STATE OF THE SMALL BUSINESS ECONOMY IN THE ERA OF COVID-19

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BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

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CONTENTS

OPENING STATEMENTS

WITNESSES

APPENDIX

STATE OF THE SMALL BUSINESS ECONOMY IN THE ERA OF COVID-19

THURSDAY, FEBRUARY 4, 2021

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

The Committee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Golden, Crow, Davids, Mfume, Phillips, Newman, Bourdeaux, Delgado, Houlahan, Kim of New Jersey, Craig, Luetkemeyer, Donalds, Fitzgerald, Garbarino, Hagedorn, Kim of California, Meuser, Salazar, Stauber, Van Duyne, and Williams,

Chairwoman VELÁZQUEZ. Good morning. I call this hearing to order. I want to thank everyone for joining us today for our first hearing of the 117th Congress. I welcome all our new Small Business Committee Members, and welcome back those of you returning to the Committee from the 116th Congress.

I want to make sure to note some important requirements. Let me begin by saying that standing House and Committee rules and practice will continue to apply during hybrid proceedings. All Members are reminded they are expected to adhere to these standing rules, including decorum.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, please remember to remain muted until you are recognized to minimize background noise.

If you have to participate in another proceeding, please exit this one and log back in later. In the event a Member encounters technical issues that prevent 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 proceeding.

For those Members physically present in the Committee room today, we will also be following the health and safety guidance issued by the attending physician.

This past year, COVID-19 sparked a once-in-a-lifetime crisis for American small businesses. As we meet today, entrepreneurs nationwide are holding onto their businesses for dear life. According to the research published by the Federal Reserve Bank of New York, the number of active business owners fell by 22 percent from February to April 2020, the largest drop on record.

That same research showed minority owned businesses faced the worst outcome. This pandemic has hit minority owned businesses the hardest. COVID has caused a 41 percent decline in Black-owned businesses, a 32 percent decline in Latino-owned businesses, and 26 percent decline in Asian-American-owned businesses.

As we start the new year, it is not clear that conditions have improved. As the virus has continued to spread, small businesses are increasingly pessimistic in their outlook for 2021. The NFIB Small Business Optimism Index declined 5.5 points in December to 95.9 percent points, a level not seen since 1973.

Even more troubling is that 20 percent of firms consider themselves to be at risk or distressed. The pandemic has hit small businesses that rely on large gatherings and foot traffic especially hard. According to the New York State Restaurant Association, more than half of all restaurants in New York City are in danger of closing forever.

While small businesses in hospitality, retail, travel, leisure, entertainment, and others that rely on foot traffic for revenue struggle, big businesses strive. Profits soared for large corporations like Amazon, Wal-Mart, Home Depot, Best Buy, Costco, and others, who gained market share and saw their stock prices rise accordingly.

Forty-five of the fifty most valuable publicly traded U.S. companies turned a profit between April and September 2020, one of the most tumultuous economic periods in modern history. We need to be thinking about big and bold policies that provide small businesses with the resources they need to make it through this crisis and grow in the future.

In December, Congress passed a bill reopening the Paycheck Protection Program, allocating new funding for EIDL advances, and creating the Shuttered Venue Grants Program. These initiatives will save jobs and help businesses stay afloat, but that relief package was only a down payment on the stimulus the small business economy needs. Small businesses are still in a crisis, and we must do more.

Looking forward, we must enact bold relief measures under the Biden administration that reflect the dire reality main street firms are facing. Small businesses have made it clear they need more direct and flexible cash infusions. Throughout this pandemic, small business owners told our Committee they couldn't afford to take on additional debt during this uncertain time.

Programs like the targeted EIDL advances will provide small business owners with desperately needed relief without weighing down their balance sheets. We will hear testimony today about the benefits of advances and other grants and if more funding is required.

In addition to capital, small businesses also need access to customers. The U.S. Federal Government is the largest consumer globally, purchasing over $500 billion in goods and services each year. The Federal Government can play a unique role in supporting small businesses by using the Defense Production Act and Buy American policies to increase the customer base of the small businesses' economy.

Our nation's recovery depends on the well-being of small businesses and their employees. These are uncertain times for American entrepreneurs, and this Committee must help lead to the other side of this crisis. Members of this Committee serve as the voice of small businesses in the House, and we must work tirelessly to support them.

Today's hearing will give us a clear view of the small business economy's state and the work we need to do going forward.

Ladies and gentlemen, the hard work we have been engaged in over the past 11 months on behalf of America's entrepreneurs continues to date. I am looking forward to carrying on that work in a bipartisan manner with our new Ranking Member, Mr. Blaine Luetkemeyer of Missouri.

Let me be the first to welcome you back to this Committee. With that, Mr. Ranking Member, you are recognized for your opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chair.

And, again, I look forward to working with you. I think there is a lot of common ground here where we can make a lot of progress for our great small business folks back home and across this country.

Appreciate you holding this kickoff hearing. As the Committee begins the 117th Congress, there are few topics more important within our jurisdiction than examining the small business economy during this unprecedented global crisis. It is my hope that we continue to explore all facets of this significant issue in a bipartisan manner and work efficiently to support and ensure all small businesses, entrepreneurs, and innovators rebuild and return to economic independence.

While this emergency period is unparalleled, we know that, prior to COVID-19, small businesses were operating at historic levels. In 2018 and 2019, optimism reached record heights for small business owners, and the unemployment rate was decreasing sharply and eventually hovered around 3.5 percent. And, if small business have confidence, they are more comfortable taking prudent risks and innovating new ideas. These are the characteristics that drive our economy forward.

Our pre-COVID-19 small business environment was constructed through progrowth policies that focussed on tax reform and a vigorous deregulatory environment that allowed small businesses to reinvest their hard-earned dollars into their business' employees. Instead of concentrating on mountains of paperwork, small businesses were free to focus on their own goods, services, customers, and employees.

Unfortunately, COVID-19 and accompanying protective measures struck at the core of the small business community. A once busy Main Street became dormant due to the crisis at hand and the burdensome shutdown measures instituted by State and local governments.

As a response, Congress and the former administration developed tools that could deliver assistance to small businesses quickly. One program that has been especially effective is the Paycheck Protection Program, known as the PPP.

According to the Small Business Administration, by the time PPP expired on August 8, 2020, it had assisted over 5 million small businesses. In total, these loans provided over 2, or—excuse me—$525 billion to small businesses from coast to coast and assisted in saving over 50 million jobs.

As the emergency period wore on, Congress worked to install the PPP with more flexibility and further enhancements. In the latest COVID-19 relief bill, signed into law in December 2020, the PPP was reauthorized with $284 billion.

This second round of funding was tailored and targeted to ensure small businesses and other eligible entities that were truly impacted by COVID-19 received the relief they needed. Just last month, the PPP program was officially relaunched, and I look forward to working in a bipartisan manner to ensure that the program continues to reach small businesses across the country that were hardest hit by the pandemic.

Beyond PPP, the December COVID relief bill extended the Economic Injury Disaster Loan Program and reformed the EIDL Advance Program. Additionally, it extended debt relief program for existing and new 7a, 504, and micro loans. It also created the Shuttered Venue Operators, SVO, Grant Program for venues, theatres, and museums.

In total, the December COVID relief bill delivered $325 billion—targeted dollars to the Nation's smallest and hardest-hit businesses and industries. Ensuring that programs are operating effectively and efficiently remain paramount on this Committee.

The best way, in my judgment, to get these businesses back on their feet is to allow them to open up. Let them get back to business. It works. In Missouri, my home State, we opened up in mid-May. For 2020, we wound up with a 5 percent increase in revenues over 2019—2019—that is right—and 2020 had more revenue coming into our State coffers than we did in 2019. We have a 4.4 percent unemployment rate today and have 200,000 open jobs in our State as a result of that.

As these small businesses worked to try and create—as we work to try and create an environment for small business to rebuild, create jobs, and expand in the future—i.e., get back to work—I am concerned that this administration is taking steps to institute a regulatory environment that heavily burdens small businesses.

By rescinding the commonsense administrative action that required repeal of two regulations for every one created, there is concern that heavyhanded regulations are returning. This regulatory environment combined with conversations surrounding increasing the minimum wage are warning signs for America's job creators.

Our Nation's small businesses are more fragile than ever before, and additional rules and regulations are counterproductive to the recovery. These hard-working men and women are the backbone of this great Nation, and, when they succeed, so does our economy.

I look forward to working with all of my colleagues to ensure our Nation's environment is rich with opportunities for growth. I would like to thank all the witnesses for joining us today, and thank you, Madam Chair.

With that, I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

I would like to take a moment to explain how this hearing will proceed.

Each witness will have 5 minutes to provide a statement, and each Committee Member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return to mute when finished.

With that, I would like to introduce our witnesses.

Our first witness today is Professor Robert Fairlie, Professor of Economics at the University of California, Santa Cruz. Professor Fairlie has testified before Congress numerous times on policy issues related to small businesses, and we are thrilled to have him before us today.

Most recently, Professor Fairlie was instrumental in research regarding the impact of COVID-19 on business owners of color, which has helped guide and will continue to guide congressional policymaking. We look forward to hearing more about this important research and the implications it has on federal relief efforts.

Our second witness is Ms. Sharon Pinder. Ms. Pinder is the President and CEO of the Capital Region Minority Supplier Diversity Council, a nonprofit corporation whose mission is to link corporations and government agencies with competitively viable minority business enterprises.

Prior to joining the council, Ms. Pinder served for 3 years as the Director of the Mayor's Office of Minority and Women Owned Business Developments for the city of Baltimore, where she was responsible for the city's minority and women business programs.

In 2014, the University of Maryland, Eastern Shore, recognized Ms. Pinder's dedication to small businesses by naming a scholarship, the Sharon Pinder Award for Entrepreneurship, in her honor.

Welcome Ms. Pinder.

Our third witness is Mr. Stephen Schoaps. Mr. Schoaps is the owner of Strother Cinema, a neighborhood theatre with two screens, in Seminole, Oklahoma. As with virtually all other theatres, music venues, and museums, Strother Cinema was forced to close during the pandemic. As a shuttered venue owner, he is also looking forward to seeing the newly enacted Shuttered Venue Grant Program that will be implemented by the SBA.

We look forward to hearing about his experiences with these programs, especially the role that the EIDL advance played in helping keep his business afloat.

Welcome, Mr. Schoaps.

I would now like to yield to the Ranking Member, Mr. Luetkemeyer, to introduce our final witness.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Our next witness is Karen Kerrigan. Ms. Kerrigan is the President and chief executive officer of the Small Business and Entrepreneurship Council, also known as SBE Council.

Founded in 1994, the SBE Council advocates for small businesses, entrepreneurs, and start-ups. In addition to advocacy, SBE Council produces educational resources and significant research for our Nation's job creators.

For more than two decades, Ms. Kerrigan has been a prominent voice in supporting small businesses, whether providing information on access to capital, discussing funding revenues, or leading on regulation and tax reform, Ms. Kerrigan has proven herself to be a distinguished advocate for small businesses everywhere. She is a frequent television commentator on small business growth and has participated in and led small business events at the White House and numerous Federal agencies.

She is also no stranger to Capitol Hill, where she has testified before various committees before, including this one. Ms. Kerrigan is a graduate of the State University of New York in Cortland and a member of several Federal advisory boards.

Ms. Kerrigan, we thank you for your smart approach and understanding of the entire small business ecosystem, especially during this time of COVID-19. Welcome back to The Committee. We look forward to your testimony.

Chairwoman VELÁZQUEZ. I now recognize Professor Fairlie for 5 minutes.

STATEMENTS OF DR. ROBERT W. FAIRLIE, PROFESSOR, DEPARTMENT OF ECONOMICS, UNIVERSITY OF CALIFORNIA, SANTA CRUZ, SANTA CRUZ, CALIFORNIA; SHARON PINDER, PRESIDENT AND CEO, CAPITAL REGION MINORITY SUPPLIER DEVELOPMENT COUNCIL, SILVER SPRING, MARYLAND; STEPHEN SCHOAPS, OWNER, STROTHER CINEMA, SEMINOLE, OKLAHOMA; AND KAREN KERRIGAN, PRESIDENT AND CEO, SBE COUNCIL, VIENNA, VIRGINIA

STATEMENT OF DR. ROBERT W. FAIRLIE

Mr. FAIRLIE. Thank you, Chairwoman Velázquez, Ranking Member Luetkemeyer, and members of the Committee. It is an honor to testify before you on the state of small business economy. I am a professor of economics at the University of California, Santa Cruz, and have studied entrepreneurship, racial inequality, and small business policy for over 25 years.

I have been asked to discuss the findings of my research on the impacts of the pandemic on small business owners. As you know, obtaining up to date and accurate information on the effects of the pandemic has been extremely difficult. I have spent the past 8 months compiling and analyzing data to investigate what happened to small business owners, especially minority business owners.

From the middle of March to early April, most States imposed shelter-in-place restrictions that closed nonessential businesses. In my research, I found that the number of active business owners in the U.S. plummeted by 3.3 million, or 22 percent, between February and April of 2020. No other 2- or even 12-month window of time has ever shown such a large change in business activity.

For comparison, from the start to the end of the Great Recession, the number of active business owners dropped by only 5 percent. African American businesses were hit the hardest, experiencing a 41 percent drop in business activity, Latinx business owner activity fell by 32 percent, and Asian business owner activity dropped by 26 percent. Unfavorable industry concentrations and the smaller scale of minority owned businesses were partly responsible.

Job losses were also much higher for minority workers. Black unemployment hit a peak of 17 percent, and Latinx unemployment hit a peak of 18 percent. Although many of the closures turned out to be temporary, any month of closure reflects lost income to the owner of the business. But the owner still has to pay rent and other bills.

It has been especially difficult to figure out how much small businesses lost in sales and revenues in the pandemic. Using taxable sales data from the California Department of Tax and Fee Administration, we found average losses of 17 percent in the second quarter of 2020. Normally, year-over-year growth is in the range of 3 to 4 percent.

Sales losses were the largest in businesses affected by mandatory lockdowns. For example, we found that hotels lost 91 percent, restaurants lost 61 percent, and clothing stores lost 56 percent.

At the same time, online sales grew by 180 percent in the second quarter of 2020. Without a strong online presence, many small businesses will not have the resources to weather a prolonged recovery. Recent Census Bureau surveys indicate that only 15 to 20 percent of small businesses have enough cash on hand to cover 3 months of operations.

One of the stated goals in the CARES Act was to prioritize serving underserved markets and businesses owned by socially and economically disadvantaged individuals. Did the PPP and EIDL programs, which were the key components of the CARES Act, get distributed to minority communities?

Using data on 15 million individual loans, we found that funding from these relief programs both flowed to minority communities and away from minority communities. If anything, we found a positive relationship between PPP loan receipt for business in the minority share of the population.

There is some evidence, however, that the first round of funds flowed disproportionately to nonminority communities. When focusing on PPP loan amounts per employee, we also found a disproportionate flow to nonminority communities. In contrast, EIDL loans and advances in both number and amounts were provided to minority communities.

In my continual work tracking how small businesses are doing in the recovery, I recently found some alarming trends. From April to October, there was constant month-to-month improvements in business activity. But, in November and December, that pattern reversed. Over those 2 months, small business activity dropped by 6 percent.

The losses I have described here are especially alarming for two vulnerable groups: African Americans and Latinx. Prior to the pandemic, business ownership and revenues were already low for both groups. But, perhaps more importantly, there is a huge wealth gap. Half of Black families in the U.S. have less than $10,000 in total wealth, and half of Latinx families have less than $25,000 in total wealth. White levels of wealth are 7 to 18 times higher. Many minority business owners will simply not have the financial resources to weather prolonged closures.

I would like to turn to discussing what could help move us forward.

First, consumers need to feel safe again. The number one priority for helping small businesses is to get the vaccine out faster, enabling customers to go back to small businesses.

Second, more financial assistance is needed for small business owners, especially during the next few months. In particular, rent relief and protection could be crucial for survival.

Third, we need to slow down the extensive shift to online shopping that occurred in the pandemic and is likely to continue. Small businesses need to have more of an online presence. Aid in the form of web page assistance could be useful. Search engines could prioritize local businesses instead of online retailers and big-box stores.

Fourth, the Federal Government needs to collect more data on race and their relief efforts. Demographic information was only partially and unevenly collected in the first two rounds of the PPP program, and there was much criticism for this omission.

Chairwoman VELÁZQUEZ. Doctor——

Mr. FAIRLIE. Additionally, collection of information——

Chairwoman VELÁZQUEZ. Professor Fairlie, your time has expired, and maybe during the question-and-answer period, you will be able to expand on any point that you were not able to.

Mr. FAIRLIE. Yeah, I am finished. Thank you for the opportunity to present.

Chairwoman VELÁZQUEZ. I now will recognize Ms. Pinder for 5 minutes.

STATEMENT OF SHARON PINDER

Ms. PINDER. Good morning, Madam Chairwoman Velázquez and Ranking Member Congressman Luetkemeyer and the distinguished members of the Committee of Small Business, and I certainly have to recognize my favorite Congressman, Congressman Kweisi Mfume. Thank you for your service to our country, and thank you for this opportunity to speak with you today.

I am Sharon Pinder, president and CEO of the Capital Region Minority Supply Development Council and operator of two centers funded by the U.S. Department of Commerce, Minority Business Development Agency. We operate the MBDA Business Center, Washington, D.C., and the Federal Procurement Center, the only one of its kind in this country.

There is an old economic adage that says, "When America catches a cold, minority businesses catch pneumonia." Well, now it is worse. America has COVID-19, and both minorities and their businesses are dying at dramatic rates. Just like many minority individuals have preexisting health conditions, well, most minority businesses faced preexisting discriminatory conditions that show up in ways like access to capital, lack of access to opportunities, mentorship, et cetera.

PreCOVID, there were 1.1 million minority owned businesses employing 6.3 million people, generating more than 1.8 trillion in revenue annually. Then, in 2020, the world came to a halt, and the data that we, I think, were all talking from, the National Bureau of Economic Research, looking at between February and April, African Americans experienced the largest loss.

Madam Chairwoman talked about the 41 percent with African American-owned businesses, Latinx businesses, 32 percent Asian businesses, et cetera. But my organization and our sister organizations across this country live this every day, and what we know to be true is that our businesses need a lifeline.

And, as we examine and reflect upon the state of minority businesses due to COVID-19, we have to factor in, layer in the social injustice piece. Black-owned businesses were especially impacted by this.

Ladies and gentlemen, the failure of our minority small businesses places our country at risk why? Because minority businesses are poised to become the majority population. We need to plug up the cracks in our economic foundation and preserve our place in the future global marketplace.

I can spend hours talking about issues with PPP and all those things, but I would like to spend my remaining time talking about some solutions.

We ask that Congress look at some existing assets through a different lens. The Defense Production Act statute is one of the country's most powerful laws for Federal intervention in national commercial activity. Title III of the act establishes the President's authority to invest in specific industries.

The idea of investment in business development would be crucial, for example, in jump-starting minority businesses in manufacturing. There could be a no-interest loan like those provided to businesses to ramp up for defense work.

A quick example. In the State of Maryland, through the CARES Act, we recently implemented funds to—for COVID-19 small business relief grant and loan program. Governor Hogan allocated $5 million that was allocated or dispensed by Meridian Management Group. But the loans were from 25,000 to 150,000, 0 percent interest the first year, and 2 percent of the remaining 5 years. The remaining fund I told you was 5 million. There was $20 million on request. There is a need. There is an identifiable need.

Title IV of the Defense Production Act includes a section that establishes preference for small business contractors. Showing a preference for minority businesses as a subset of small business by expanding the use of sole source programming provisions of the 8a program will put more money into those minority businesses that compete in both the Federal and private sector.

Let's look at—further at existing assets. How about Buy American. We are excited about President Biden's Buy American executive order. The concept of Buy American has been around since 1933, but the executive order includes all Federal procurement now. That is huge. We hope that it will be implemented with—in a manner that is advantageous to minority businesses.

With the Buy American executive order, we propose a strategy that involves OEM teaming up with foreign manufacturing companies to produce and manufacture goods and services in partnership with U.S.-based minority businesses.

Such a joint venture could introduce a pathway for foreign businesses who want to move their organizations to the U.S., an avenue to do so, and at the same time provide resources and increase support to the development of minority businesses.

Madam Chairwoman, minority and small businesses are in need of an economic vaccine. The Capital Region Minority Supply Development Council is a national minority supply development council and networks stand ready to support your House Small Business Committee in its work to help build small and minority businesses.

My written testimony goes into or provides more detail.

Again, I appreciate the opportunity to have this discussion.

Chairwoman VELÁZQUEZ. Thank you, Ms. Pinder.

I now recognize Mr. Schoaps for 5 minutes.

STATEMENT OF STEPHEN SCHOAPS

Mr. SCHOAPS. Thank you, Chairwoman Velázquez, Ranking Member Luetkemeyer, and distinguished members of The Committee. My name is Steve Schoaps. My wife and I own Strother Cinema, a small, two-screen movie theatre in Seminole, Oklahoma. Seminole is a small town in rural Oklahoma that has been hard-hit by COVID-19, like many other small towns across America.

We are an integral part of our community, and it has amazed me that, with everything going on in our town and across our country, people call me or talk to me everywhere I go asking if we are okay, and when are we going to open the theatre again? I guess I didn't understand how many people cared about us and the service we were providing our community. Now I do.

We are hurting, like most other theatres across America, from small-town, single-screen theatres to megaplexes in the big cities. The pandemic has basically wiped out our business. According to estimates from the National Association of Theatre Owners, 75 percent of movie theatre companies will be insolvent before this spring unless they receive financial aid. Ninety-five percent have experienced revenue losses greater than 70 percent. Nationwide, 63 percent of jobs in theatres have been lost to furlough or permanent layoff. And, in Oklahoma, we have lost 45 percent of the jobs in movie theatres.

It started out that people were just scared to go to the movies, but we put in place comprehensive cleaning procedures and social distancing policies that made our auditoriums and lobbies safe. But then the movies stopped coming. The film slate coming from Hollywood dried up through studio closures and the studios' reluctance to take chances with movie assets that are worth billions of dollars.

Comparing our theatre's 2019 revenues to the same time period in 2020, we have seen a 92 percent reduction in revenue. We have been forced to reduce our staffing to almost nothing and have resorted to selling popcorn and concessions to go. We have even started renting out our theatre to video gamers who play on the big screens.

We have been able to survive, but not without the help of the programs that Congress and the SBA have developed to help us. The most important thing that we needed to figure out was how to stay afloat without taking on too much new debt. Given the scale of our losses and the reduced film slate for 2020 and 2021, taking on more debt will impact our ability to recover. That is why businesses like ours are especially in need of and grateful for grant programs provided by Congress and the SBA, including our forgivable Paycheck Protection Program loan and the upcoming Shuttered Venue Operators Grant Program.

In particular, I would like to highlight the help provided to us through the EIDL grant program, which we received as part of our

EIDL loan applications. While the loan application was being evaluated, we received a $10,000 grant. We were able to use the money to pay a myriad of ongoing expenses, including rent, utility bills, workers compensation insurance, property and liability insurance, technology vendors, our security system, and property maintenance, along with many other things.

These expenses have continued unabated during the pandemic and could not be deferred or suspended. Being able to stay current with our vendors also helped prevent a secondary crisis among the businesses that support our theatre, which helps ensure that they will survive the pandemic too.

We were very challenged when we learned that the EIDL grant would count against our PPP forgiveness. The COVID relief bill that was passed in late December helped us again by fixing the EIDL grant issue, and that will mean a lot when we receive that money back from our bank.

Small businesses are running on razor-thin margins and, for small-town theatres, surviving is what it is all about. In many towns like ours, we are one of the few entertainment options left available locally, and one of the more important communal gathering places, and that means a lot to our community.

Congress' help and the help of the SBA have been an integral part of our survival this past year and will be again this year. We would love to just go back to the businesses we ran in 2019, but that is not going to happen.

With social distancing, our capacity has been reduced by half. And, in other States, it is reduced even more. Movie studios will be slow to release big films this year, and their streaming services will gobble up what used to be our bread and butter.

Cleaning and maintaining theatres will cost more well into the future until we get through the pandemic, and people's attitudes about large gatherings will have a damaging effect on our business. We are just trying to make the changes necessary to survive in the future. The challenges we faced in 2020 and the challenges yet to come will be daunting, but we can overcome them. We just need your help for a little while, and so far you have been there when we have needed you.

Thank you for everything you have done and are doing for small businesses and, in particular, the movie theatre industry, and thank you for your time today.

Chairwoman VELÁZQUEZ. Thank you, Mr. Schoaps. Thank you for your willingness to share your story with us. Quite insightful and compelling.

Now Ms. Kerrigan is recognized for 5 minutes.

STATEMENT OF KAREN KERRIGAN

Ms. KERRIGAN. Yes. Thank you. Thank you, Chairwoman Velázquez. Thank you for your invitation to participate in this important hearing today on the state of small business in an era of COVID-19.

The work of the House Small Business Committee has been so vital to entrepreneurs, small business owners, and their employees over the course of the pandemic last year, and we deeply appreciate the engagement and hard work of each and every Committee member. And I welcome all the new members as well. We look forward to working with you.

Chairwoman Velázquez and Ranking Member Luetkemeyer, we are very grateful for your leadership. We look forward to another round of working with you on developing and advancing solutions that will help our small businesses and entrepreneurs lead the way in digging the economy out of the significant jobs and small business hole we are facing.

As you well know, America's entrepreneurial sector is more important than ever, and SBE Council is hopeful and optimistic that our Nation can rebound if policies and programs continue to provide relief and support for small businesses and to help our entrepreneurs transform and grow their businesses.

Obviously the sudden onset of the pandemic, severity and long-term nature of shutdowns and restrictions, followed by continuous uncertainty about the course of the disease and when and if economic normalcy will return has shocked and deeply wounded our small business ecosystem. Countless small businesses have been lost. More will be lost, and this devastation will take some time to dig out of, particularly in certain areas of the country and in business sectors that have been hit the hardest.

Yet, despite the vast hardship on Main Street, there have been innumerable stories of survival and resiliency. Many small business owners and their employees have discovered new tools, new markets, and new methods for operating in the COVID-19 economy. Moreover, there has been a surge in the number of individuals who are pursuing entrepreneurial activity according to the U.S. Census Bureau business formation data on high-propensity business applications—these are likely employers—over 1.5 million employer applications were filed last year, which is an increase of 16 percent compared to 2019. So this is really great news. The entrepreneurial spirit is alive and well.

So we really do need to be thinking about and addressing policies that will not only support existing small businesses get through the challenging months ahead and to the other side of the pandemic, but also those that encourage individuals to move forward with their intention of starting a business and being successful in that endeavor in order to breathe life into America's small business ecosystem.

When I hear from small business owners directly or review their current challenges and concerns in a number of regular surveys produced by organizations and media platforms—and I have highlighted some of those in my written testimony—one message comes through very clearly.

First, small business owners can't afford to withstand any new shocks or costs. And, second, more revenue capital is desperately needed.

Of course many small businesses continue to struggle to pay their bills. An Alignable January 2021 Rent Poll revealed 33 percent of small business owners reported that they could not pay their rent in January. The number is higher for minority owned businesses at 48 percent.

The year-end Q4 2020 MetLife U.S. Chamber survey found that half of small businesses see their operations continuing for a year or less before having to permanently shut down.

