations divert time and resources away from the main business. Regulations can slow implementation of a new project or the movement of a new product to the market. I encourage all legislators to thoroughly evaluate the risks that existing, or new, regulations imposed on the business climate especially regulations that cross a line and add risk to a level that discourages business startups or expansions.

Small businesses are a critical part of our economy. In Orange County, Virginia where I am a business owner, we have about 900 employers. Over 90% of them employ less than 20 people. But that represents nearly 30% of the entire workforce. At the local level, the financial stability of community and sensitivity to the impact of rules and regulations are helping create an environment that encourages investments by small business owners. In the last 24 months, we have 85 new starts up companies.

One or the reasons that it has been difficult for my rural community and others to attract business is the lack of affordable and reliable broadband internet service. This kind of service is becoming more essential to conducting business today in a national or global economy and lack of that service limits growth. The lack of high speed internet even impacts local schooling in that students are often unable to access information resources to do their homework unless they go to the local libraries or other places if they can find it close enough to their house that offers such service. In any rural area, providing the last mile of connectivity is expensive and from a commercial internet service provider's perspective, not economically viable or profitable. Although high speed internet service has been available in urban areas for many years, it is still not migrating to the rural communities.

When commercial service providers are unwilling to provide the initial capital investment to reach remote areas, some other financing mechanism has to be found. My local government is willing to support such investments to the extent their resources allow. However, federal financial support to those localities would enable them to partner with commercial internet providers to provide high speed internet service to more of our residents and businesses. It would also foster a more attractive environment for small or large businesses to locate in rural areas and revitalize areas that have experienced hard times in the past. We as a nation need to enable all of our citizens so that they can contribute to a strong America economy.

Availability of Capital to Small Business Owners

To start this part of my testimony, I should say I believe most of the banks are almost closed when it comes to providing much needed capital to small businesses.

Because of what happened in our economy after 2007, banks are so afraid of making loans to small businesses after they made millions of bad loans between 2000 to 2006 which that was one of the reasons we had a recession. The present banking behavior is reminding me of a saying I heard from my parents:

"A person was standing on the flat roof of a high rise, someone told him be careful not to fall off the roof, he started to walk backward to avoid falling, but backed up more than being safe and fell from the other side.'

The banking underwriting system today is like a person who was bitten by a rattlesnake and is afraid of even a black and white rope for the rest of its life. This does not work for a bank when its livelihood depends on making loans to qualified businesses.

During the recession, most of the small business owners credit got hit and the banks that were giving loans to these businesses up to more than 80% loan to value, now I have seen many cases that they are not even approving 30-40% loan to value, just because of the bad experience they have and some because of the new regulations they have to deal with.

This is unfortunate that most of the available capital to small businesses are in hands of secondary market with 12 to 18% APR with very difficult terms which barely any small business owner can afford the consequences of those financing.

My hope is to see the banks, which are one of the most essential of our economic growth, find a way to be able to help small business owners with the much needed capital for their new and expansion ideas.

New Tax Laws

I am not very good of understanding the new tax laws and effect but as this was the first major tax law change in several decades., for businesses, these cuts are beneficial and we all hope that reduced taxes will help economic growth. This year it will become clearer whether corporations and small business owners plan on reinvesting this money back into their businesses, creating growth and more jobs and the effect of that.

Based on the reports I read, it seems this tax cut is helping the larger corporations more than small business.

Mansour Azimipour

A&K Development Corp.

Women Impacting Public Policy

Written Testimony of

Brenda Jones Barwick

President and CEO
Jones Public Relations, Inc.
Oklahoma City, OK

On behalf of
Women Impacting Public Policy (WIPP)

Before the
Committee on Small Business Subcommittee on Economic Growth, Tax and Capital Access

"The Local Impact of Economic Growth"

September 27, 2018

Chair Brat and Ranking Member Evans, I am Brenda Jones Barwick, President and CEO of Jones Public Relations, Inc., located in Oklahoma City, Oklahoma. I am also testifying today on behalf of Women Impacting Public Policy (WIPP), of which I am a board member. WIPP is a national nonpartisan policy organization advocating on behalf of women entrepreneurs. WIPP members have testified many times before this Committee because of its importance to women entrepreneurs, who are the fastest growing segment of entrepreneurs in the nation.

