

KICK STARTING ENTREPRENEURSHIP AND MAIN STREET ECONOMIC RECOVERY

HEARING BEFORE THE SUBCOMMITTEE ON RURAL DEVELOP- MENT, AGRICULTURE, TRADE, AND ENTREPRENEURSHIP OF THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

HEARING HELD
SEPTEMBER 10, 2020



Small Business Committee Document Number 116-091
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

41-345

WASHINGTON : 2021

HOUSE COMMITTEE ON SMALL BUSINESS

NYDIA VELÁZQUEZ, New York, *Chairwoman*
ABBY FINKENAUER, Iowa
JARED GOLDEN, Maine
ANDY KIM, New Jersey
JASON CROW, Colorado
SHARICE DAVIDS, Kansas
KWEISI MFUME, Maryland
JUDY CHU, California
DWIGHT EVANS, Pennsylvania
BRAD SCHNEIDER, Illinois
ADRIANO ESPAILLAT, New York
ANTONIO DELGADO, New York
CHRISSY HOULAHAN, Pennsylvania
ANGIE CRAIG, Minnesota
STEVE CHABOT, Ohio, *Ranking Member*
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa, *Vice Ranking Member*
TROY BALDERSON, Ohio
KEVIN HERN, Oklahoma
JIM HAGEDORN, Minnesota
PETE STAUBER, Minnesota
TIM BURCHETT, Tennessee
ROSS SPANO, Florida
JOHN JOYCE, Pennsylvania
DAN BISHOP, North Carolina

MELISSA JUNG, *Majority Staff Director*
JUSTIN PELLETIER, *Majority Deputy Staff Director and Chief Counsel*
KEVIN FITZPATRICK, *Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Hon. Abby Finkenauer	1
Hon. John Joyce	3

WITNESSES

Mr. Chad Nath, Executive Director, LINK Grinnell Inc., Grinnell, IA	6
Mr. Jeremy Ketelsen, Vice President, Ketelsen RV, Hiawatha, IA	8
Mr. Mark Rembert, Head of the Rural Innovation Network, Center on Rural Innovation, Hartland, VT	9
Mr. Jason Duff, Founder, Small Nation, Bellefontaine, OH	11

APPENDIX

Prepared Statements:	
Mr. Chad Nath, Executive Director, LINK Grinnell Inc., Grinnell, IA	21
Mr. Jeremy Ketelsen, Vice President, Ketelsen, RV, Hiawatha, IA	23
Mr. Mark Rembert, Head of the Rural Innovation Network, Center on Rural Innovation, Hartland, VT	26
Mr. Jason Duff, Founder, Small Nation, Bellefontaine, OH	33
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
Engine	36
National Association of Federally-Insured Credit Unions (NAFCU)	40

KICK STARTING ENTREPRENEURSHIP AND MAIN STREET ECONOMIC RECOVERY

THURSDAY, SEPTEMBER 10, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE,
TRADE, AND ENTREPRENEURSHIP,
Washington, DC.

The Subcommittee met, pursuant to call, at 1:00 p.m., in Room 2360 and via Webex, Rayburn House Office Building. Hon. Abby Finkenauer [chairwoman of the Subcommittee] presiding.

Present: Representatives Finkenauer, Craig, Chabot, Joyce, and Bishop.

Chairwoman FINKENAUER. I call this meeting to order.

I want to thank everyone for joining us this afternoon or morning, depending on where you are in the country right now. I want to make sure to note some important requirements as we conduct this official remote hearing.

Standing House and Committee rules and practice will continue to apply during remote proceedings. All members are reminded that they are expected to adhere to these standing rules, including decorum.

During the covered period as designated by the speaker, the Committee will operate in accordance with H.Res. 965 and the subsequent guidance from the Rules Committee in a manner that respects the rights of all members to participate. House regulations require members to be visible through a video connection throughout the proceedings. So please keep your cameras on. If you have to participate in another proceeding, please exit this one and then log back on later.

In the event a member encounters technical issues that prevents them from being recognized for their questioning, I will move to the next available member of the same party and I will recognize that member at the next appropriate time slot provided they have returned to the proceedings. Should a member's time be interrupted by technical issues, I will recognize that member at the next appropriate spot for the remainder of their time once their issues have been resolved.

In the event a witness loses connectivity during testimony or questioning, I will preserve their time as staff addresses the technical issues. I may need to recess the proceedings to provide time for the witness to reconnect. Hopefully we do not have any of those issues.

Finally, remember to remain muted until you are recognized to minimize background noise. In accordance with the rules established under H.Res 965, staff have been advised to mute participants only in the event that there is an inadvertent background noise. Should a member wish to be recognized, they must first unmute themselves and then seek recognition at the appropriate time.

Before we really get started, I want to start by recognizing the Iowans in my community and across the state who I know have gone through so much over the last month—obviously, because of the pandemic, but we also got hit in Iowa and in my district with what were essentially category four hurricane-style winds in August. These 140-mile per hour winds took down many trees that been standing for 150 or 200 years. The City of Cedar Rapids and the surrounding areas had already been through a lot before 2020, including the floods back in 2008 and 2016. This disaster was just on a different scale affecting the City of Cedar Rapids at all the surrounding areas. Marion, Hiawatha, all of Lim County essentially and then our surrounding counties as well, like Buchanan, Poweshiek, Tama, Marshall, Iowa County, just to name a few. The two witnesses from Iowa today also have been impacted, whether by damage to their own businesses or to their homes. Mr. Nath and Mr. Ketelsen, when you agreed to be a part of this hearing, we were going to have a whole new host of challenges that we are dealing with here in Iowa. As Mr. Ketelsen told me this morning, though, we are Iowans—we'll get through this. But it is still going to be tough. We are really grateful to have Jeremy and Chad with us today.

Now we have a whole new host of challenges that we are dealing with here in Iowa. As Mr. Ketelsen told me this morning, we are Iowans—we'll get through this. But it is still going to be tough. We are really grateful to have Jeremy and Chad with us today.

We are also grateful to our other witnesses for joining us, from Vermont and Ohio. You guys have been through a lot with the pandemic, so we are just very, very grateful to you for taking the time to join us today as well.

We all are still going through this pandemic. In Iowa, we have had over 69,000 folks who tested positive for COVID-19, and we have lost over 1,100 Iowans. There is still a long way to go, but we need to make sure we are doing everything we can to help our friends and neighbors. The pandemic has also caused hardship for our small businesses due to the downturn in our economy, and 7.5 million small businesses are now at risk of closure, many of them in our rural areas.

What is especially frustrating is that we have spent nearly a decade recovering from the recession in 2008, only to now have our rural economies take another devastating hit. The Recession had a lasting and disproportionate impact on rural America. Two out of every three rural counties experienced a decline in their total number of businesses and a decline in their population as families left to find different opportunities.

This is something that I saw happen firsthand in Iowa, where, in much like the rest of the country, recovery took hard work. Iowans took very big risks to start their own businesses, and it

paid off. In 2016, nearly 1,900 new businesses started in Iowa, creating 7,000 new jobs.

This did not just happen in Iowa, though.

In 2017, America's small businesses created 8.4 million new jobs across the country. But not every community bounced back from the recession, and there are still places, especially in rural areas, that have never been able to bring back the jobs and opportunities that they lost.

And now as we deal with the fallout from this pandemic, we need to make sure that no businesses or communities are left behind.

Recently, I introduced the Unlocking Opportunities in Emerging Markets Act, which would create a new office at the Small Business Administration to focus entirely on how can we help improve access to capital for underrepresented entrepreneurs like in those rural areas, people of color, women, and our Nation's veterans. This is just one of the many bipartisan bills that are being put forward to help our small business owners to be successful in the long term, which is what we need to continue to be thinking about.

I know that all of my colleagues here today have been working hard to come up with new ideas and solutions to help get our economy back on track, and that's why I am very, very thankful to get to serve on this Committee with you all.

We wanted to hold this hearing to hear directly from America's rural small business owners about what they need to move forward and what the pandemic has meant for their businesses.

I also look forward to hearing from our policy expert about how rural America can be a catalyst for job creation across the country.

We can create opportunities in rural America if we do this right, whether it is ensuring access to broadband or creating opportunities so folks who are in bigger cities right now can move back home to the small towns they are from. We just have to do our job to address these issues on the federal level, working with folks at the local and state levels.

Before I pass it over to Ranking Member Joyce, I want to thank Dr. Joyce for joining. Dr. Joyce, it has been great to get to work with you over the last year and a half, and I am happy to have you here today and would love to pass it over to you and yield to you for your opening statement.

I think you have got it on mute, Dr. Joyce. There you go.

Mr. JOYCE. Thank you, Chairwoman Finkenauer. Thank you for your leadership. I send my greetings from my district office in Somerset, Pennsylvania, where tomorrow we will hold a memorial of the Flight 93 tragedy which occurred on 9/11. Echoing the sentiments from my district, tomorrow will be a somber day, and yet we are all in stages of recovery which we will continue.

In this Subcommittee, this important Subcommittee on Rural Development, Agriculture, Trade and Entrepreneurship, we have discussed the importance of economic development and of rejuvenation of America's small businesses. The global pandemic has only underscored the importance of these small businesses. And while there is little data that is truly available on the number of rural small businesses, some estimate that there are approximately 5.5 million rural small businesses in the United States. We know, particularly on this Subcommittee, that small businesses are a critical compo-

nent of the rural economy, which makes them a focal point of many Federal rural economic development efforts.

Rural small businesses do, indeed, differ from urban and suburban small firms in many ways. Generally, rural firms are more likely to be profitable long term and typically more successful than nonrural firms in getting financing. Additionally, rural businesses tend to be smaller in size, smaller in revenue, and often smaller in growth opportunities.

We have had multiple hearings on the major challenges experienced by rural small businesses, including inadequate access to rural broadband, fewer methods to access capital, higher healthcare costs with limited access to rural physicians, increased childcare expenses, and workforce shortages. We know that small towns and rural communities struggle with these issues each and every day. But the coronavirus pandemic has continued to bring these issues to the forefront of our Nation's attention.

About 46 million Americans live in rural areas, and unfortunately, some rural residents are at increased risk of getting COVID-19. Demographic characteristics and geographic features coupled with reduced healthcare disrupt the ability of rural regions to respond to the pandemic. The slowdown in aggregate demand has affected some primary sectors and the expected further slowdown in trade and global demand might continue to negatively impact rural economies.

And due to these factors, we must be proactive in our goal of helping America's Main Street to recovery. Unfortunately, we find ourselves once again discussing the persistent challenges that we in rural communities face every single day. As this issue has yet to receive a resolution, we have witnessed in real time the destructive lack of access to healthcare, telehealth, and broadband specifically in our rural communities.

The question is no longer what is the issue but rather, what can we do? In partnership with private and nonprofit organizations, we can increase access to these lifesaving and life-providing resources in order to create equitable opportunity for rural small businesses.

The Hill recently released an article discussing the significant dynamic of Americans who are moving in waves to suburban and rural areas. Some reasons cited include the pandemic, social unrest, and economic uncertainty. While the permanency and benefit of this change remains to be seen, we will assess the impact that this will have on our communities as our economics continue to recover and the pandemic continues to slow. Now, when we see a great migration from cities to rural and suburban communities, we must not only talk about the strain on resources but we must discern how to leverage these resources so that we can retain those who have moved into our communities and foster the opportunities for further growth and development.