Now, hopefully with the added PPP boost and other programs running smoothly, an acceleration in vaccine output and distribution, and States and localities restarting economic activity, these will all help to shift small business optimism and outlook in a positive direction—more of a positive direction than what was conveyed in the surveys in my written testimony.

Small business owners may be the optimists among us, but they are exhausted. They need a period of stability and continued support, and our organization looks forward to working with all of you on common-ground areas that will help restore this sector, help it recover, and bring our economy back to robust and sustainable growth.

So I look forward to our discussions and your questions and talking about what these solutions are for moving forward.

Thank you so much.

Chairwoman VELÁZQUEZ. Thank you, Ms. Kerrigan.

Now I will begin by recognizing myself for 5 minutes.

Professor Fairlie, I would like to address my first question to you.

Thank you so much for the type of research that you have done demonstrating the negative impact of COVID-19 on underserved businesses, particularly Black, Latino, and Asian Americans. It was that data and that type of research that validated the anecdotal stories that we were hearing from businesses that were not able to get any access to the PPP program or EIDL program given the fact that they didn't have preexisting relationships with financial institutions, and that gave the argument to us to insist——

And, by the way, former Secretary Mnuchin and the Administrator both recognized that, yes, there was a disparity when it came to underserved communities.

That gave the basis for us to insist in the December relief package to set aside not only PPP for underserved community and minority businesses, but also for mission-based lenders.

Has your research given you any opportunity to look at the impact that these programs and targeted relief programs have had on the businesses that we intended to help?

Mr. FAIRLIE. Yes. So that is one of the things that I definitely want to start looking into. I looked the other day when I was preparing for this testimony and the data have not been released yet. So we have no information on that.

Chairwoman VELÁZQUEZ. Okay. Mr. Schoaps, I understand that you—but, Mr. Fairlie, is it your estimated guess that more businesses that were left behind during the first tranche of money will have a better opportunity now to access the PPP program and the EIDL program?

Mr. FAIRLIE. Yes, I do think so. One of the things that I found in my research is that the EIDL program did reach minority communities, and that was promising. The first round of the PPP program did not, right? That was the one that had the problems with the established banks, as you mentioned.

So I think there is just much more awareness, there is much more emphasis on fintech and also on, you know, kind of small local community banks. And I think that it will make a difference, it will help.

Chairwoman VELÁZQUEZ. The latest data that was provided to us by the Small Business Administration demonstrated the large number of smaller loans that were made after the second—the December relief package.

Mr. Schoaps, I understand you received a few SBA relief products, including PPP, EIDL loan, and EIDL advance. Can you elaborate on the value to you and your business of receiving the EIDL advance?

Mr. SCHOAPS. The EIDL advance was integral in us surviving. It came at a time that the PPP money was running out. It came at a time when we were looking, waiting to hear about our EIDL loan. And the EIDL grant program was tremendous for us.

Now, we were thrown for a loop when we found out that it was going to go against our PPP forgiveness. However, that has since been corrected in the December COVID relief bill.

But no, it has been integral. It helped us pay our rent, our—all the expenses that we had kind of piling up at a time when there was no revenue coming in whatsoever.

Chairwoman VELÁZQUEZ. How was your experience with SBA when seeking the EIDL loan and advance?

Mr. SCHOAPS. Our experience with the SBA was phenomenal, to be real honest. When I filed for my PPP loan, my banker said, hey, you need to maybe consider this EIDL program. Go and fill out an application and see if you qualify, and even if you don't qualify there is a possibility you can get this grant they have.

And so I went online, filled out an application, and it was—I didn't think much about it. I didn't think I had much hope of getting it. And just one day I happened to be looking at my bank account and there was $10,000 in there from the EIDL grant program. And we used that immediately to pay bills that were there. I thought it was a simple operation. We went online, filled out the application, and it was just an easy, easy situation. The SBA has been nothing but great on that program.

Chairwoman VELÁZQUEZ. Thank you, Mr. Schoaps.

My time has expired, and I recognize the Ranking Member, Mr. Luetkemeyer, for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chair.

I would like to begin with Ms. Kerrigan. One of the things that is in the new budget bill that is being promoted by the administration is the increasing of the minimum wage.

This morning, I would like to enter into the record, Madam Chair, the NFIB Research Center study, Economic effects of enacting the Raise the Wage Act on small businesses and U.S. economy.

Chairwoman VELÁZQUEZ. Without objection.

Mr. LUETKEMEYER. The summary on the front here says it is going to cost 1.6 million jobs and have a real output loss of more than $2 trillion to our economy. And this is by the National Federation of Independent Businesses, which is that is the effect on small businesses.

So, Ms. Kerrigan, my question to you is, what is your thought process on the doubling, basically the doubling of a minimum wage with regards to how small businesses are going to be affected, what kind of response they will have, especially since you mentioned in your testimony that the small businesses cannot withstand any more new shocks for costs?

Ms. KERRIGAN. Thank you, Congressman. Gosh, this is going to be very, very harmful for many small businesses, particularly those who have been hardest hit by the pandemic, you know, and in those certain sectors, you know, the restaurant industry, et cetera.

And you are right, I mean, right now, you know, with many small businesses being in a position where they are struggling to pay their bills, they can't pay their rent. I also noted in my written testimony that revenues starting in 2021 are down, you know, over 40 percent. Forty percent of small business owners report their revenue, you know, is down this year, even compared to last year.

Mr. LUETKEMEYER. Okay. I would like to interrupt just a second here, if I could.

Ms. KERRIGAN. Sure.

Mr. LUETKEMEYER. What would be the response for the small business folks in order to survive? Are they going to lay off people, go to automation, just close up altogether? What, in your judgment, would you see happening along that line?

Ms. KERRIGAN. All of the above. I mean, I do think there are going to be small business owners who are just—who grinded it out up to this point who are exhausted who really can't take the cost, and they will throw in the towel for sure. I mean, we are seeing that already, given a lot of the uncertainty.

So, I mean, definitely, the workers' hours will be lost, jobs will be lost. I don't know how much they could pass on, you know, to—you know, to consumers and stay competitive, you know, particularly when they are competing with bigger enterprises.

Mr. LUETKEMEYER. Okay. I apologize. I have got some more questions and I have got to move on here very quickly. My time is limited.

Dr. Fairlie, you talk about in your testimony sales losses are largest in businesses affected by mandatory lockdowns. I will just give you some statistics very quickly here. Due to COVID lockdowns, Florida and New York, roughly the same population, 19 to 21 million each, Florida has roughly 20,000 people that died due to COVID, New York 39,000 people, and yet Florida is open and New York is not.

I indicated in my opening testimony how Missouri, my own home State, opened up mid May and wound up with a positive revenue growth for the year, and we now have 4.4 percent unemployment. New York's own survey during the September-November period show that less than 1.4 percent of COVID deaths came from restaurants and bars and hair and personal care was one-tenth of 1 percent.

Lockdowns are killing us, and I think your testimony here indicates that. I would like for you to elaborate on that just a little bit more, if you would, please.

Mr. FAIRLIE. Well, it is one of the arguments that I have made is that if we can get the vaccine out faster, distribute it more, you know, evenly across the population and get people, customers to feel comfortable to go back, then we can open up businesses and get going again.

I mean, if you are comparing New York to Florida, it is very difficult to compare the two, right? New York has very densely populated areas. It is a very expensive place to live. You have got multifamilies living in the same households. So it is just much more of a vector for spreading the disease than in Florida, which is much more spread out.

Mr. LUETKEMEYER. Well, we can talk about that later.

But, Mr. Schoaps, very quickly with you. Good to hear that the program has worked for you. One of the things that I am concerned about is the regulators coming in and pressuring the creditors, your creditor to foreclose on people who are falling behind on their loans, on their debts, and then by doing that just decimating entire industries within the communities, costing jobs.

What kind of relationship do you have with your banker and creditor? Is this something that would be concerning to you if the regulators came in and forced them to do something different?

Mr. SCHOAPS. I don't really think it would. I have spent many years even before owning a small business developing my relationship with my banker. And if there was one thing I would—and I heard you talking about minorities and their relation with banks.

I really think somebody needs to help mentor small business owners in developing that relationship with their bank. I have literally had my banker call me and say, look, if you have any problems or issues, you need to let us know so we can help you out. We have some other things we can do.

And so I think that relationship with your bank is one of the key things, and I would really like to see more businesses build those relationships with their bankers. Of course, I am lucky. I live in a small town. A small town banker might be my neighbor. And so——

Chairwoman VELÁZQUEZ. Mr. Schoaps.

Mr. SCHOAPS. Yes.

Chairwoman VELÁZQUEZ. Thank you so much. Time has expired.

Now we recognize the Chairman on the Subcommittee on Underserved, Agricultural, and Rural Business Development, Mr. Golden from Maine.

Mr. GOLDEN. Thank you, Madam Chair.

I wanted to direct my first question to Ms. Pinder, and then if I have some time left over we will take it from there.

Ms. Pinder, I am from Maine. I live in a community, Lewiston, Maine, which is about 36,000 people. Immediately across a river dividing two communities is Auburn of about 18,000 people. So we are talking about, you know, a population of roughly 55 to 60 thousand people, perhaps not as large as many an urban area out there, but in the State of Maine this is about as urban as it gets. We are one of the more rural States that you could look at.

In Lewiston, we actually have a large amount per capita of recent immigrants from Western Africa as well as over the past decade of Somali Americans, many of whom have turned to entrepreneurship and starting their own businesses, and many of their children now graduating from our schools and coming of an age where they might look to start their own businesses or take on these existing businesses.

I wanted to ask, in an area like this—I know it is not as urban as Washington, D.C. or New York City or many other, you know, big urban areas, but in one like this that I have described, how might you think the Federal Government could support economic development? I know you have talked about the Defense Production Act and the Buy American executive order. Feel free to talk further about those, but if you have other ideas beyond those, we are all ears.

Ms. PINDER. So, Congressman, you are asking what resources are available to provide support to some of those businesses? Is that——

Mr. GOLDEN. Absolutely. As we are thinking about the COVID response as well and the things that the Biden administration are looking at doing to support small businesses, what do you think we should be looking at on this committee?

Ms. PINDER. Well, in reference to what you were talking about your constituents going into entrepreneurship, part of what they can take advantage of are some existing programs that are in place. We have a national network of—we exist all over the country, and so there is access from our MBE Centers as well as our Minority Supplier Development Council that your constituents can access as well. There are existing resources, such as PTAP and things of that nature that can do that.

But at the end of the day—and the businesses I am assuming you are talking about are mostly doing startups at this particular point in time. And so as a result of that, looking at how to support that, you know, maybe there is information they can receive from SBA loans as we are talking about it, you know. Information of Pell grants to students to attend colleges and things of that nature might help.

But what I was proposing, in terms of us looking at some existing assets through the Defense Production Act and things of that nature, looks at how do we then take some policies that are in place that kind of help and look at innovative kind of ways to kind of help our businesses, in terms of their growth.

You know, where are the opportunities? It is all about opportunities, right? Where are some of the opportunities, whether it is in the Federal sector—we support primarily the private sector, but identifying where those opportunities are and then helping with removing the barrier to the access of capital. That is kind of what is key.

Mr. GOLDEN. On that, Ms. Pinder, you might have some advice. Many of our community members who came from, many of them from Kenyan refugee camps, these are Somalia Americans, you know, many of them have issues with access to capital due to issues with lending on interest.

Are you aware of other resources that are out there to help a small business family like this in accessing capital?

Ms. PINDER. Yes. And what I can do, Congressman, is provide you with that, with some information after this session. I certainly can forward that information to you, because those kind of startups are really prevalent across the country, and I certainly can provide that.

Mr. GOLDEN. That would be very helpful.

Madam Chair, I am sure I am getting pretty close here, and I don't want to put someone in the situation of having just seconds to respond, so I will yield my time.

Chairwoman VELÁZQUEZ. Thank you. The gentleman yields back.

Now we recognize the gentleman from Texas, Vice Ranking Member of the committee, Mr. Williams.

Mr. WILLIAMS. Thank you, Chairwoman.

Mr. Schoaps, you touched on the Shuttered Venue Operators Grant program in your testimony. I was proud to be the Republican lead on the Save Our Stages Act in the House, which I am sure you know is what this program is based off of.

The Shuttered Venue program recognizes that businesses like yours were some of the first to close and will be the last to reopen, as COVID-19 caused some problems. Other aid programs, such as Paycheck Protection Program, do not meet the unique needs of these highly affected industries. The SBA must swiftly implement this program to deliver much-needed relief to small businesses like yours that you own.

So I would say, Mr. Schoaps, I would like to give you the opportunity to speak directly to the Small Business Administration on how your business is impacted every single day this critical program is not accepting applications.

Mr. SCHOAPS. Well, thank you first of all, Congressman, for supporting and sponsoring the Shuttered Venue Operators Grant. Every day that that grant application process isn't open causes consternation for everybody in the theater business especially. We are—a lot of us are closed. If we are not closed, we are running at losses, at best.

And I think every day we don't have that application process open, the more worry comes into our lives about the future, whether we are going to survive or not. You know, I sit down with my wife almost every night and we say, well, how many more days do you think we can last? How many more? Are there weeks? Is it weeks or days?

And I think the Shuttered Venue Operators Grant is the hope we have for the future, and I think that that is one thing that we need to get that application process open as quickly as possible. I know it is an involved thing, but——

Mr. WILLIAMS. Well, we hear you, and we are going to make some noise to get that money to you.

Many Americans are under the false notion that they must go to a 4-year college to be successful and make it in America. I personally do not think this is true and believe our country would be better off if more people utilized trade schools so we could have more plumbers, contractors, welders, et cetera, in the workforce. Once a person learns a skill, they can translate that knowledge into creating their own small business.

Ms. Kerrigan, what role do you see career and technical education opportunities playing to help hardworking Americans overcome the economic devastation of COVID-19?

Ms. KERRIGAN. I think they are critical, I mean, absolutely critical, you know, particularly given, you know, where we see some of the growth. Actually, the bright spots are in the economy now, you know, in terms of home improvement and in terms of those other type of services that are really, you know, on the uptick, you know, versus some of the other sectors. So, obviously, there is a skills gap, and this type of training is going to be critical for these workers, moving forward.

And you are right. I mean, you know, in terms of spurring entrepreneurship, you know, I think it also is very vital. I mean, it is these individuals, these new individuals that enter into these professions that actually see things in the marketplace, talk to consumers maybe that their current employer does not. So there is more competition, more vibrancy, more innovation in those industries.

But yes, moving forward, vital. And I agree with you in terms of the 4-year very expensive college education not being necessary.

Mr. WILLIAMS. Thank you. In other words, we have enough lawyers. Thank you.

COVID-19 has caused a massive shift in consumer preference from brick-and-mortar retail stores to online shopping. This does not seem like a temporary trend. It is likely to persist long after the pandemic. Unfortunately, there are so many rural areas across the country, including my district, that do not have access to high-speed internet.

This is setting these small businesses up for failure, simply because they do not have access to the necessary infrastructure to succeed. I plan on pushing for rural broadband to be in any infrastructure program that may come to the floor.

So, Dr. Fairlie, in the brief time that we have, can you talk about how increasing rural broadband funding would help small businesses.

Mr. FAIRLIE. Yes, I fully agree. I think anything and everything we can do to help small businesses have more of an online presence is crucial, right? I mean, you just see big box stores, you know, the online retailers have done incredibly well, right? That was talked about in the very beginning, that their revenues are up. Their stock prices are up.

Small businesses, of course, are not seeing that. And that I think is, you know, everything we can do. Broadband access I think is a crucial issue, especially for rural small businesses.

Mr. WILLIAMS. Thank you. I yield my time back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentleman from Colorado, Mr. Jason Crow, Chairman of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development, is recognized.

Mr. CROW. Thank you, Chairwoman. And thank you to all the witnesses today. You are very insightful, and I appreciate you taking time. I know how busy you are doing your normal work, so we appreciate your insights.

I just wanted to start by clarifying something. There was discussion earlier about the impact of minimum wage on the pandemic. And I certainly understand some of those concerns, but also, just to be clear, the Raise the Wage Act doesn't actually immediately take effect after enactment. There is a delay after enactment, and then is a gradual increase over a 5-year period. So I think we have to be very careful about how we frame this, in terms of its impact on businesses during the pandemic. So I wanted to start with that.

And I represent a community where one of the biggest challenges that our small businesses face right now is that people can't actually afford to live in the community and can't actually afford to patronize the businesses and help them grow as well. So we have to I think address this with a level of sophistication and look at the multiple dynamics going on here.

So, with that said, I would like to start with Ms. Pinder. Ms. Pinder, I represent one of the most diverse districts in the country. Nearly 20 percent of the residents in my district were born outside of the country, and I have over 150 languages spoken. So I am very concerned and very attuned to the issues of underserved communities and their lack of access to capital.

So, as you might know, we changed the PPP program and some of these relief programs to dedicate money to CDFIs, to help drive that money to those areas of need. So I would appreciate your comments on what are still the barriers for underserved communities in accessing CDFI money and money that is allocated to try to get to those businesses in great need.

Ms. PINDER. I think that the second round, there were all those problems that were identified with the first round of PPP and EIDL loans and all those kinds of things, because of the rush to get out and that kind of thing.

But I think that the intentional nature of looking at how to place or push the money down to intermediary types of organizations or CDFIs was a good one, because we have to be intentional about it. There has to be organizations or resources that are, if nothing else to describe this, boots-on-the-ground kind of approaches.

And understanding where those communities are—I mean, where those businesses are and being able to market and communicate the existence of the resources, because that has been one of the biggest barriers of entry for achieving this money throughout the cycle. It is where are the resources, where can I identify those resources, and then the government or private sector organizations that have taken this on being intentional about making the information known.

Mr. CROW. Just to follow up on that last point, Ms. Pinder, what would be an effective way—and I know I am kind of putting you on the spot here a little bit, but what would be a really effective way to get that information, that last piece you just mentioned, get that information known and communicate what is available to some of these communities?

Ms. PINDER. I think you have to meet people where they are, right? And so if you are looking to increase awareness in particular communities, what are those—the knowledge of where the CDFIs are? How do you use means to advertise that information? And whether it is through our churches or through organizations that exist in those communities, I think that is how you meet people where they are.

Mr. CROW. Thank you. I appreciate that very much.

Professor Fairlie, you had also touched on this in your written testimony about the changes between the first round of funds, relief funds, and the second round of funds.

So the same question for you, if I may: What are some of the barriers that you have determined and seen from your research on getting CDFIs connected to those underserved communities?

Mr. FAIRLIE. Well, I think that, you know, the big problem in the first round is that it was mainly established banks that were providing the funds, and those were going out to mostly nonminority businesses.

And it was the second round of PPP funds that—where they really targeted, you know, trying to get this fintech into local banks, CDFIs, you know, those types of organizations that really made the big difference, right? In the research that I show, you can just see this incredible difference between this positive relationship with nonminority communities overall in the U.S., and then it switches around, totally, you know, reverses in that second round.

So I think it is really important. I think that we need to be aggressive. We need to go out and talk to small business owners, you know, get that information out to them so that they know about these programs, so that they know to apply.

Mr. CROW. Thank you. Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentleman from Minnesota, Mr. Hagedorn, is recognized for 5 minutes.

Mr. HAGEDORN. Thank you, Madam Chair.

I would like to expound a little bit about these lockdowns that our Ranking Member, Mr. Luetkemeyer, brought up. In our State of Minnesota, our Governor, Tim Walz, has held onto emergency powers and made all sorts of arbitrary decrees, and in so doing his central government planning has really affected our small businesses. It has crushed a lot of them, put some of them out of work, out of business permanently. And you look at—some of them just didn't make sense. You had big box stores, corporate stores open, small businesses closed.

And then you get into the rural areas that I represent down in southern Minnesota and you have border communities, and the Minnesotans were just across the border going to Iowa, South Dakota, or Wisconsin to purchase their goods there, go dine, and go to a bar or restaurant. And then we were hurt.

Now we are trying to open back up, but the effects of these lockdowns are really hurting small businesses. You have a situation where we don't have enough labor. Part of that is because the schools are still closed throughout most of Minnesota with regulations that don't make sense. Even the CDC says it is okay to get the teachers and everybody back in school for in-person learning. That would free up the parents to be able to go out and do work again in the community, work for our small businesses.

And then at some of the border communities, the employees have literally gone to neighboring States and taken full-time jobs there, knowing that those States will remain open when Minnesota's opening and closing.

So I guess to Ms. Kerrigan, what are your thoughts about that? I would like to hear any other experiences that you have learned along the way and just how devastating some of these lockdown orders have been to small businesses across the country.

Ms. KERRIGAN. Well, they have been very, very, very devastating, obviously. You know, from the beginning of the pandemic or very shortly thereafter, you know, we said that, yeah, this is a very difficult challenge for the country, unprecedented, but still small businesses could operate safe and smart. They had every incentive to do so.

And you are right. I mean, sort of the inequities in allowing sort of the larger stores to remain open and closing the smaller stores that could have sold some of these goods that were provided by the larger stores and, in effect, herding a larger amount of customers into bigger stores, you know, didn't make sense from our members' perspective.

So—and what we are seeing now, Congressman, is you do see businesses just in these locked down States, I mean, really picking up—you know, picking up and moving, moving to other States. I mean, it was the trigger for them, actually, to move to more business-friendly States, you know, to lower cost States, and to States that—you know, where there was a little bit more flexibility, you know, in terms of these policies.

So I don't know if I have one simple answer for you. I mean, hopefully with the vaccines and now we are seeing the big drop in the disease. I mean, we are on a course here where economic activity can, you know, open up and get back to normal, whatever that might be, you know, the next 6 months or so.

Mr. HAGEDORN. Sorry to cut you off. I want to get over to—thank you for that. And that has been our experience with businesses and others going to neighboring States like South Dakota that have been more open.

Mr. Schoaps, I have a real quick question for you. Being in the business that you are, in the movie theater business in a small community, we have communities in my district in Madelia and Kasson that have small theaters that haven't been able to reopen.

In some of our rural communities, obviously, we need infrastructure for folks to be there, jobs and everything else, good, obviously, healthcare and education. But quality of life, things to do, entertainment, that is really important in a community the size of yours. I think it is what, you have about 7,000 people. And I see that. What is your thought about that?

Mr. SCHOAPS. Well, I have to agree with you. I can't tell you the number of people that have come up to me and asked when we are going to open. They come knocking on our door when they see us in the theater. They want us to open.

But it goes back to what you were talking about just a minute ago. As long as L.A. and New York are locked down, they represent 25 percent of the revenue that goes into movies, movie theaters in the country. And movie studios will not put out their movies, their big movies, if they know that L.A. and New York are locked down.

So yes, it is quality of life. Movie theaters are a big thing in small towns, simply because it is a gathering place. It is a place where—it is a reach out to the rest of the world from a small rural community.

Mr. HAGEDORN. Thank you very much. I appreciate the time.

Chairwoman VELÁZQUEZ. Now we recognize the gentlelady from Kansas, Ms. Davids, Chairwoman of the Subcommittee on Economic Growth, Tax, and Capital Access.

Ms. DAVIDS. Thank you, Chairwoman.

I am definitely cognizant of the fact that it was about a year ago that the Small Business Committee held our first hearing on how the emerging, at that time emerging pandemic might impact small business. And, obviously, so much has changed in that time.

I have been honored—hold on a minute. The buzzing is happening in my office.

I have been really pleased to be able to speak with a lot of small business owners in the Third District in Kansas. And, first of all, I appreciate folks taking time out of their business schedules just like you all have here today to share experiences and perspectives.

And, you know, I think that what we are hearing now and what I have heard at home is that, obviously, small businesses are in a fight for their lives. And they are getting innovative and using every tool at their disposal to keep their doors open and employees paid. And there is obviously a lot of work to do, continue to do to provide the capital and resources and relief that our small businesses are going to need.

You know, I know we talked about the EIDL or heard about the EIDL loan earlier. A small business owner in my district was able to apply for and receive the funds almost immediately within a day of applying. And it really saved her business, and she was able to continue to operate. So know that when these programs are working effectively, they can save jobs. They can save businesses.

And I also know that some of the issues that we are facing are because we don't have the necessary funds or programs available for people to get a second drawdown on the PPP, and so we are going to continue to work on that.

And then finally, I want to mention that when it comes to the supply chain and our small manufacturers and medium size manufacturers, I have introduced the SUPPLIES Act because I know that there are so many businesses, particularly in Kansas, who are eager to shift their production over to things like personal protective equipment, testing supplies, and even to help with the vaccine rollout. I know a lot of healthcare workers are still struggling to get all of those things.

So I am glad to see that the American Rescue Plan includes $10 billion of funding for domestic manufacturing, for emergency medical supplies and this sort of thing.

So, Ms. Pinder, I would love to hear you speak a little bit to the opportunity to utilize small businesses and particularly minority-owned businesses when it comes to the implementation of the Defense Production Act. I know you mentioned that in your testimony, and would just love to hear you talk a little bit more about that.

Ms. PINDER. Thank you, Congresswoman. One of the things that I talked about is how do we then take existing assets and see how we leverage them in order to help support what you are talking about, because you are right, there is this plethora of need that is out there, and how do we identify, specifically for those businesses that are hurting the most.

So traditionally, assets like the Defense Production Act and like Buy American has not really looked at or leveraged how we then translate some of that that perhaps we could leverage with, say, minority and women and small businesses.

We take, for example—I talked about the title, Title 3, that the President has authority to invest in specific industries. What you talked about, people pivoting during that time, well, what if we could take something of that nature. And the goal of Title 3, for example, is expand domestic capacity for supplies, but if, indeed, that can be done and implemented in mind with supporting minority and smaller businesses.

I think those are the kind of things that we need—that Congress can take a look at. It is all about implementation, right? So how do we implement it to make sure that that is indicated in those efforts.

Ms. DAVIDS. Thank you, Ms. Pinder. We will probably follow up more after this.

I will yield back to the Chairwoman.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

The gentleman from Minnesota, Mr. Stauber, is recognized for 5 minutes.

Mr. STAUBER. Thank you, Madam Chair.

And at our first meeting of this year, I do not mean to kick things off in such a negative way, but I believe this situation calls for it.

Small businesses were crushed at the hands of their State and Federal Governments. Speaker Pelosi put politics ahead of our country. For months, she made her partisan wish list items a priority over the millions of Americans who were suffering. It was unacceptable.

So now here we are a new Congress, and yet we have not heard any fresh ideas on how to help America's small businesses. Instead, we have the tired old ideas. One of them is known to close small businesses across this Nation.

Ranking Member Luetkemeyer brought this up in his comments, the $15 minimum wage. When asked, one of the witnesses stated: Jobs will be lost, small businesses will close.

President Biden's relief plan shows just how out of touch he is with the hardworking small business owners of America, and it is frustrating. It is unconscionable that a relief package took so long. Americans and small business owners everywhere deserve better.

Now to our witnesses. I want to thank you all for being here today. Your testimony will provide much-needed clarity on policy proposals that can actually deliver effective targeted relief to our small business owners, who are the engine of our economy.

As the government has rolled out relief programs, mistakes were clearly made. Lenders wrongly doled out PPP loans to individuals who should not have qualified. The SBA created ongoing guidance, some making loans out of compliance at a moment's notice.

Ms. Kerrigan, in your opinion, where have our relief programs failed our small businesses?

Ms. KERRIGAN. Well, I will start with the good news, that, you know, over the course of time there have been lessons learned. And, you know, based on this current PPP round, you know, there are many things that have been done right.