When I started this business in 2001, not many people would have given it much of a chance. I primarily came from a political background that included a position in the White House West Wing and with the U.S. Ambassador to Switzerland, among several different roles at international agencies. My first experience in the private sector was upon my return to Oklahoma in the early 1990s. When I was debating the idea of starting my own firm, like any first-time entrepreneur, I wondered if I had the skills and resources to successfully start a company from scratch. I asked Ambassador Phil Winn, who had started many businesses in Denver, "How do I know if I have what it takes to be a successful entrepreneur? When is a good time to start a company?" His answer was, "You don't know until you do it." It was a great impetus for me to start my business. Ambassador Winn also taught me there are no absolutes and nothing is certain— you just have to go for it.

From its beginning in 2001, Jones PR is now ranked the 109th largest PR agency in the U.S. by *PRWEEK* magazine's 2018 rankings and has been listed on the *Inc. 5000 Fastest Growing Private Companies in America* in 2015, 2016, 2017 and 2018. In 2015, we were asked to become partners in PROI Worldwide, which now provides us with international agency partners in over 100 cities across 50 countries. This year, we became the first Oklahoma PR agency to ever win the most prestigious creative award in the world – a Gold Lion Award at the Cannes, France, International Festival of Creativity that received intense competition among 32,000 entries from 90 countries for 26 categories.

I would like to set the stage for my testimony by giving you a snapshot of Oklahoma's economy and businesses. Last week, The Oklahoma Employment Security Commission reported the August unemployment rate dropped to a low of 3.7%, compared to 4.2% last August. According to the Greater Oklahoma City Chamber, the metro area is experiencing its lowest unemployment rate of 3.3% in a decade, which had reached 4.7% in 2016. The downturn in the energy sector created a flat job growth from 2015-2017, but so far in 2018, Oklahoma City has hit a 10-year employment high. Average weekly wages rose 1% in the first quarter of 2018 compared to the first quarter of 2017. Oklahoma City tops the list of cities with the fastest construction industry growth rate at 17% in 2018. In Oklahoma, 99.4% of all businesses are considered small. Small businesses created 13,139 net jobs in 2015, with firms employing fewer than 20 employees experiencing the largest gains. Women-owned firms have an average of 9 employees, which is lower than their male-owned counterparts. By far, the largest group of small businesses in Oklahoma are nonemployers, or businesses without employees. This begs the observation that small business policy is not one dimensional – policies affect companies differently depending on their size and business purpose or segment.

Today's hearing is focused on the local impact of public policies made in Washington. It is my experience that it makes all the difference in the world. Tax policy, for example, affects every business in America. And yet, until this year's tax reform bill, the Congress only recognized "C" Corps. For the first time, the tax bill treats income from businesses organized as pass-through entities (LLCs, S Corps, Partnerships) as business income by allowing pass-throughs to separate some of their business income from their personal income. Now, there are exceptions and some passthroughs may not be able to claim this deduction, but the premise is a good one. Recognizing small businesses as entities that need different rules and regulations than large companies is key to our success. My company is organized as an S Corp and I have recognized a substantial benefit in the new lower tax rate. This change has allowed me to pay bonuses, hire more personnel and increase salaries up to 10% for all employees.

Another difference that requires new rules, but has tremendous consequences for small companies, is how retirement is treated. More than 1/3 of small business owners do not have a retirement plan.[1] Additionally, the 2018 Retirement Savings survey by GoFundingRates found that 42% of Americans have less than $10,000 saved for their retirement. Many small companies find the offering of 401(k)s to be cumbersome and expensive, with very limited

---

[1] Ryan Deroussau, "More Than A Third of Entrepreneurs Are Making a Big Financial Mistake, Fortune, (2017) available at http://fortune.com/2017/09/11/retirement-entrepreneur-plan/.

alternatives for companies like mine to help our employees save for the future. President Trump's recent Executive Order on this issue and consequent legislation is beneficial not only for the owner, but also for the employees of small businesses. We applaud this effort. Jones PR offers a 401 (k) plan to its employees with up to a 4% match. However, to be competitive and attract the best talent while large companies are offering higher match percentages for retirement plans, rule changes are needed to specifically help small businesses remain competitive in the retirement plan benefits.