For these pressing issues, I am proud to work with you on this Committee where we host witnesses on a wealth of knowledge on these specifics and can come up with bipartisan solutions that benefit all of our Nation's rural communities. It is imperative that we learn from those who, like our panel today, know what it is like to steer a small business through a pandemic.

I look forward to hearing the testimony of our witnesses today and to the continued partnership and bipartisan nature of this Subcommittee.

Thank you, Madam Chairwoman, and I yield back.

Chairwoman FINKENAUER. Thank you, Dr. Joyce. The gentleman yields back.

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

I would like to just take a minute now to explain the timing rules. Each witness gets 5 minutes to testify and then each member gets 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and then the yellow light comes on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within the 5-minute timeframe to the best of your ability.

Now I would now like to introduce our witnesses.

Our first witness is Mr. Chad Nath. Mr. Nath is the director of LINK Grinnell, a nonprofit organization that offers daycare and afterschool care. LINK—which stands for lead, inspire, nurture and keep children educated, enriched, and engaged in the Grinnell community—aims to provide a safe and inclusive learning environment for all children. Mr. Nath holds a B.A. in Education from Buena Vista University, has held positions as a kindergarten and special education teacher, and has also worked in the healthcare sector. Mr. Nath, you have done a lot and you have done it all in our rural areas like Grinnell, and we are very, very grateful to have you here. Welcome, Mr. Nath.

Our second witness is Mr. Jeremy Ketelsen. Mr. Ketelsen is the vice president of Ketelsen RV located in Hiawatha, Iowa. Ketelsen RV began as a small RV business on the family farm in 1962, when Mr. Ketelsen's grandfather wanted a camper. The business opened a storefront in Marion, Iowa, and later started a service department, a parts department, and eventually a sales department. Mr. Ketelsen, we are really happy to have you here. It was great to chat with you and Mr. Nath this morning. I am really interested to hear how you are hanging in there with both the pandemic and the derecho now. Welcome, Mr. Ketelsen.

Our third witness is Mr. Rembert. Mr. Rembert is a regional economist and head of the Rural Innovation Network at the Center on Rural Innovation in Heartland, Vermont. He started in this line of work when his hometown of Wilmington, Ohio faced the loss of 10,000 jobs during the recession. It led him to cofound the nonprofit Energize Clinton County in 2008, and he later served as the executive director of the Wilmington Clinton County Chamber of Commerce. He holds a Ph.D. in Regional Economics from The Ohio State University. Welcome, Mr. Rembert.

I would now like to yield to our Ranking Member, Dr. Joyce, to introduce our final witness.

Mr. JOYCE. Thank you, Chairwoman Finkenauer.

Our final witness is Jason Duff, founder and CEO of Small Nation, a company in Bellefontaine, Ohio that revitalizes small towns and helps small town entrepreneurs across the country. Jason is a fourth generation in a family of entrepreneurs and grew up gaining firsthand knowledge of how entrepreneurship, good financial prac-

tices, and hard work can bring great success. After graduating from the Ohio Northern University with a Bachelor of Science in Business Administration, he founded Community Storage and Properties, a local self-storage company that allowed Jason to invest in the redevelopment of Bellefontaine. He then founded an outdoor media company operating over 400 billboards in Ohio and Indiana. In 7 years, Jason and his business, Small Nation team have helped to revitalize the City of Bellefontaine. Using their hustle-hard approach, they have managed to renovate more than 30 historic buildings that have been sitting empty for decades, and then recruit tenants for 14 new business concepts. This created 18 new loft apartments, adding a crucial residential component back to the city's downtown. The combination of retail, restaurant, and residential have brought a small-town Main Street back to life. He is a member of the Small Business Council for the U.S. Chamber of Commerce, the Small Business and Entrepreneur Council, and serves on the Board of Trustees of Ohio Northern University. Jason, my sister is also an alum of Ohio Northern University. We welcome you to our Subcommittee meeting today.

Chairwoman FINKENAUER. Thank you very much, Dr. Joyce.

Mr. Nath, you are now recognized for 5 minutes.

STATEMENTS OF CHAD NATH, EXECUTIVE DIRECTOR, LINK GRINNELL, INC.; JEREMY KETELSEN, VICE PRESIDENT, KETELSEN RV; MARK REMBERT, HEAD OF THE RURAL INNOVATION NETWORK, CENTER ON RURAL INNOVATION; JASON DUFF, FOUNDER, SMALL NATION, BELLEFONTAINE, OH

STATEMENT OF CHAD NATH

Mr. NATH. Thank you, Chairwoman Finkenauer, Ranking Member Joyce, and distinguished members of the Committee.

My name is Chad Nath. I am born and raised in Iowa. Northwest Iowa is where I grew up and then settled down in the Grinnell area. I taught school for 7 years. I was a middle school special education teacher and a kindergarten teacher, and then after that I went to Grinnell Regional Medical Center where I held several different roles in that organization—emergency preparedness, safety security, incident commander for any events that had occurred, and then also public health. So, and then we also had a day camp program which then made me change to my new career right now which is I am the executive director of LINK Grinnell. It is a non-profit that was dreamed up on May 30, 2019, and we knew that there was a huge demand and need for childcare in rural Iowa as well. So we had a study that had been done 4 years ago that identified that there were 500 children that did not have the designated home for childcare and basically the need and demand was there.

So I decided to leave the hospital in order to lead this venture. What we ended up doing was to work very hard and were very distinct on the name LINK. So Lead, Inspire, Nurture and Keep children active and engaged.

So we are basically a cradle-to-career program. So we look at ways that we can enrich and provide services to children of all ages. We started with afterschool programs. So last year, about a year ago, we opened our doors and started providing care. And we

saw that that was a huge benefit. Then all of a sudden in March is when COVID hit, and being someone that has done a lot of planning for hospitals, I know that the surge capacity for a hospital and long-term care facilities and first responders is desperate and they need the staff to be focused and engaged with their patients and clients and that type of thing. So we pivoted from an afterschool program to providing care for children of essential workers. We sent out a survey. We identified that there were 98 families who filled out the survey. There were 163 children that were identified. And of that, as things got big, bad, and ugly with community spread that there would be 86 children. So what that did in my emergency mind thinking was we needed to have capacity to have 86 children with groups smaller than 10.

So what we ended up doing is we created what we call isolated pods. So we have no more than 10 individuals in each of these pods. And they are basically like a family unit. So they have an entrance and an exit, restrooms, dedicated staff. With that I needed facilities. So I talked to the State of Iowa. Ended up getting memorandum of agreements with seven different facilities in order to basically contract or expand depending on the situation in the community spread. Now, we ended up seeing 37 children, and a majority of those were in one long-term care facility that in Poweshiek County we had 166 positive cases as of today, and 83 were all from this one long-term care facility. So they got hit really hard. So we were taking care of their staff children and also hospital staff as well.

We also continued all the way to June 1st where then we pivoted to allowing the public in as well. So we did a summer program. That was 76 children. We ended up doing six isolated pods in two different facilities. The school system has been wonderful in our area to allow us to utilize a lot to do six, four pods and then ultimately, two pods. Now, all along, we have been making sure that we are disinfecting. We use PPE, all these different types of things in order to make this function and work appropriately.

So I did not get through everything. There are so many things to unpack and unwind with it but, you know, we did fieldtrips. We did some other things that are pretty creative and unique. Bussing, cleaning the bus and all those different types of things in order for that to happen. And then obviously derecho hit and Grinnell actually lost power for more than 12 days and obviously you cannot have childcare during that time because there was a lack of power. Although we did restore power 12 days later and then the demand for childcare, because again, because our school year got pushed clear back, so they just started Tuesday of this week, and so we filled that gap as well. And now we do afterschool care Tuesday, Wednesday, and then that is where I will go after this discussion.

Chairwoman FINKENAUER. You are a very busy guy. You have been doing so much. I look forward to asking questions and hearing even more later.

Now we will go to Mr. Ketelsen. You are now recognized for 5 minutes.

STATEMENT OF JEREMY KETELSEN

Mr. KETELSEN. Thank you, Chairwoman Finkenauer and Ranking Member Dr. Joyce and distinguished members of the Committee.

I am Jeremy Ketelsen, Vice President of family-owned Ketelsen RV with locations in Hiawatha and De Soto, Iowa. Our dealership was founded in 1962 and we roughly employ about 60 people. We sell new and used travel trailers, horse trailers, used motorhomes. We also provide repair services and property services to customers. It is our family's life work to enable people to enjoy the great outdoors and travel this great country.

Our dealership is working hard to come back from the economic shock of the pandemic. We have made progress, but challenges remain. Among our top concerns are keeping our customers and employees safe each day, inventory shortages, and parts supply chain issues.

We were very fortunate that we did not need to completely close our business this spring, but that is not the case in other states. RV dealerships in several states were open for service only, and could only transact sales by phone or the web, and in some cases the RV dealers could not be open at

all. So RVDA, RVIA, the Outdoor Recreation Roundtable and several RV associations worked to allow dealerships to remain open to serve the traveling public. The quick succession of state stay-at-home orders left some RV travelers stranded on

the road and some had to leave both public and private campgrounds due to state and Federal ordered closures. In the meantime, RV "snowbirds" who winter in the south had to travel back home to their home state, and it was vital that RV dealerships remained open to provide those services to get them home.

In the early days of the pandemic, first responders, including medical personnel, law enforcement, and critical utility workers used RVs to self-quarantine in areas. In Iowa, workers at the Des Moines RV Water Works utilized 20 RVs for temporary housing.

As the assistant fire chief for Springville, Iowa, I have seen this firsthand and experienced it, and it is in our community's plan.

With business operations severely restricted, a dealer survey conducted by RVDA in early April showed that 26 percent said their service, parts, and accessories business were "down 75 percent or more" when compared with the level of business prior to the pandemic. Another 35 percent said their fixed operations business was "down 50 to 74 percent." Forty-four percent of the dealers responding to that RVDA survey said their new RV sales volume was down 75 percent or more when compared with pre-pandemic levels, and 21 percent said that they were down 50 to 74 percent.

With almost no revenue coming in, many dealers were forced to furlough or lay off, including ourselves.

Because of crushing job losses throughout the country, the Small Business Administration's PPP loan initiative offered forgivable loans to small businesses. At the time of the RVDA survey, 92 percent of RV dealers responding said that they either had or planned to apply for a PPP loan. While my dealership did not apply for the program, it has been important to many RV dealers across the country. Since those

Since those uncertain days of March and April, Americans have made it clear with the increase in business and enthusiasm towards the great outdoors that this is an industry that can help heal the Nation during times like these.

We are now faced with supply chain issues. Like many dealers in the country, our inventory is down, and even more down after the derecho. These supply chain issues have the potential to create a storm after a storm. If manufacturers of RVs, which are primarily American made, cannot get components from the suppliers to build the product, it will lead to a challenge because we do not have products in stock during the time that consumers are seeking the outdoor experience.

Some areas that we are watching down the road include access to campgrounds. People need public and private places to camp in an RV or tent. We thank those of you who voted for the Great American Outdoors Act, which will help modernize and improve the public campgrounds in our National Parks, forests, and Federal lands.