But I will agree with you in terms of there was the need for speed back, you know, in the summer, where the economy had some momentum, where small businesses saw some light, you know, at the end of the tunnel, and yet Congress left town in August without acting and without extending the PPP program, where there was actually money that was left in that program.

So, you know, getting small businesses that money that they needed to weather what we went through in the fall and what we are going through currently I think would have been very, very important to save a lot of small businesses, save jobs. And that is one area, you know, that I will recognize.

And then just again, you know, I think there just needs to be the continuous sort of reevaluation of the program and for the SBA and for the Congress, you know, to act on recommendations I think a little bit more quickly, in terms of getting—making it more flexible, reducing complexity, and providing more certainty both for, you know, small business owners and the lenders, particularly as we move through and into the forgiveness period.

So, I mean, again, I know it was a big lift, getting this money out the door. A lot of small businesses benefited. But there could have been things done along the way that could have helped a lot more small businesses, and particularly reaching those in the minority and disadvantaged communities as well.

Mr. STAUBER. I appreciate those comments, and I agree with you, that need for speed. Once the investments ran out at the end of August, it was unacceptable that our small businesses across this Nation had to wait almost 4 months before the additional relief.

Ms. Kerrigan, a second question: Can you identify any issues in our relief program that have made small business owners reluctant to spend money they have received or reluctant to turn to the government for aid at all in the future?

Ms. KERRIGAN. You know, I think some of those issues have been resolved, in terms of, you know, some tax issues. You know, I still think there can be additional flexibility in the PPP program.

You know, many business owners just don't think that program is for them, particularly as it relates to, you know, the 60/40 split, 60 percent for payroll, 40 percent for other expenses, particularly if they are in high-cost areas and have high overhead.

Mr. STAUBER. Thank you. Ms. Kerrigan, my time has run out, and I appreciate all the witnesses. And I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the Chairman of the Subcommittee on Contracting and Infrastructure and Vice Chair of the committee, Mr. Kweisi Mfume from Maryland.

Mr. MFUME. Madam Chair, thank you very much. And I appreciate the opportunity. I assume we will have an opportunity also in a second round to expand on everything that we don't get a chance to cover here, so I look forward to that.

A couple of quick things. I want to thank the witnesses, all of whom I am sure have busy schedules and lifestyles, for making time available. This sort of discussion helps those of us, as lawmakers, get a sense of the divergence of thought and where some of the urgent matters are that we can apply ourselves to right away.

I must admit, having served on this committee in the eighties and the nineties, that this issue that continues to come up about the minimum wage is a little perplexing to me. I appreciate the Ranking Member introducing it and the response that was given, but for me it is a little like déjà vu. The answers are the same as they were many, many years ago, that it would cause job loss and, of course, businesses would be forced to close, and that would be the end of small businesses as we know them.

In fact, in 1988, the Federal minimum wage was at $3.35. Today, 33 years later, it is at $7.25. So it has taken us 33 years to give Federal workers a minimum wage increase of $3.90. Thirty-three years is a long time, and in the interim, businesses did not go out of business. Cost in some instances were passed along to consumers.

But the issue here is one of a lesson, and I think the lesson is that we will continue to see an increase in the efforts to try to make sure that people have a livable wage or a minimum wage that reflects where we are in society.

I want to associate myself to the remarks of Mr. Crow and reiterate the fact that this is not something that takes place next week or next year. So I know we are in the middle of COVID, but it might be a little bit of a mischaracterization to use that backdrop to place this issue as if it is going to happen right away. It doesn't really completely happen until 2025. So, for the record, I just thought I would rhetorically ask myself the question, if not now, when? So when has been a long time coming.

I do want to go back to Mr. Fairlie's remarks and Ms. Kerrigan's, as you have sort of given us a 30,000-foot view of what is going on as a result of the impact the pandemic has had on small businesses in general and minority businesses in particular.

In just a couple of minutes, could either or both of you—and I don't have much time—just indicate, from your perspective, when do things get better? Do they get better when we open up, or do they get better when we are able to get rid of the disease?

Ms. KERRIGAN. Where I start, I think it is both. I think we can, you know, move in kind of a parallel track. And when we open up, I think that will definitely help small businesses. But certainly, the whole vaccination issue and getting rid of the disease, you know, will give consumers the confidence, you know, to go to stores and to, you know, get back to sort of, quote/unquote, normal economic activity.

But, again, Congressman, I just have a lot of optimism for all these new entrepreneurs. That is the opportunity in the marketplace, based on where consumer trends are going right now. And to the extent that we can encourage those entrepreneurs to move forward to innovate and keep our economy competitive, no matter what the normal may look like, the new normal moving forward, I think is vital.

Mr. MFUME. Thank you. And Professor Fairlie?

Mr. FAIRLIE. I think that we need three things: One, we need to get that vaccine out. We need to get it out faster. We need to get it out evenly across the country. So there are some equity issues about that, of course. That is really important.

Customers need to feel comfortable. They need to feel like they can go into a small business and not worry about getting the coronavirus. That is essential. And, of course, once that happens, we can start opening up everything, which is really important.

But the third thing, though, that I would not underestimate is this kind of trend toward shopping online. People are just becoming much more accustomed to doing it. I don't think it is going to go away forever. And small businesses somehow need to have more of an online presence.

And so I gave some ideas there about how search engines could prioritize small businesses in their local area instead of just the big box stores or bigger online retailers. That would be one way that we could do that.

Mr. MFUME. Thank you. Thank you very much. Mr. Schoaps, I really empathize with your situation out there in the Midwest. To see a 92 percent reduction in your revenue in 1 year is sort of unfathomable, and I can only imagine what you and your wife are up against, in terms of swimming upstream.

I am glad to know that the December stimulus bill, in which we did correct this whole issue of the EIDL loans, helped you to some extent, and that I look forward to President Biden's current stimulus bill——

Chairwoman VELÁZQUEZ. Excuse me.

Mr. MFUME.—in terms of pushing you a little further down the road in terms of your own survival.

I want to underscore two things, one of which dovetails on what the professor just said. Innovation is one of the biggest enemies that many small businesses face. We saw it with the newspaper industry a couple of decades ago. We are seeing it now with movies, as it relates to Netflix and On-Demand and Pay-Per-View, which affects both television and other losses.

Madam Chair, were you trying to——

Chairwoman VELÁZQUEZ. Yes. Your time has expired. We are discussing with the Ranking Member in a minute if we are going to go to a second round, and then you will have an opportunity to have Mr. Schoaps answer your question.

Mr. MFUME. Thank you very much. Actually, it is he and Ms. Pinder. So I will await the decision of the Chair and the Ranking Member.

Chairwoman VELÁZQUEZ. Thank you.

The gentleman from Pennsylvania, Mr. Meuser, is recognized for 5 minutes.

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

Thank you to the witnesses. I appreciate your being here with us. The PPP, the Paycheck Protection plan, was very much of a success. Nationwide, there were 5.5 million, approximately, small businesses received loans. $557 billion in forgivable loans were issued, with an average of approximately $100,000. So that was really the sweet spot. That was the intent. In Pennsylvania, my home State, it was very much the same sort of metrics, 200,000 loans for $22 billion, so about $110,000 per business.

The EIDL loans were also very successful, the Economic Injury Disaster Loan, particularly in Pennsylvania. The SBA worked extremely hand in hand with me and with us. 3.6 million loans for $200 billion, which works out to be about $6,000 each, which, again, was right on the mark.

Nevertheless, that is about a trillion dollars. And with another $3 trillion that was put into the economy, that is $4 trillion thus far over the past year. And yet, one in four small businesses still predicts they are going to go out of business within the next 6 months, and most of them are restaurants. So it is almost that there is almost no amount of money that is going to buoy and allow small businesses to survive except the free marketplace itself.

So, Ms. Kerrigan, I will start with you, please. You know, there is some talk here about business planning and how somehow government is supposed to provide innovative ideas. Anybody who has been in the private sector for more than we will say a year knows that that is ridiculous. Entrepreneurs figure those things out on their own.

What government does is create a competitive business environment for small business and large business to do their thing and be competitive and deliver the best products and services at the lowest prices.

Nevertheless, Ms. Kerrigan, I would like to ask you about access of capital outside of all of the forgivable loans and all and the additional that we are going to provide. I am not sure there is—in fact, I am sure there is no alternative to a safe and smart opening that is driven by the entrepreneurs and the small businesses themselves, where their ideas are applied, to assure that their customers and their staff are safe, yet they stay open.

And I would like to get your comment on that, Ms. Kerrigan and Mr. Schoaps. Am I saying it right? Mr. Schoaps.

But first just a quick answer on access to capital. Do you have any suggestions for us as to what we should be looking for outside of the EIDL and the PPP and standard lines of credit that banks have or that businesses have?

Ms. KERRIGAN. Well, you know, one of the areas that we have been very involved with since the Obama administration is the whole area of investment crowdfunding. And we are beginning to see a big surge in that. Obviously, investment crowdfunding was made legal. It took 4 long years, you know, for the rules to be written on that.

But now I see this huge surge in investment crowdfunding I think which is really great. It is truly democratizing access to capital. Minority-/women-owned businesses are tapping into this capital. And what I think the beauty of it is is it leverages local capital and local investors.

And there are new rules now at the SEC that are going to lift the limit from $1 million to $5 million and some other things that will strengthen equity crowdfunding.

I think we could work with some tax credits there. I mean, the U.K. has, with investment crowdfunding, put together actually a fund where if an individual raises, you know, up to $250,000 or more—I forget what the actual cap is—that through a fund the government will match that, that it will have to be paid back.

So I think what we need to start looking at is ways that we can, on the capital formation front, tie the capital and, you know, leveraging what I think is a lot of capital out there. And investment crowdfunding is the way to do that, one of the ways to do that.

Mr. MEUSER. Thank you. I would love to follow up with you, if I can, afterwards and discuss that further.

Quickly, Mr. Schoaps, I have very little time, what would a $15 minimum wage do to your business right now?

Mr. SCHOAPS. It would, as most small businesses, it is going to hurt somewhat. It is not going to force us to close. It will force us maybe to raise prices, to look at ways and cutting back in other areas. It is not going to close us, but it will put some more hardships on us.

But at the same time, I would—we hire mostly entry-level students, the young people. I would like to see some kind of maybe a minimum—some tier of minimum wage that addressed that kind of entry-level position.

Mr. MEUSER. Thank you very much. I am out of time. Madam Chair, I yield back. Thank you very much.

Chairwoman VELÁZQUEZ. The gentleman's time has expired.

Now we recognize the gentleman from Minnesota, Mr. Phillips, Chairman of the Subcommittee on Oversight, Investigations, and Regulations.

Mr. PHILLIPS. Thank you, Madam Chair. Greetings to my colleagues and to our witnesses.

I want to address a couple things quickly that a couple colleagues have brought up, starting with the fact that Governors around our country, both Democrats and Republicans who imposed lockdowns did so to save American lives, in the absence of a strong Federal response or even support or guidelines.

I know how economically painful it was. I can attest to it firsthand. But I simply ask my colleagues and remind all of us it is incumbent on us in this committee to now help small businesses recover. So I invite everybody to invest our time and energy in repair and revert rather than regression.

Relative to the $15 minimum wage which has come up a number of times today, I own a chain of small coffee shops. And we pay a $15 minimum wage, not because we have to, but because I want to. I know the implications, how it helps employees and how challenging it is for owners.

But I think it is fair to say that we all, Democrats and Republicans, share the same objective. We want more prosperity for everybody, especially those who work hard and are trying to make ends meet.

I think we should balance these minimum wage increases with the EITC, earned income tax credit, so we don't reduce employment, we don't further hurt businesses, especially in rural areas. And I invite my colleagues, anybody who is interested, to speak with me about that, because I want to work together.

Now, the numbers and stories we have heard today from our witnesses are staggering and painful, to say the least. We know that businesses that survive the crisis are going to have to adapt in a post-COVID world and with higher relative costs and with less working capital than ever.

We know how many small businesses entered the crisis with low financial resilience. About a third were either operating at a loss before COVID or breaking even. So we know it is going to only get worse over the coming weeks and months before it gets better.

So, as briefly as possible, I want to ask each of our witnesses to simply share with me and our committee how we on the Small Business Committee can most impact small business recovery moving forward, particularly for businesses in rural areas, minority-owned firms and women-owned firms.

Perhaps we can start with you, Mr. Fairlie. What is the best way? Where do you want to see us focused?

Mr. FAIRLIE. I think the best way is to really promote trying to get the vaccine out, right? I think that that is the key. That is going to make customers feel comfortable going back into small businesses. And, as I mentioned before, the online presence part I think is crucial.

Mr. PHILLIPS. Thank you. Ms. Pinder.

Ms. PINDER. I believe that capitalization is I think the most important thing that can be done. And so I talked about no-interest loans, zero-interest loans, being cognizant of the need versus the demand of it. And providing capitalization I think is the greatest thing that can happen.

Mr. PHILLIPS. And, Ms. Pinder, do you believe existing programs, either amplified or in their current form, are enough, or do you think it is incumbent on us to consider new programs?

Ms. PINDER. I think it is incumbent upon you to consider new programs and look at existing programs to see how you can leverage it there. Like the Defense Production Act, you know, how do you do investments? Just new ways and innovative ways of how we make investments in businesses that are pivoting, businesses that are trying to survive, but, you know, bringing them to the table and understanding it is not a cookie-cutter approach, but how do we approach that need, based on industry or based on whatever that need may be.

Mr. PHILLIPS. I appreciate it. Thank you.

Ms. Kerrigan.

Ms. KERRIGAN. Well, access to capital I think is vital. And I agree if we could supercharge and work with the existing framework of programs, whether it is SBA loans or with investment crowdfunding and the platforms that exist there, I think it would be really important to do so.

Look, technology is so important, and making sure that the SBA resources in the programs are really focusing on technology. And we are going to move into a 5G world, right? So things are going to change again, and our businesses are going to have to pivot and adapt again. There are a lot of opportunities out there.

And lastly, you are right, access to broadband, that has been one of our top issues. If you don't have access to broadband, you don't have access to the tools or opportunity. So that I think is a very important piece to focus on.

Mr. PHILLIPS. And one more quick question, Ms. Kerrigan: Are you familiar with any countries, any nations around the world that support their small business kind of ecoculture, if you will, in ways that we can learn from?

Ms. KERRIGAN. Well, I think there is a lot on the microloan front. I mean, certainly over in the U.K. they are—you know, how they are supercharging investment crowdfunding there, both through the tax credit and also a match program, I think is something we can learn from. It has been highly, highly successful.

So we have a regulatory framework there. You know, they have this great program. I think if we can look at that and perhaps emulate that or least to explore it, I think it would be really important, particularly during the recovery period.

And the fact that, you know, we are going to have to leverage private sector capital, you know, we are going to have to do that in order to get through this—to move to full recovery.

Mr. PHILLIPS. I appreciate it.

And with our limited time that we have left, Mr. Schoaps, anything that you want to add, anything that you haven't shared that would be helpful to the SBA that we can be focused on and help the rebirth of small business?

Mr. SCHOAPS. Well, I think one of the main things is somehow we have got to get the communication out to small business owners of what is available. When I first got my EIDL loan, I mentioned it to several of my friends in the community. They didn't know what it even was. I think that we have got to somehow get that information out to the people that are in need.

And then I have to go back to what Dr. Fairlie said. The number one thing that would help us is to get the vaccine widely distributed and to get us at least people believing that we are going to get back to normal.

Chairwoman VELÁZQUEZ. Time has expired.

Mr. PHILLIPS. I am grateful. Thank you.

Mr. SCHOAPS. Thank you.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentleman from New York, Mr. Garbarino, is recognized for 5 minutes.

Mr. GARBARINO. Thank you, Madam Chair. Thank you to all these witnesses that we have today.

Mr. Schoaps, I just had some questions for you. Can you share with The Committee how many employees you had before the COVID-19 pandemic and how many you have now?

Mr. SCHOAPS. Yes. We averaged about 12 employees before the epidemic, and—the pandemic—excuse me—and, right now, we have my wife and I, and that is it.

Mr. GARBARINO. Okay. And, before the pandemic, what was the average age of your employees other than your wife, not including your wife and yourself?

Mr. SCHOAPS. Probably about 17 to 18.

Mr. GARBARINO. And the average wage you paid those employees?

Mr. SCHOAPS. Average wage was $8 an hour.

Mr. GARBARINO. $8 an hour. We have heard a little bit about today how the increase of the minimum wage could be $15 an hour. That won't happen until 2024, but it starts—it goes up to $9.50 this year. That would be a pretty big increase from $8 an hour.

Would that prohibit you from bringing employees back this year, especially if you didn't have access to the PPP?

Mr. SCHOAPS. No, it would not. We would—we are going to bring them back—we are going to open our business one way or the other. We are going to bring employees back. If it means our costs go up, we will have to figure out a way to increase our revenue to offset that, and our community will have to understand that it may include a price increase, it may include other things that we try to do to supplement what we do right now.

Mr. GARBARINO. Do you think you would—do you have to compete with other major chains—I know—I believe you are a small business—like Regal or AMC, or United Artists theatres? Do you have to compete with them? Are there any near you?

Mr. SCHOAPS. We have one about 20—we have one 20 miles away and one 15 miles away, and I don't think—we are really not in competition with them. We employ mainly local high school, local junior college employees, and they want to stay locally. So I really—we are not in competition for employees, no.

Mr. GARBARINO. But my question is, if you had to increase—if you had to increase ticket prices or the costs of your concessions to cover the increase in minimum wage this year to $9.50 and then all the way up to 15, would—are you concerned that your customers would go to other major chains because it might be cheaper for them to go there?

Mr. SCHOAPS. I am always concerned that our customers are going to go to the major chains, because they can offer more than we do even with—not even counting the minimum wage issue. They will be under the same minimum wage requirements we are, and I think that, yes, of course I am always concerned about my competition. However, I think that we have a—in a small town, we have a very loyal following, and I think we will be able to get through it.

Mr. GARBARINO. One more question. Did you have—have you tried to bring back any of the 17- or 18-year-old employees since you were allowed to reopen? Have you tried to hire anybody back and they have refused to come back?

Mr. SCHOAPS. No, we have had no one refuse. As a matter of fact, we had everyone eager to come back.

What has happened was we opened back in—I think it was June or July, we opened, tried to open, and there was just no product. Movie theatres are a specialized small business because, without the movies there, we have nothing to sell. And, without the new movies being released by Hollywood, we had nothing really to present. We tried using old, classic movies, old blockbusters, and that just did not pay the bills. We were forced to close down again.

But, even now, we—when we are talking about possibly opening again in a month or two, we have already contacted our employees, and nearly all of them are eager to come back.

Mr. GARBARINO. Okay. Thank you very much.

And, Ms. Kerrigan, I have a question for you. It is something that I have heard back in my home State of New York, and I am wondering if it is something you have heard in your dealings, that the PPP and the extension of the increased unemployment insurance, $300 or the $400 a week extra, are counterproductive because they compete with each other.

Businesses want to bring employees back, but employees don't want to come back because they are making more on unemployment. That is something I have heard a lot in New York. Is that something that you have come across?

Ms. KERRIGAN. I think, initially, you know, at the beginning of that program and, you know, somewhat into 2020, as we moved to a more normalized environment and with the economy opening up and I think with employees thinking about sort of, again, you know, the long-term prospects, you know, after these programs are done, it has become less of an issue right now in terms of more employees wanting to go back to work, and then of course—and employers, you know, offering them incentives to do so.

So, I mean, I can ask more of our small business owners about that now in terms of the current state of play where they are and what their issues are, and I will be more than happy to get back with you on that.

Mr. GARBARINO. Thank you very much.

Ms. KERRIGAN. To see how that stacks up in terms of some of their other concerns and whether it is still a major issue.

Mr. GARBARINO. Thank you very much. I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back, and now we recognize the gentlelady from Georgia, Carolyn Bourdeaux, for 5 minutes.

Ms. BOURDEAUX. Okay. Thank you so much, Chairwoman Velázquez, and thank you to the witnesses here for testifying on behalf of our small businesses.

I am from Georgia's 7th Congressional District. It is a very, very diverse community. Twenty-five percent of the people in my district were born outside of this country. And we have a vast swath of small businesses, many of which are women and minority owned, and they have really struggled during this past year to try to stay afloat.

I just want to cut to the chase, though, and get to some questions. One, and this could be for Ms. Pinder or Mr. Fairlie. We have talked a lot about issues of disparity in terms of getting out the PPP loans, the outreach through the EIDL program, and things like that. But one of the things that has come to our attention is disparity in the administration of the funds, and one of our concerns is that it seemed from a quick survey that we did of some of our small businesses that a lot of the Black, other minority owned businesses were having to pay back the loans, whereas some of our White businesses seemed to be more likely to be able to find ways to get the loans forgiven.

And I wanted to see if that was something, Mr. Fairlie, that you have come across in your research, and for Ms. Pinder, something that you are hearing from minority communities about as a particular issue, and, if so, what we might do to address that?

Mr. FAIRLIE. I guess I can go first.

So, in some of—I haven't actually researched this directly myself, but I know that there are a couple of projects that have looked at discrimination in terms of, you know, when you have a minority lender coming in or a nonminority lender coming into a bank to get a PPP loan, but there was definitely some issues there.

And I think that that is really important, right, is that, if we don't have kind of an equal system from the very beginning, from getting information, from going into a bank and asking for help, or into going into somewhere else or looking into a fintech, that is a real problem, and I know that there is some evidence that that did occur early in the stages of the PPP program.

Ms. BOURDEAUX. Thank you.

Ms. PINDER. Congresswoman, we can certainly validate that that is absolutely true. Part of what we have been doing at the council and our MBDA centers is addressing issues our minority businesses have found themselves in relative to obtaining PPP loans, and then just a whole mystery around the payback of them, right? And, because it is a revolving door, the rules kind of shifted in midstream. It is very hard to get a handle on it.

And so those things that were problematic in terms of how we were able to even get the loans—we have had to make phone calls to banks to ask them to look at—to consider these particular companies, but we also saw a difference when money from—whether it was State level or money that was done from foundations or private-sector organizations, that they were much more successful in getting directly to the folks that were having the problems with the Federal funds.

Ms. BOURDEAUX. Okay. I just think this might be an area for further investigation and trying to understand sort of what has happened out there and sort of what is happening as these programs are going through the process.

One other question that has come up a lot is we have a lot of small businesses that have—they need to make investments to improve ventilation to make their businesses appropriate for COVID and to allow them to stay open and operate in these situations. I know that some local governments gave grants to small businesses.

But do any of you all have a sense of the needs out there to make further investments in getting their operations to be COVID safe?

And I will start with you, Ms. Pinder, since I know that you have that—a very good perspective from the minority communities.

Ms. PINDER. I am sorry, Congresswoman. You said—what was the last part of your question?

Ms. BOURDEAUX. Do you have any sense of the additional kind of infrastructure needs that small businesses have to make sure that their businesses are safe and able to reopen at least partially safely right now?

Ms. PINDER. But, you know, part of it is just an education process of how do you safely reopen your businesses, right? It is also from the legal perspective, what is your liability around when your employees come in? Do you require them to have vaccinations? So a lot of it—what I am finding and what we have found is just an education program or education perspective of what are the rules?

And so there is absolutely the need to prepare our businesses or provide those resources so that our businesses can understand what they are liable for, how they can assist, how they can then—you know, what are the compliance efforts that they have to undertake in order to get that done? And, for some businesses, it is actually also where can they reside, because they can no longer afford their places of business.

Chairwoman VELÁZQUEZ. Time has expired.

Ms. BOURDEAUX, Thank you.

Chairwoman VELÁZQUEZ. Thank you.

Ms. BOURDEAUX, Thank you.

Chairwoman VELÁZQUEZ. The gentlelady from California, Mrs. Kim, is recognized for 5 minutes.

Mrs. KIM of California. Thank you, Chairwoman Velázquez and Ranking Member Luetkemeyer, for holding this very timely hearing. I also want to thank the witnesses for taking the time to join us to share your experience and your relevant and important data.

As a small business owner myself, I am thrilled to be part of this Committee, and I look forward to working with my colleagues to support our small businesses during and after pandemic, because small businesses are the lifeblood of our economy and cannot be forgotten.

You know, in my district, California Authority 9, which is a suburban district, 99.8 percent of California businesses are employing over 7 million workers. Unfortunately, COVID-19 shutdowns in my State of California have increased the number of small businesses closing, and I have witnessed many of them myself in my district.

More than 19,000 California small businesses have shut down permanently due to COVID-19, and every small business that closes takes away jobs, causing economic stress to families and communities.

Obviously all industry are badly hurt during the shutdown. So I want to ask—but, you know, all industries, but retailers in particular. So I would like to ask a question for Dr. Fairlie.

In your testimony, you mentioned trends in shopping habits, especially the mood towards online shopping. Do you believe small businesses are prepared for this trend to become permanent, and can you elaborate on some of the recommendations you mentioned in your testimony?

Mr. FAIRLIE. Yes. I would be happy to. I think that it is a trend that is not going to go away. I mean, I think that there—there could definitely be some pent-up demand where people are really excited when the vaccine is rolled out more completely and they want to go back to downtowns, they want to go to those vibrant communities, different shops, restaurants.

But I think that there is also this other, you know, trend happening, which is we are just more used to buying things online. We are used to that convenience of having, you know, UPS deliver a package to our house. And often, almost—well, I don't know if often, but very likely that package is not from a small business;

that package is from a big-box store or an online retailer. And so we need to do more to get small businesses online.

You know, we talked a bit about broadband access could be essential for rural businesses and businesses in other areas that don't have good internet access. Certainly web page assistance might be another thing that the Federal Government can help out with.

And then of course, you know, anything that can help, you know, with search engines or any other kind of information that allows customers to find small businesses and buy from them online.

Mrs. KIM of California. Thank you.

As small businesses recover from this emergency, what should Congress concentrate on in order to create a small business environment that focuses on entrepreneurship and innovation?

This question is for Dr. Fairlie.

Mr. FAIRLIE. Okay. I wasn't sure if it was to me.

I think there are a lot of, you know, different ways. Certainly, you know, we have talked about financial capital as being one of the most important. I think that is kind of crucial, especially for firms that are creating innovative products that are kind of expanding on what we already have, that are giving America real strength, right? And so that can be crucial, as that kind of funding that helps them with scientific discoveries and innovative products.

Mrs. KIM of California. Thank you.

I have a question for Ms. Kerrigan. As Congress discusses next steps when it comes to COVID-19, what recommendations do you have for this Committee?

Ms. KERRIGAN. Well, when I talk to business owners, I mean, what they are really looking for is a period of certainty and policy stability. You know, last year was very, very tough in terms of the uncertainties, and, you know, obviously sort of the massive revenue reduction that they saw last year. So, to the extent that we can have a—sort of a period of stability, policy stability and certainty, I think that is very, very important.

I mean, obviously the whole issue that we talked about in terms of capital formation, access to capital, that will remain to be an issue, not only for existing businesses, but also for the start-ups and the new entrepreneurs that we see—just, you know, the surge in new business applications that we saw last year and that continue to this day, is what can we do to support them? Again, it is policy stability. It is, you know, access to capital.

And I have to say, you know, in terms of——

Chairwoman VELÁZQUEZ. Ms. Kerrigan, I am sorry, but we are running late, and the gentlelady's time has expired.

Mrs. KIM of California. Thank you.

Ms. KERRIGAN. I am sorry. Okay.

Chairwoman VELÁZQUEZ. Thank you.