Additionally, health insurance continues to be one of the biggest financial challenges for small businesses, as it is expensive and often without many choices. Since its inception, WIPP has advocated for small businesses pooling across state lines. This mechanism is a way to increase access and offer better prices for employers, which is why we supported the notion of exchanges contained in the Affordable Care Act (ACA) and Association Health Plans (AHPs). We were encouraged to see that the Department of Labor supports the notion of AHPs, but we do not think these plans will work as long as the pool is limited by state boundaries. One bright spot on this issue has been recent House action to change the definition of full-time employee from 30 hours a week to 40 hours a week, with respect to required health insurance coverage. WIPP has been pushing for this change since the ACA was enacted.

WIPP has also long advocated for an end to a one size fits all approach to banking regulations. Many compliance regulations and the heightened regulatory environment created under Dodd-Frank have hampered small banks from lending to small businesses. Small regional and community banks have the highest approval rate for small business loans, making them an important source of capital. We applaud the new law enacted this year which narrows the scope of Dodd-Frank regulations to give small and mid-size banks regulatory relief. Access to capital continues to be problematic for women-owned businesses, who lag far behind their male counterparts with respect to available financing— women receive only 16% of all conventional small business loans.[2]

---

[2] Jared Hecht, "State of Small Business Lending: Spotlight on Women Entrepreneurs," Fundera Ledger, (2016) available at https://www.fundera.com/blog/the-state-of-online-small-business-lending-q2-2016.

On the subject of regulation, small businesses bear a disproportionate burden. A survey published by the National Small Business Association found that in 2017, 44% of businesses spend at least 40 hours a year dealing with federal regulations and 29% spend at least that much on state and local rules. The average established small business spends $12,000 a year in regulatory compliance, while startups spend an average of $83,000 on regulatory compliance in their first year. In 2017, the SBA Office of Advocacy helped address these burdens by changing 16 regulations and saving small business $913.4 million in regulatory costs. We encourage any further efforts to reduce burden on small businesses.

An example of a regulation that has an impact locally is the recent proposed rule by the National Labor Relations Board. The proposed rule rolls back a change made three years ago, which altered the definition of what constitutes a "joint employer." The proposed rule returns the definition of "joint employer" to read that an employer must possess and actually exercise substantial direct and immediate control over the essential terms and conditions of employment such as hiring, firing, discipline, supervision and direction. This change affects staffing agencies, contractors and franchises—many of whom are small businesses or provide services to small businesses.

Federal regulations and compliance costs impact Jones PR in a couple of ways. We serve many clients in the energy and financial sectors that have seen the most burdensome regulatory requirements in recent years. As those regulations are being turned back, it allows energy companies, community banks and those who service energy and banking industries, such as a landman services company or a financial software company, to have more funds to invest in marketing to grow their companies. Second, and a more direct impact, is the constant fluctuation of federal regulations and compliance requirements that impact all areas of business operations, including human resources, insurance and retirement plans. It is not feasible for one person to be knowledgeable in the many regulatory areas affecting Jones PR's business. The hiring of many more employees would be necessary, creating unsustainable employee expenses. Therefore, Jones PR will be forced to hire an independent professional employment organization company in order to reduce our risks of being in compliance with federal regulations.

While we have seen many positive changes initiated by this Committee, there is still more work to be done. The federal government has continued to miss its 5% goal of contracting with women-owned businesses. The consequences of this missed goal mean fewer dollars flowing to women businesses and their local economies. In addition, the government actively discourages small business growth for federal contractors, limiting these companies from reaching their full potential. We applaud House passage of H.R. 6330, the "Small Business Runway Extension Act of 2018," the important 5-year lookback legislation passed by this Committee to help address this problem.

In summary, the economy is healthy, the stock market is strong, and unemployment is at a record low. According to the US Census Bureau, median household income rose to $61,400 in 2017, up 1.8% from the previous year. The number of Americans working full-time, year-round increased by 2.4 million.[3] In my view, today's regulatory landscape, recent legislative changes and a strong economy offer an environment for small businesses to thrive. We especially want to thank the Committee for paying attention and playing such an important role in the success of small businesses in this country.

---

[3] U.S. Census Bureau, Income, Poverty, and Health Insurance 2017, (2018) available at https://www.census.gov/content/dam/Census/newsroom/press-kits/2018/iphi/presentation-income-poverty-plot-points.pdf.