Continued public investment in the outdoor recreation is extremely important to our country's future. Since the pandemic we have seen an increase in younger and first-time buyers at our dealership and at dealerships across this country. In our conversations with these customers, we are finding that there are a lot of parents who are using the outdoors to reconnect with their families. They want to get away from fear of the virus and spend time together as a family unit.

We have been told by public health officials to get outside and recreate responsibly. People are hearing that message loud and clear. Nature heals our body and mind.

So, on behalf of the \$778 billion outdoor recreation industry, and the RV industry which has an overall economic impact of \$114 billion and supports nearly 600,000 jobs, thank you for your support of small businesses like mine that help millions of Americans enjoy the great outdoors. We will continue to be part of the public health and the economic

solution in rural communities across this country.

Chairwoman FINKENAUER. Thank you, Mr. Ketelsen. We really appreciate it and look forward to asking questions here in a few minutes.

I now would like to recognize Mr. Rembert for 5 minutes.

STATEMENT OF MARK REMBERT

Mr. REMBERT. Chairwoman Finkenauer, Ranking Member Joyce, and distinct members of the Subcommittee.

My name is Mark Rembert, and I am the head of the Rural Innovation Network at the Center on Rural Innovation. I am a regional economist by training, with a focus on rural development, and I spent nearly a decade leading economic development efforts in my hometown of Wilmington, Ohio following the Great Recession. It is a pleasure to be with you today to discuss the role of entrepreneurship in economic development.

Even before the pandemic, rural America faced a crisis of economic opportunity. As recently as February 2020, more than 1,200 rural counties had not recovered all the jobs lost during the Great

Recession. This recent history suggests that the traditional approaches to rural development have not delivered economic prosperity on their own.

Addressing the immediate economic issues faced by rural America is critical but it is not enough. Restoring rural America to its pre-pandemic trajectory will mean that most rural communities will continue to lag behind. Rural America needs a new economic model.

One key factor driving the rural opportunity gap has been the growth of the digital economy. Between 2002 and 2016, the share of jobs requiring digital skills quadrupled from 4.8 percent to 23 percent, and tech jobs experienced one of the fastest job growth rates from 2010 to 2016. Yet, today, rural America is home to just 5 percent of the workers in tech occupations, even though it accounts for 15 percent of the total U.S. workforce.

At the Center for Rural Innovation, we believe that for rural communities to thrive, they must participate in the digital economy. Building digital economies and rural communities will require scalable tech startups that can create digital jobs in rural places.

Supporting rural tech startups requires a different model than supporting Main Street businesses. Just like their metro counterparts, rural startups need access to equity-based risk capital, deep mentor and advisor networks, incubator and accelerator programs, and a trained digital workforce to draw upon. Yet, in most rural communities, these resources are lacking or do not exist at all. There is a need for new economic development models and increased Federal support to grow scalable entrepreneurship in rural communities.

As the head of CORI's Rural Innovation Network, I have the pleasure of working with 18 rural communities in 17 states that are at the forefront of building tech-focused entrepreneurship ecosystems in rural areas. Communities like Red Wing, Minnesota; Durango, Colorado; Waterville, Maine, and Wilson, North Carolina are helping to lead the way by demonstrating that scalable tech entrepreneurship is possible in rural areas.

The Federal government has already played an important role in supporting the success of the communities like these in the Rural Innovation Network. Each community in the network has received technical assistance from CORI's sister organization, Rural Innovation Strategies, Inc., through a collaborative agreement with the Economic Development Administration. RISI supports communities as they develop digital economic development strategies and then provides assistance as they apply for the EDA's Build to Scale program which was formerly the i6 program.

Last year, three out of the eight communities that RISI supported received an i6 grant to expand their digital economy ecosystem work. Even though not every community RISI works with wins a grant award, the technical assistance they receive still provides them with a strategy and a foundation from which they can continue to grow their digital economy.

Other Federal programs can also help accelerate scalable entrepreneurship in rural America. The SBA's Small Business Innovation Research program has a strong track record of spurring job creation through innovation. In theory, the SBIR should offer a

critical source of capital for rural tech entrepreneurs, yet just 3 percent of SBI awards have been made to firms located in rural communities.

The Build to Scale and SBIR programs illustrate two key insights for the role the Federal government can play in supporting tech entrepreneurship in rural communities. First, there should be more programs like Build to Scale that support the development of innovation-driven entrepreneurship ecosystems. We have seen first-hand how this program can accelerate the development of entrepreneurship ecosystems in rural communities. Second, the SBIR program shows that Federal funding alone is not enough. Without technical assistance to promote access in rural areas, programs aimed at supporting scalable entrepreneurship are likely to end up concentrated in areas where tech jobs already exist.

While there is still great uncertainty about the long-term effects of the pandemic, one thing that we know for sure is that rural America cannot wait for the next recession to join the digital economy. In the age of the Internet, there should be no limit to where digital economy jobs and scalable entrepreneurship can take place. Thank you.

Chairwoman FINKENAUER. Well, thank you, Mr. Rembert. I know I got excited when you talked about Red Wing, Minnesota. They have great walleye fishing up there, speaking of outdoor activities, right, Mr. Ketelsen? I look forward to asking you some questions, too, to hear even more about your expertise and ideas. Thank you, Mr. Rembert.

Mr. Duff, you are now recognized for 5 minutes.

STATEMENT OF JASON DUFF

Mr. DUFF. Thank you, Chairwoman Finkenauer, Ranking Member Joyce, and the distinguished members of the Subcommittee. My name is Jason Duff and I am the founder of Small Nation. Established 14 years ago in Bellefontaine, Ohio, Small Nation was formed during our Nation's economic crisis and is dedicated to investing in places, spaces and dreams for small towns and entrepreneurs.

Bellefontaine is a town of 13,000 people in Logan County, 60 miles northwest of Columbus, 25 miles from the nearest major interstate, and an hour from the closest metropolitan area. It is like many other important and valuable courthouse communities across the country. We have a strong

commitment and reliance on agriculture, manufacturing and tourism. We are rural and depend on the vibrancy of our local economy and jobs to generate taxes which support local government, schools, and our community's health and social safety nets.

Eighty percent of our downtown's storefronts were vacant when I began my journey 14 years ago. Blight, crime, arson and opioid abuse plagued our town. Working with city, county and other local leaders, my team and I developed a vision for how to restart our local economy that began with finding unique ways to reduce unemployment by investing in people as well as places.

The kinds of new businesses which have flourished in our town include new dine-in restaurants, coffee shops, hair salons, shopping boutiques, air-bnb's, health and wellness studios and locally owned

professional offices and services. All of these businesses have thrived because of the fact that they belong to a supportive, growing and innovative small business community. That community had to be created.

Thankfully, we were introduced to organizations like the Small Business and Entrepreneurship Council, the local Chamber of Commerce, historic preservation organizations like Heritage Ohio and resources and grants from the Small Businesses Administration.

COVID-19 and the ongoing pandemic poses an unprecedented new set of challenges for small businesses as they strive toward recovery. McKenzie estimates that between 1.4 million and 2.1 million small businesses could permanently close, and that estimate was based on just the first 4 months of the pandemic.

The disruption has also created a host of new business opportunities and industries that small and local businesses can play an important role and win against their multinational competitors. We have seen the creativity of American entrepreneurs in ways they prepare and deliver food, create and provide education and training and using technology and video in ways that we never thought possible. We have also seen how businesses can step up and solve important health and safety needs during the pandemic. From creating masks, shields and much needed PPE, businesses of all sizes are responding and willing to serve. Small businesses are all essential.

At the heart of all of this are people who listen, solve problems and create solutions and get paid for those solutions. A recent survey by Getapp shared that 92 percent of U.S. small businesses have reinvented themselves during the pandemic and that says a whole lot about this group of people. Small business owners are scrappy go-getters and there is no quit in them.

Here are some key recommendations. Let's work together to expand programs that support small businesses' financial resilience. While the PPP program and EIDL programs provided much needed relief to many businesses, there is still so many micro businesses who have been left out. These micro businesses need access to capital to sustain, grow and expand their businesses. For example, small businesses need a long-term recovery loan program with low interest rates and favorable payment terms. Federal policies could also incentivize and leverage the success of equity and debt-based crowdfunding to provide entrepreneurs and businesses with a sustained source of capital to help them accelerate recovery and boost new business creation.

Improve access to rural broadband. Now more than ever we need to find ways to enhance the access, speed and affordability of rural broadband to everyone. The next great business idea, invention or breakthrough can happen on a family farm, makerspace or independent specialty retail store.

And the last is creating and expanding entrepreneurial ecosystems. We must continue to support the business organizations and nonprofits who train, advocate and bring entrepreneurs together, organizations like the Small Business and Entrepreneurship Council, the U.S. Chamber and the Small Businesses Administration.

In closing, I want to thank the Subcommittee for the opportunity to testify today. Now more than ever we need to find ways to really own and define what it means to be small. Small is adaptive, nimble and able to respond fast. It is the small ones in the small towns and neighborhoods everywhere that keep not only the economy, but the very spirit of our country alive and prospering. It is the mom and pops, the food we eat, the measure of good service, and the technology of the future. They are the people who create the beautiful things, share our knowledge and build bigger, better and stronger communities.

Thank you for believing and supporting and making smart policies that support small business.

Chairwoman FINKENAUER. Thank you, Mr. Duff. I truly appreciate your testimony and look forward to hearing from you later today as well. And thank you all for sharing with us.

We are going to now begin our question portion. I will begin by recognizing myself for 5 minutes.

My first question is to Mr. Nath. Mr. Nath, your work in childcare, especially all that you have been doing for the last year since LINK started, is pretty extraordinary. I know you dealt with challenges you were not expecting to have to deal with when you took over this endeavor.

Can you speak to me about why it was important for you to enter the childcare sector, especially in a small town and some of the things that are a little bit different when it comes to childcare in rural areas versus our cities?

Mr. NATH. Thank you for the question.

Yes, it is vital. So when we started LINK, we went out to our organizations and they supported us. We asked for 2 years of funding, 100 percent donated dollars to start up LINK to provide childcare. This brings in a physician, you know, at the hospital, we had been looking for oncology for how long and orthopedics and the list goes on of different services and you cannot get those individuals in because the schools and childcare are not there to support those individuals. Plus, people want that for their families and to help that community thrive.

So we were fortunate, and we were able to provide that essential childcare for free because we had those dollars that were donated in there. In order to have those people focus on the job they were doing, they need to make sure that these other worries are wiped away, and the only way to make a community thrive is to make sure that you have all those facets into place along with opportunities for your family. And so that is why it was so critical and so important for us to do what we did in that situation.

Chairwoman FINKENAUER. Like you said, getting doctors and being able to attract the right talent to small towns has so much to do with the childcare that is available. Thank you for recognizing that need, and it underscores why this is such an important topic to be talking about on a Committee like this. As we are talking about rural development, we need to make sure that we do not have child care access disparities across the country.