Now we recognize the gentlelady from Texas, Ms. Van Duyne. Is she here?

Ms. VAN DUYNE. Yes. Thank you. Thank you, Chairman Velázquez and Ranking Member Luetkemeyer, for holding this important hearing today.

As a former mayor and businesswoman, I have spent my career with people from a wide array of backgrounds and experience who fought tooth and nail to grow their businesses only to see their doors closed forced by the heavy hand of government due to coronavirus pandemic.

Since being sworn into office one month ago, I have been fortunate enough to speak with a number of small businesses and franchise owners in north Texas to learn more about their experiences in the face of the global health crisis and their struggles due to government restrictions that followed.

Just last week, I held a roundtable discussion to hear from these businesses in our community. Many expressed similar concerns, but one thing they all had in common, similar to what Mr. Schoaps has referenced in his testimony today, is that they are doing all that they can, everything in their power, to ensure their businesses weather the storm.

While loan programs, like the Paycheck Protection Program and the Economic Injury Disaster Loans Program, were critical in keeping their businesses operational, the pandemic has brought forth new challenges. And, over time, it became clear that these programs needed additional resources and support to uplift small businesses and entrepreneurs.

In north Texas, our economy is made better by the innovation and entrepreneurial spirit small business owners provide. In talking to the business owners in my community, I learned that they are hurting and needing help. They are scared that the powerful few in Washington will make politically expedient decisions that may force them to permanently close their doors.

Instead of calls to hike the Federal minimum wage to $15 an hour, which will kill many small businesses, we should be discussing how to improve programs, like the Paycheck Protection Program, that could keep them open past the pandemic.

Unfortunately, this administration stands ready to hand down destructive policies that will force north Texans out of business and demand many change the standards of who they hire.

I hope the calls for unity thus far are not shallow. Small businesses needed us to come together as a Congress, as a House, and as a Committee to fix the programs, keeping them alive, address their unique situations, and reopen the stores, the restaurants, and service centers that keep our communities running.

I look forward to working with this Committee to oversee the programs that have aided so many small businesses thus far and, as we move past this pandemic, advancing legislation that will allow America's entrepreneurs to prosper once again.

I thank all of the witnesses being here today.

And, for Ms. Kerrigan, an October report from the Government Accountability Office concluded that the streamlined process that the SBA implemented to administer COVID-19 loans has increased susceptibility to fraud and abuse. Are there any activities or program features that you believe we should be examining more closely in our congressional oversight of these programs?

Ms. KERRIGAN. Yes. And—yeah, that is a big issue, and obviously of concern. I actually read the recent SBA's IG report that was released on this very issue, and they have some very good recommendations in that report in terms of what can be done on the front end to ensure that there is not—in terms of the money does not get disbursed to people who may be or businesses who may be ineligible, and things that they can work on with Treasury—for example, the do-not-pay data source that they have over there—again, to sort of, you know, catch this fraudulent activity before the money goes out the door.

So I was happy to see that SBA IG report, the recommendations, and also the SBA following through on some of those recommendations, but more oversight and follow-up definitely needs to be done.

Ms. VAN DUYNE. All right. I appreciate that.

One of the biggest concerns for small business owners that the pandemic has exasperated has been providing healthcare to some of our frontline workers. Our smallest businesses employ low-wage workers and can't afford to pay for healthcare, especially with revenues dropping. But, due to the pandemic, workers are scared to go to work without that safety net.

So, Ms. Kerrigan, I am going to ask: How would you like to see the issue of small business healthcare addressed for our smallest of small businesses?

Ms. KERRIGAN. Well, to the extent that you can provide the incentives and support to the workers themselves in order to access health coverage, to allow for more, you know, flexibility, one size doesn't fit all, certainly when it comes to healthcare. And I do think some of the initiatives of the last administration, you know, have been helpful. I do believe, you know, the pooling initiative, you know, for allowing small businesses to leverage their numbers in terms of accessing healthcare, was very important.

But one other critical thing that I see is that we want to be able to incentivize. When it comes back to vaccines, employers, you know, are looking not to mandate, but to incentivize employees to get the vaccine, and we joined a group of our allies in sending a letter to the EEOC to make sure that proper guidance is put out there, that we are not running afoul of any laws. And so those——

Mr. MFUME. [Presiding.] The gentlewoman's time has expired unfortunately. Thank you so much. I do anticipate there will be a second round, but I don't want to get in front of the Chair on that. She will be back momentarily.

So, Ms. Kerrigan, if you would suspend, I would like to acknowledge Ms. Craig, who has been in the cue and who is up next, to be recognized.

Ms. Craig.

Ms. CRAIG. Thank you so much, Mr. Chair. Thank you for yielding.

Before I get to my question, I just want to welcome new members to the Small Business Committee. Looking forward to working with all of you. I have been proud of the work on a bipartisan basis that we have been able to accomplish. And I am happy to serve on this Committee with members of the Minnesota delegation as well.

Thank you again to our panelists for being with us today and for your insightful testimonies.

As I am sure is true for all of my colleagues, many of the issues discussed today have greatly impacted my constituents.

I would like to address my question to Dr. Fairlie first. Thank you for your important research and specifically addressing the negative impacts that COVID-19 has had on minority owned businesses.

In your testimony, you touched on the issues that restaurants have faced as well amid the pandemic. We are seeing the consequences of government-ordered shutdowns on, in particular, hospitality and restaurants.

On top of the financial losses and shutdowns, people are anxious to know that it is safe before they return to restaurants, and that is not going to happen until vaccines are more broadly available in each of our communities.

The combination of these issues has devastated the restaurant industry, and the relief grant program for restaurants to address these unique challenges was widely supported by my colleagues on this Committee last Congress, including Chairwoman Velázquez.

As we roll out vaccinations, do you believe a targeted relief grant program, which would go to independent restaurants, similar to last Congress' RESTAURANTS Act—120 billion would go to the industry in grant—would that assist the recovery of these smallest and hardest hit Main Street businesses, help them to stay open, and accelerate the recovery of our Main Street businesses?

Mr. FAIRLIE. Yes. I think it could help a lot. I think it is important that we save our restaurants. Certainly, you know, just going around my own town, I have seen a lot of them closed up, and they have closed up permanently. You know, they have put up signs saying that they are done. They—you know, they are not going to reopen at any point in time.

And it is sad, right? You sort of—like we really experienced these downtowns as part of, you know, what makes America great, and, you know, is that being able to go and walk through a town with a lot of diverse restaurants and shops, we need to provide that assistance to them. And I think directed assistance, especially financial assistance, so that they can weather the next couple of months to get that vaccine out is crucial.

Ms. CRAIG. Well, we see that light at the end of the tunnel for sure.

I want to open this up to, I guess, any of our panelists here just as we circle back around to this topic of the second round of Paycheck Protection Program forgivable loans obviously did a much better job of assisting minority owned businesses. But one of the challenges that I saw in our community is that minority owned businesses don't always have access to the same information. There are language barriers, et cetera.

So any thoughts on how we can encourage, really, at the local level—how the Federal Government can support making sure that the communication and the dollars are getting to these minority owned businesses?

Ms. KERRIGAN. Congresswoman, I can start out with that.

One of the things—it has been great to, by the way, engage with the SBA already early on in the administration where they are already having this discussion about how you use local organizations, community organizations, sort of a navigator approach to actually reach those types of businesses, because many of them don't think they are eligible. They are unaware of the program. They have technical issues to overcome in terms of the financials and all those other things that they need to apply for these loans.

So I think there is—and they have some good models that they shared of how this worked in certain areas of the country, and I think using that nationwide, I think, would really be beneficial——

Mr. MFUME. Ms. Kerrigan, I am sorry, but the gentlewoman's time has expired. I don't want to always have to interrupt you. It is——

Ms. KERRIGAN. I am sorry.

Ms. CRAIG. I am sorry. I would have done that for you. I thought I had 20 seconds left, so apologies to the Chair.

Ms. KERRIGAN. All right.

Mr. MFUME. Don't worry. We will roll it over with interest, Ms. Craig, trust me.

Ms. CRAIG. Okay. Thank you.

Mr. MFUME. The Chair would like to recognize the gentleman from Florida, Mr. Donalds.

Mr. DONALDS. Thank you, Mr. Chairman.

First of all, to the panelists, thanks for taking the time out of your day. This is obviously a very important subject matter facing our country through a very important time.

I am not going to get into speeches. I want to just kind of get right to it in the interest of time. This actually—my first line of questioning is really for Professor Fairlie.

Professor, I was going through some of your testimony here, and the one thing, especially with respect to the closure rate of minority owned businesses, specifically Black-owned businesses and even Latin-owned businesses, in your research, did you take into account the actual location of these businesses, like where they actually reside around the United States, or does your research pay no deference to that?

Mr. FAIRLIE. I did look into kind of regional differences, and I found that it was pretty consistent across, you know, broader regions of the country. I wasn't able to look at—there is a lot of concern that urban areas were hit the hardest, right, in terms of closures and also customers being very careful about going back to small businesses when things started to reopen. Unfortunately we don't have the data on that, and that was difficult.

But the kind of thing that I did look at with the California tax data is different types of businesses, and that is where, you know, the numbers were just devastating. You know, 91 percent of hotels closed down. More than 50 percent of clothing stores, more than 50 percent of restaurants closed. A lot of those are owned by minorities and immigrants in California, and so that is the real concern, is, you know, what is happening there.

Mr. DONALDS. A quick follow-up on that point. So, you know, since you have such rampant closures obviously in the State of California, could you specifically attribute that to the emergency regulatory environment put in place in California by Governor Newsom and, with respect to that, local city councils and local mayors in the State of California?

Mr. FAIRLIE. Well, it is attributed to two things, yes. One is the mandatory shutdowns for a lot of nonessential businesses. But the other is customers. Customers were nervous about going to businesses. Often they were very nervous about going to small businesses, small restaurants, places where they thought they might catch the disease.

And so that is where, you know, as I mentioned before, this kind of shift to online shopping has occurred, that, you know, individuals are worried about it, they are waiting to get the vaccine, they are waiting for this to get under control before they start to go back to small shops and small restaurants and back to kind of downtown areas.

Mr. DONALDS. My last question really is more so for the panel. I could get into $15 minimum wage, but I think it has been covered pretty extensively here, and I—you know, I think it is pretty clear in the record of what happens when you make major shifts to your minimum wage in a short period of time, even in normal economic circumstances, not to mention the current economic circumstances.

But what I would—my last question is really for the overall panel. Does the overall panel think it is appropriate for emergency regulatory orders to be essentially cast across an entire State with no reflection on whether it is an urban area, suburban area, or a rural area? And do you think that the impacts on suburban or rural areas in particular provide just as many disastrous impacts to small businesses as they would in an urban area?

Anybody can answer that one.

Mr. SCHOAPS. Well, I think that the effects of the COVID pandemic across the State—in our State, rural or urban, has been terrible, of course. I don't think the shutdowns would have affected us any more than they would have in a rural area or an urban area. So I don't—I don't really think there is any difference there. It is going to affect all small businesses the same.

Ms. KERRIGAN. I would just say on that, the one-size-fits-all approach, you know, that is—I mean, obviously that is a—that is a big problem, both when it comes to government index regulation, and certainly when it comes to this, is that it would be—would have been ideal if local governments and localities were given a little bit more flexibility and authority, you know, to make decisions based on local conditions.

So, anyway, one size fits all is—you know, obviously hurt a lot of small businesses in areas where the pandemic situation was much different than it was, say, in urban areas.

Mr. DONALDS. All right. I will yield back the rest of my time.

Thank you, Mr. Chairman.

Chairwoman VELÁZQUEZ. [Presiding.] The gentlelady yields back.

Now I will recognize the gentlelady from Florida, Ms. Maria Salazar.

Ms. SALAZAR. Thank you very much.

Chairwoman VELÁZQUEZ. Five minutes.

Ms. SALAZAR. Thank you, Chairwoman Velázquez, and thanks to all of you, and to all of the panel—the panelists that are willing to donate their time to enlighten us.

I come from Miami, Florida, district number 27, where 70 percent of the constituents are minorities, 80 percent of my businesses have less than ten employees, and 70 percent have less than five people. So obviously the impact has been brutal, specifically for the minority owners.

For that reason, I promised my constituents something that is very unusual, but I think very necessary as time passes—something called a prosperity center, and what is the prosperity center going to do?

Well, basically three things. Helping everybody find a new job or find a job, helping my constituents to learn some—learn something new. If they lost their job at the restaurant and they wanted to become a welder or an electrician, I could help them find those courses.

And, third, and for me the most important, the one that is closest to my heart, is to become a client of the Federal Government. I am sure that you guys are aware that the Federal Government has $175 billion available to be bought from goods and services made by minorities or for minority businesses.

So what we are going to be offering in the prosperity center is a variety of services that includes roundtables, job fairs, job training courses, offering the constituents computers, personal guidance for my staff, for them to be able to regain their economic lives.

So my question is for the overall panel: If you were to be in my shoes, what else would you be offering in that prosperity center in order to help those small business owners get back on their feet?

Ms. KERRIGAN. Well, I will just start by saying information is power, education is power, and I applaud you, you know, for putting this center together.

Ms. SALAZAR. Yep.

Ms. KERRIGAN. I would say that there are a lot of self-employed minority businesses, individual entrepreneurs that do not know they are eligible for PPP, EIDL programs, and that type of support. And, also, there is a lot of tax credits and tax incentives as well. To the extent that you can provide the technical information and the training to access these programs——

Ms. SALAZAR. Yep.

Ms. KERRIGAN.—I think would be vital.

Ms. SALAZAR. So, when you tell me tax credits and technical training, could you please expand on that?

Ms. KERRIGAN. Well, yeah. So, you know, in the CARES Act itself and in the year-end package, there—for PPP and both for individuals, there are—well, let's start with tax credits. There is tax credits for employers, but also there is tax credits for self-employed people. With PPP, there is rules for employers, and then there is rules for self-employed people.

Ms. SALAZAR. I want to stop you there for a minute. So what you are telling me is that the government will pay the employer to hire the employee?

Ms. KERRIGAN. Well, no. To maintain—well, and to hold on, you know, to their employee, right, so the employee retention tax credit, that they held onto that employee despite a drop in revenues, okay?

Ms. SALAZAR. Correct. So that means that the person keeps the job. So that is what we want.

Ms. KERRIGAN. That is exactly right. And so—and those tax credits became even more valuable, and they have been extended through June 30, I believe, of this year. But, also, individual self-employed people have access to these tax credits as well.

But they—again, many of these entrepreneurs and small business owners, they just need the technical expertise and the accountants and, you know, the people to help them get through these very complicated—not that it is complicated, but just the forms that they need, the financials that they need in order to take advantage of these programs.

Ms. SALAZAR. So the information is power, like you said, so now we got to another layer where we are going to be providing them sort of accounting for legal guidance so they——

Ms. KERRIGAN. Correct.

Ms. SALAZAR.—know how to find their way through the maze.

Ms. KERRIGAN. Through the maze, and then all the way, if it is a PPP loan, through the forgiveness process as well.

Ms. SALAZAR. Now, you kind of—that is one of the most important information that we could provide, PPP loans, or the info that comes with it, and where to look for opportunities—for tax opportunities?

Ms. KERRIGAN. That is right. There is a lot of them in, as I said, the CARES Act, and then things that were put in at the year-end package as well that was signed into law.

Ms. SALAZAR. We are going to make the Kerrigan Prosperity Center Division. Thank you.

Chairwoman VELÁZQUEZ. The gentlelady's time has expired.

Now we are going to go to a second round.

Professor Fairlie, so much has been discussed here regarding the impact that the minimum wage increase will have on small businesses. I would like to relate for the record here that, since nearly 70 percent of our economic activity comes from consumer spending, raising the minimum wage will put money back into consumers' pockets, back into our main streets, and back into our economy.

In fact, the Boston Federal Reserve data demonstrate that raising the minimum wage leads to increased spending on groceries, household necessities, and at local restaurants. Many of the businesses are saying that they need foot traffic, and that they need consumers to walk through their doors.

The reality is that, unless we successfully vaccinate most of the people in this country, consumers will not feel safe going into a restaurant, going into a mall, and spending their money.

There has to be synergy between being successful at vaccinating most of the people in this country and increasing the minimum wage so that we increase consumer spending. The people that are going to benefit from increasing the minimum wage are not going to go to Florida or Arizona and purchase a second home. They are going to go into the grocery store. They are going to go into the gas station or local restaurant. Small business owners see and know that this is the reality.

So, Mr. Fairlie, do you see any interconnection between being successful in terms of a national strategy of addressing and crushing the pandemic, the virus, and also infusing money into people's pocket so that they will go out and spend?

Mr. FAIRLIE. Yes. I mean, I think that, you know, one of the issues that we have been discussing in this conversation is about increasing the minimum wage, but the fact is the minimum wage has gone down over time. If you adjust it for inflation, what we have done is we have let it slip. And so the goal here is to bring it back to where it was in the past.

It is one of the only things the Federal Government does that is not indexed for inflation. You know, some other benefits are often indexed for inflation, but the minimum wage is not. And, when you look at the numbers, someone getting paid at the next round, you know, a little over $9 an hour, you multiply that by a full-time worker over the entire year, they are still under the poverty line—the Federal poverty line.

So there is issues there about, you know, well, what is a reasonable amount of money that someone should get in a job? And, if they do get that reasonable pay, then they will put that money back, as you are saying, in the local economy. They will spend it. That will increase their income, and it will just shift some income over to these—you know, these low-wage workers.

Chairwoman VELÁZQUEZ. Thank you. Thank you.

Now I recognize the Ranking Member, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Madam Chair.

And I would like to thank the witnesses today, too, for hanging in there. I appreciate your time and your expertise. You have been great.

This responds to a couple of comments that were made by some of the members. A couple of them talked about the fact that the Raise the Wage Act was phased in, and I mentioned that, or at least I—in the report that I asked to put into the record, which is an NFIB Research Center report, it is a report on the Raise the Wage Act, which is phased in. But the report takes into account the phase-in of the minimum wage, and still winds up with 1.6 million jobs being cut and a real output loss of $2 trillion.

You know, I understand the need for the minimum wage, and I think, to me, it is a testimony on the lack of an economy. When you see the economy going down or stagnating, that is the time whenever there is the need for—that is where the argument can be made, anyway, for the need for a minimum wage. When the economy is growing, you don't need a minimum wage.

We had 1.2 million more jobs right before the pandemic hit. They needed people to fill them, and we didn't need a minimum wage. Why? Because there was a competition for the workers. The wages were going up. That statistically shows that, across the board, every demographic was improving wage-wise as well as with unemployment numbers going down.

So we can have an argument on the minimum wage for a long time. I am more than happy to get into that.

Dr. Fairlie mentioned in response to my question a while ago with regards to the lockdowns, do populations live differently between New York and Florida? I didn't have time to really go into a response to that.

But my response to it is: Yes, they live in a—perhaps a little differently the way they are spread across their State, but Florida had or New York had twice as many people die from COVID as Florida did, and yet their own survey—New York's own survey shows that the cause of the cases of COVID were not from businesses. 1.4 percent from restaurants, less than 1 percent from personal hair care folks.

That is my point, is that the lockdowns were minimally effective, at best, with regards to keeping COVID cases down, and yet the suffering by the small business community is devastating, as given by my State, Missouri, which did not lock down anytime after November, or mid-May. Some communities did. Some of them didn't. But, in the process, we have got a 5 percent increase in revenues and a 4.4 percent unemployment rate.

So that is my point in making this, is that it goes back to leadership in the States and the devastating effect that it has on small businesses and the jobs that are there for those small businesses.

With regards to my question to Mr. Schoaps with regards to his banking relationships, I appreciate his comment. Obviously he has got a good relationship with it—with his banker, but perhaps part of it could be because, in the first COVID bill and the second bill as well, we had provisions in there to suspend the TDR, troubled debt restructuring rule, which helped banks and credit unions be able to accommodate more lenient terms for their customers with regards to how they can approach this, with regards to the regulators not going in and forcing the banks to foreclose on people.

So I think—you know, Ms. Kerrigan, I have gone on here a little bit, but I wanted to clarify some of those things, because I think it is really important to understand the precise problems that we are talking about here and the solutions that were in the CARES Act, for instance, with regards to the troubled debt restructuring rule and CECL, for instance.

So can you explain to me what you have seen or what you think is happening here with regards to the small businesses being worked with as a result of the TDR extension and banks and their customers?

Ms. KERRIGAN. I think that a lot of the changes that have been made to PPP have just been very, very important for small businesses, really responded, you know, to many of their needs. And so, you know, we, you know, applaud the Congress and this Committee's leadership, you know, for making that happen.

And moving forward, I mean, I think it is just really important that we continue to identify [inaudible] as well as opportunities, you know, in this next round as it goes out the door to make other changes, and maybe—as they may be needed where we are in the pandemic right now. So—and I look forward to working with you on those.

Mr. LUETKEMEYER. My time expired. Thank you.

Chairwoman VELÁZQUEZ. The gentleman's—the gentleman yields back.

I now will recognize the gentleman from Maryland, Mr. Kweisi Mfume, for 5 minutes.

Mr. MFUME. Thank you, Madam Chair. At this time, I will not take the whole 5 minutes. You were very gracious.

I would like to go back to the point I was making with respect to innovation and finding a way to create more capital opportunities, and I didn't get a chance to get to Ms. Pinder. And, Ms. Pinder, thank you very much. It is good to see you again. I appreciate, whether it is this Committee or other Committees, your willingness always to come before members of the House and to share your perspective.

Some of the numbers you gave are a bit startling. I guess for those of us who have watched this closely, maybe not as startling, but the number of minority owned businesses that are Black, Latino, Asian, that have pretty much gone under, those that are facing severe budget drains, and those, quite frankly, looking for capital—innovative capital initiatives coming out of the government.

The Mentor Protege Program is something that I originally wanted to talk to you about, but hearing your testimony, I wanted to go into your suggestions that we look at the Defense Production Act, which the current administration is looking at; specifically, Title III with respect to targeted investment initiatives that would create the kind of wave under the small businesses that we are talking about that will allow them to sail into the future.

I assume you have got some specific ideas there, and if you could take a moment to talk to the Committee about some of the things you think that we ought to be arguing for and making a case for under the Defense Production Act, specifically Title III, as this administration looks at enacting that. That would be very helpful.

Ms. PINDER. Thank you, Congressman.

I think that part of what we can examine is showing a preference—using that vehicle by showing a preference for sole source provision and 8a.

I am having some audio issues. Can you hear me okay?

Mr. MFUME. I can hear you.

Ms. PINDER. Okay. By expanding use of sole sourcing with provision under 8a, I mean using that act to do that.

It is an opportunity to look at, as we—as we talked about businesses pivoting as a result of COVID, the manufacturing industry, of which, under the Defense Act, has supported in the past, you know, can we take the opportunity to help engage minority businesses in manufacturing? An idea that we have been discussing is looking at maybe some foreign investments in order to do that, looking at companies that would want to invest in U.S., having that partnership, whether it is through teaming agreements and joint ventures, with minority businesses, and having that as an entre into the manufacturing world.

And so it is looking at that and looking at Buy American as to how do we pivot some of these companies to help with—I am sorry—to help with supporting our minority businesses.

The other thing that I think we need to take into consideration, Congressman, is the partnering with the private sector. You know, my organization, the Capital Region Minority Supply Development Council, which is part of a national network, is—you know, I think that partnership in with—with private-sector organizations can help in writing what some of our businesses are doing with support of capital.

I do apologize. I am having all kinds of issues here.

So that is—that is basically what I was talking about.

Mr. MFUME. Okay. Okay. Thank you.

Before you conclude—and the Chair will interrupt in just a second, because time is running out. You had mentioned Title IV also of the Defense Production Act, which concerns me, because I think it is something a lot of people are not looking at, and what you have talked about specifically was reworking the 8a program.

If you could get back to the Committee in writing with some of your thoughts, suggestions, or ideas are in terms of rewriting or reworking that 8a program, that would be very, very helpful, and I would appreciate it.

Ms. PINDER. No. I appreciate the—I appreciate the opportunity.

Chairwoman VELÁZQUEZ. Gentleman's time——

Mr. MFUME. Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. Thank you. Oh, he left?

Okay. Well, thank you again to our witnesses for the testimony. We appreciate all you have shared with us. As Congress continues to debate additional COVID relief for small businesses, it is clear the time to act is now. Big and bold relief is needed, and it should be targeted to small firms and industries that need it the most.

As we continue to vaccinate more and more Americans, we move closer to the end of this crisis, but we are not there yet. Until that happens, small businesses will struggle to return to pre-pandemic performance, and they will need our support.

That is why targeted EIDL grants for micro businesses left out of PPP, supporting those hardest hit sectors of the small business economy, and improved entrepreneurial development and government procurement programs are so vitally important.

I 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 before the Committee, we are adjourned.

[Whereupon, at 12:35 p.m., the Committee was adjourned.]

APPENDIX

The State of the Small Business Economy in the Pandemic

U.S. House of Representatives Committee on Small Business

February 4, 2021

Testimony by:

Robert W. Fairlie
Professor of Economics
University of California, Santa Cruz

Thank you, Chair Velázquez, Ranking member Luetkemeyer, and members of the Committee. It is an honor to testify before you on the state of the small business economy. I am a Professor of Economics at the University of California, Santa Cruz and have studied entrepreneurship, racial inequality and small business policy for over 25 years. I have been asked to discuss the findings from my research on the impacts of the pandemic on small business owners.

Small businesses across the country are struggling. Minority-owned businesses are especially struggling.

As you know, obtaining up-to-date and accurate information on the effects of the pandemic on small business owners has been extremely difficult. I have spent the past eight months compiling and analyzing data on how small businesses are faring during the pandemic.

I have focused my research on three main questions. First, what happened to small business owners? Did the pandemic disproportionately close minority-owned businesses? Second, how much did small businesses lose in sales during the early stages of the pandemic? What types of businesses were hit the hardest? Third, did the massive, unprecedented levels of government relief for small businesses through the PPP and EIDL programs get distributed evenly to minority communities?

Small Business Activity in the Pandemic

On March 19, 2020, the State of California imposed shelter-in-place restrictions with New York State following the next day. By early April most states imposed social distancing restrictions that closed "non-essential" businesses and added to consumer health concerns in the emerging pandemic.

In my research, I found that the number of active business owners in the U.S. plummeted by 3.3 million or 22 percent over the crucial two-month window from February to April 2020 (Figure 1).[1] No other one-, two- or even 12-month window of time has ever shown such a large change in business activity. For comparison, from the start to the end of the Great Recession the number of active business owners dropped by only 5 percent.

African-American businesses were hit the hardest experiencing a 41 percent drop in business activity (Figure 2). Latinx business owner activity fell by 32 percent, and Asian business owner activity dropped by 26 percent. Unfavorable industry concentrations and the smaller scale of businesses owned by minorities were partly responsible.

Extending the analysis into May and June small business activity partially rebounded in both months. But, the disproportionate impacts from COVID-19 by race lingered. African-Americans continued to experience the largest losses, with 26 percent of business owners still not active in May and 19 percent not active in June. Job losses were also

[1] Fairlie, Robert W. 2020. "The impact of COVID-19 on small business owners: The first three months after social-distancing restrictions." *Journal of Economics & Management Strategy*, 29(4): 727-740.

much higher for minority workers.[2] Black unemployment hit a peak of 17 percent and Latinx unemployment hit a peak of 18 percent.