Written Testimony of Valarie J. Cofield
President/CEO
Eastern Minority Supplier Development Council
Before the House Committee on Small Business
Subcommittee on Economic Growth, Tax, and Capital Access

Chairman Brat, Ranking Member Evans and Members of the Subcommittee, thank you for the opportunity to provide testimony today about the growth and development of minority-owned businesses, particularly as it relates to three key areas: 1) the economic impact and importance of the development and growth of minority-owned businesses; 2) the impact of H.R. 1 – Public Law No: 115-97, the Tax Cuts and Jobs Act; and 3) the continued funding of the Minority Business Development Agency (MBDA).

My name is Valarie J. Cofield and I am the President and CEO of the Eastern Minority Supplier Development Council (EMSDC). EMSDC is headquartered in Philadelphia, PA with a satellite office in Pittsburgh, PA. EMSDC is one of 23 regional affiliates of the National Minority Supplier Development Council (NMSDC), operating in Pennsylvania, southern New Jersey and Delaware. As the president of the Eastern Minority Supplier Development Council, my mission is to ensure that all diverse businesses have access to and opportunity in the private-sector and public supply chains.

Recognizing the impact and importance of minority business enterprises, in March 1969, President Nixon signed Executive Order 11458 requiring government agencies and their contractors to contract with minority-owned companies and to report the results against pre-established goals to the Office of Minority Business Enterprise which became the Minority Business Development Agency (MBDA) in 1971. In 1972, as the result of several federal grants focused on private-sector engagement of minority businesses, the National Minority Supplier Development Council was formed. Formation of the NMSDC in 1972 represented a private-public partnership to provide increased procurement and business opportunities for minority businesses of all sizes. "By 1974 the newly formed NMSDC contracted with the U.S. Department of Commerce's Office of Minority Business Enterprise to encourage major corporations to "increase their purchase of goods and services from minority businesses. Almost half a century later, NMSDC has expanded to become a not-for-profit, member-funded advocacy organization that has been the leader in thought and action for minority supplier development throughout the U.S., in the private and public sectors."[1]

The National Minority Supplier Development Council is the global leader in advancing business opportunities for its certified Asian, Black, Hispanic and Native American business enterprises. Its network of 23 regional affiliate councils includes over 1,400 corporate members, including most of America's largest publicly-owned, privately-owned and foreign-owned companies, as well as universities, hospitals and other buying institutions. The regional councils certify and match more than 12,000 minority-owned businesses with member corporations, institutions and organizations that are interested in to purchasing their products, services and solutions from certified minority-owned from certified minority-owned businesses. Globally, the NMSDC Network includes five (5) Global Link partners (Australia, Canada, China, South Africa and the United Kingdom).

[1] The Business Case for Minority Business Enterprises: Fueling Economic Growth, White Paper, National Minority Supplier Development Council (2017)

I. Economic Impact of Minority-Owned Businesses by the Numbers

"In 2010, the minority population (Hispanic-, African-, Asian- and Native-Americans) totaled 107 million. According to the US. Department of Commerce, the minority population had an estimated buying power of $2.5 trillion, larger than the buying power of all but 5 countries in the world including the UK, Russia, and France. Also, according to the U.S. Department of Commerce, between 2002-2007, minority owned firms outpaced the growth of non-minority firms in gross receipts (55%), employment (27%), and number of firms (46%)."

A report from the Milken Institute and the Minority Business Development Agency (MBDA) [indicated] that...the number of minority business owners in the U.S. (currently estimated at 3.3 million) is growing at a rate of 17% annually, MBE sales are growing 34% a year, twice as fast as the national average. The Department of Commerce also notes that between 2000 and 2045, the minority population will contribute as much as 70% of the total increase in purchasing power."