I have one other quick question for you before we move on to Mr. Ketelsen. The folks who work at LINK Grinnell are essential work-

ers. Could you speak just a little bit about what hazard pay would mean to LINK Grinnell's workforce and how it would be helpful,

Mr. NATH. Yeah, hazard pay would be critical in that situation. And you know, these individuals, a lot of the individuals are in the instant you need them. And so DHS was really good about getting background checks and all those types of things back to us really quickly. But you know, we are the front line of the front line. You know, that was the thing that was very challenging was to find a way to make sure that I kept my staff safe and the children safe during COVID. And knock on wood, luckily we have not had any instances where anybody has been positive, but we really adhere to some strict standards and made that work very well. So thank you for that question.

Chairwoman FINKENAUER. Thank you so much.

Mr. Ketelsen, one thing we talked about this morning and was mentioned in your testimony is a supply chain issue that you are running into in your industry. What are some of the factors you see leading to that? Would you find it to be helpful to make sure that we are understanding what the needs are for manufacturing and the industries—like those that are doing well during the pandemic—that could benefit from fixes to the supply chain?

Mr. KETELSEN. A lot of our supply chain issues are derived from the fact of we went from zero during the COVID timeframe where no one was thinking about recreation during those initial times to 120 miles an hour of even the public officials saying the best way to enjoy your family and recreate is to be outside. And it is difficult for any industry to go from zero to not only where they were and then put them into a growth spike. And that is a lot of what that supply chain has created, which is a unique problem. It is an exciting problem for the future.

Chairwoman FINKENAUER. Yeah. I know my time has expired, but when we had that discussion, it really did make me start thinking that we should be able to make up supply chain shortages by giving production opportunities to some of our manufacturers who may have slowed down in other areas of their business, including by helping them retool their operations to meet the needs that are there right now.

With your supply chain issues, and the derecho on top of that I know it is going to be a long road for your business. I am very grateful for your expertise and everything you talked about today. Thank you, Mr. Ketelsen.

I know my time expired, so I now yield to Dr. Joyce for 5 minutes.

Mr. JOYCE. Thank you, Chairwoman Finkenauer.

My questions will start with Mr. Jason Duff. At Bellefontaine, you told quite an amazing story. You have been able to revitalize your small community with a balance of government, nonprofit, and private organizations. You talked to us, Mr. Duff, about an 80 percent vacancy rate with blight and turning that around to develop restaurants and small businesses and residences as well. Do you think that your community specifically benefitted from a tax base, from an enjoyment of life, from the development of new small businesses, from your ability to turn around a blighted area, an 80 percent vacancy rate for your numbers into a prosperous area?

Mr. DUFF. Thank you for the question.

The beginning of our journey began with recruiting that first business and that first entrepreneur that would take a risk on our town. And that happened to be an independent restaurant. You know, asking the community what we felt that we were missing to bring that traffic, that energy, that life, and luckily, an entrepreneur that made brick oven pizza that had multiple units decided to expand his business in our town. That was a big risk for him. But when that place opened up, there were already 13 other pizza places in our town but he had a distinct, unique recipe. He provided a unique customer experience and we honored the historic building that was there and the legacy of the traffic and energy that it had 150 years ago. So that became the catalyst for seeing that energy, that life, and that traffic come back to our town. When the restaurant started, there were other specialty retail stores that saw that traffic and saw the energy and life and said we want to be clustered around that, too. And then later, as people saw the specialty retail stores, the downtown gin decided to open up. And then people said, we want to live in the upper floors of that building.

But now in the pandemic, you know, what we are challenged with—so to answer your question, it did improve the tax base, and it improved the tax base significantly not only for the employees that were working the businesses, the business owners that were developing profitable businesses, that they are earning income on, but the property values appreciated. And when the property values appreciated, that allowed more money to go back to local municipalities for our schools and for our area communities. So you know, the challenge now in the pandemic is that many of our downtown and independently owned restaurants have been forced to close. And so that industry in particular has really been challenged, and I think that we must work together to find programs that really help those independent restaurants be able to open back up and get their employees back engaged and working. And I know the PPP program and the EIDL program have been two successful measures on being able to do what it can do but there is still more work that has to be done.

So the thing that we are working on right now is identifying if restaurants are going to be slower to come back online, what are the new ways that we can bring that traffic and energy and life to our towns and bring that technology, that broadband, getting our buildings wired up I think is going to be a huge step in the right direction.

Mr. JOYCE. Mr. Duff, what you achieved at Bellefontaine, is this a model for success in other rural communities? And are you looking to implement that in other rural communities?

Mr. DUFF. Absolutely. We believe that the model starts with finding ways to buy and invest in historic buildings, actively recruit and identify people who are entrepreneurially minded. And those people do exist in towns. Those ideas need to be heard, and we need to connect those ideas with people, community banks, and investors that have resources. And once these ideas come online, those folks need ongoing mentorship, coaching, and support. And I

believe this model is working and can work and it can help towns all across the country.

Mr. JOYCE. And thank you for being the conduit for joining those different groups together.

My next question is for Mr. Chad Nath. Mr. Nath, you mentioned searching for funding through nongovernment sources in donations and grants and stipends. Approximately, how many of your dollars were you able to make up from nongovernment sources?

Mr. NATH. From nongovernment sources? So you know, we start off actually from our local businesses are the ones that actually supplied us with the dollars that we thrived on during that time. Not thrived but we worked with. We did do a community block grant and the PPP, we did not get it in the first phase. And then we had just some of the people that were essential staff provided some donations. So those went into donated dollars. We did not assess a fee or process a fee. We allowed them if they sort of chose to give some dollars back and we had a few that did that. Some just could not afford to do that. So those are the ways that we made this work. We wrote grants all over the place and, you know, from the Iowa Women's Foundation in this area. We did 5-2-1 zero dollars. We looked for different ways that we could fund this and make this work. And luckily, at this point we hopefully can see the clearing a little bit.

Mr. JOYCE. And I commend you.

My final question is for Mr. Rembert. We have talked in this Committee at length about bridging the digital divide for rural communities. We are committed to working for that. In your written testimony you mentioned that each community has individual challenges with this task. From a Federal level, we understand that the Federal government needs to support these efforts without imposing a "one size fits all" approach. Do you agree from your stance, from your perch, that a "one size fits all" will not be successful as we continue to bridge that digital divide?

Mr. REMBERT. Yes. I think we find that rural communities each have specific assets and specific challenges that have to be addressed in unique ways to be successful in doing this, especially when we are talking about building entrepreneurship ecosystems that are really focused on building scalable companies.

You know, I think that in our experience, you know, programs that sort of match resources with local capacity building that allow the solutions to be built from the community level up and then are matched with resources that can come in to really build the capacity of the community to advance a strategy is really where we think success can be achieved because, you know, in rural communities in particular, capacity is always going to be a significant constraint. And so to the extent that programs can actually build local capacity based on strategies and ideas that are developed by local leaders, I think the Federal government can play a really important role in doing that. So in that sense, you know, having one solution to every community develop is not necessarily the best if it is not building that local capacity leadership strategy that can bring local resources together to really advance a vision.

Mr. JOYCE. And again, we salute your commitment to the rural communities.

Thank you, Chairwoman, and I yield the remainder of my time.
Chairwoman FINKENAUER. Thank you, Dr. Joyce. The gentleman yields back.

Now I would like to recognize the gentlelady from Minnesota, Congresswoman Craig, for 5 minutes.

Ms. CRAIG. Well, thank you so much, Madam Chairwoman. And before I get into my questions about COVID-19 and economic recovery, I want to recognize you specifically for all of your tremendous work on behalf of your constituents as you recover from the August derecho. So thank you, thank you for everything you have been doing. I have been following you and just wanted to recognize your work.

In getting back to our panelists, I just want to say thank you for all of you for being with us today to talk about these topics, some of the same topics that have greatly impacted my constituents.

And I want to first turn to Mr. Rembert for my question and tie it back to the work of an organization called Red Wing Ignite, a nonprofit that I am proud to have in my district. Red Wing Ignite fuels economic development by working with key sectors of the community to spur innovation by supporting entrepreneurs, businesses, and students.

As you mentioned in your testimony, and certainly Ignite has done this in adapting to COVID-19, there has been adaptation through virtual webinars, online mentoring programs, and more to support entrepreneurs. However, in this time of remote working and online events, internet access to these entrepreneurial programs and support is essential. So can you talk just a little bit more deeply about how rural broadband fits into this work and how the Center on Rural Innovation is working to expand rural broadband so more entrepreneurs can access these services?

Mr. REMBERT. Yes. Broadband is the sort of foundational infrastructure that is required to build tech startups in rural places. And so it is extremely critical. When we look at communities to work with, one of the things that we look for is do they have broadband infrastructure in place. And you know, the fact is there are a lot of rural places that have great broadband, Red Wing being one of them. It has a fiber network which is exceptional. So many rural communities are really equipped to start doing this work but there are still significant parts of rural America that are not connected. And that is just an issue that we cannot wait to solve. It needs to be addressed yesterday before this pandemic hit, and we are really seeing the effects of it now.

As an organization, we help to raise awareness through our data and mapping research about the critical role of broadband and where there are gaps. And our sister organization, Rural Innovation Strategies, Inc. does do specific work with rural communities that are developing, that need help developing broadband and fixing gaps in their broadband infrastructures. So you know, we definitely encourage Congress to really focus on the need to bridge the digital divide around broadband in rural America.

Ms. CRAIG. I just want to stick with you for one more minute. In looking at the economic effects of COVID-19 and comparing it to the Great Recession, how is it the same and how is it different?

And does that speak to any future of what the recovery and what entrepreneurial opportunities come out of that look like?

Mr. REMBERT. Yeah, so I mean, I think it is a little bit even too soon to say what this is going to look like. As an economist, I think that this is still an evolving situation. And so, you know, what we have seen so far is that this recession actually looks quite different than the Great Recession. So in one way in particular in the Great Recession, rural communities were actually much more severely impacted. So far in this economic crisis, rural communities have been somewhat, you know, have been less impacted partly because they have not necessarily experienced the same severity of outbreaks that more urbanized areas have.

The question is, what will the long-term effects be? I do not think we quite know. You know, in our own analysis of like the most recent ELS data, it looks like the recovery is starting to slow in rural America. Before, you know, before rural America has recovered the jobs lost since February, so you know, and the fact that rural America is predominantly, has disproportionate employment among small businesses is a real risk, too. And as we saw during the Great Recession, small businesses are much more vulnerable to these kind of shocks. And so that can have much longer-term impacts in rural communities, which is one of the reasons why we think it is probably the case that rural America has not recovered from the Great Recession overall.

Ms. CRAIG. Thank you so much. I am sorry I did not get to ask each of you a question but Madam Chairwoman, it looks like my time is up, so I will yield back.

Chairwoman FINKENAUER. Thank you, Congresswoman.

With that I will recognize the gentleman from Ohio, Mr. Chabot, who is the Ranking Member of the Small Business Committee, for 5 minutes.

Mr. CHABOT. Thank you very much, Madam Chair.

I think Mr. Ketelsen, I will go to you first if I can.

You mentioned that one of your priorities is keeping your employees and your customers safe. And you know, one of the things that we have been considering is liability protection. So for example, if you have a customer that comes in, tests positive, and God forbid should they perish from the disease, that you might be a target of a lawsuit or one of your employees, you know, comes down positive. They might say you did not take every precaution and you end up getting sued. Now, you might have workers' comp in your state but nonetheless, even if you ultimately prevail, even if you win you lose because of the attorneys' fees and all the costs involved, any thoughts about whether we ought to be doing something in that area to protect small businesses like yourself from being targets of liability, either from a customer or from an employee?