Although many of the closures in April, May and June turned out to be temporary, any month of closure is problematic because it reflects lost income to the owner of the business. The owner still has to pay rent, some employees and other expenses.

Sales Losses in the Pandemic

It has been especially difficult to figure out how much small businesses have lost in sales and revenues in the pandemic. We suspect that losses have been great but data on actual losses in sales are difficult to find.

Using taxable sales data from the California Department of Tax and Fee Administration, we found average sales losses of 17 percent in the second quarter of 2020. Normal year-over-year growth is in the range of 3-4 percent.[3] Sales losses were largest in businesses affected by mandatory lockdowns. For example, hotels lost 91 percent, restaurants lost 61 percent, and clothing stores lost 56 percent (Table 1).

The losses among so many different types of businesses are disconcerting, but perhaps even more troubling are consumer trends away from in-person stores to shopping online. At the same time in-store purchases were sharply declining online sales grew by 180 percent in the second quarter of 2020.

The large losses in sales in the second quarter of 2020 are worrisome for the longer-term survival of small, local businesses throughout the country. Although larger stores and chains with a strong online presence may survive, many small businesses will not have the resources to weather a prolonged recovery. Recent Census Bureau surveys indicate that only 15-20 percent of small businesses have enough cash on hand to cover 3 months of operations.[4]

Financial Help to Small Businesses in the Pandemic

One of the stated goals in the CARES Act was to prioritize serving "underserved markets" and businesses owned by "socially and economically disadvantaged individuals." Did the PPP and EIDL programs, which were key components of the CARES Act, get distributed to minority communities providing much needed help to the businesses, employees and residents of those communities?

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[2] Couch, Kenneth A., Robert Fairlie, and Huanan Xu. 2020. "Early evidence of the impacts of COVID-19 on minority unemployment." *Journal of Public Economics* 192.

[3] Fairlie, Robert, and Frank Fossen. 2021. "Sales Losses in the First Quarter of the COVID-19 Pandemic: Evidence from California Administrative Data," NBER Working Paper No. 28414.

[4] U.S. Census Bureau. 2020. "Small Business Pulse Survey," https://portal.census.gov/pulse/data/.

Using data on 15 million individual loans, we found that funding from these relief programs both flowed to minority communities and away from minority communities.[5] If anything we found a slightly positive relationship between PPP loan receipt per business and the minority share of the population. There is some evidence, however, that the first round of funds was disproportionately distributed to non-minority communities and the second round of funds was disproportionately distributed to minority communities. When focusing on PPP loan amounts per employee, however, we find a negative relationship with minority communities. In contrast, EIDL loans and advances, in both number and amounts, were provided to minority communities.

Recent Reversal of Progress for Business Owners

In my continual work tracking how small businesses are doing in the recovery I recently found some alarming trends. From April to October there was constant month-to-month improvement in business activity, but in November and December that pattern reversed. From October to December small business activity dropped by 6 percent (Figure 3).[6] For minority owners the drop was from 5-10 percent (Table 2).

Vulnerable Groups

The losses that I have described here are especially alarming for two vulnerable groups, African-Americans and Latinx. Prior to the pandemic, business ownership as a share of the population and average revenues per business were already low for both groups.[7] But, perhaps more importantly there is a huge wealth gap. Half of black families in the U.S. have less than $10,000 in total wealth and half of Latinx families have less than $25,000 in total wealth. White levels of wealth are 7 to 18 times higher. Many minority business owners will simply not have the financial resources to weather prolonged closures.

Four things that could help.

I would like to turn to discussing what could help us move forward.

1. First, consumers need to feel safe again. The number one priority for helping small businesses is to get the vaccine out faster. People are anxious to get back to restaurants, bars and shops. Pent-up demand should help kick start the small business recovery.

2. Second, more financial assistance is needed for small business owners especially during the next few months. In particular, rent relief and protection could be crucial for survival.

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[5] Fairlie, Robert, and Frank Fossen. 2021. "Did the $660 Billion Paycheck Protection Program and $220 Billion Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?" NBER Working Paper No. 28321.

[6] See https://people.ucsc.edu/~rfairlie/current/.

[7] Fairlie, Robert. "Racial Inequality in Business Ownership and Income" *Oxford Review of Economic Policy*, 34(4): 597–614, 2018. Fairlie, Robert and Alicia Robb. *Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States*, Cambridge: MIT Press, 2008.

3. Third, we need to slow down the extensive shift to online shopping which was happening prior to the pandemic. This trend is unlikely to stop. Small businesses need to have more of an online presence. Aid in the form of web page assistance could be useful. Search engines could prioritize local small businesses instead of online retailers and big box stores.

4. Fourth, the federal government needs to collect more data on race in their relief efforts. Demographic information was only partially and unevenly collected in the first two rounds providing PPP funds, and there was much criticism for this omission. The information is crucial for future research on equity issues. Additionally, collection of information on applications for loans that were denied would useful.

In closing, we need to reverse the negative impacts of the pandemic on minority-owned businesses. These losses are problematic for broader racial inequality because of the importance of small businesses for local job creation, economic advancement, and longer-term wealth gaps. Losses from the pandemic are also very costly to total U.S. productivity as minority-owned businesses represent the fastest growing segment of the business population. Finally, we will lose the vibrant downtowns with diverse restaurants and shops that truly make America great.

Thank you for the opportunity to present the findings from my research on this topic. I look forward to hearing your comments and questions.

Figure 1
Number of Active Business Owners in the United States (January 2000 - April 2020)

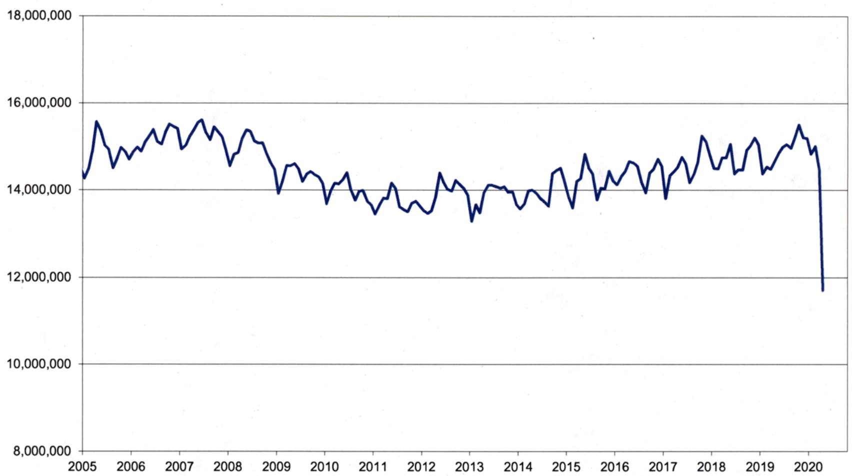

Figure 2: Losses in the Number of Active Business Owners before and after COVID-19 Restrictions (February to April 2020)

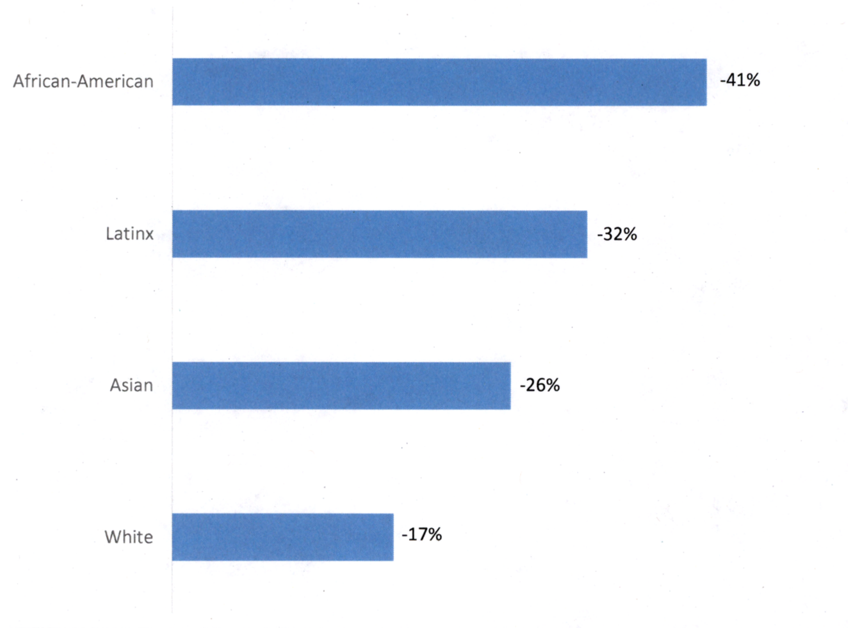

Figure 3
Number of Active Business Owners in the United States (Jan. 2019 - Dec. 2020)

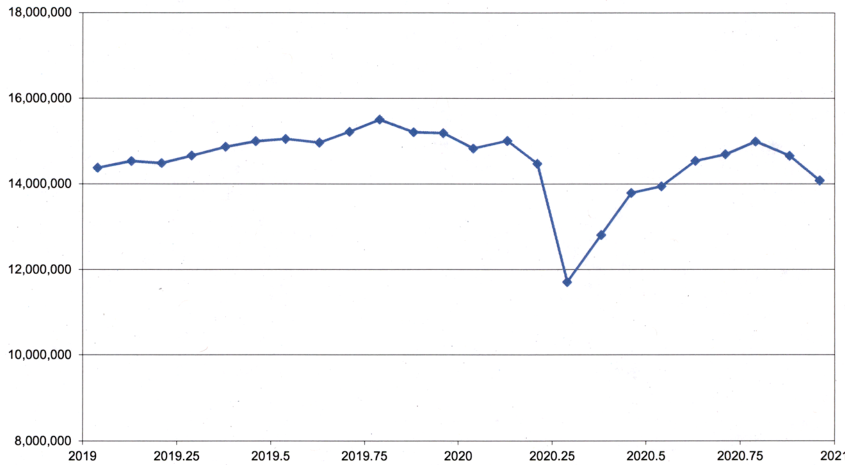

Table 1: California Taxable Sales Losses by Subsector Business Types

Business Type	Percent Change 2019Q2 to 2020Q2	Taxable Transactions Amount
Total All Outlets	-17	152,362,296,481
Total Retail and Food Services	-17	105,528,311,167
Motor Vehicle and Parts Dealers	-15	19,294,245,937
New Car Dealers	-16	13,661,226,032
Used Car Dealers	-27	2,017,580,937
Other Motor Vehicle Dealers	11	1,546,237,177
Automotive Parts, Access. and Tires	-3	2,069,201,791
Furniture and Home Furn. Stores	-18	2,625,229,637
Furniture Stores	-28	1,532,455,251
Home Furnishings Stores	3	1,092,774,386
Electronics and Appliance Stores	-14	3,663,719,124
Building Material and Garden Equipmei	12	12,248,068,380
Building Material and Supplies Deal‹	13	11,064,090,950
Lawn and Garden Equipment and Su	7	1,183,977,430
Food and Beverage Stores	2	7,584,295,812
Supermarkets and Other Grocery Stc	5	5,209,119,995
Convenience Stores	-12	841,092,239
Specialty Food Stores	-40	202,729,466
Beer, Wine, and Liquor Stores	10	1,331,354,112
Health and Personal Care Stores	-11	3,414,123,225
Pharmacies and Drug Stores	7	2,024,226,564
Other Health and Personal Care Stor	-28	1,389,896,661
Gasoline Stations	-47	7,737,896,946
Clothing and Clothing Access. Stores	-54	4,744,372,982
Clothing Stores	-56	3,640,766,921
Shoe Stores	-38	648,398,066
Jewelry, Luggage, and Leather Good	-61	455,207,995
Sporting Goods, Hobby, Mus. Inst., Boo	-20	2,010,965,666
Sporting Goods Stores	0	1,257,390,598
Hobby, Toy and Musical Instrument !	-30	553,514,156
Book Stores and News Dealers	-55	200,060,912
General Merchandise Stores	-10	12,522,013,242

Business Type	Percent Change 2019Q2 to 2020Q2	Taxable Transactions Amount
Miscellaneous Store Retailers	-17	4,418,659,674
Florists	-39	103,717,354
Office Supplies and Stationery Stores	-22	642,964,260
Gift, Novelty, and Souvenir Stores	-58	197,790,991
Used Merchandise Stores	-44	144,130,178
Other Miscellaneous Store Retailers	-8	3,330,056,891
Nonstore Retailers	181	13,273,550,077
Food Services and Drinking Places	-47	11,991,170,465
Special Food Services	-76	292,967,418
Drinking Places (Alcoholic Beverages)	-86	65,185,094
Full-Service Restaurants	-61	4,454,731,382
Limited-Service Eating Places	-25	7,178,286,571
Total All Other Outlets	-19	46,833,985,314
Agriculture, Forestry, Fishing and Hunting	40	325,549,091
Mining, Quarrying, and Oil and Gas Extraction	-29	139,003,233
Utilities	0	364,305,709
Construction	-17	2,305,307,376
Manufacturing	-13	11,005,456,107
Wholesale Trade	-17	18,392,665,466
Transportation and Warehousing	-40	408,491,412
Information	-9	1,960,180,852
Finance and Insurance	-6	340,123,180
Real Estate and Rental and Leasing	-19	5,872,138,743
Professional, Scientific, and Technical Service	0	1,893,493,925
Management of Companies and Enterprises	-18	6,432,654
Administrative and Support and Waste Man. ǝ	-39	597,633,328
Educational Services	-47	163,539,655
Health Care and Social Assistance	-15	286,043,742
Arts, Entertainment, and Recreation	-83	188,119,522
Accommodation	-92	94,715,762
Other Services (except Public Administration]	-31	2,145,100,206
Public Administration	-11	103,363,587
Others	59	242,321,764

Table 2: Change in Number of Active Business Owners in the United States (Minority Groups)

	African-American				Latinx				Asian			
		Relative to:				Relative to:				Relative to:		
			Month in	Reg.			Month in	Reg.			Month in	Reg.
	Number	Feb. 2020	Prev. Yr.	Adjusted	Number	Feb. 2020	Prev. Yr.	Adjusted	Number	Feb. 2020	Prev. Yr.	Adjusted
Feb. 2020	1,079,116	0%	2%	0%	2,070,896	0%	5%	0%	888,528	0%	-1%	0%
Mar. 2020	1,074,478	0%	13%	-6%	1,936,739	-6%	-3%	-4%	936,072	5%	4%	6%
Apr. 2020	637,769	-41%	-38%	-52%	1,412,925	-32%	-28%	-32%	657,896	-26%	-36%	-29%
May 2020	798,668	-26%	-23%	-35%	1,668,254	-19%	-14%	-20%	700,393	-21%	-24%	-24%
June 2020	872,717	-19%	-24%	-28%	1,855,026	-10%	-4%	-8%	798,811	-10%	-14%	-10%
July 2020	974,093	-10%	-18%	-18%	1,851,702	-11%	0%	-10%	809,922	-9%	-5%	-7%
Aug. 2020	1,084,869	1%	-2%	-5%	2,009,642	-3%	2%	-3%	794,433	-11%	-11%	-9%
Sept. 2020	1,103,761	2%	-6%	-6%	2,093,925	1%	0%	0%	741,249	-17%	-12%	-20%
Oct. 2020	1,153,326	7%	-3%	-4%	2,130,408	3%	1%	-1%	758,205	-15%	-5%	-17%
Nov. 2020	1,115,874	3%	0%	-5%	2,169,500	5%	-1%	-2%	692,402	-22%	-16%	-27%
Dec. 2020	1,046,956	-3%	-10%	-12%	2,004,637	-3%	-1%	-7%	713,485	-20%	-20%	-23%

Notes: (1) Estimates are continuation from those reported in Fairlie, Robert. 2020. "The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions" *Journal of Economics and Management Strategy* . (2) Reg. Adjusted estimates are based on regression analysis accounting for trends and seasonality (monthly).

Capital Region
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Written Testimony of
Sharon R. Pinder
President of the Capital Region Minority Supplier Development Council
Operator of the MBDA Business Center, Washington, DC and the Federal Procurement Center
Before the
U.S. House of Representatives
Committee on Small Business

Rayburn House Office Building Room 2360 and Cisco WebEx
February 3, 2021 10:00 a.m.

Good Morning Chairwoman Nydia Velazquez, Ranking Member Representative Blaine Luetkemeyer and the distinguished members of the Committee on Small Business. It is an honor to provide testimony at the hearing entitled "**State of the Small Business Economy in the Era of COVID-19**".

Background
I am Sharon Roberson Pinder, President, and CEO of the Capital Region Minority Supplier Development Council (CRMSDC). I also serve as the Operator of two grants from the U.S. Department of Commerce, Minority Business Development Agency (MBDA). We operate the MBDA Business Center, Washington, DC, and the MBDA Federal Procurement Center.

The Capital Region Minority Supplier Development Council is one of twenty-three regional affiliates of the National Minority Supplier Development Council (NMSDC). The National Minority Supplier Development Council is the nation's only minority business certifying body for the private sector. Nationally, we have 1,400 major corporations as members and 13,000 certified minority business owners as our suppliers. Our mission is to assist our corporate members in improving the diversification and innovation of their supply chains by connecting them to well developed, competitively viable, certified minority business enterprises.

The significance of the establishment of NMSDC is that it was built on the idea of economic development and wealth creation in minority communities. It was the hope of NMSDC's corporate founders that an employed minority community and a vibrant minority business community would help to generate income that could be spent by that community to buy the products and services from corporate America. To get a perspective about the history of CRMSDC, please view this brief history video: https://www.youtube.com/watch?v=7euJ7XSUz40

Pre-COVID-19, on a national level, our NMSDC-certified minority businesses generate more than $400 billion in economic output that resulted in the creation

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and preservation of 2.2 million jobs and $49 billion in revenue to local, state, and federal tax authorities. COVID-19 has decimated many of our businesses.

Our MBDA Business Center, Washington, DC, and the Federal Procurement Center serves minority-owned firms seeking to penetrate new markets – domestic and globally, can access business experts at our MBDA centers. We provide services to minority-owned businesses, whether it's securing capital, competing for a contract, identifying a strategic partner, or navigating the complexities of the federal government.

The Business Center operated by CRMSDC, one of 37 in the US, works to help access federal, state, and local as well as corporate contracts. The Federal Procurement Center, the only one in the US, provides support to find federal contracts.

Over the last fifty years, MBDA has been operating or authorized under an Executive Order. As such it is subject to elimination any time. It is for this reason that we support the work being done by Senator Ben Cardin to establish MBDA as a statutory agency with consistent funding. It also gives MBDA increased authority to advocate more strongly for minority business inclusion in federal contracting.

My experience as an advocate in the supplier diversity space spans over sixteen years. Whether it was my tenure in state government, local government, or in the private sector, I've learned two important lessons…

- Public policy defines the behavior in the marketplace
- Diverse Demographics will define the future picture of the American economy.

Given the inevitable shift in demographics across this country, it is imperative that we prepare for the future by ensuring the viability and sustainability of our minority businesses.

Len Greenhalgh in this book, "Minority Business Success – Refocus on the American Dream", says that America is at a point of crisis. "Minorities are poised to become the majority population group, but have not been allowed to make their proportional contribution to the American economy to push the recovery (referencing the 2008 recession.) We need their contribution to boost the nation's output of goods and services and preserve our place in the global marketplace. The White population is declining along with their percentage of GDP. Minorities are increasing their percentage of the population and if their current productivity stays the same, the national GDP will fall as minority contribution to the tax base, buying power, education level, etc., will not be able

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to participate fully in the service/knowledge economy of the future nor, in general, sustain the US position in the global economy.

COVID 19- The Impact on Minority-Owned Businesses

We've all heard that when America catches a cold, minorities catch pneumonia. Well, it's now worst. America has COVID-19 and both minorities and their businesses are dying at dramatic rates. Just like many minority individuals have pre-existing health conditions, most minority businesses have faced pre-existing discriminatory conditions that show up in access to capital, opportunities, mentorship, and technical training.

The COVID-19 crisis is affecting small businesses across the board. There are 1.1 million minority-owned employing more than 6.3 million people, generate more than $1.8 trillion in revenue annually. Women own nearly 300,000 of them, employing 2.4 million workers.

COVID-19 disproportionately affects minority-owned small businesses for two critical reasons:

- they tend to face underlying issues (business co-morbidities) that make it harder to run and scale successfully, and
- they are more likely to be concentrated in the service and health industries most affected by the pandemic.

Rick Wade, from the US Chamber of Commerce, commented on CNN, "racial equality is a national imperative and a matter of American competitiveness." He also quoted the Kellogg Foundation, stating the minority community is worth $8T to the Nation's economy by 2050. This is 1/3 of the current value of the economy which is $20.8T**. The loss of 41% of the minority businesses so far from the pandemic puts the Nation at risk. [National Bureau of Economic Research, (Feb-Apr 2020)]**

As we examine and reflect upon the state of small minority business, we have to factor in the impact of social injustice during 2020. In the wake of protests around racial injustice, Black-owned businesses were especially impacted. The COVID-19 pandemic has amplified systemic injustices facing minority groups, women, immigrants, and individuals living in poverty. For example, in the U.S., the Black Lives Matter movement has called new attention to the systemic racism facing Black and minority communities. According to the Global Impact Investing Network (GIIN), "Many of these injustices are entrenched in political systems and social norms – and many are reflected in the economic structures that influence wealth-generating activities and shape wealth distribution....."

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According to a report by McKinsey & Company "Of all vulnerable small businesses, minority-owned ones may be most at risk. Many were in financially precarious positions even before COVID-19 lockdowns, and minority-owned small businesses often are in industries more susceptible to disruption. Ensuring that these businesses survive in the current circumstances will require fundamental shifts in how private-, public-, and social-sector organizations come together to support them."

Strategies and Recommendations

Cash reserve and short term liquidity is paramount for all small businesses, but the challenges are more acute for the most vulnerable ones. Immediate relief in the form of grants, loans, subsidized access to legal advice, professional assistance to negotiate with creditors or landlords, and free-advertising credits could help minority-owned small businesses respond to the pandemic and protect their employees. Community-relief funds could provide short-term support to businesses with reduced revenues. Large companies could also offer emergency grants to support small businesses in crisis.

Accessibility is critical to ensure that the previously mentioned measures deliver impact. In some instances, public institutions may need to improve and tailor their delivery mechanisms so that they reach minority-owned businesses and address their specific needs. Similarly, all those willing to help, including government agencies, not-for-profit organizations, and private-sector companies, may need to review their outreach programs and educational campaigns to increase awareness around the types of assistance they offer. They may also see opportunities to make their programs and services more user friendly and accessible.

By now, we are all familiar with the chaos around the first round of the Payroll Protection Program. African-American and Latino-owned businesses were left out due to the lack of relationships with bigger banks. When new funds were made available, more community-based lending organizations with the goal of reaching more businesses in the underserved communities.

An example of need – This past December our national organization initiated a program that offered small grants ($5,000) to our certified minority businesses. The funded program was a result of contributions from our corporate members. The number of requests from our MBEs was overwhelming. For us, it was problematic that we could not begin to address the need. Using this experience as a benchmark, I can safely say that over 75% of our businesses remain in need of support during these challenging times.

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Magic Johnson Enterprises collaborated with MBE Capital Partners to offer $100 million in loans to minority and women-owned companies hurt by stay-at-home orders due to COVID-19. The loans were funded through Johnson's EquiTrust Life Insurance Company and will be provided through the SBA's Paycheck Protection Program.

Defense Production Act

The DPA statute is one of the country's most powerful laws for federal intervention in national commercial activity. Passed in 1950 in response to the Korean War, the Act has been reauthorized over 50 times, most recently in 2020. The DPA continues to serve a vital role in empowering the president to protect the country against shortages of critical goods, services and materials necessary for national defense or civil emergency response. The DPA creates incentives for companies to contribute to the crisis response by innovating new uses of their productive capacities and supplier networks.

Title III of the act establishes the president's authority to invest in specific industries. The goal of Title III is to expand the domestic capacity and supply for defense-related materials. If triggered here to fight the virus, as was suggested, but not done under the prior administration, one would expect that direct investment into industries fighting the virus would be accomplished. Manufacturing of vaccines, personal protective equipment, and other products to fight the virus is clearly critical and in the national interest. The idea of investment in business development would be critical to jump-starting minority businesses into manufacturing. This would create a tremendous boom to the economy as manufacturing has a high barrier to entry. At the same time, the benefits are great – high employment and delivery of critical supplies to the economy.

Under Title III, the DPA could be used to invest in minority businesses, since in the long term, there is a threat to national security with the large number of minority businesses that are failing. Unemployment breeds hunger, homelessness, lack of medical care – all of which could lead to unrest. More importantly, DPA could be a vehicle that allows the President to direct financial resources to minority businesses in order to protect this segment of the economy. This could include no-interest loans like those provided to businesses that need to ramp up for defense work.

Example:
The State of Maryland recently implemented a COVID-19 Small Business Relief Grant and Loan Programs. The loan program provides loans from $50,000 to $250,000 with interest rates of 0– 2% over 5 years. The federal government

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could provide no-interest loans. With the probability that the PPP will not cover all business costs (i.e. pending delayed business leases, home mortgages, equipment leases), businesses will have difficulty ramping up (getting back employees and resources). It is imperative that minority businesses have access to no-cost capital. If necessary to gain acceptance, the no-cost loan could be on a sliding scale based on the amount, (e.g., no interest for up to 5 years after which it becomes a very low cost loan similar to the 30-year SBA loans.)

Title VII of the DPA includes an assortment of provisions further extending the executive branch's powers of economic mobilization and regulation. It also includes a section that establishes a preference for small business contractors in DPA programs. *Section 108 directs the president to show a strong preference for small businesses, especially in underemployed areas when using these authorities.* Showing a preference for minority businesses as a subset of small businesses by expanding use of the sole source provisions of the 8a program would put more money into those minority businesses that compete in both the federal and private sectors. Their federal contracts would help keep them afloat while the private sector contracts come back.

It is feasible that the federal government can increase it's purchases from minority businesses in sole-source contracts under DPA. The Biden/Harris Administration could also set and enforce requirements for large contractors to effectively use minority businesses on all DPA contracts. Note that federal procurement only has minority procurement support in the SBA 8a program which covers a small number of businesses for 8 years. After that minority businesses have to compete with all other businesses within certain size standards. It should be noted that discrimination does not stop in the procurement process regardless of size. The ability to get capital remains a problem for the largest minority businesses. This was confirmed by one of my MBDA Business Consultants. A $200 million firm was still being denied expansion and merger loans even though his credit was impeccable.

Buy American

While the concept of Buy American has been around since 1933, we are excited by President Biden's Buy American Executive Order. First, it will include all federal procurement and not be limited like the 1982 Buy American program in the transportation-only area. The new executive order to Buy American represents a boost for American small businesses after suffering through four years of erratic trade wars and economic policy geared toward fulfilling large corporations' desires. The order will also produce new opportunities for small firms by directing agencies to connect with American small and medium suppliers who can meet their contracting needs. We hope that it will be implemented in a manner that is advantageous for minority businesses.

Capital Region
Minority Supplier
Development Council

According to the www.whitehouse.gov, "the dollars the federal government spends on goods and services are a powerful tool to support American workers and manufacturers. Contracting alone accounts for nearly $600 billion in federal spending". As it relates to minority businesses, we would like to conceptually provide additional areas for Congress to review, that would allow the US to continue to invest in the development and growth of American minority-owned businesses. Particularly in the area of Advanced Manufacturing. Developing manufacturing jobs in minority or underserved communities can create sustainable economic development and blunt the negativity of gentrification in our urban core.