Minority-owned businesses are growing at a much faster rate than that of U.S. businesses overall. At the time of the U.S. Census Bureau 2007 Survey of Business Owners, minority-owned businesses accounted for 21.3 percent of the nation's businesses, employed 5.8 million persons, and generated $1.0 trillion in receipts. *Source Pennsylvania Small Business Development Center*

"NMSDC certified MBEs total economic impact exceeds $400B in output resulting in 2.2M jobs (direct or indirect) This translates into $1.1B in business activity daily. These same MBEs generate approximately $49B in tax revenue for local, state and federal governments."[2]

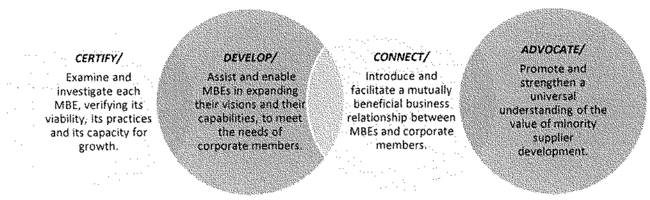
EMSDC: A Closer Look

**Source Eastern Minority Supplier Development Council (EMSDC), U.S. Department of Commerce and U.S. Census Bureau*

Our foundation as an NMSDC affiliate directly aligns us with the most powerful minority supplier organization in Corporate America. EMSDC boasts corporate membership of over 120 Fortune 100 and Fortune 500 companies either headquartered or doing business in Pennsylvania, southern New Jersey and Delaware, all with organizational commitment to supplier diversity. Through its NMSDC network affiliation, EMSDC has access to national and international resources to deliver programming that gives unparalleled coverage of both private and public-sector procurement opportunities, nationally and globally.

[2] *NMSDC 2014 Economic Impact Report*

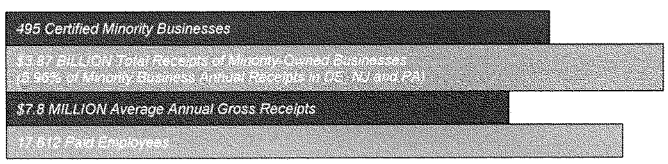
The Core of Our Mission



Corporate Partners

"Our corporate members have annual revenues estimated to exceed $1.1 trillion. A commonality between our members and corporations throughout America is the understanding of the value and importance of diversity and inclusion in business. The proof is in the numbers. On average, supplier diversity programs add $3.6 million to the bottom line for every $1 million in procurement operation costs. The high return on investment is undeniable. In 2014, MBE spending grew 20% from the previous year. The leading category driving growth came from Technology and Telecom, which grew 46% that year, from $20.5 million to $30 million. Another category of significant growth was Facilities, which more than tripled from $980 thousand to $3.1 million during the same period."[3]

EMSDC Certified Businesses by the Numbers*



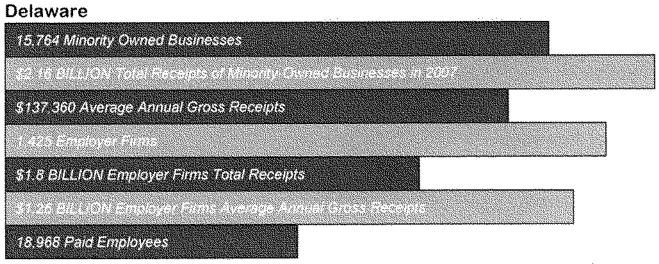
EMSDC's MBEs in 2017 had an average annual revenue of $7.8M and collective revenue of $3.9B. In 2017, EMSDC's 495 certified businesses employed 17,612 individuals, or an average of 35.6 employees per business, far outpacing the rate of employment for the average small business of 20 employees per business.

---

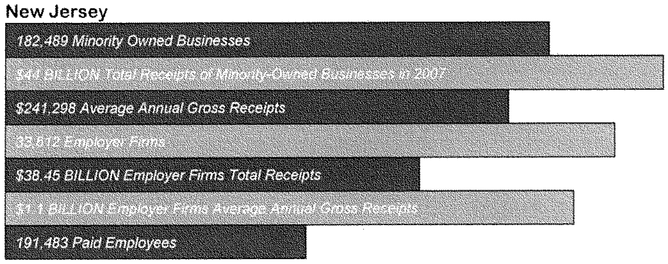
[3] EMSDC 2016 Annual Report. Forbes, D&B Stanton, R. 12015, January 10). The Hackett Group takes fresh look at supplier diversity• MBN USA. Retrieved December 1, 2015, from www.mbnusa.biz/hackett-group-takes-fresh-look-supplier-diversity/ The 2014 Nielsen Supplier Diversity Annual Report

Demographic Overview Minority Businesses - EMSDC's Footprint in Delaware, Southern New Jersey and Pennsylvania*