Mr. KETELSEN. You know, initially, that was a major concern of what is our liability in this situation or in this current scenario and then future scenarios as well and how do we plan that as a company to help mitigate or reduce those risks. Who do we turn to? And the people that we turned to obviously did not have great clear answers as well either just due to it just being something that was unknown.

So that is an area that comes up that we constantly are discussing as a business, as leadership, and even as the employees on what kind of risks that people are willing to take.

Mr. CHABOT. We have been considering a second round and that has been one of the stumbling blocks because one side thinks that we should have these protections in general and the other side thinks we should not, so that is one of the stumbling blocks.

But let me shift over. I think Mr. Nath next.

I have visited I think 60-plus small businesses in my community in trying to see how the PPP worked for them or how we could have done things differently, just how they are getting along. And several of them were in the childcare area. And you know, one of the things that I have heard when they were allowed to reopen or, you know, some were essential to begin with, but the bottom line is they had to have fewer children and they had some problem with some of the employees being concerned about their own health and other matters like that.

Has that been an issue with you as far as the numbers of children that you can have and do you see that evolving over time, and is PPP allowing you to maybe weather that? You know, when do you become profitable again I guess is what I am asking.

Mr. NATH. So PPP, the hard part about that is, you know, nobody knows the duration. You know, so we just basically did a guestimate of what we thought we would need and it basically lasted for two and a half payrolls. We are biweekly. That is why another round of that could be more beneficial because then we can go off of the data and the information that we have.

Staff wise, you know, under these emergency guidelines, we were able to get plenty of individuals to sign up and be able to be there in case things increased. We ended up with about \$22,000 in revenue from the summer program, and our staff costs were about \$78,000. So that is a shortfall, you know, roughly \$56,000. But again, we have local businesses that are supporting us in a way that I have had, you know, Grinnell College come up and say, hey, if you need anything let us know. We will donate to that. But again, it is a chicken or the egg type of situation with childcare. You know, those businesses, if they are not open, it is hard for them to support to generate revenue that can go to support childcare within the community. So there is a lot of complex situations.

Mr. CHABOT. Thank you very much.

I have one more question to a fellow Buckeye here, Mr. Duff. Obviously, we had a pretty aggressive governor in clamping down on this and trying to keep the people safe on masks and how many people could come in and dining inside and outside. Any thoughts there? Anything that you would like to see from here on that could be helpful to your businesses or others in your community?

Mr. DUFF. Well, based on our COVID counts here in Logan County, you know, we have had experienced more of an economic crisis that has been damaging health. And of course, you know, every COVID case and every COVID death is a serious situation. But in my county here, in April, we were 31 percent unemployment. That is the highest in Ohio by 10 basis points. And a big part of that reason is that our Honda plants and our manufac-

turing plants that support automotive manufacturing were all closed and so were so many of our independent businesses in our small towns and our recreation areas. And so that cost, and the health crisis, what we are dealing with that cost is also very significant. So I think that we need to be looking at strategies for how we look at health in more of a global perspective that the virus is here and we are going to continue to work on that. But I think the work that this Committee is doing and then all of us here today need to be focusing on the health crisis related to the economy and how we can get people safely back to work and businesses safely reopened.

Mr. CHABOT. Thank you very much. Thank you, Madam Chair. And thank you to all the witnesses. I yield back.

Chairwoman FINKENAUER. Thank you, Mr. Chabot.

With that, I do not believe there are any more questions for today, so we will conclude. I want to say thank you again to all of our witnesses: Mr. Nath, Mr. Duff, Mr. Ketelsen, and Mr. Rembert. I also want to thank Ranking Member Dr. Joyce. This has been our first online official hearing, so we did it, but it would much better to get to see everybody in person. We hold out hope that this pandemic will get under control, we get vaccines, and we get everybody going again.

In the meantime, having these types of discussions is going to be really, really helpful for us as we come through the pandemic and figure out how to stimulate our economy while ensuring we do not leave rural America behind as we do it.

Thank you to our witnesses for taking the time to uplift what is happening on the ground. This was a really helpful discussion, and I think the members would agree here. We remain committed to listening and trying to figure out how we can do more of what works, how can we fix what does not work, and how can we again keep planning for the future. I will continue to uplift stories and solutions to leaders in the House, the Senate, and the White House, so we can come together, put differences aside, get people out of their corners, and respond to the needs of our small business owners, our essential workforce, and all the folks who are doing so much for our country right now but are worried every single day about what the future looks like.

I am honored to be the Chairwoman of this Subcommittee because we do find common ground here. That is the way this is supposed to work. We will keep doing our best, and I know we are very grateful for all of you guys on the ground doing yours as well.

Again, I want to say thank you and stay hopeful for the future even though I know there is a long way to go.

With that, we will conclude this hearing. I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the Subcommittee, we are adjourned. Thank you.

[Whereupon, at 2:15 p.m., the subcommittee was adjourned.]

APPENDIX

Testimony

Chad Nath

Executive Director, LINK Inc. Grinnell

"Kick Starting Entrepreneurship and Main Street Economic Recovery" Committee on Small Business
United States House of Representatives

Thursday, September 10, 2020 at 12:00 A.M. (EST)

Chairwoman Velazquez, Ranking Member Chabot, and distinguished members of this committee, thank you so much for inviting me to testify today to provide you with information regarding my experience with childcare during COVID-19 for essential personnel and the general public.

My name is Chad Nath the Executive Director of LINK Inc. LINK's Mission is to Lead, Inspire, Nurture and Keep children active, educated, enriched and engaged. LINK Grinnell is a 501 (c) (3) organization that will work to address families' needs around childcare and children's needs for additional educational and extracurricular options, with the initial development of an after-school program. LINK collaborates with many local businesses and organizations to ensure a committed and focused workforce. During COVID-19 shutdown in March 2020, LINK pivoted from an afterschool program to provide care for essential personnel's children so they could continue to provide their life saving work. LINK administered a survey to the essential organizations to identify the community need regarding childcare. The survey was completed by 98 individuals that included 163 children. The need was identified at 53% or 86 children would need emergency childcare if community spread created a surge on Grinnell's healthcare organizations. LINK completed 7 memorandums of agreement with 7 different facilities space throughout the community to ensure access to all. LINK created isolated pods to protect our assets and resources. The isolated pods have their own staff, restrooms, classrooms, and entrance and exit. Link provided an individual to provide each isolated pod with logistics to provide snacks, crafts, supplies, and frequent disinfecting of the used spaces. This service was provided at no cost to the essential workers from March 23 to June 1, 2020 and there were 37 children who participated in this service.

LINK on June 1, 2020 pivoted to a summer program where there was a fee assessed per attendance. The summer program included many of the children that participated in the essential childcare service. LINK does provide a sliding scale and fee forgiveness for those that may be in financial stress. The summer program formed 6 isolated pods that included 78 children with varied schedules. The isolated pods do not exceed more than 10 individuals to allow for social distancing and low risk of transmission of illness. This is a 10 week program that includes enrichments such as art, music, literacy, field trips, and theme weeks to help limit summer/COVID-19 loss of learned skills from the regular school year.

LINK's response to COVID-19 has increased staffing costs by 158% for essential personnel and 186% for summer programming. LINK's materials and supply needs have increased by 3 times due to cleaning supplies and PPE "Personal Protection Equipment". LINK's revenues have decreased substantially with \$0.00 for essential workers childcare and a projected \$20,000.00 for the summer program compared to \$68,000 for previous summer program a decrease of nearly \$50,000. LINK's bottom line since March 2020 is revenue from fees at \$22,000 and expenses just from staffing at \$78,000. LINK received \$17,500 from PPP, which helps diminish losses. However, LINK still relies on the support from the very businesses whose employees need LINK to provide childcare in order to work.

LINK has looked for creative ways to seek financial assistance. LINK applied for PPP and 100% of those dollars went to compensating staff for working during essential personnel childcare and was completely exhausted in three payrolls. The PPP would be nice to reopen now that organizations can better predict duration and realized costs. Link also applied for a Community Development Block Grant and was awarded \$20,000 to reimburse additional program expenses. Link has also applied for grants, stipends, donations, and service agreements with local employers. LINK continues to think outside of the box to look for ways to provide care / assistance where needed throughout the greater Grinnell community.

The COVID-19 pandemic has exposed a longstanding fear that childcare is one of our most critical institutions. Throughout this pandemic, LINK has been able to provide childcare to support local business workers; most notably, first responders, healthcare workers, and the foodservice industry. This has been of upmost importance to continue to nurture our health and well being of our community's children.

Jeremy Ketelsen
Vice President, Ketelsen RV
Member, RV Dealers Association
Hiawatha, IA – De Soto, IA

“Kick Starting Entrepreneurship and Main Street Recovery”

House Committee on Small Business

September 10th at 1 pm EST

Statement for the Record

Thank you, Chairwoman Velazquez, Ranking Member Chabot, Representative Finkenauer, and all the members of the Committee for the opportunity to testify.

I am Jeremy Ketelsen, Vice President of family-owned Ketelsen RV with locations in Hiawatha and De Soto, Iowa. Our dealership was founded in 1962 and employs 60 people with a payroll of approximately \$3.6 million. We sell new and used travel trailers, horse trailers, used motorhomes as well as provide warranty and repair services to our customers.

It is our family's life work to enable people to enjoy the great outdoors and travel this great country in an RV.

Our dealership is working hard to come back from the economic shock of the pandemic. We have made progress, but challenges remain. Among our top concerns are keeping our customers and employees safe each day, inventory shortages, and parts supply chain issues as we navigate through this new environment.

We were fortunate that we did not need to completely close our business this spring, but that was not the case in other states. During the second half of March 2020 and much of April, RV dealerships in several states were open for service only, and could only transact sales by phone or the web. In some cases the RV dealers could not be open at all for sales and service due to COVID-19 mitigation measures.

My trade association, the national RV Dealers Association (RVDA), along with industry partners at the RV Industry Association (RVIA), the Outdoor Recreation Roundtable (ORR) and several state RV associations, worked to allow RV dealerships to remain open to serve and service the traveling public much as car dealerships were able to stay open.

The quick succession of state stay-at-home orders left some RV travelers stranded on the road and some had to leave both public and private campgrounds due to state and federal ordered closures. In the meantime, RV “snowbirds” who winter in the southeast and southwest had to travel back to their home state. It was vital that RV dealerships remained open to provide service for these in-transit owners.

In the early days of the pandemic, first responders including medical personnel, law enforcement, and critical utility workers used RVs as self-quarantine areas. In Iowa, workers at the Des Moines Water Works utilized 20 RVs for temporary housing. RVs

Jeremy Ketelsen
Vice President, Ketelsen RV
Member, RV Dealers Association
Hiawatha, IA – De Soto, IA

provided shelter for these critical workers and their supervisors, who were working 12-hour shifts and responsible for critical water plant operations, maintenance and repair, and regulatory compliance.

I serve as the assistant fire chief for Springville, Iowa, and I know from personal experience that RVs are part of the temporary emergency housing plans of communities across this country.

With business operations severely restricted, a dealer survey conducted by RVDA in early April showed that 26 percent said their service, parts, and accessories business was “down 75 percent or more” when compared with the level of business prior to the pandemic. Another 35 percent said their fixed operations business was “down 50 to 74 percent.”