Example: In compliance with the Buy American Executive Order, we propose a strategy that has national implications. It involves OEM teaming up with foreign manufacturing companies to produce and manufacture goods and services in partnership (i.e. teaming, joint ventures, and mentor protégé relationships) with US-based minority-owned businesses. Such a joint venture could introduce a pathway for foreign businesses who want to move their organizations to the US, an avenue to do so, and, at the same time provide resources and increase support to the development of minority businesses. In unification with President Biden's "commitment to increase investments in manufacturing industries and workers in order to Build Back Better", we believe such an undertaking would create a foundation upon which many future American minority businesses can build.

Chairwoman Velazquez, I am very pleased to have submitted this testimony. The Capital Region Minority Supplier Development Council and its board of Directors stand ready to support your House Small Business Committee in its work to help build small and minority businesses in the US. We can also serve as a conduit of information to our sister organizations throughout the country in support of your initiatives.

The State of the Small Business Economy in the Era of COVID-19 is not good and the state of minority business is worse. Therefore, we must make righting this a national imperative. Why, because nothing less than America's competitiveness – now and post-COVID-19 is at stake.

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COMMITTEE ON SMALL BUSINESS
"STATE OF THE SMALL BUSINESS ECONOMY IN THE ERA OF COVID-19"
Written Testimony by Stephen R. Schoaps
February 4, 2021

My name is Steve Schoaps. My wife and I own Strother Cinema, a small two screen movie theater in Seminole, OK. Seminole is a small town in rural Oklahoma that has been hard hit by COVID-19, like many other small towns across America. We are an integral part of our community and it has amazed me that, with everything going on in our town and across our country, people call me or talk to me everywhere I go asking if we are okay and when are we going to open the theater again. I guess I didn't understand how much people cared about us and the service we were providing for our community before all of this. Now I do.

We are hurting like most other theaters across America, from small town single screen theaters to megaplexes in the big cities. The pandemic has basically wiped out our business. According to estimates from the National Association of Theatre Owners, 75% of movie theater companies will be insolvent before this Spring unless they receive financial aid. 95% have experienced revenue losses greater than 70%. Nationwide, 63% of jobs in theaters have been lost to furlough or permanent layoff. Oklahoma has lost 45% of the jobs in movie theaters.

But while all theaters are being hit hard, small theaters are being hit particularly hard. Small theaters don't have the financial assets that most larger theater companies have at their disposal or the ability to take on much more debt. In many instances, small theaters struggle to cover day to day operations even without the pandemic breathing down our necks. We're used to operating on a shoestring budget, but we're staying afloat and will do whatever it takes to stay in the communities we love. And now that the pandemic has hit us, that task is even more daunting.

It started out that people were just scared to go to the movies. But we put in place comprehensive cleaning procedures and social distancing policies that made our auditoriums and lobbies safe. But then the movies stopped coming. The film slate coming from Hollywood dried up, through studio closures and the studios reluctance to take chances with movie assets that are worth billions of dollars.

Comparing our theater's 2019 revenues to the same time period in 2020, we have seen a 92.5% reduction. We have been forced to reduce our staffing to almost nothing and have resorted to selling popcorn and concessions to go. We've even started renting out our theater to video gamers who play on our big screens. We've been able to survive, but not without the help of the programs that congress and the SBA have developed to help us. And, like many other small businesses around the country, survival is the name of the game.

The most important thing that we needed to figure out was how to stay afloat without taking on too much debt. Given the scale of our losses and the reduced film slate for 2020 and 2021, taking on more debt will impact our ability to recover. That's why businesses like ours are especially in need of and grateful for grant programs provided by Congress and the SBA, including our forgivable Paycheck Protection Program loan and the upcoming Shuttered Venue Operators Grant program.

In particular I'd like to highlight the help provided to us through the EIDL Grant Program, which we received as part of our EIDL loan application. While the loan application was being evaluated, we received a $10,000 grant. We were able to use the grant to pay a myriad of ongoing expenses including rent, utility bills, workers compensation insurance, property and liability insurance, technology vendors, our security system, and property maintenance. These expenses have continued unabated during the pandemic and could not be deferred or suspended. Being able to stay current with our vendors has also prevented a secondary crisis among the businesses that support our theater, which helps ensure that they will survive the pandemic too.

We were very challenged when we learned that the EIDL advance would count against our PPP forgiveness. The COVID Relief Bill that was passed in late December helped us again by fixing the EIDL grant issue and that will mean a lot when we receive that money back from our bank.

Small town businesses are running on razor thin margins. And for small town theaters, surviving is what it is all about. In many towns like ours, we're one of the few entertainment options left available locally and one of the more important communal gathering places in our small town. And that means a lot to our community.

Congress's help and the help of the Small Business Administration have been an integral part of our survival this past year and will be again this year. We'd love to just go back to the businesses we ran in 2019, but that's not going to happen. With social distancing, our capacity has been reduced by half and in other states it is reduced even more. Movie Studios will be slow to release big films this year and their streaming services will gobble up what used to be our bread and butter. Cleaning and maintaining theaters will cost more well into the future until we can get through the pandemic. And people's attitudes about large gatherings will have a damaging effect on our business. We are just trying to make the changes necessary to survive in the future.

The challenges we faced in 2020 and the challenges yet to come will be daunting but we can overcome them. We just need your help for a little while and so far, you've been there when we've needed you. Thank you for everything you've done and are doing for small businesses and, in particular, the movie theater industry.

State of the Small Business Economy in the Era of COVID-19

February 4, 2021

Testimony of

Karen Kerrigan
President & CEO
Small Business & Entrepreneurship Council

Before the

Small Business Committee
United States House of Representatives

The Honorable Nydia Velazquez, Chairwoman
The Honorable Blaine Luetkemeyer, Ranking Member

Protecting Small Business, Promoting Entrepreneurship
www.sbecouncil.org @SBECouncil

Introduction

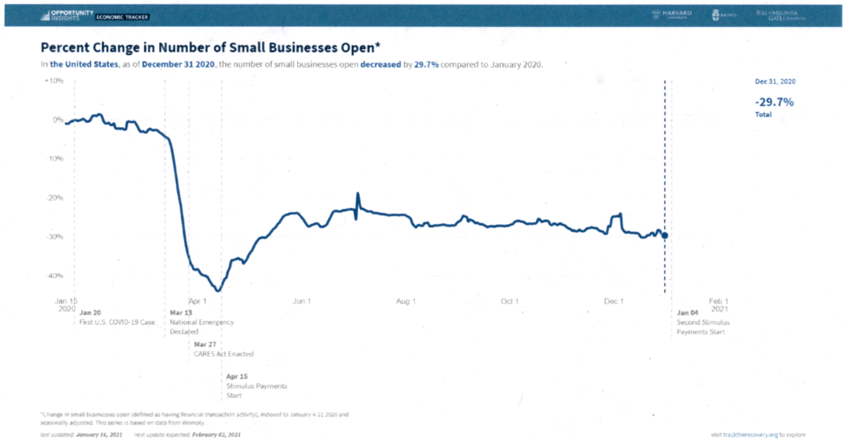
Thank you for the invitation to participate in this important hearing today on the "State of the Small Business Economy in an Era of COVID-19." The work of the House Small Business Committee has been vital to entrepreneurs, small business owners, and their employees over the course of the pandemic in 2020. We deeply appreciate the engagement and hard work of each and every committee member.

Chairwoman Velazquez and Ranking Member Luetkemeyer, our organization looks forward to working with you on advancing solutions that will help our nation's entrepreneurs dig the economy out of the significant jobs and small business hole we are facing. America's entrepreneurial sector is more important than ever, and SBE Council is hopeful and optimistic that our nation can rebound if policies and programs continue to provide relief and support for small businesses, and help our entrepreneurs transform and grow their businesses.

I am honored to be a part of this hearing today representing the Small Business & Entrepreneurship Council (SBE Council), an advocacy, research and education organization dedicated to promoting entrepreneurship and protecting small businesses. For more than 25 years SBE Council has worked on hundreds of policy and private sector initiatives to strengthen and improve the ecosystem for startups and small business growth. Our teams and leaders have worked alongside entrepreneurs and small business owners – and advocated on their behalf - during some of their most challenging periods over these years. This includes several economic downturns, the dot.com bust, the financial crises of 2008 and the Great Recession, periods of tough recovery, as well as a variety of other transformative events and trends that pushed small business owners to pivot and adjust.

The sudden onset of the pandemic and severity of COVID-19 induced shutdowns and restrictions - followed by continuous uncertainty about the course of the disease and when and if economic normalcy will return - shocked and deeply wounded the small business ecosystem. However, and not surprisingly, there have been countless stories of survival and resiliency. Many small business owners have discovered new tools and methods for operating in the COVID-19 economy. Moreover, there has been a surge in the number of individuals in 2020 who are pursuing entrepreneurial activity. **According to the U.S. Census Bureau's** business formation data on "high-propensity" business applications (likely employers) that have been tracked on a weekly basis in 2020, over 1.5 million employer applications were filed in total in 2020, which is an increase of 16% compared to 2019.

Although many small business owners have adjusted their business models to better navigate the uncertainty and shifts in consumer behavior triggered or accelerated by COVID-19, countless others have not. Unfortunately, according to **Opportunity Insights Economic Tracker** (a project of Harvard University, Brown University and the Bill & Melinda Gates Foundation), as of December 31 2020, the number of small businesses open **decreased nearly 30%** compared to January 2020.



With regard to permanent business closures, we do not yet know the year-to-date total. In April 2020, **Main Street America estimated** that 3.5 million would close by June 2020, and possibly 7.5 million closures by September 2020 if pandemic conditions continued. For small businesses in certain parts of the country, business closure and pandemic conditions persisted, while in other parts of the country conditions had lifted or changed. Near the end of September 2020, 5% of businesses surveyed by the U.S. Census Bureau in the **Small Business Pulse Survey** (which provides weekly insight by measuring the effect of changing business conditions during the pandemic on small businesses) said they would not survive the next 6 months – which is approximately 1.2 to 1.5 million businesses.

In the latest Census Bureau survey conducted January 4-10, 2021, the percentage is 4.5%. Obviously, these future closures are on top of the number of permanent closures that have already occurred.

The Pain of the Pandemic Will Continue for Small Businesses

Some of the same difficult issues that small business owners endured during 2020 continue to challenge them in early 2021. Lost revenue is one of them. The Opportunity Insights Economic Tracker reported that small business revenue decreased 31.1% in 2020, and unfortunately there has not been much of a rebound to start the new year. According to the Census Bureau's **Small Business Pulse Survey**, 40% of small businesses experienced a decline in revenue during the first two weeks of January 2021. Only 5% saw an increase during the second week of January 2021.

Negative or low revenue growth has many small business owners concerned about their survival and ability to keep up with their bills, maintain employees, and operate effectively. In fact, an **Alignable January 2021 Rent Poll** revealed 33% of small business owners reported that they could not pay their rent in January (see chart below), which comes on the heels of a December

Alignable Revenue Poll that found 48% of small businesses feared they wouldn't generate enough money in Q4 2020 to stay afloat.

Share of small businesses that couldn't pay January rent

By type; Poll of 10,325 business owners, Jan. 9-12, 2021

Business type	Percentage
Restaurants/bars	57%
Yoga studios	46
Consumer retailers	44
Massage therapists	43
Beauty salons	42
Printers	42
Interior designers	42
Wedding planners	41
Manufacturing	41
Transportation	41
Gyms	36

Data: Alignable; Chart: Axios Visuals

For minority-owned businesses, the rent problem was more acute, with 49% reporting they were unable to pay their rent on time, or in full.

As noted within the report: "More categories than ever are showing the lasting effects of dwindling customer counts, reclosures due to escalating COVID cases, cash flow crises, decreasing revenue, and related issues."

Looking forward in terms of small business outlook, and what they identify as their needs, several reoccurring surveys identify common sentiment and the support they will need.

For example, the Met Life and U.S. Chamber of Commerce Small Business Index, **Q4 2020** finds:

● "Small businesses anticipate the worst of the pandemic is still ahead and most say they need further government assistance to weather the storm…62% of small business owners believe the worst of the pandemic is ahead of us."

• "(48%) report lower revenue this year when compared to the same time last year. Furthermore, half (50%) of small businesses see their operations continuing for a year or less before having to permanently shut down."

• "Nonetheless, 40% (28% in late March) of small business owners believe their business can continue to operate indefinitely without having to shut down permanently. Two-thirds (67%) also say they have a business plan to adapt to a changing economy and a clear idea of how to change their business if they start to struggle. Some anticipate better times ahead: a majority (52%) anticipate revenue increases one year from now."

• "With many anticipating worse times, it's not surprising many small businesses see the need for temporary, targeted government assistance. Nearly three-quarters (74%) say additional federal relief funds would be important to their business' ability to succeed in 2021. When asked what the next president and Congress should prioritize in 2021, the economy (44%) and combatting COVID-19 (44%) rise to the top of the list and are viewed as equally important."

• "29% of small businesses describe the U.S. economy as good (up seven points from September). In Q4 2019, 57% said the national economy was good. 50% characterize the economy as poor (down from 58% in September)."

• "A majority (56%) of small business owners continue to believe it will take six months to a year for the small business climate to return to normal. That number has remained statistically unchanged since May."

The latest **NFIB Small Business Optimism Index** pointed to similar worries, as it "declined 5.5 points in December to 95.9, falling below the average Index value since 1973 of 98. Nine of the 10 Index components declined and only one improved. Owners expecting better business conditions over the next six months declined 24 points to a net negative 16%."

As noted by NFIB Chief Economist Bill Dunkelberg about the latest survey: "This month's drop in small business optimism is historically very large, and most of the decline was due to the outlook of sales and business conditions in 2021."

What Small Businesses Need and How they Will Target Resources in 2021

Policies and initiatives that support existing small businesses through the challenging months ahead along with support for individuals encouraging them to move forward with their intention of starting a business will be vital to breathing life into America's small business ecosystem.

According to the most recent **Small Business Pulse Survey** (U.S. Census Bureau, January 4-10, 2021), there are a variety of actions identified by small business owners that they plan to take over the next 6 months, which can better help us meet their needs for weathering the uncertain period ahead:

• **Access to capital**: 33.5% report they will need to find additional capital or financial assistance. That percentage is higher for certain industries: 55.7% for accommodations and food services, 45.3% for educational services, 44% for arts, entertainment and recreation, and 35.2% for manufacturing.

• **Boost marketing and sales efforts**: 32.3% say they need to increase efforts that generate more revenue.

• **New supply chains**: An average of 12.3% of small businesses report they will need more options, which is higher for certain sectors – manufacturing (24%), wholesale trade (23%), and retail trade (21.7%).

• **Develop online sales and websites**: 13.3% of small businesses report they will need to more effectively use technology to meet future business needs. In certain sectors that need is higher: educational services (25.8%), accommodations and food services (19.6%), retail trade (23.7%), wholesale trade (21%), information services (20.1%), and manufacturing (16.3%).

• **Identify and hire new employees**: 23.6% plan to take this action, which is a bright spot, including accommodation and food services at 29.6%.

• **Learn how to better provide for the safety of customers and employees**: 13.3%.

• **Permanently close the business**: 4.5%, which is higher for accommodation and food services (8.8%); arts, entertainment and recreation (8.2%); transportation and warehousing (5.6%); mining, quarrying, and oil and gas extraction (5.6%); and educational services (5.6%).

Obviously, various federal government support programs have been critical for small businesses during the early days of the pandemic and thereafter. These programs will continue to be vital, as expressed by business owners in the various surveys noted above. According to the most recent Small Business Pulse Survey, a significant share of small businesses requested financial assistance and received support from these programs over the year:

• An average of 74.6% of small businesses requested a PPP loan from the start of the program in March 2020, and 73.6% reported receiving a PPP loan.

• An average of 25.9% of small businesses requested EIDL assistance, and 23.4% report receiving a loan.

• At this point in time, 17.1% report that they requested SBA loan assistance and 11.8% received that assistance.

Technology and Online Platforms Have Been a Lifesaver

The massive shift to "everything online" as a result of the pandemic pushed and allowed many small businesses to continue operating and drive revenue. A **June 2020 SBE Council/TechnoMetrica Technology and Cloud Services Survey** revealed just how important these tools became to small business survival: 76% of small business owners reported that cloud services were critical to the survival and operation of their business during COVID-19. In addition:

• 79% of small businesses agree that cloud services have helped their businesses more effectively communicate with and/or better manage their customers amid COVID-19.

• 84% of small businesses say that cloud services have improved employee productivity and collaboration.

• 67% of small businesses agree that they are able to reopen more quickly and efficiently from the COVID-19 lockdown as a result of using cloud services.

Early in the COVID-19 crisis, we saw that many small businesses made the shift to online operations and commerce. A **May 2020 State of Small Business Report,** co-sponsored by Facebook and the Small Business Roundtable, found that: 51% of small businesses increased their online interactions with customers, 36% of personal businesses using online tools said they were conducting all their sales online, and 35% expanded the use of digital payments.

The latest **Small Business Pulse Survey** affirms the vital role of technology and online platforms in helping small businesses keep their "doors" open and drive revenue: 24.8% reported an increase in the business's use of online platforms to offer goods and services, which is higher in educational services (65.5%), accommodations and food services (38.5%), information (38.1%), finance and insurance (36.7%), and retail trade (32.3%).

Policy Conversations Moving Forward

Obviously, access to broadband is central to being able to access the digital tools that have become even more vital during the pandemic. And that is why SBE Council has long supported policies that encourage investment and the buildout/deployment of broadband. With the acceleration of the digital economy due to the pandemic, and the promising developments and opportunities that will arrive with 5G, entrepreneurial opportunities will grow exponentially. As the committee reviews support and educational programs provided by the SBA, technology training needs to be at the core of these programs, and that they reach rural and disadvantaged communities.

Moreover, online platforms have served as a lifeline for small businesses, and policies need to provide certainty to ensure they continue to innovate and affordably serve small businesses. These platforms provide access to new markets, communications tools that allow small businesses to operate more efficiently and effectively, and payment options that help small businesses close sales more quickly, which means faster access to the capital to invest, grow and innovate.

Although this hearing today is focused on the State of Small Business in the Era of COVID-19, I look forward to discussing other policy options and solutions that can provide small business owners with the assurance they need to continue operating, and taking risks, and those that will provide entrepreneurs additional relief so they can dig out of the revenue hole of the past year.

Access to capital will continue to remain important – for existing businesses and startups alike – and we continue to monitor the rollout of this next phase of PPP and EIDL to ensure that all small businesses that are eligible receive the capital and assistance they need during the next few precarious months of the economy.

SBE Council is also pleased that investment crowdfunding (regulated crowdfunding) is being utilized by a greater number of local businesses and startups, and new SEC changes set to take effect in March should help to supercharge this method of raising capital. From the very beginning of our efforts to make regulated crowdfunding a reality during President Obama's term in office, we maintained that it would democratize access to capital and that has certainly been the case. In fact, the **latest study by Crowdfund Capital Advisors finds**:

- Of the SMEs that successfully raised the maximum $1M from Regulation Crowdfunding:

- 45.5% had female founders
- 40.9% had minority founders
- 100% said that they would have raised $5M if that amount would have been available to them.

- Offerings by all types of businesses in all 50 states and Puerto Rico successfully raised more capital.

- Offerings were up 61% year over year.

- The number of new Issuers (SMEs) of all sizes increased 58% and raised more in 2020 than any prior year.

- Local investors are deploying rational amounts of money into local businesses in areas outside of Venture Capital.

- Regulation crowdfunding investments continues to grow at a compound annual growth rate of 88% with high unrealized returns.

- Demographics: 1,085 Cities, 447 industries, and 750,000 investors have engaged in Regulation Crowdfunding

- Distributes capital to local economies across the United States despite geographical biases from the Venture Capital industry.

- Provides local investors a legal structure to support the local entrepreneurs they believe in, with a limited amount of risk capital.

And over the last 4 years, with appropriate investor protections, these investments have been made with no reported fraud.

SBE Council looks forward to working with all members of the committee to ensure small business owners and entrepreneurs have the tools and support they need to help our economy recover. Small business health and growth will play an enormously important role in the recovery, and entrepreneurs and their employees are counting on common-sense, bipartisan initiatives to help them succeed.

Thank you again for your invitation to be a part of this important hearing today.

NFIB RESEARCH CENTER

Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy

Michael J. Chow
Paul S. Bettencourt
NFIB Research Center
Washington, DC
January 25, 2019

Executive Summary

Lawmakers recently introduced the Raise the Wage Act which, if enacted, would increase the federal minimum wage in stages from $7.25 per hour to $15.00 per hour over a six-year period spanning 2019 to 2024. In subsequent years, the federal minimum wage would be subject to possible further increases depending upon the rate of wage inflation. The proposed legislation would also increase, and effectively eliminate, the federal tipped wage by raising it from its current level of $2.13 per hour to a level eventually equal to the minimum wage. This report analyzes the potential economic impact of enacting the Raise the Wage Act and imposing these mandated wage increases upon employers. Using the Business Size Insight Module (BSIM), a dynamic, multi-region model based on the widely-used Regional Economic Models, Inc. (REMI) structural economic forecasting and policy analysis model, we estimate that during the period spanning 2019 and 2029, the Raise the Wage Act would reduce private sector employment by over 1.6 million jobs and produce a cumulative U.S. real output loss of more than $2 trillion.

Introduction

Employers in all fifty states are required to offer workers a minimum wage in exchange for their labor. The Fair Labor Standards Act (FLSA) of 1938 which, as amended, establishes a basic minimum wage that must be paid to covered workers. States are permitted to establish their own minimum wages which have the potential to replace the federal rate as the effective minimum wage, provided that the state minimum wage established exceeds the federal rate. The federal minimum wage is currently $7.25 per hour for all covered employees (**Table 1**).

Table 1: Historical Effective Minimum Wage Rates for U.S. Non-farm Employment

Year	Minimum Wage	Year	Minimum Wage
1975	$2.10 (per hour)	Sept. 1997	$5.15
1976	$2.30	1998	$5.15
1977	$2.30	1999	$5.15
1978	$2.65	2000	$5.15
1979	$2.90	2001	$5.15
1980	$3.10	2002	$5.15
1981	$3.35	2003	$5.15
1982	$3.35	2004	$5.15
1983	$3.35	2005	$5.15
1984	$3.35	2006	$5.15
1985	$3.35	July 2007	$5.85
1986	$3.35	July 2008	$6.55
1987	$3.35	July 2009	$7.25
1988	$3.35	2010	$7.25
1989	$3.35	2011	$7.25
Apr. 1990	$3.80	2012	$7.25
Apr. 1991	$4.25	2013	$7.25
1992	$4.25	2014	$7.25
1993	$4.25	2015	$7.25
1994	$4.25	2016	$7.25
1995	$4.25	2017	$7.25
Oct. 1996	$4.75	2018	$7.25

Source: Department of Labor

Some lawmakers have sought to raise the federal minimum wage for several years now. President Obama favored raising the federal minimum wage to $9.50 per hour by 2011 during his 2008 campaign for the presidency. Years later during his 2012 State of the Union speech, he broached the idea of raising the minimum wage to a lower rate of $9.00 per hour sometime during his second term. In 2013, the president supported legislation introduced by Senator Harkin (D-Iowa) and Representative George Miller (D-Calif.) that would have raised the minimum wage to $10.10 per hour.[1] More recently, former presidential candidate Bernie Sanders advocated for a

[1] The Minimum Wage Fairness Act of the 113th Congress or S. 1737.

$15.00 per hour minimum wage during his primary campaign for the Democratic nomination, a position which likely motivated the introduction of H.R. 1364 in the 115th Congress, which would have increased the federal minimum wage from its current level to $15.00 per hour in stages over a four-year period, after which the minimum wage would have increased on an annual basis dependent upon annual percentage increases in the median hourly wage of all employees. Former Democratic presidential nominee Hillary Clinton supports an increase in the federal minimum wage to $12.00 per hour.

The most recent effort by lawmakers to increase the federal minimum wage is the Raise the Wage Act of 2019 (the "Act"). Introduced in the House by Representative Bobby Scott (VA-03) on January 16th, the Act would increase the federal minimum wage to $15.00 per hour over a six-year period beginning in 2019, when the federal minimum wage would increase by $1.30 from $7.25 per hour to $8.55 per hour. The precise timing of the wage increase during the calendar year depends on the Act's date of enactment. The increase would occur on the first day of the third month that begins after the date of the Act's enactment, a date referred to as the "effective date." In subsequent years, the federal minimum wage would increase to $9.85 per hour in 2020, $11.15 per hour in 2021, $12.45 per hour in 2022, $13.75 per hour in 2023, and $15.00 per hour in 2024. Beginning in 2025 (and continuing in years thereafter), the federal minimum wage would be indexed to the median hourly wage of all employees and therefore subject to possible increases contingent upon increases in the median hourly wage. Wage increases in any particular year would occur on the effective date of that year.

The Act also makes adjustments to the minimum cash wages paid by employers to tipped employees. Pursuant to the Act, the federal tipped wage would increase from $2.13 per hour to $3.60 per hour in 2019. For each succeeding year, the tipped wage would increase by the lesser of either $1.50 per hour or the difference between the tipped wage and the federal minimum wage. Once the tipped wage reaches the level of the federal minimum wage in 2027, the tipped wage would be eliminated, and all employees would earn at least the federal minimum wage.

This report quantifies the economic impact of implementing the Raise the Wage Act of 2019 on U.S. small businesses and their employees using the Business Size Insight Module (BSIM). The BSIM is a dynamic, multi-region model based on the Regional Economic Models, Inc. (REMI) structural economic forecasting and policy analysis model which integrates input-output, computable general equilibrium, econometric, and economic geography methodologies. The underlying mechanics of the REMI model are based on decades of peer-reviewed literature.[2] The model is used by numerous clients in both the private and public sectors.[3] The BSIM is a customized version of the REMI model that has the unique ability to forecast the economic impact

[2] A list of the peer-reviewed literature is contained in "PI+ v2.2 Model Equations," downloadable at http://www.remi.com/wp-content/uploads/2018/06/Model-Equations-v2_2.pdf. The list of references includes articles published in the American Economic Review and The Review of Economics and Statistics.

[3] The REMI model is used by a diverse group of clients spanning academia, private consulting firms, local and regional governments, and nonprofits, to name a few categories. A list of clients that use the REMI model is available at http://www.remi.com/clients. The list has included consultancies like Boston Consulting Group and Ernst and Young, educational institutions like the Massachusetts Institute of Technology, nonprofit institutions like AARP and the Urban Institute, and federal, regional, and local government agencies.

of public policy and proposed legislation on different categories of U.S. businesses differentiated by employee-size-of-firm. Among the variables forecast by the BSIM are private sector employment, measures of production, and personal income. By comparing simulation results for proposed scenarios with the model's baseline forecast, the BSIM is able to obtain estimates of how these policy changes would impact employer firms of varying sizes and their employees.

Assumed Structure of the Federal Minimum Wage Increase to $15.00 per Hour and Description of New Employer Costs

According to the Bureau of Labor Statistics, 542,000 workers earned exactly the federal minimum wage of $7.25 per hour in 2017, while about 1.3 million workers had wages below the federal minimum. Together, these 1.8 million workers with wages at or below the federal minimum make up 2.3 percent of the 80.4 million U.S. workers paid hourly rates.[4] Raising the minimum wage to $15.00 per hour from its current level would increase the cost of labor of this large pool of workers by approximately 107 percent.