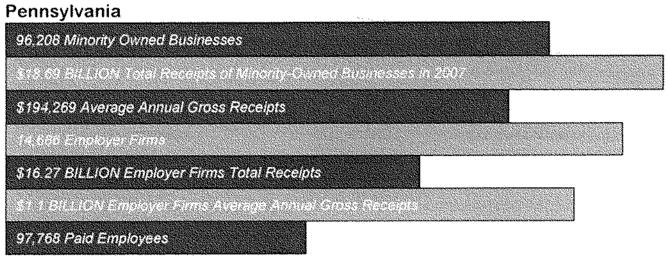
Delaware



New Jersey



Pennsylvania



EMSDC is known as the ultimate connector, that reputation shines when a successful corporation contracts with an MBE that meets its needs and meshes with its organizational culture. Through collaborations, EMSDC has built partnerships with economic development program operators in the region, driving the agenda towards synergistic operation and programming that yields maximum benefit to its clients. EMSDC, through its private and public partnerships, supports the long-term sustainable growth of minority-owned businesses and their participation in the global supply chain. As compared across Delaware, New Jersey and Pennsylvania of all minority-owned businesses, EMSDC's certified businesses yielded 35 times more in revenue than non-certified minority-owned businesses.

II. H.R. 1 - PUBLIC LAW NO: 115-97, THE TAX CUTS AND JOBS ACT

Will small diverse businesses benefit from H.R. 1 – Public Law No: 115-97?

The implications of H.R. 1 – Public Law No: 115-97, The Tax Cuts and Jobs Act, on small diverse businesses are uncertain. The initial read of the benefits offer optimism that with the reduction in the effective tax rate for all businesses, whether through the direct reduction of the corporate tax rate to a flat tax of 21% or the pass-through deduction of 20%, H.R. 1 affords the opportunity for businesses to realize additional capital to invest in human talent, resources, equipment and inventories. The structure of H.R. 1, creates concerns because most small businesses (diverse businesses) are not C-corps and therefore the effective tax rate of 21% will not apply to these businesses. Small businesses (diverse businesses) are typically pass-through businesses, sole proprietorships, limited liability companies, partnerships, and S corporations. They pay no taxes as an entity and instead, profits from the business are passed through the entity, with the owner(s) paying tax on them at the individual tax rates. Under H.R. 1, the top individual rate is 37%, higher than the new 21% flat rate for C corporations.

Eligibility for the 20% Pass-Through[4] Deduction

Under H.R. 1, persons earning income through pass-through entities (new IRC Sec. 199A), may be eligible to deduct up to 20% of their net business income on their individual tax returns, in addition to all other business deductions. If applicable, owners of pass-through businesses are effectively only taxed on 80% of business income, lowering the top individual tax rate for these business owners from 37% to 29.6%. This is a temporary reduction expiring January 1, 2026 and has limitations, including:

- This deduction is phased out if income exceeds the $315,000/$157,500 limits. It disappears entirely for married individuals filing jointly whose income exceeds $415,000 and for singles whose income exceeds $207,500.
- Professional services businesses, or any business where the principal asset is the reputation or skill of one or more of its owners, are not automatically eligible for this additional 20% pass-through deduction. These business owners are only eligible if taxable income, from all sources, after deductions is less than $315,000, married individuals filing jointly, or $157,500 if single. Otherwise the deduction is phased-out. Disappearing entirely for married individuals filing jointly whose income exceeds $415,000 and for singles whose income exceeds $207,500. These businesses are also not eligible for the W-2 employee and W-2 employee plus qualified business property deductions.

[4] H.R.1 - Public Law No: 115-97

Bonus Depreciation
The increase in bonus depreciation of new and used long-term assets from 50% to 100% in a single year through 2023, with incremental reductions down to 20% through 2027. Listed property (except computers) must be used over 50% of the time for businesses to qualify for bonus depreciation

Other Key Provisions
Limits on Deducting Business Interest - small businesses with gross receipts less than $25 million are not subject to business interest deduction limits.

Limits on Deducting Net Operating Losses – elimination of NOL carrybacks and deductions are only allowed up to 80% of taxable income, although they may be carried forward and deducted indefinitely into the future.