Dealers in many states had strict limits on the number of customers allowed in their showrooms. Forty-four percent of the dealers responding to that RVDA survey said their new RV sales volume was down 75 percent or more when compared with pre-pandemic levels, and 21 percent said they were down 50 to 74 percent.

With almost no revenue coming in, many dealers were forced to furlough or lay off employees. In the RVDA survey, 13 percent of dealers said their employee headcount was down 75 percent or more when compared with April 2019. Another 17 percent said their employee headcount was down 50 to 74 percent, and another 11 percent said it was down 26 to 49 percent.

Because of crushing job losses throughout the country, the Small Business Administration's Paycheck Protection Program (PPP) loan initiative offered forgivable loans to small businesses if they used the funds to pay employees. At the time of RVDA's survey, 92 percent of the dealers responding said they either had or planned to apply for a PPP loan. While my dealership did not apply for the program, through July, PPP loans saved at least 26,000 jobs at RV dealerships, according to numbers released by the SBA.

Since those uncertain days of March and April, Americans have made it clear with the increase in business and enthusiasm towards the great outdoors that this is an industry that can heal the nation during times like these.

The recent surge in business creates a whole new set of issues for a small business like ours. When you go from no one in the building, to a surge of customers, safety becomes a big issue. We also found that the consumer wanted to communicate with us differently using forms of technology and we have had to adapt our process to serve these new buyers.

Jeremy Ketelsen
Vice President, Ketelsen RV
Member, RV Dealers Association
Hiawatha, IA – De Soto, IA

Our June sales were about 22 percent better than June of 2019 but, overall, for the year our dealership revenue is down about 17 percent year-to-date.

Looking ahead to the rest of the year, we are now faced with supply chain issues. Like many dealers in the country, our inventory is down to about one-quarter of what we usually would have during the summer selling season. These supply chain issues have the potential to create a storm after a storm. If manufacturers of RVs, which are primarily American made, cannot get components from the suppliers to build the product, it will lead to a challenging 3rd and 4th quarter because we will not have products in stock at a time when consumers are seeking outdoor experiences and social distancing in RVs. Our customers will also face longer service turnaround times.

Some issues we are watching down the road include access to campgrounds. People need public and private places to camp in an RV or tent. We thank those of you who voted for the Great American Outdoors Act, which will help modernize and improve the public campgrounds in the National Parks, forests, and other federal lands.

Continued public investment in outdoor recreation is extremely important to our country's future. Since the pandemic we have seen an increase in younger and first-time buyers at our dealership and at dealerships across the country. In our conversations with these customers, we are finding that there are a lot of parents who are using the outdoors to reconnect with their families. They want to get away from fear of the virus and spend time together as a family unit.

We have been told by public health officials to get outside and recreate responsibly. People are hearing that message loud and clear. Nature heals our body and mind.

So, on behalf of the \$778 billion outdoor recreation industry, and the RV industry which has an overall economic impact of \$114 billion and supports nearly 600,000 jobs, thank you for your support of small businesses like mine that help millions of Americans enjoy the great outdoors. I hope we can continue to be part of the public health, and economic solution in rural communities across the country.

Sincerely,



Jeremy Ketelsen
Vice President, Ketelsen RV

Committee on Small Business Subcommittee on Rural Development, Agriculture,
Trade, and Entrepreneurship

"Kick Starting Entrepreneurship and Main Street Economic Recovery"
9/10/2020

Testimony of Mark Rembert
Head of the Center On Rural Innovation's Rural Innovation Network



Introduction:

Chairwoman Finkenauer, Ranking Member Joyce, and Members of the Subcommittee, my name is Mark Rembert and I am the head of the Rural Innovation Network at the Center on Rural Innovation. I am a regional economist by training, with a focus on rural development, and I spent nearly a decade leading economic development efforts in my hometown of Wilmington, Ohio following the Great Recession. I am pleased to be here today to discuss the role of entrepreneurship in economic development.

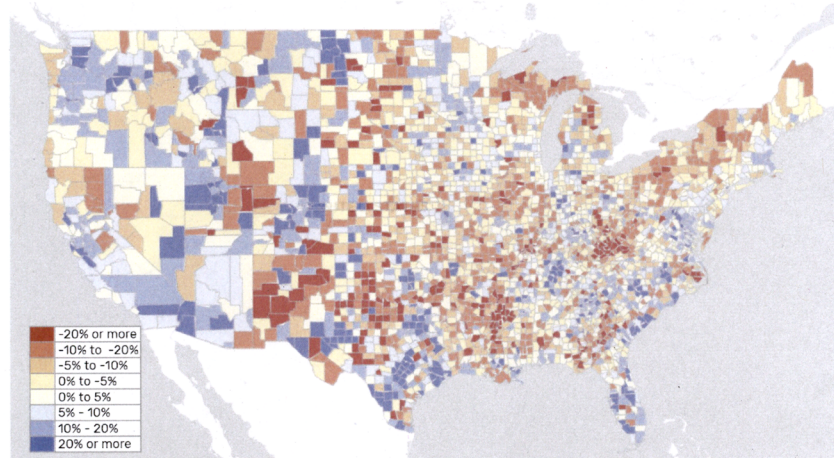
Revisiting the Great Recession:

Before I discuss rural America's current economic challenges I'd like to step back and reflect on the effects of the Great Recession. The Great Recession was not only a deep and painful economic downturn, it also redistributed millions of jobs across regions of the U.S., resulting in growing geographic inequality. While urban and suburban communities have largely bounced back, rural places have failed to replace the jobs lost in the last recession, let alone grow their economies. As recently as February 2020, more than 1,200 non-metro counties had not recovered employment lost during the Great Recession, collectively losing nearly 1.5 million jobs.¹ These counties represent the majority of non-metro employment and population. This decline in rural economic dynamism has corresponded with decades of falling rural entrepreneurship.²

¹ Bureau of Labor Statistics Local Area Unemployment Statistics

² Whilmoth, D. (2017). The Retreat of the Rural Entrepreneur. U.S. Small Business Administration Office of Advocacy.

Figure 1: Change in employment from 2007 (annual average) to February 2020



Source: Center On Rural Innovation analysis of Bureau of Labor Statistics Local Area Unemployment Statistics

One key factor driving economic inequality has been the growth of the digital economy. Between 2002 and 2016, the share of jobs requiring digital skills tripled from 4.8% to 23%,³ and digital economy employment grew at twice the rate as the economy as a whole from 2005 to 2018.⁴ Yet, this growth has been highly concentrated in a few “superstar cities,” and rural America has largely missed out on the economic opportunities it has created. Today, rural America is home to just 5% of the workers in computer occupations, even though it accounts for nearly 15% of the national workforce.⁵

One conclusion that we can draw from the Great Recession is that the standard model for rural economic development is broken. For the past several decades, the dominant approach to rural development has focused on farm payments, natural resource extraction, tourism, and industrial recruitment. The experience of rural communities during the Great Recession shows that this approach on its own has not delivered economic prosperity in the majority of non-metro communities. For Main Streets to

³ Muro, M., Liu, S., Whiton, J., & Kulkarni, S. (2017). Digitalization and the American workforce. Brookings Metropolitan Policy Program.

⁴ CORI analysis of Bureau of Economic Analysis data

⁵ CORI analysis of 2018 5yr American Community Survey data

thrive, rural communities need high paying jobs in industries that are growing and resilient to economic shocks.

COVID-19 and the Digital Divide:

COVID-19 has laid bare the realities of the digital divide and the ways in which rural America is vulnerable. Lack of broadband availability in rural areas limits access to education, challenges employees forced to work remotely, and diminishes productivity for small businesses scrambling to quickly adopt technology and move their business online. While it is still too early to predict the long-term effects of the pandemic and recession, it seems likely that it will accelerate trends in automation as firms try to maintain operations while reducing staff to minimize the risks of spreading COVID-19. This could result in significant job losses in rural America.

Addressing the immediate economic issues faced by small businesses is critical, but it's not enough. Restoring rural America to its pre-COVID-19 trajectory will mean that most rural communities will continue to lag behind the rest of the country. Rural America needs a new economic model.

Digital Economies and Rural Entrepreneurship:

At the Center on Rural Innovation, we believe that for rural communities to thrive, they must participate in the digital economy. Through our work, we partner with diverse rural communities working to develop digital economy ecosystem strategies. We support them with programming and connect them with resources to execute on their strategy. A core component of this strategy is scalable tech entrepreneurship. We believe that closing the digital divide will require new scalable tech startups that can create digital jobs in rural places.

Supporting rural startups requires a very different model than supporting Main Street businesses. Just like their metro counterparts, rural startups need access to equity based risk capital, deep mentor and advisor networks that can connect them to a national or global customer base, incubator and accelerator programs to get the support they need to raise capital and grow, and a trained digital workforce to draw upon. Yet, in most rural communities, these resources are lacking or don't exist.

Figure 2: The differences in programs needed to support high-growth entrepreneurs vs Main Street entrepreneurs

	High-Growth Firms	Main Street Businesses
Access to Capital	• Angel and R&D Tax Credits • Regional VC Support (SBIC) • SBIR/STTR • Scale Up Capital • Grants / Business Plan Competitions	• Bank Loan Guarantees (SBA) • Fintech / Challenger Banks • Tax Policy
Advice / Education	• Entrepreneurship, education, and mentorship programs • Startup academies	• Small Business Development Centers / SCORE Advisors
Ecosystems	• Accelerators / Incubators • Clusters	• Main Street Associations • Small Business Saturday

Source: Mills, Karen G., and Annie Dang. "Creating 'Smart' Policy to Promote Entrepreneurship and Innovation." *NBER Chapters* (2020).

For rural communities to participate in the digital economy, there needs to be a greater focus from all levels of government to build capacity and supply resources. Unfortunately, one of the biggest obstacles we encounter is the shared skepticism and doubt that rural America can in fact build thriving digital economies. But I am here today to tell you that based on our experience, we can confidently say that rural communities can *and are* building thriving digital economies. As the head of the Center On Rural Innovation's Rural Innovation Network, I have the pleasure of working with leaders from 18 rural communities in 17 states that are at the forefront of digital economic development. Each community has a unique set of assets and challenge, but all are committed to building a digital economy in their rural communities:

Here are a few examples from our network:

- In Red Wing, Minnesota, [Red Wing Ignite](#) innovation hub created the [E1 \(Entrepreneurs First\) Collaborative](#) to build regional connectivity among entrepreneurs and ecosystem leaders across 11 counties in southeastern Minnesota. Through the E1 Collaborative, any new startup within the region will be able to access entrepreneurship support resources, receive educational offerings including Design Thinking and Lean Startup classes, and take part in 1:1 mentorship and funding guidance that is customized according to where that

entrepreneur is on their startup journey. During the second quarter of 2020 and the peak of COVID-19, the E1 collaborative provided virtual support to 734 entrepreneurs.