To analyze the economic impact an increase in the federal minimum wage to $15.00 per hour would have on the U.S. economy, we used the proposed wage schedules provided in the Raise the Wage Act of 2019. The Act would increase the federal minimum wage to $15.00 per hour over a six-year period beginning in 2019, when the federal minimum wage would increase by $1.30 from $7.25 per hour to $8.55 per hour. In subsequent years, the federal minimum wage would increase to $9.85 per hour in 2020, $11.15 per hour in 2021, $12.45 per hour in 2022, $13.75 per hour in 2023, and $15.00 per hour in 2024, after which the minimum wage would be indexed to wage inflation as measured by changes in the hourly median wage of all employees. All wage increases would occur on a particular day of the calendar year referred to as the "effective date" which we assume to be July 1st. Also, the federal tipped wage would increase under the Act, rising from $2.13 per hour to $3.60 per hour in 2019 and, for each succeeding year, increasing by the lesser of either $1.50 per hour or the difference between the tipped wage and the federal minimum wage. Once the tipped wage reaches the level of the federal minimum wage at some future date,[5] the tipped wage would be eliminated, and all employees would earn at least the federal minimum wage.

Eventually, the federal minimum wage would surpass or equal all existing state minimum wages by the end of our forecast window, resulting in increased wage costs for employers in virtually all states. However, in the short-to-medium term, the state minimum wage for a number of states would continue to exceed the federal minimum wage even assuming the wage schedule described above. In years where the state minimum wage exceeds the federal minimum wage, for

[4] "Characteristics of minimum wage workers, 2017," Report 1072, U.S. Bureau of Labor Statistics, March 2018.

[5] The precise year in which the tipped minimum wage reaches a level equal to the minimum wage depends on adjustments to the minimum wage in years 2025 and beyond to account for wage inflation. If no such adjustments are made, the tipped wage will equal the minimum wage in 2027. However, if such adjustments are made to the minimum wage, the tipped wage will not equal the minimum wage until a later year. In our analysis, we assume that the minimum wage increases by 2.4 percent in years 2025 and beyond, a circumstance that leads to the tipped wage not equaling the minimum wage until 2029.

those states to which this applies, new employer costs are assumed to be zero, as there is no change from the baseline scenario (*i.e.*, the preexisting state minimum wage continues to establish the wage floor). For illustrative purposes, the assumed federal minimum wage schedule and effective minimum wage schedules for two states, one of which experiences new employer costs for the entirety of the ten-year forecast window and the other which experiences new employer costs for just part of the forecast window, are provided in **Table 2**.

Table 2: New Hourly Costs Associated with Minimum Wage Workers Under the Raise the Wage Act, Alabama and Washington

		Alabama			Washington		
	Assumed Federal Minimum Wage Schedule[6]	Status Quo Effective Minimum Wage Schedule	Assumed Effective Minimum Wage Schedule	New Hourly Employer Cost per Minimum Wage Worker	Status Quo Effective Minimum Wage Schedule	Assumed Effective Minimum Wage Schedule	New Hourly Employer Cost per Minimum Wage Worker
2019	$7.90	$7.25	$7.90	$0.65	$12.00	$12.00	$0.00
2020	$9.20	$7.25	$9.20	$1.95	$13.50	$13.50	$0.00
2021	$10.50	$7.25	$10.50	$3.25	$13.72	$13.72	$0.00
2022	$11.80	$7.25	$11.80	$4.55	$13.95	$13.95	$0.00
2023	$13.10	$7.25	$13.10	$5.85	$14.18	$14.18	$0.00
2024	$14.38	$7.25	$14.38	$7.13	$14.42	$14.71	$0.29
2025	$15.18	$7.25	$15.18	$7.93	$14.66	$15.18	$0.52
2026	$15.54	$7.25	$15.54	$8.29	$14.90	$15.54	$0.64
2027	$15.92	$7.25	$15.92	$8.67	$15.15	$15.92	$0.77
2028	$16.30	$7.25	$16.30	$9.05	$15.40	$16.30	$0.90

Concerning what happens to the federal minimum wage in 2025 and beyond, as mentioned earlier, under the Act the minimum wage would increase annually based on increases in the median hourly wage paid to all employees. Creating a wage schedule for years beyond 2024 requires an assumption regarding the annual increase in median hourly wages as measured by BLS. For this analysis, the assumed annual rate of increase was set equal to the annualized rate of increase in the hourly median wage for years 2001 to 2017, a time period that includes at least one full business cycle and over which the hourly median wage increased year-over-year every single year. The annualized rate of increase over this time period is 2.4 percent (**Figure 1**).[7]

[6] Since the effective date is assumed to be July 1st, the effective minimum wage in each year during the staggered increase to $15.00 per hour is an average of two values. For example, in 2019 the effective minimum wage is the average of $7.25 per hour (which is in effect from January 1st through June 30th) and $8.55 per hour (which is in effect from July 1st through December 31st). The minimum wage is assumed to increase annually in years 2025 and beyond by 2.4 percent, the annualized increase in the hourly median wage for all employees since 2001.

[7] According to the U.S. Department of Labor (DOL), tipped employees are employees who "customarily and regularly receive more than $30 per month in tips." Employers may use tips received by such employees as a credit towards their minimum wage obligations to the employees, provided that a minimum cash wage, currently set to $2.13 per hour at the federal level, is also paid to the employees. States have the option of establishing their own

Figure 1

Modeling the wage increases for "tipped" employees mandated by the Act involves the same approach used for modeling wage increases for minimum wage employees: calculating the difference between the status quo wage schedules and the Act's proposed wage schedule for these employees. The Act mandates a wage schedule for tipped employees that would eventually result in tipped employees earning the full minimum wage. In the year the Act is enacted, employers would be required to pay tipped employees $3.60 per hour. In subsequent years, the per-hour wage of tipped employees would increase by the lesser of $1.50 or the amount necessary for the wages of tipped employees to equal the full minimum wage. Again, for modeling purposes we are interested in the wage differential between what tipped workers would earn under the Act's wage schedule and the status quo wage schedule. For illustrative purposes, the calculated wage differentials for tipped workers in New Jersey are provided in **Table 3**.

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cash wage. According to the Bureau of Labor Statistics, there are approximately 1.3 million U.S. workers who earn below the minimum wage. Calculations of the historical annual increase in the median hourly wage for all workers utilized data from the Occupational Employment Statistics data series from the Bureau of Labor Statistics, available at http://www.bls.gov/oes/current/oes_nat.htm.

Table 3: New Hourly Costs Associated with Tipped Employees in New Jersey with a $15.00 per Hour Minimum Wage

	Status Quo Tipped Wage Schedule	Assumed Tipped Wage Schedule	New Hourly Cost per Tipped Employee
2019	$2.13	$2.87	$0.74
2020	$2.13	$4.35	$2.22
2021	$2.13	$5.85	$3.72
2022	$2.13	$7.35	$5.22
2023	$2.13	$8.85	$6.72
2024	$2.13	$10.35	$8.22
2025	$2.13	$11.85	$9.72
2026	$2.13	$13.35	$11.22
2027	$2.13	$14.85	$12.72
2028	$2.13	$16.05	$13.92
2029	$2.13	$16.69	$14.56

Source: Department of Labor and Authors' Calculations

Beyond the proposed mandated wage schedules, certain other factors ought to be taken into account in an analysis of a minimum wage increase. One such factor is business size exemptions. Some states exempt businesses of a certain size from minimum wage requirements. The state of Illinois, for example, exempts employer firms with three or fewer employees from minimum wage laws. Very few states have such exemptions, however, and for simplicity, we discard any such business size exemptions with the assumption that a major overhaul of the federal minimum wage would seek to raise wages for all minimum wage workers, regardless of the size of their employers.

Another factor involves "emulation effects" (also referred to as "ripple" or "spillover" effects) associated with individuals earning near (just above) the current minimum wage. Some of these individuals will earn between $7.25 per hour and the higher wages mandated in subsequent years (beginning with $9.00 per hour in 2017). In the absence of employer action, these workers would see their wages raised automatically to the new levels. However, wages for these workers may increase to even higher levels if employers attempt to maintain the pre-implementation wage distribution. Failure to increase the wages of near-minimum-wage earners sufficiently and allowing wage compression to occur may result in workers expressing their dissatisfaction by reducing work effort or leaving. Research suggests that "relative wages are important to workers," and "firms may find it in their profit-maximizing interest to increase [near-minimum-wage] workers' wages when minimum wages increase, in an attempt to restore work effort."[8] Based upon state-level data from the Bureau of Labor Statistics, it was assumed that 15 percent[9] of U.S.

[8] Grossman, Jean Baldwin, "The Impact of the Minimum Wage on Other Wages," The Journal of Human Resources, Vol. 18, No. 3 (Summer 1983). See also: Dube, Arindrajit et al., "Fairness and Frictions: The Impact of Unequal Raises on Quit Behavior," IZA Discussion Paper No. 9149, June 2015; Autor, David H. et al., "The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment," American Economic Journal: Applied Economics, 8(1): 58-99, 2016.

[9] According to the Bureau of Labor Statistics, U.S. wage earners at the 10th percentile earn $9.60 per hour, while those at the 25th percentile earned $11.91 per hour. Emulation effects can be assumed to occur among workers who earn near (within a few dollars of) the minimum wage. Workers at the 15th percentile will earn above the proposed

private sector employees less those individuals earning at or below the minimum wage would also see per capita raises equal to the dollar amount in wage increases experienced by workers earning *at* the minimum wage in years 2017 and beyond.[10]

Also, besides the direct cost of higher wages in an increased minimum wage scenario, there are significant additional employer costs in the form of additional payroll taxes that must be paid on wage differentials. In general, an employer's share of payroll taxes equals 7.65 percent of employee wages and salary. Of this 7.65 percent, 6.2 percentage points are intended to help fund old age, survivors, and disability insurance, and 1.45 percentage points go toward helping to pay for Medicare hospital insurance. Employers can expect to pay more in payroll taxes as a consequence of a minimum wage increase.

No Changes to Government Demand

Given that a mandated minimum wage has been in effect for decades, it is assumed that government mechanisms to monitor compliance with the statute are established and well-developed. An increase in the minimum wage therefore should not require the development of new government mechanisms or materially increase government administrative costs. Hence, the analysis assumes no projected increases in government demand resulting from the implementation of the proposed minimum wage increase.

Additional Private Spending in the Economy

Consumers in an economy have two choices of what to do with their after-tax income. They can either choose to spend it, thereby increasing consumption within the economy, or they can elect to save it, and in doing so potentially increase investment in the economy. Government stimulus programs frequently focus on transferring wealth to lower-earning individuals because of the strong likelihood that these individuals will elect to spend the additional wealth, producing a consumption-fueled boost to the economy.[11] Consistent with expectations pertaining to increases

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wage level of $8.55 in 2019 and will also earn below the proposed "final" wage level of $15.00 per hour. These workers would eventually and automatically see their wages increase to the new minimum wage of $15.00 by 2024 if the wage schedule outlined in the Raise the Wage Act was implemented, all else unchanged, but a reasonable scenario is that these workers will press for the restoration of the original wage structure (such that these workers would earn more than the minimum wage). It is assumed that emulation effects do not occur for workers earning above the 15th percentile.

To give an example, in the state of Alabama, it was assumed that all workers earning at or below the 15th percentile would see their earning increase by $1.50 per hour on July 1st, 2019 if the act the new wage schedule is implemented, by an additional $1.50 per hour on July 1st, 2018, and so on and so forth (the difference between the anticipated minimum wage if the hypothetical wage schedule was implemented and the anticipated minimum wage under current law). In this analysis, emulation effects were calculated on a state by state basis for all fifty states.

[10] The assumption that wage changes due to emulation effects occur simultaneously with the minimum wage increase is supported by research suggesting that "any substantial emulation effects are not long delayed, which seems plausible because increases in the minimum are [typically] well-advertised in advance." See Gramlich, Edward M., "Impact of Minimum Wages on Other Wages, Employment, and Family Incomes," *Brookings Papers on Economic Activity*, The Brookings Institution, 1974.

[11] According to the Congressional Budget Office, "increases in disposable income are likely to boost purchases more for lower-income than for higher-income households. That difference arises, at least in part, because a larger share

in income for low-income workers, this analysis assumes that new additional income received by minimum wage earners is spent (and not saved), leading to an increase in consumption.

In the analysis, the conversion of higher labor costs for employers into increased consumption by workers receiving wage increases occurs automatically due to the way in which wage costs are inputted into the BSIM. Since employer costs described in this analysis derive from an increase in the minimum wage, the costs were inputted into the BSIM under the "Wage Labor Cost" variable. The costs were distributed across different industry categories and different employee-size-of-business categories according to existing industry and business size distributions published in the Census Bureau's Statistics on U.S. Businesses dataset. This distribution allows the BSIM to generate results for separate employee-size-of-firm categories.

Increases in the "Wage Labor Cost" variable in the BSIM translate directly to increases in the "Compensation Rate" policy variable which is used in intermediate calculations during the simulation process. During simulations, such compensation rate increases are directly "fed back" into the economy in the form of higher consumer spending on the part of workers who now have extra money to spend. Concerns that minimum wage increases may provide a countervailing spending "stimulus" effect to the economy are therefore satisfied automatically in this analysis.[12]

of people in lower-income households cannot borrow as much money as they would wish in order to spend more than they do currently." See: "The Economic Outlook and Fiscal Policy Choices: Statement of Douglas W. Elmendorf, before the Committee on the Budget, United States Senate," Congressional Budget Office, September 28, 2010, p. 36.

[12] The fact that the BSIM automatically accounts for an increase in consumer spending as a consequence of an increase in the "Wage Labor Cost" variable is an important point that should not be missed. That increased consumption is automatically accounted for by the model in an analysis of a minimum wage increase means that exogenous increases in private sector demand are unnecessary for a model to be complete. Including such exogenous increases makes the resulting forecasts conservative.

Simulation Results

BSIM simulation results for the modeled scenario in which the Raise the Wage Act becomes law with an effective date of July 1st are provided below. All employment figures are expressed as number of employees, while production figures are expressed as billions of 2015 dollars. Under the modeled assumptions:

- There would be more than 1.6 million fewer jobs in the United States in 2029 compared to a baseline forecast in which the Act does not become law. Business owners are forecast to reduce the number of employees hired to adjust to higher labor costs, which outweigh any demand-side effects due to additional private consumption.

- Small businesses would be particularly hurt by the Act. Businesses with fewer than 500 employees are forecast to experience 57 percent of private sector job losses (over 900,000 lost jobs), and businesses with fewer than 100 employees are forecast to lose nearly 700,000 jobs, about 43 percent of all jobs lost (**Table 3**).

- Industries such as retail trade, administrative and support services, and food services and drinking places (a sub-industry of the NAICS "leisure and hospitality" industry category) are forecast to experience large numbers of job losses. While proponents of a higher minimum wage tout benefits for industries with large numbers of low-wage employees, this simulation forecasts a large reduction in employment that offsets increased wages for workers who are able to keep or find jobs in these three industries.

- The retail trade industry is forecast to have more than 162,000 fewer jobs by 2029, administrative and support services to have more than 85,000 fewer jobs, and food services and drinking places to have more than 165,000 fewer jobs. The forecast reduction in employment of the three industries combined is more than 392,000 lost jobs, approximately 24 percent of total forecast jobs lost.

- In addition to forecast reductions in employment, real GDP and real output are also forecast to decrease by approximately $142 billion and $300 billion, respectively, by 2029 compared to a baseline in which the Act is not enacted (**Table 4**). Over the ten-year forecast window, the cumulative real GDP loss is forecast to exceed $980 billion and the cumulative real output loss is forecast to exceed $2.0 trillion (**Table 5**).[13]

- The difficulties in the business sector due to higher labor costs and the associated reduction in private sector employment are reflected in the labor force. The BSIM forecasts that the Raise the Wage Act would reduce the number of able-bodied individuals participating in the labor force by more than 615,000 individuals in 2029.

- The impact the job losses caused by the Raise the Wage Act have on aggregate personal income in the U.S. is considerable. Disposable personal income in 2029 is forecast to be more than $103 billion lower than the baseline forecast.

[13] Gross domestic product refers to the market value of final goods and services produced in an economy during a given period. It differs from output which includes not just the value of final goods and services, but also the value of intermediate goods and raw materials that are produced or sourced earlier in the production process. Output serves as a proxy for sales.

Table 3: Private Sector Employment Difference from Baseline (Number of Employees) if the Raise the Wage Act Is Enacted

Firm Size	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Percent of Total (2029)
1-4 Employees	-6,603	-21,135	-38,267	-56,339	-73,626	-90,383	-101,037	-106,325	-111,203	-115,573	-120,207	7.3%
5-9 Employees	-6,976	-22,223	-40,094	-58,936	-76,993	-94,533	-105,658	-111,082	-116,059	-120,466	-125,109	7.6%
10-19 Employees	-7,886	-25,096	-45,239	-66,485	-86,858	-106,665	-119,227	-125,312	-130,841	-135,710	-140,817	8.6%
20-99 Employees	-17,536	-55,684	-100,302	-147,467	-192,759	-236,855	-264,883	-278,477	-290,671	-301,331	-312,389	19.1%
100-499 Employees	-12,625	-39,968	-72,027	-106,181	-139,188	-171,563	-192,493	-203,020	-212,388	-220,509	-228,674	14.0%
500 + Employees	-38,465	-121,338	-218,626	-323,159	-424,728	-525,202	-591,320	-625,896	-656,817	-683,355	-709,076	43.3%
< 20 Employees	-21,466	-68,454	-123,600	-181,760	-237,477	-291,581	-325,922	-342,719	-358,103	-371,749	-386,134	23.6%
< 100 Employees	-39,002	-124,138	-223,902	-329,227	-430,236	-528,437	-590,805	-621,196	-648,774	-673,080	-698,522	42.7%
< 500 Employees	-51,627	-164,106	-295,929	-435,408	-569,424	-700,000	-783,298	-824,216	-861,162	-893,589	-927,196	56.7%
All Firms	**-90,092**	**-285,443**	**-514,555**	**-758,567**	**-994,152**	**-1,225,202**	**-1,374,618**	**-1,450,112**	**-1,517,979**	**-1,576,944**	**-1,636,272**	**100.0%**

Table 4: Real Output Difference from Baseline (Billions of 2015 $s) if the Raise the Wage Act Is Enacted

Firm Size	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Percent of Total (2029)
1-4 Employees	-1.0B	-3.1B	-5.5B	-8.1B	-10.6B	-12.9B	-14.2B	-14.7B	-15.0B	-15.3B	-15.5B	5.2%
5-9 Employees	-0.9B	-3.0B	-5.3B	-7.9B	-10.3B	-12.7B	-14.1B	-14.7B	-15.1B	-15.5B	-15.8B	5.3%
10-19 Employees	-1.1B	-3.5B	-6.3B	-9.3B	-12.2B	-15.1B	-16.9B	-17.7B	-18.3B	-18.8B	-19.3B	6.4%
20-99 Employees	-2.6B	-8.5B	-15.5B	-23.2B	-30.7B	-38.1B	-43.0B	-45.5B	-47.5B	-49.2B	-50.6B	16.9%
100-499 Employees	-2.2B	-7.2B	-13.2B	-19.9B	-26.7B	-33.4B	-38.1B	-40.7B	-43.0B	-44.8B	-46.4B	15.5%
500 + Employees	-7.1B	-22.8B	-41.9B	-63.3B	-85.0B	-106.9B	-122.6B	-131.8B	-139.8B	-146.7B	-152.4B	50.8%
< 20 Employees	-3.0B	-9.5B	-17.2B	-25.3B	-33.2B	-40.7B	-45.2B	-47.0B	-48.5B	-49.6B	-50.6B	16.9%
< 100 Employees	-5.6B	-18.0B	-32.6B	-48.5B	-63.8B	-78.8B	-88.2B	-92.5B	-96.0B	-98.8B	-101.1B	33.7%
< 500 Employees	-7.8B	-25.2B	-45.9B	-68.4B	-90.5B	-112.2B	-126.4B	-133.2B	-138.9B	-143.6B	-147.5B	49.2%
All Firms	**-14.9B**	**-47.9B**	**-87.8B**	**-131.8B**	**-175.5B**	**-219.1B**	**-249.0B**	**-265.0B**	**-278.8B**	**-290.3B**	**-299.9B**	100.0%

Table 5: Cumulative Real Output Loss (Billions of 2015 $s) if the Raise the Wage Act Is Enacted

Firm Size	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Percent of Total (2029)
1-4 Employees	-1.0B	-4.0B	-9.6B	-17.7B	-28.3	-41.1B	-55.4B	-70.0B	-85.0B	-100.2B	-115.7B	5.6%
5-9 Employees	-0.9B	-3.9B	-9.2B	-17.1B	-27.5B	-40.2B	-54.3B	-69.0B	-84.1B	-99.6B	-115.4B	5.6%
10-19 Employees	-1.1B	-4.5B	-10.8B	-20.1B	-32.4B	-47.5B	-64.4B	-82.0B	-100.4B	-119.2B	-138.5B	6.7%
20-99 Employees	-2.6B	-11.1B	-26.6B	-49.8B	-80.4B	-118.6B	-161.6B	-207.1B	-254.6B	-303.8B	-354.3B	17.2%
100-499 Employees	-2.2B	-9.4B	-22.6B	-42.6B	-69.2B	-102.6B	-140.8B	-181.5B	-224.5B	-269.3B	-315.7B	15.3%
500 + Employees	-7.1B	-29.9B	-71.8B	-135.1B	-220.1B	-327.1B	-449.7B	-581.4B	-721.3B	-867.9B	-1020.3B	49.5%
< 20 Employees	-3.0B	-12.5B	-29.6B	-55.0B	-88.1B	-128.8B	-174.0B	-221.0B	-269.4B	-319.0B	-369.6B	17.9%
< 100 Employees	-5.6B	-23.6B	-56.2B	-104.7B	-168.6B	-247.3B	-335.6B	-428.1B	-524.0B	-622.8B	-723.9B	35.1%
< 500 Employees	-7.8B	-33.0B	-78.9B	-147.3B	-237.8B	-350.0B	-476.4B	-609.6B	-748.5B	-892.1B	-1039.6B	50.5%
All Firms	**-14.9B**	**-62.9B**	**-150.7B**	**-282.4B**	**-457.9B**	**-677.1B**	**-926.0B**	**-1191.0B**	**-1469.8B**	**-1760.0B**	**-2059.9B**	**100.0%**

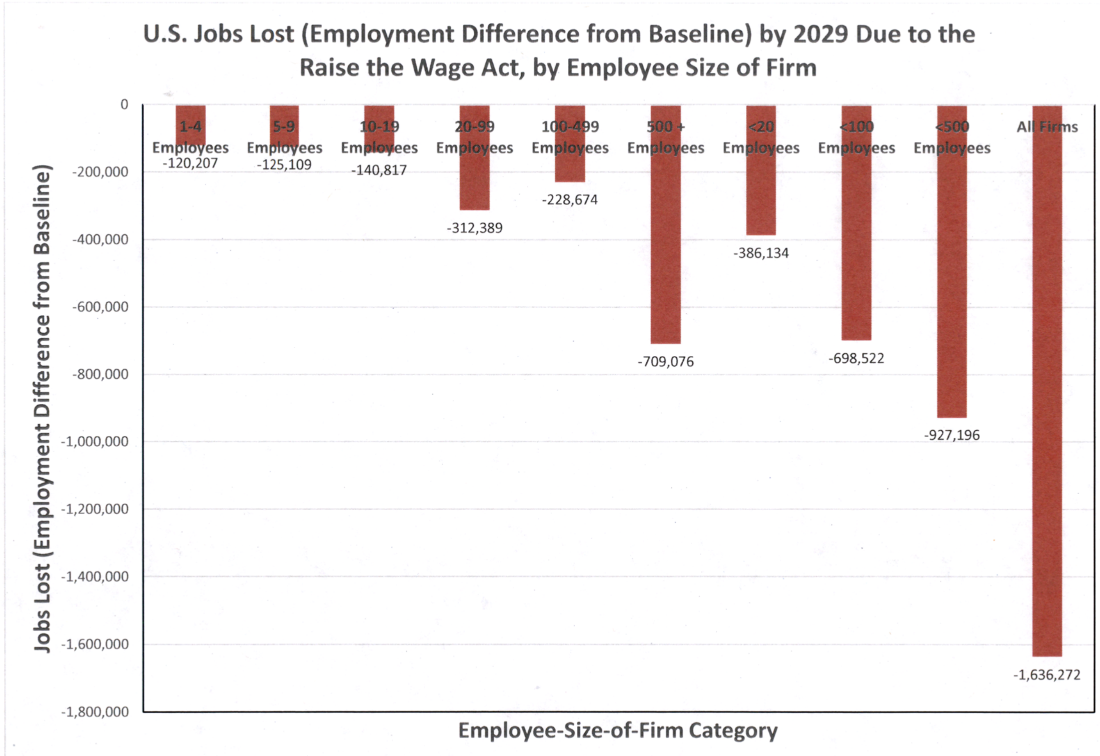

U.S. Jobs Lost (Employment Difference from Baseline) by 2029 Due to the Raise the Wage Act, by Employee Size of Firm
Jobs Lost (Employment Difference from Baseline)
0
-200,000
-400,000
-600,000
-800,000
-1,000,000
-1,200,000
-1,400,000
-1,600,000
-1,800,000
1-4 Employees
-120,207
5-9 Employees
-125,109
10-19 Employees
-140,817
20-99 Employees
-312,389
100-499 Employees
-228,674
500 + Employees
-709,076
<20 Employees
-386,134
<100 Employees
-698,522
<500 Employees
-927,196
All Firms
-1,636,272
Employee-Size-of-Firm Category