H.R. 1, also eliminates various business tax deductions and credits, including the:
- deduction for business entertainment expenses, except for meals
- starting in 2026, the deduction for meals provided to employees for the convenience of the employer
- deduction for payment of employee parking, mass transit, or commuting expenses
- domestic production activities deduction, and
- deduction for local lobbying expenses.

Impact on Small (Diverse) Businesses

While it is too soon to measure the impact of H.R.1 on small businesses, there are several immediate observations that can be made and must be reviewed:
- The disparate application of the 20% pass-through bonus, adversely impacts professional service businesses which represent approximately 40% of all small diverse businesses and therefore will provide little to no tax savings to these business owners. Savings that would result in investment in new talent, technology, business development tools/resources will not be realized for these businesses, negatively impacting growth and long-term viability.
- The various business tax deductions and credits that have been eliminated will have direct impact on small business, who use these deductions and credits to offset tax liability, particularly pass-through businesses.
- Further the provisions of H.R. 1 are too short-term to have sustainable impact on small businesses, as the potential for savings and investment will be mitigated by access to capital and rising healthcare costs.
- Pass-through businesses will bear the burden of H.R. 1 and receive the least benefits or relief from H.R.1. These businesses are disproportionately, minority-owned.

Unfortunately, the sustainable and measurable benefits to small businesses may only be indirect and the result of increased spending and demand from current and potential customers that may increase spending and seek their services, due to realized savings from H.R. 1.

III. FUNDING FOR THE U.S. DEPARTMENT OF COMMERCE, MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA)

Established in 1969 by Executive Order 11458 and formed in 1971, the Minority Business Development Agency (MBDA) is a part of the Department of Commerce and is the premier federal agency dedicated to supporting the expansion of minority- and Native-owned business enterprises. Unlike the Small Business Administration and other federal agencies that focus on broader demographic and emerging businesses, the MBDA's directive is to focus on the unique challenges and needs of minority-owned businesses. It is the only federal agency "dedicated to the growth and global competitiveness of our Nation's minority business enterprises (MBEs), which, according to the U.S. Census Bureau's 2007 Survey of Business Owners, contributed $1 trillion in total economic output and employed nearly 6 million Americans."

The Minority Business Development Agency (MBDA) reported that at the end of the five-year period (2007-12) it studied, there were 8 million minority-owned businesses in the U.S., a 38% increase in that five-year period. It also noted:

- *Between 2007 and 2012, the number of MBEs grew three times faster than the population growth in minorities.*
- *Results of the U.S. Census Bureau's 2012 Survey of Business Owners revealed that MBEs grow significantly faster than non-minority-owned businesses.*
- *Employment at MBEs increased 33% and gross receipts rose by 57%, while non-minority-owned businesses shrank by 5%.*

MBDA also noted that minority-owned businesses continue to lag in annual receipts behind non-minority-owned businesses:

- *Averaging $196,000 in gross receipts in 2012, compared to $650,000 in gross receipts for non-minority-owned businesses in that same period.*
- *By 2012, the number of MBEs had increased in the preceding five years from 21% to 29%, important progress, but lagged significantly behind the growth in U.S. minority population.*

The Administration's FY2019 budget blueprint recommends the reduction of the agency through the elimination of the network of MBDA centers nationwide. "The network of approximately 40 MBDA Business Centers is the "flagship" program of the Minority Business Development Agency. The Centers serve as the face of the Agency's imperative as the direct technical assistance providers to minority businesses on the ground in communities across the Nation. Without the MBDA Business Center network, MBDA would simply be unable to provide hands-on assistance to facilitate access to capital or contracts by minority businesses."

Understanding the persistent economic challenges that minority-owned businesses face, along with the income and wealth gap between minority and non-minority communities, it is important that the MBDA remains fully-funded and that the network of MBDA centers nationwide have adequate resources to support minority-owned businesses doing the work to assist these businesses in overcoming the barriers to growth and economic parity that they disproportionately encounter.

"In the beginning, it was the support of the federal government that gave life and momentum to the cause of minority supplier development. Now more than ever, that support is needed for the next stage in this vital work. At this moment in American history, that work, NMSDC and the philosophies and intentions of a Republican President and Congress can be very much on the same page. To that end, NMSDC urgently requests that the new administration and Congress reconsider a recent budget proposal to eliminate the Minority Business Development Agency (MBDA) of the U.S. Department of Commerce."