- In Durango, CO, [SCAPE](#), the Southwest Colorado Accelerator Program for Entrepreneurs, is helping create more high growth, job-creating companies in Southwest Colorado by providing education, mentoring, and access to funding for startups and early-stage companies. Since its founding in 2013, SCAPE has worked with 31 startups that have raised \$22 million in capital, achieved exits worth \$170 million, and created 120 jobs.
- In Waterville, ME, the [Central Maine Growth Council](#) is leading efforts to develop an innovation hub strategy to support the growth of tech-based businesses that will drive local economic growth. Through a unique set of partnerships with institutions of higher education, career technical education, and a local coworking space, Central Maine Growth Council is leading the way towards building an accelerator program to support students, faculty, and community members as they start and grow scalable tech-based businesses.
- In Wilson, NC, the City of Wilson is leveraging its state-of-the-art municipal fiber network to build a 21st century economy. Led by [GigEast](#), Wilson is developing an entrepreneurial ecosystem to support the growth of technology companies and accelerate local innovation. The city also understands the importance of educating and training future generations to participate in the local tech economy. Through [WAAT](#), the Wilson Academy of Applied Technology, students are gaining digital skills and building a network of mentors from major local employers like Firestone, BB&T, and Purdue Pharmaceuticals who see value in hiring locally.

Supporting Rural America:

The federal government has already played an important role in supporting the success of the communities in the Rural Innovation Network. Each community in the Rural Innovation Network has received technical assistance from CORI's sister organization, Rural Innovation Strategies, Inc (RISI) through a cooperative agreement with the Economic Development Administration (EDA). RISI supports communities as they develop digital economic development strategies, and then provides assistance as they apply for the EDA's Build to Scale Venture Challenge program (formerly the i6 program). This program is unique within the federal government for its focus on building regional entrepreneurship ecosystems to support the growth of scalable businesses. RISI has worked with 18 rural communities over the past two years. Last year, 3 out of

the 8 communities that RISI supported received an i6 grant (now Build to Scale)⁶, raising more than \$5.6 million in grant funding and local matches to expand their digital economy ecosystem work.

After a community develops their strategy, they enter CORI's Rural Innovation Network and receive ongoing support as they implement their strategy. From my perspective, the technical assistance RISI provided was absolutely essential to preparing the communities to submit successful i6/Build to Scale applications. Even though not every community that joins the Rural Innovation Network secures a grant award, the technical assistance they receive from RISI to develop their strategy is still of great value. It provides them with a strategy and a foundation from which they can continue to grow their digital economy.

There are also other federal programs that can help accelerate scalable entrepreneurship in rural America. The SBA's Small Business Innovation Research program has a strong track record of spurring innovation that creates jobs by funding research and development aligned with federal priorities. In theory, the SBIR can offer a critical source of capital for rural tech entrepreneurs. Yet, the SBIR awards are highly concentrated in non-rural areas and reflect the geographic concentration of the tech industry. Over the history of the SBIR program, half of the SBIR awards have been made to firms located in just 5 states--California, Massachusetts, Virginia, Maryland, and Colorado, and according to Brookings Institution, just over [3% of awards have been to firms located in rural areas.](#)

Looking Forward:

The Build to Scale program and SBIR programs illustrate two key insights for the role the federal government can play in supporting tech entrepreneurship in rural communities. First, the Build to Scale program offers evidence that federal programs can accelerate the development of digital economy ecosystems in rural areas. While federal support for rural small businesses has traditionally focused on Main Street businesses, there should be more focus on supporting programs that build innovation driven entrepreneurship ecosystems like Build to Scale. Second, the SBIR program shows that availability of federal funding alone is not enough. Adopting a new economic model is difficult work, especially in rural areas where resources and capacity are often scarce. Without targeted funding for technical assistance to promote access in rural areas, programs aimed at supporting scalable entrepreneurship are likely to end up concentrated in areas where tech jobs already exist.

⁶ Red Wing Ignite from Red Wing, MN; 20Fathoms from Traverse City, MI; Codefi and the Marquette Tech District Foundation from Cape Girardeau, MO.

There are several other federal programs that can contribute to the development of rural entrepreneurial ecosystems--Small Business Investment Company program, the Rural Business Investment Company program, and the new Rural RISE program the USDA enacted as part of the 2019 Farm Bill. As we focus on recovering from this current recession, I encourage you to expand programs like these that support innovation based entrepreneurship, but do so with a specific focus on increasing access in rural areas. This can include changing that eligibility requirements to make the programs more accessible to rural communities, and ensuring that funding is allocated for technical assistance. While there is still great uncertainty about the long-term effects of COVID-19, one thing that we know for sure is that rural America can't wait for the next recession to join the digital economy. In the age of the Internet there should be no limit to where digital economy jobs and scalable entrepreneurship can take place.

WRITTEN TESTIMONY

Jason Duff

Founder/CEO, Small Nation

Before 116th United States Congress, House Committee on Small Business
Subcommittee on Rural Affairs, Agriculture, Trade, and Entrepreneurship
Kick Starting Entrepreneurship and Main Street Economic Recovery

Thank you Chairwoman Finkenauer, Ranking Member Joyce, and the distinguished members of the subcommittee. My name is Jason Duff and I am the Founder of Small Nation. Established 14 years ago in Bellefontaine, Ohio, Small Nation was formed during our nation's economic crisis and is dedicated to investing in places, spaces and dreams for small towns and entrepreneurs.

Bellefontaine is a town of 13,000 people in Logan County, sixty miles northwest of Columbus, twenty-five miles from the nearest major interstate, and an hour from the closest metropolitan area. It is like many other important and valuable courthouse communities across the country. We have a strong commitment and reliance on agriculture, manufacturing and tourism. We are rural and depend on the vibrancy of our local economy and jobs to generate taxes which support local government, schools, and our community's health and social safety nets.

80% of the downtown's storefronts were vacant when I began my journey 14 years ago. Blight, crime, arson and opioid abuse plagued our town. Working with our city, county and other local leaders, my team and I developed a vision and plan to restart the local economy that began with finding unique ways to reduce unemployment by investing in people as well as places. We started buying historic buildings on Main Street, providing loans to entrepreneur's with good plans and ideas, arming these new businesses with ongoing coaching, mentorship and support.

The kinds of new businesses which have flourished in our town include new dine-in restaurants, coffee shops, hair salons, shopping boutiques, air-bnb's, health and wellness studios and a locally owned professional offices and services. All of these businesses have thrived because of the fact that they belong to a supportive, growing and innovative small business community. Like many communities who struggle, we either didn't have a supportive ecosystem or knew that one existed. It had to be created. Thankfully we were introduced to organizations like the Small Business & Entrepreneurship Council, the local Chamber of Commerce, historic preservation organizations like Heritage Ohio and resources and grants from the Small Businesses Administration.

COVID-19 and the ongoing pandemic poses an unprecedented new set of challenges for small businesses as they strive toward recovery. McKinsey estimates that between 1.4 million and 2.1 million small businesses (25% to 36%) could permanently close, and that estimate was based on just the first four months of the pandemic.

Responding to government and health mandates, reduced demand, lack of capital and new customer expectations have all created significant barriers for small businesses to succeed.

The disruption has also created a host of new business opportunities and industries that small and local businesses can play an important role and win against their multinational competitors. We have seen the creativity of the American entrepreneurs in the way they prepare and deliver food, create and provide education and training and using technology and video in ways we never thought possible.

We've also seen how businesses can step up and solve important health and safety needs during the pandemic. From creating masks, shields and much needed access to PPE, businesses of all sizes are responding to serve. They are ALL ESSENTIAL.

At the heart of all of this, are people who listen, solve problems and create solutions and get paid for those solutions. A recent survey by Getapp shared the fact that 92% of U.S. small businesses have reinvented themselves during the pandemic says a whole lot about this bunch. Small business owners are scrappy go-getters with no quit in them.

In times of change, small business owners are looking for leadership, good ideas and financial support. Now is the time to help our businesses be able to innovate, pivot and capture opportunity in this new post COVID reality.

I'll share one example we're working on in our town. With more people working outside of the office than before, we're opening BUILD Cowork + Space. BUILD is a collaborative work community designed to inspire, connect and enable small businesses and solopreneurs in small towns to build something great. We are equipping or enhancing buildings with private lockable offices and conferences rooms where you can Zoom or meet in person and access world class coaches, mentors and teachers both in person and online. If you haven't thought of your local small town as a destination for unique and inspiring places to work, now is the time to think of it and all of the new businesses and industries that can support it.

Restarting local economies begins with how we can resource and support change, innovation and transformation. Working to be inclusive during that process is crucial.

Here are a few key recommendations from my experience on what works.

Recommendations:

Expand Programs that Support Small Business Financial Resilience. While the PPP program and EIDL programs provided much needed relief to many businesses, there's still many micro businesses who have been left out. These micro businesses need access to capital to sustain, grow and expand their businesses.

Improved Access to Rural Broadband – Now more than ever we need to find ways to enhance the access, speed and affordability of rural broadband to everyone. The next great business idea, invention or breakthrough can happen on a family farm, makerspace or independent specialty retail store.

Creating and Expanding Entrepreneurial Ecosystems – we must continue to support the business organizations and non-profits who train, advocate and bring entrepreneurs together. Organizations like the Small Business & Entrepreneurship Council, US Chamber and the Small Businesses Admiration (SBA).

Solving Food Insecurity – While some recovery has occurred, many are still facing uncertainty in their lives, including food insecurity. According to Brookings, one survey concluded that more than 17% of mothers with children 12 and under reported that since the Covid-19 pandemic started, "the children in my household were not eating enough because we just couldn't afford enough food." A federal program to utilize independent restaurants to create healthy to-go meals for those who qualify would help solve

this hunger crisis, while injecting needed revenue into restaurants and keeping their staff employed and the business paying taxes.

Building Capacity to Finance Rural Development – Rural America suffers from a disproportionate lack of available lending and capital. According to Brookings, rural America had 33 percent fewer entrepreneurs operating businesses in 2018 than 1988, and the loss of community banks—40 percent of rural counties lost bank branches between 2012-2017—means those local entrepreneurs have difficulty finding financing to suit their particular needs. We need federal support for small-town entrepreneurs to gain access to start-up and expansion capital to develop the economy – think of it as a “Marshall Plan” for rural America.

In closing, thank you to the Subcommittee for the opportunity to testify today. Now more than ever we need to find ways to really own and define what it means to be small. Small is adaptive, nimble and able to respond fast. It's the small ones in the small towns and neighborhoods everywhere that keep not only the economy, but the very spirit of our country alive and prospering.

The mom and pops; the food we eat; the measure of good service; and the technology of the future.

We fix what's broken, create beautiful things, share our knowledge and build bigger, better communities.

Thank you for believing, supporting and making smart policies to support Small Businesses.



September 22, 2020

Attention: Members of the Subcommittee on Rural Development, Agriculture, Trade and Entrepreneurship of the House Small Business Committee:

Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policy makers and startups. Engine works with government and a community of thousands of high-technology, growth-oriented startups across the nation to support the development of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. The startups we work with are all across the country, and those in rural areas face unique obstacles—particularly with access to capital, information and assistance, and broadband—that pose greater challenges than those typically experienced by startups based in major cities. While rural startups may face additional barriers in launching, thriving startup ecosystems can and do exist in rural environments—though more can be done at the federal level to help these startups succeed. We appreciate the opportunity to provide comments on rural startup development in response to the hearing, “Kick Starting Entrepreneurship and Mainstreet Economic Recovery,” particularly as the nation continues to be gripped by the pandemic.