Conclusion

"Success does not lessen the challenge: the MBE still faces a far steeper climb to achieve equality with his or her non-minority competitors. The barriers to equality in business are subtle and overt, institutional and incidental, and NMSDC and its network of affiliate councils, including EMSDC, is uniquely equipped to change this environment – not by asking but by delivering, as MBEs do again and again. They offer more than a return on investment.

Minority supplier development fuels the broadest possible economic growth. Corporations forge profitable relationships with intensely motivated and innovative suppliers. The success of those suppliers then impacts their own communities: they invest, employ and contribute to the tax base and our region. On a more profound level, they give us all a vested interest in the American economy." [5]

The sustainability of small businesses, particularly small diverse businesses is bolstered by private-public partnerships, programs and initiatives. The NMSDC and its network of affiliate councils, including the EMSDC, is well-equipped to support the continued development and growth of minority-owned businesses, however continued support is needed, in the form of the MBDA, from the Federal government to ensure that small diverse businesses are well-positioned for continuous growth and long-term economic impact.

[5] The Business Case for Minority Business Enterprises: Fueling Economic Growth, White Paper, National Minority Supplier Development Council (2017)

INTERNATIONAL ASSOCIATION FOR HEALTH COACHES™

Darrell Rogers
International Association for Health Coaches
202-255-0527
darrell@integrativenutrition.com

September 27, 2018

Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Re: Small Business Committee Hearing on the Local Impact of Economic Growth

About Us
There are over 40,000 practicing Health Coaches in 129 countries that have been taught the fundamentals of achieving wellness and being a supportive mentor who motivates individuals to cultivate and achieve their own positive health goals.

What does a Health Coach do?
A Health Coach is a guide and mentor who empowers their clients to take responsibility for his or her own health and supports their efforts to implement and sustain healthy lifestyle and behavior changes.

These positive changes contribute to the achievement of an individual's personal wellness goals, decrease healthcare expenditures, and increase energy and productivity. Common areas of focus include weight management, improving nutrition habits, better sleep, increased energy, and stress management to name just a few. *The vast majority of Health Coach practices are female owned and operated small businesses.*

Health Coach Occupation Facts

- American College of Sports Medicine's Worldwide Survey of Fitness Trends found *health and wellness coaching has been in the Top 20 trends in the survey since 2010.* In their most recent survey, health and wellness coaching jumped from No. 17 to No. 13 for 2017 trends.

- The National Consortium for Credentialing Health and Wellness Coaches (NCCHWC) estimates that roughly 15,000 to 35,000 people self-identify as Health or Wellness Coaches in the U.S. today.

- The American Medical Association (AMA) supports health coaching and encourages their member physicians to incorporate Health and Wellness Coaches into their practices. The AMA offers a CME approved learning tool to their member physicians on best practices of hiring and working collaboratively with Health and Wellness Coaches to improve patient lifestyle choices and prompt behavior change.

- The National Board of Medical Examiners (NBME), responsible for licensing physicians for over 100 years in the U.S., has identified the certification of Health and Wellness Coaches as a vital priority in addressing the national crisis in unhealthy lifestyles, and have begun a long-term strategic partnership with NCCHWC.

State Professional Licensure Restricts Growth and Limits Competition

State laws vary from no laws regulating the practice of dietetic/nutrition (3 states), to registration/title protection (26 states), to exclusive scope of practice laws (21). Exclusive scope of practice laws empower states boards (made up primarily of practicing dieticians) to enforce restrictive practice laws that limit competition and restrict speech about nutrition.

State licensing laws artificially constrain the number of nutrition advisers and practitioners. These one-sided licensure laws artificially limit nutrition practitioners—such as naturopaths, nutritionists, Health Coaches, and many others—who are frequently barred from practicing, or restricted from practicing to the level of their training.

Recommendation

The International Association for Health Coaches believes that the communication of general advice as it relates to nutritional information, recommendations, or guidance is protected by the Frist Amendment. Laws that the restrict the ability of Health Coaches to practice to the full extent of their training curtails speech and artificially restrains the number of nutrition practitioners in the field. The Small Business Committee should continue their efforts to highlight and when possible limit the anti-competitive actions of state licensing boards.

It is our position that economic growth is not fully experience in states where thousands of small health and wellness businesses are artificially restricted by anti-competitive state licensing laws and boards.