As Mark Rembert—the head of the Rural Innovation Network at the Center on Rural Innovation—indicated during the hearing, businesses and startups in rural areas face hurdles from inception because of the digital divide.¹ As the Internet continues to be a focal part of American life, particularly as the pandemic continues, access issues are more crucial than ever for businesses working to connect with customers across the globe. And amidst the pandemic, more and more startups are turning to remote work and are looking for ways to increase their business by digitally connecting with new users and customers.² Without this basic necessity—reliable access to the Internet—many rural startups may have difficulty launching and growing. Through Engine’s #StartupsEverywhere series, we routinely hear from founders, incubators, and nonprofits that Internet access is critical to the success of their startup ecosystem—as well as from those who say that the lack of broadband access is hindering the ability of

¹ See testimony from Mark Rembert, Center on Rural Innovation, available at: https://smallbusiness.house.gov/uploadedfiles/09-10-20_mr_rembert_testimony.pdf

² *Id.*

startups to thrive.³ For example, for 20Fathoms—a regional entrepreneurship center in Northern Michigan that works to eliminate startup barriers by providing programming, resources, and access to capital—reliable broadband is crucial to their mission.⁴ “Internet access is at the top of the list,” their Executive Director states. “We are fortunate that one of our partners paid to bring fiber Internet to our space. We’ve had three startups relocate here from outside of the region because of this quality Internet access. Yet, fiber is almost non-existent elsewhere in the community and—if it is—it’s prohibitively expensive.”⁵ And the inadequacy of rural broadband access goes beyond the ability to start a business—it also creates inequities in access to quality education,⁶ and may discourage workers with families from relocating to rural areas because of a lack of opportunities for their families. Internet access not only helps startups grow their ventures, but it also enables them to access talent that may be lacking in more remote communities. Particularly with the shift to remote work caused by the pandemic, rural startups can choose to fill their talent needs with remote employees.⁷ In turn, connectivity is also important for retaining in-person talent in rural environments amidst the pandemic, since rural workers often struggle to work from home without reliable, fast Internet access.⁸ While rural Internet connectivity is becoming much better, startups that are currently based in regions with limited broadband access can face additional hurdles when it comes to scaling their businesses and attracting in-person talent.

While many startups indicate that access to capital is one of the greatest challenges that they face—and certainly one of the most important—access to information and technical assistance is also critical. As Mr. Rembert indicated, many grants, like those originating from the Small Business Innovation Research (SBIR) program,⁹ and certainly most venture capital, are directed to startups in a few major metropolitan areas. Rural areas are not lacking in innovation and ideas, but many founders located outside of well-connected cities often do not share similar networks as urban founders and may not be as

³ Engine, *Startups Need 21st Century Infrastructure* (Feb. 16, 2018), <https://medium.com/@EngineOrg/startups-need-21st-century-infrastructure-5fe156917d70>

⁴ 20Fathoms, available at: <https://20fathoms.org/>.

⁵ Nathan Lindfors, #StartupsEverywhere, *Traverse City, Michigan*, Engine, <https://www.engine.is/news/category/startupseverywhere-traverse-city-mich>.

⁶ See testimony from Mark Rembert, Center on Rural Innovation, available at:

https://smallbusiness.house.gov/uploadedfiles/09-10-20_mr_rembert_testimony.pdf

⁷ Alice Williams, *Rural Tech Startups See Success Across the U.S.*, *Forbes* (August 1, 2016),

https://techcrunch.com/2016/08/01/rural-tech-startups-see-success-across-us/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLnNvbS8&guce_referrer_sig=AQAACTKuWc7ZrsDpLcxYmZE9QKObTpyMWOWu p3YJd15wORC2GWR1J-Hk5YpdmgBkRSaGdbA94gev8JEj-6ucr_E0WbQSdbxawAF989NItOJKczmC4ewlr6cd4dVhom8puVleRjZfpFosdaIeyljJ5RieeaA1RHw9UAl08m4HBrqTn

⁸ Harmeet Kaur, *Why Rural Americans are Having a Hard Time Working from Home*, *CNN* (April 29, 2020),

<https://www.cnn.com/2020/04/29/us/rural-broadband-access-coronavirus-trnd/index.html>.

⁹ See testimony from Mark Rembert, Center on Rural Innovation, available at:

https://smallbusiness.house.gov/uploadedfiles/09-10-20_mr_rembert_testimony.pdf.

aware of the resources available to startups, like those provided by the Small Business Administration. Without knowledge of available programs, like grants and loans, startups are even more limited in their options for accessing capital. Here, government funding for incubators, accelerators, and innovation intermediaries is crucial, as these organizations are often more knowledgeable about the specific needs of the startup ecosystem in their region. They are also able to help build out the networks of rural startups, provide education opportunities, and support startups in building capital.¹⁰ Other options include supporting entrepreneur mentorships, so that startups have guidance while building their ventures and access to the resources needed to seek long-term funding. It is not simply enough to increase capital access—policymakers must give startups the tools they need so that they can continue to build out their ventures.

As Mr. Rembert indicated, there is evidence to support the notion that high-growth startups in rural America can thrive, but the programs providing the support to these startups may need reform.¹¹ For example, the SBIR program, which was created to fund research and development initiatives at innovative small businesses, provides grants to startups across the country.¹² As he noted, SBIR funds are typically awarded to enterprises located in areas with a thriving tech community though rural startups can benefit as well.¹³ As Engine previously noted in comments to the House Small Business Committee, however, programs like the SBIR program may not be tailored to address the needs of enough nascent startups.¹⁴ While the SBIR program provides needed capital to many businesses, the bulk of America's startups are at least initially funded by personal or family savings and loans.¹⁵ Though SBIR grants enable entrepreneurs to undertake riskier R&D projects in conjunction with the federal government, applying for grants can be an incredibly lengthy, resource-heavy process. Startups often require smaller amounts of capital, but usually at a faster clip than the typical grant process may allow for. Providing intuitive access to the grant resources available to startups and streamlining the grant approval process could go a long way in getting funding into the hands of startups that need it the most.¹⁶ And without streamlining this

¹⁰ *Id.*

¹¹ *Id.*

¹² Engine, *Startup Oriented COVID-19 Relief Proposals*, <https://engine.is/s/Engine-Proposals-for-Future-Phase-4-COVID-Relief-Packages-66ms.pdf>.

¹³ See testimony from Mark Rembert, Center on Rural Innovation, available at: https://smallbusiness.house.gov/uploadedfiles/09-10-20_mr_rembert_testimony.pdf

¹⁴ See Engine's Comments to the House Small Business Committee on Feb. 27, 2020, <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/5e582a468fa56521103d6600/1582836294242/House+Small+Business+Committee+Feb+27.pdf>

¹⁵ *Id.*

¹⁶ Engine, *Startup Oriented COVID-19 Relief Proposals*, <https://engine.is/s/Engine-Proposals-for-Future-Phase-4-COVID-Relief-Packages-66ms.pdf>

process, providing funding for incubators, accelerators, and innovation intermediaries becomes even more important, as they may be better suited to respond to the needs of the startup lifecycle.¹⁷

Startups similarly face difficulties in accessing venture capital. Less than one percent of VC funding is believed to go to rural communities.¹⁸ While many factors may be at play here, including infrastructure issues, rural entrepreneurs do not have a shortage of innovative ideas and business models worthy of funding.¹⁹ Policymakers need to pursue initiatives that support the deliverance of venture capital to more diverse communities that do not traditionally see VC funding, like rural America. This can be done through different models for federal-private equity investment initiatives. Legislation, like the New Business Preservation Act (H.R. 6403, S. 3515), for example, creates a joint public-private program to invest in new startups and is designed to incentivize private investment, to promote diversity, and to be self-sustaining because the government's returns will be reinvested in future startups. Federal funds would match private equity investments, with a model that incentivizes investment outside of the typical VC hubs. Funding initiatives like this could be fundamental in expanding the reach of VC funds so that innovation can thrive in all parts of the country.

Devoting resources to startup growth is important for job creation all across America. While rural startups may face additional challenges compared to their urban counterparts, thriving ecosystems can and do occur in rural America. Engine is committed to advocating for pro-startup policies so that startups can grow nationwide. We appreciate the opportunity to provide comments for the record on entrepreneurship in rural America and we look forward to further engaging with the subcommittee on issues affecting startups in the future.

¹⁷ See Engine's Comments to the House Small Business Committee on Feb. 27, 2020, <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/5e582a468fa56521103d6600/1582836294242/House+Small+Business+Committee+Feb+27.pdf>

¹⁸ Matt McKenna, *Access to Capital is Critical to Ensuring Success of Rural Entrepreneurs*, <https://vc-list.com/startup-capital-rural-entrepreneurs/>.

¹⁹ *Id.*



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

September 9, 2020

The Honorable Abby Finkenauer
Chairwoman
Subcommittee on Rural Development,
Agriculture, Trade, and Entrepreneurship
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Joyce
Ranking Member
Subcommittee on Rural Development,
Agriculture, Trade, and Entrepreneurship
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing, "Kick Starting Entrepreneurship and Main Street Economic Recovery"

Dear Chairwoman Finkenauer and Ranking Member Joyce:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in regard to tomorrow's hearing, "Kick Starting Entrepreneurship and Main Street Economic Recovery." As you are aware, credit unions are working on the front lines with their members during these times of economic uncertainty. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 120 million consumers with personal and small business financial service products.

Credit unions are keenly aware of the hardships their members are facing due to the COVID-19 pandemic and are working around the clock to proactively assist them. Nearly 1,000 credit unions participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and have helped countless main street small businesses survive the lockdowns required by the current pandemic. Many of these credit unions were new to offering SBA products. The PPP has been very successful and an important tool that credit unions have used to help their small business members. Additionally, many small businesses turned to credit unions for PPP loans when other lenders would not work with them, leading to an influx of new main street small business members at credit unions.

As the Committee examines the long-term recovery of small businesses, we urge you to consider changes to the *Federal Credit Union Act* that will allow credit unions to continue to provide much-needed access to capital to their new small business members. As you are aware, credit unions face arbitrary restrictions in the *Federal Credit Union Act* on the ability to offer member business loans (MBLs). In 1998, Congress codified the definition of an MBL and limited a credit union's MBL to the lesser of either 1.75 times the net worth of a well-capitalized credit union or 12.25 percent of total assets. As the country faces recovery from the impact of COVID-19 on the economy, many credit unions have the ability to go beyond SBA programs to help small businesses create jobs and stimulate the economy. However, due to the outdated and arbitrary MBL cap, that ability is hampered. Providing relief from the cap would help provide economic stimulus and create jobs without using taxpayer funds.

The Honorable Abby Finkenauer, The Honorable John Joyce
September 9, 2020
Page 2 of 2

NAFCU supports bipartisan legislation pending in the House (H.R. 6789) and Senate (S. 3676), the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020*, which would provide temporary relief from the MBL cap for loans to help small businesses recover from the COVID-19 crisis. While this legislation is under House Financial Services Committee jurisdiction, we urge you to support the inclusion of this legislation in the next coronavirus relief package as you look for ways to help main street small businesses recover.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact me or Sarah Jacobs, NAFCU's Associate Director of Legislative Affairs, at 703-842-2231 or sjacobs@nafcuhq.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Committee on Small Business