Figure 2

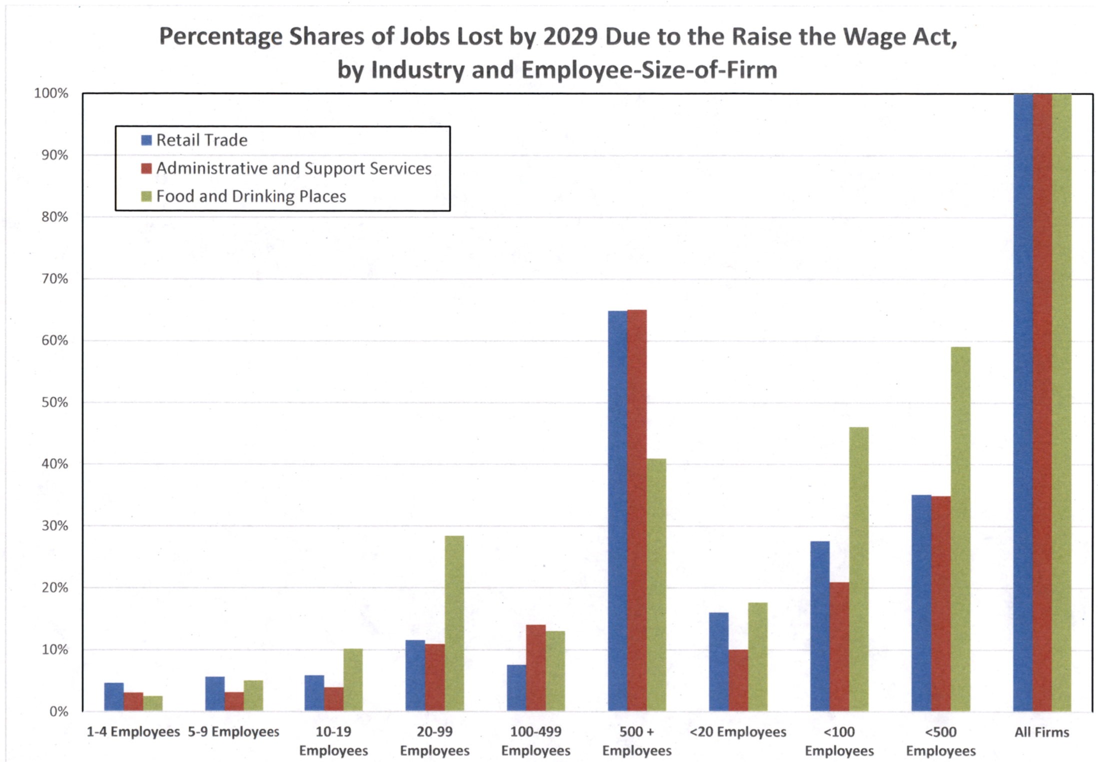
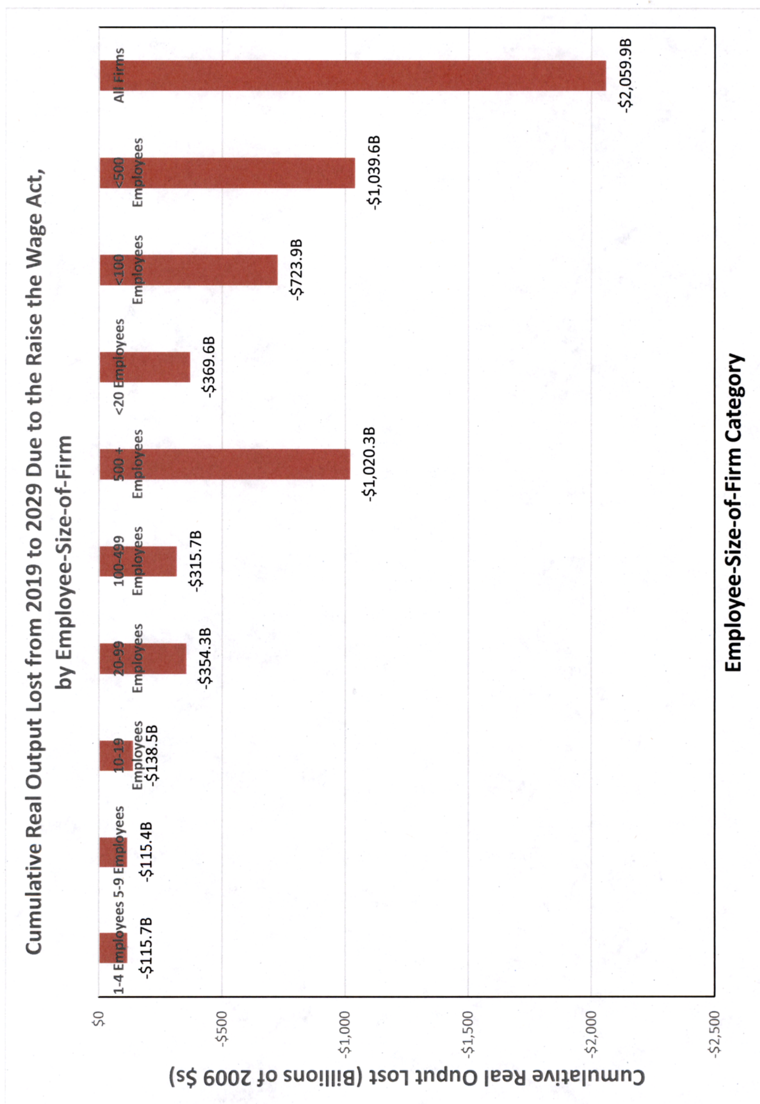

Percentage Shares of Jobs Lost by 2029 Due to the Raise the Wage Act,
by Industry and Employee-Size-of-Firm
Retail Trade
Administrative and Support Services
Food and Drinking Places
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1-4 Employees
5-9 Employees
10-19 Employees
20-99 Employees
100-499 Employees
500 + Employees
<20 Employees
<100 Employees
<500 Employees
All Firms

Figure 3



Cumulative Real Output Lost from 2019 to 2029 Due to the Raise the Wage Act, by Employee-Size-of-Firm
Cumulative Real Ouput Lost (Billions of 2009 $s)
$0
-$500
-$1,000
-$1,500
-$2,000
-$2,500
1-4 Employees
-$115.7B
5-9 Employees
-$115.4B
10-19 Employees
-$138.5B
20-99 Employees
-$354.3B
100-499 Employees
-$315.7B
500 + Employees
-$1,020.3B
<20 Employees
-$369.6B
<100 Employees
-$723.9B
<500 Employees
-$1,039.6B
All Firms
-$2,059.9B
Employee-Size-of-Firm Category

Figure 4

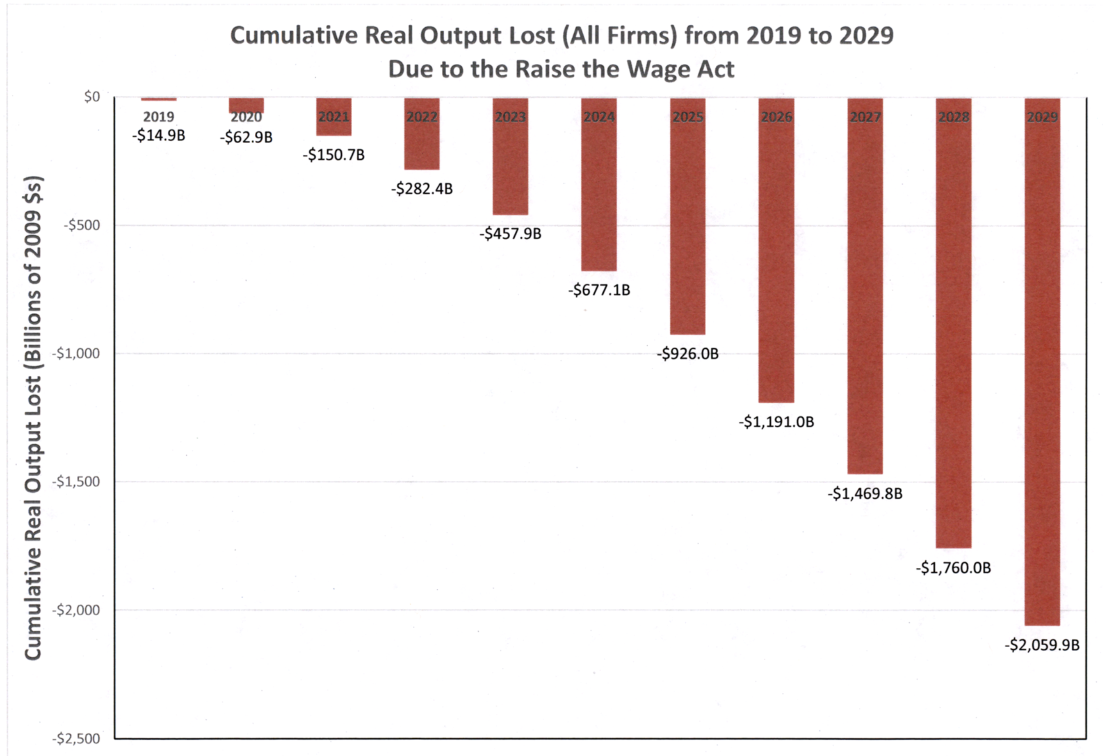

Cumulative Real Output Lost (All Firms) from 2019 to 2029
Due to the Raise the Wage Act
Cumulative Real Output Lost (Billions of 2009 $s)
$0
-$500
-$1,000
-$1,500
-$2,000
-$2,500
2019
-$14.9B
2020
-$62.9B
2021
-$150.7B
2022
-$282.4B
2023
-$457.9B
2024
-$677.1B
2025
-$926.0B
2026
-$1,191.0B
2027
-$1,469.8B
2028
-$1,760.0B
2029
-$2,059.9B

Figure 5

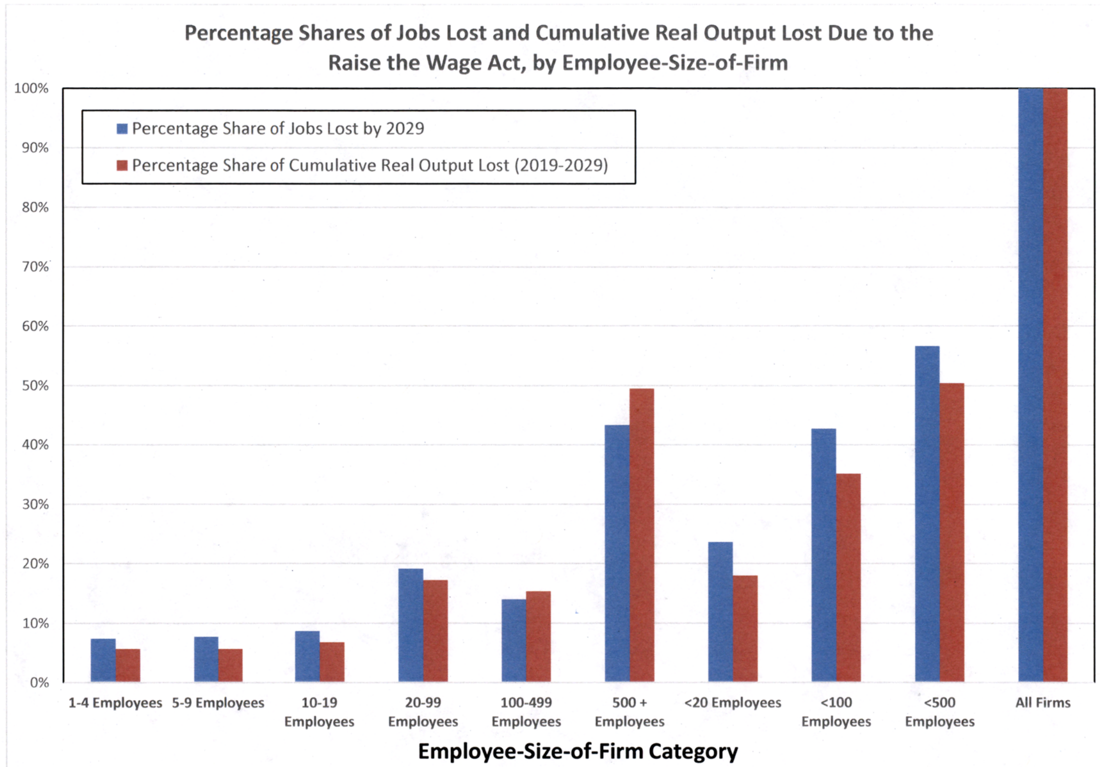

Percentage Shares of Jobs Lost and Cumulative Real Output Lost Due to the Raise the Wage Act, by Employee-Size-of-Firm
Percentage Share of Jobs Lost by 2029
Percentage Share of Cumulative Real Output Lost (2019-2029)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1-4 Employees
5-9 Employees
10-19 Employees
20-99 Employees
100-499 Employees
500 + Employees
<20 Employees
<100 Employees
<500 Employees
All Firms
Employee-Size-of-Firm Category

Figure 6

Concluding Remarks

This BSIM simulation forecasts that a federal minimum wage bill that would increase the minimum wage to $15.00 per hour according to a wage scheduled modeled after the one outlined in the Raise the Wage Act would reduce U.S. private sector employment by over 1.6 million jobs over a period spanning 2019 to 2029 and result in a cumulative reduction in U.S. real output of over $2 trillion over the same time period (even after accounting for any demand-side stimulus caused by workers receiving increased wages). The negative impact of the proposed legislation would fall disproportionately on small employers, which are less likely to have the cash reserves or profit margins to absorb the increase in labor costs than larger businesses. While low-wage workers able to find or retain a job would benefit from the proposed legislation, such gains come at the expense of a very large number of low-wage workers who would lose their jobs due to businesses unable to absorb the costs of a higher minimum wage, resulting in net negative employment and output effects.

At a more disaggregated level, pronounced differences between states in income level and cost of living should persuade policymakers to exercise caution before applying a uniform policy approach to address disparate regional and local situations. A one-size-fits-all federal minimum wage policy is a blunt instrument that is ill-suited to address slow wage growth among low-income workers across states with a large variance in average incomes and the cost of living. According to the Bureau of Economic Analysis, the cost of living in Hawaii (the state with the highest cost of living) is approximately 35 percent higher than Mississippi (the state with the lowest cost of living). A uniform federal minimum wage would treat both Hawaii and Mississippi the same despite the vast difference in average income and cost of living between those two states. In states with a high cost of living, the market wage for low-wage workers is higher than in states with a low cost of living. In principle, an increased federal minimum wage has the potential to have relatively larger negative impacts on state economies with lower costs of living than state economies with higher costs of living.

Since the last federal minimum wage increase, some states—particularly those with high costs of living and high average incomes—have chosen to enact state-level minimum wage increases. Among those states, two have created tiered systems that differentiate urban and rural communities. New York has created three different minimum wage increase schedules based on cost of living. New York City's is the most aggressive, reaching $15 per hour in 2019. Long Island and several suburban counties have a minimum wage scheduled to increase until reaching $15 per hour in 2022, and upstate New York's is scheduled to increase at an even slower pace. Similarly, Oregon has enacted a three-tiered minimum wage increase based on the population density of each county. Under this system, the increased cost burden on businesses in lower cost of living areas in both states is reduced. The reasoning of policymakers in these states to apply policies appropriate to localities with diverse costs of living is analogous to the argument that federal minimum wage policy should reflect differences in state costs of living.

Appendix A: Actual and Proposed State Minimum Wage Increase Schedules

Note: Minimum wage rates are weighted to account for mid-year increases during the calendar year. For example, a minimum wage of $8.55 that increases to $9.85 in July is shown as $9.20 in the tables below.

Alabama						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Alaska[14]	COLA:	2.1%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.89	$9.89	$0.00	$9.89	$9.89	$0.00
2020	$10.10	$10.47	$0.38	$10.10	$10.47	$0.38
2021	$10.31	$11.50	$1.19	$10.31	$11.50	$1.19
2022	$10.52	$12.80	$2.28	$10.52	$12.80	$2.28
2023	$10.74	$14.10	$3.36	$10.74	$14.10	$3.36
2024	$10.96	$15.38	$4.41	$10.96	$15.38	$4.41
2025	$11.19	$16.18	$4.99	$11.19	$16.18	$4.99
2026	$11.42	$16.54	$5.12	$11.42	$16.54	$5.12
2027	$11.66	$16.92	$5.25	$11.66	$16.92	$5.25
2028	$11.90	$17.30	$5.39	$11.90	$17.30	$5.39
2029	$12.15	$17.69	$5.53	$12.15	$17.69	$5.53

[14] Alaska state law requires the state minimum wage to be at least one dollar higher than the federal minimum wage.

Arizona	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.00	$11.00	$0.00	$8.00	$8.00	$0.00
2020	$12.00	$12.00	$0.00	$9.00	$9.00	$0.00
2021	$12.20	$12.20	$0.00	$9.15	$9.15	$0.00
2022	$12.40	$12.43	$0.02	$9.30	$9.30	$0.00
2023	$12.61	$13.10	$0.49	$9.46	$9.53	$0.07
2024	$12.82	$14.38	$1.56	$9.61	$10.35	$0.74
2025	$13.03	$15.18	$2.15	$9.77	$11.85	$2.08
2026	$13.24	$15.54	$2.30	$9.93	$13.35	$3.42
2027	$13.46	$15.92	$2.45	$10.10	$14.85	$4.75
2028	$13.69	$16.30	$2.61	$10.27	$16.05	$5.78
2029	$13.91	$16.69	$2.77	$10.44	$16.69	$6.25

Arkansas						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.25	$9.25	$0.00	$2.63	$3.12	$0.49
2020	$10.00	$10.00	$0.00	$2.63	$4.35	$1.72
2021	$11.00	$11.08	$0.07	$2.63	$5.85	$3.22
2022	$11.00	$11.80	$0.80	$2.63	$7.35	$4.72
2023	$11.00	$13.10	$2.10	$2.63	$8.85	$6.22
2024	$11.00	$14.38	$3.38	$2.63	$10.35	$7.72
2025	$11.00	$15.18	$4.18	$2.63	$11.85	$9.22
2026	$11.00	$15.54	$4.54	$2.63	$13.35	$10.72
2027	$11.00	$15.92	$4.92	$2.63	$14.85	$12.22
2028	$11.00	$16.30	$5.30	$2.63	$16.05	$13.42
2029	$11.00	$16.69	$5.69	$2.63	$16.69	$14.06

California	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$12.00	$12.00	$0.00	$12.00	$12.00	$0.00
2020	$13.00	$13.00	$0.00	$13.00	$13.00	$0.00
2021	$14.00	$14.00	$0.00	$14.00	$14.00	$0.00
2022	$15.00	$15.00	$0.00	$15.00	$15.00	$0.00
2023	$15.26	$15.26	$0.00	$15.26	$15.26	$0.00
2024	$15.52	$15.52	$0.00	$15.52	$15.52	$0.00
2025	$15.79	$15.79	$0.00	$15.79	$15.79	$0.00
2026	$16.07	$16.07	$0.00	$16.07	$16.07	$0.00
2027	$16.34	$16.34	$0.00	$16.34	$16.34	$0.00
2028	$16.63	$16.63	$0.00	$16.63	$16.63	$0.00
2029	$16.91	$16.91	$0.00	$16.91	$16.91	$0.00

Colorado	COLA:	2.4%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.10	$11.10	$0.00	$8.08	$8.08	$0.00
2020	$12.00	$12.00	$0.00	$8.98	$8.98	$0.00
2021	$12.28	$12.28	$0.00	$9.19	$9.19	$0.00
2022	$12.58	$12.58	$0.00	$9.41	$9.41	$0.00
2023	$12.87	$13.31	$0.44	$9.63	$9.62	$0.00
2024	$13.18	$14.38	$1.20	$9.86	$10.48	$0.62
2025	$13.49	$15.18	$1.69	$10.10	$11.85	$1.75
2026	$13.81	$15.54	$1.73	$10.34	$13.35	$3.01
2027	$14.14	$15.92	$1.78	$10.58	$14.85	$4.27
2028	$14.47	$16.30	$1.82	$10.83	$16.05	$5.22
2029	$14.82	$16.69	$1.87	$11.09	$16.69	$5.60

Connecticut[15]	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.10	$10.10	$0.00	$6.38	$6.38	$0.00
2020	$10.10	$10.10	$0.00	$6.38	$6.38	$0.00
2021	$10.10	$11.03	$0.93	$6.38	$6.49	$0.11
2022	$10.10	$12.39	$2.29	$6.38	$7.35	$0.97
2023	$10.10	$13.76	$3.66	$6.38	$8.85	$2.47
2024	$10.10	$15.09	$4.99	$6.38	$10.35	$3.97
2025	$10.10	$15.94	$5.84	$6.38	$11.85	$5.47
2026	$10.10	$16.32	$6.22	$6.38	$13.35	$6.97
2027	$10.10	$16.71	$6.61	$6.38	$14.85	$8.47
2028	$10.10	$17.11	$7.01	$6.38	$16.05	$9.67
2029	$10.10	$17.52	$7.42	$6.38	$17.52	$11.14

Delaware	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.75	$8.75	$0.00	$2.23	$2.92	$0.69
2020	$9.25	$9.55	$0.30	$2.23	$4.35	$2.12
2021	$9.25	$10.50	$1.25	$2.23	$5.85	$3.62
2022	$9.25	$11.80	$2.55	$2.23	$7.35	$5.12
2023	$9.25	$13.10	$3.85	$2.23	$8.85	$6.62
2024	$9.25	$14.38	$5.13	$2.23	$10.35	$8.12
2025	$9.25	$15.18	$5.93	$2.23	$11.85	$9.62
2026	$9.25	$15.54	$6.29	$2.23	$13.35	$11.12
2027	$9.25	$15.92	$6.67	$2.23	$14.85	$12.62
2028	$9.25	$16.30	$7.05	$2.23	$16.05	$13.82
2029	$9.25	$16.69	$7.44	$2.23	$16.69	$14.46

[15] Connecticut state law requires the state minimum wage to be at least five percent higher than the federal minimum wage.

District of Columbia	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$13.63	$13.25	$0.00	$4.17	$4.17	$0.00
2020	$14.50	$14.50	$0.00	$4.73	$4.91	$0.19
2021	$15.12	$15.12	$0.00	$5.00	$5.85	$0.85
2022	$15.38	$15.38	$0.00	$5.00	$7.35	$2.35
2023	$15.63	$15.63	$0.00	$5.00	$8.85	$3.85
2024	$15.89	$15.89	$0.00	$5.00	$10.35	$5.35
2025	$16.15	$16.15	$0.00	$5.00	$11.85	$6.85
2026	$16.42	$16.42	$0.00	$5.00	$13.35	$8.35
2027	$16.69	$16.69	$0.00	$5.00	$14.85	$9.85
2028	$16.97	$16.97	$0.00	$5.00	$16.05	$11.05
2029	$17.25	$17.25	$0.00	$5.00	$16.69	$11.69

Florida	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.46	$8.51	$0.04	$5.44	$5.44	$0.00
2020	$8.61	$9.23	$0.62	$5.53	$5.53	$0.00
2021	$8.76	$10.50	$1.74	$5.63	$6.11	$0.49
2022	$8.91	$11.80	$2.89	$5.73	$7.35	$1.62
2023	$9.06	$13.10	$4.04	$5.83	$8.85	$3.02
2024	$9.22	$14.38	$5.16	$5.93	$10.35	$4.42
2025	$9.38	$15.18	$5.80	$6.03	$11.85	$5.82
2026	$9.54	$15.54	$6.00	$6.13	$13.35	$7.22
2027	$9.70	$15.92	$6.21	$6.24	$14.85	$8.61
2028	$9.87	$16.30	$6.42	$6.35	$16.05	$9.70
2029	$10.04	$16.69	$6.64	$6.46	$16.69	$10.23

Georgia						
	Existing Minimum Wage Schedule (state: $5.15)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Hawaii						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.10	$10.10	$0.00	$9.35	$9.35	$0.00
2020	$10.10	$10.10	$0.00	$9.35	$9.35	$0.00
2021	$10.10	$10.63	$0.53	$9.35	$9.35	$0.00
2022	$10.10	$11.80	$1.70	$9.35	$9.35	$0.00
2023	$10.10	$13.10	$3.00	$9.35	$9.48	$0.13
2024	$10.10	$14.38	$4.28	$9.35	$10.35	$1.00
2025	$10.10	$15.18	$5.08	$9.35	$11.85	$2.50
2026	$10.10	$15.54	$5.44	$9.35	$13.35	$4.00
2027	$10.10	$15.92	$5.82	$9.35	$14.85	$5.50
2028	$10.10	$16.30	$6.20	$9.35	$16.05	$6.70
2029	$10.10	$16.69	$6.59	$9.35	$16.69	$7.34

Idaho						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$3.35	$3.35	$0.00
2020	$7.25	$9.20	$1.95	$3.35	$4.35	$1.00
2021	$7.25	$10.50	$3.25	$3.35	$5.85	$2.50
2022	$7.25	$11.80	$4.55	$3.35	$7.35	$4.00
2023	$7.25	$13.10	$5.85	$3.35	$8.85	$5.50
2024	$7.25	$14.38	$7.13	$3.35	$10.35	$7.00
2025	$7.25	$15.18	$7.93	$3.35	$11.85	$8.50
2026	$7.25	$15.54	$8.29	$3.35	$13.35	$10.00
2027	$7.25	$15.92	$8.67	$3.35	$14.85	$11.50
2028	$7.25	$16.30	$9.05	$3.35	$16.05	$12.70
2029	$7.25	$16.69	$9.44	$3.35	$16.69	$13.34

Illinois						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.25	$8.40	$0.15	$4.95	$4.95	$0.00
2020	$8.25	$9.20	$0.95	$4.95	$5.03	$0.08
2021	$8.25	$10.50	$2.25	$4.95	$5.85	$0.90
2022	$8.25	$11.80	$3.55	$4.95	$7.35	$2.40
2023	$8.25	$13.10	$4.85	$4.95	$8.85	$3.90
2024	$8.25	$14.38	$6.13	$4.95	$10.35	$5.40
2025	$8.25	$15.18	$6.93	$4.95	$11.85	$6.90
2026	$8.25	$15.54	$7.29	$4.95	$13.35	$8.40
2027	$8.25	$15.92	$7.67	$4.95	$14.85	$9.90
2028	$8.25	$16.30	$8.05	$4.95	$16.05	$11.10
2029	$8.25	$16.69	$8.44	$4.95	$16.69	$11.74

Indiana						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Iowa						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$4.35	$4.35	$0.00
2020	$7.25	$9.20	$1.95	$4.35	$4.73	$0.38
2021	$7.25	$10.50	$3.25	$4.35	$5.85	$1.50
2022	$7.25	$11.80	$4.55	$4.35	$7.35	$3.00
2023	$7.25	$13.10	$5.85	$4.35	$8.85	$4.50
2024	$7.25	$14.38	$7.13	$4.35	$10.35	$6.00
2025	$7.25	$15.18	$7.93	$4.35	$11.85	$7.50
2026	$7.25	$15.54	$8.29	$4.35	$13.35	$9.00
2027	$7.25	$15.92	$8.67	$4.35	$14.85	$10.50
2028	$7.25	$16.30	$9.05	$4.35	$16.05	$11.70
2029	$7.25	$16.69	$9.44	$4.35	$16.69	$12.34

Kansas						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Kentucky						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Louisiana						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Maine						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.00	$11.00	$0.00	$5.50	$5.50	$0.00
2020	$12.00	$12.00	$0.00	$6.00	$6.00	$0.00
2021	$12.00	$12.00	$0.00	$6.00	$6.30	$0.30
2022	$12.00	$12.23	$0.23	$6.00	$7.35	$1.35
2023	$12.00	$13.10	$1.10	$6.00	$8.85	$2.85
2024	$12.00	$14.38	$2.38	$6.00	$10.35	$4.35
2025	$12.00	$15.18	$3.18	$6.00	$11.85	$5.85
2026	$12.00	$15.54	$3.54	$6.00	$13.35	$7.35
2027	$12.00	$15.92	$3.92	$6.00	$14.85	$8.85
2028	$12.00	$16.30	$4.30	$6.00	$16.05	$10.05
2029	$12.00	$16.69	$4.69	$6.00	$16.69	$10.69

Maryland						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.10	$10.10	$0.00	$3.63	$3.63	$0.00
2020	$10.10	$10.10	$0.00	$3.63	$4.37	$0.74
2021	$10.10	$10.63	$0.53	$3.63	$5.85	$2.22
2022	$10.10	$11.80	$1.70	$3.63	$7.35	$3.72
2023	$10.10	$13.10	$3.00	$3.63	$8.85	$5.22
2024	$10.10	$14.38	$4.28	$3.63	$10.35	$6.72
2025	$10.10	$15.18	$5.08	$3.63	$11.85	$8.22
2026	$10.10	$15.54	$5.44	$3.63	$13.35	$9.72
2027	$10.10	$15.92	$5.82	$3.63	$14.85	$11.22
2028	$10.10	$16.30	$6.20	$3.63	$16.05	$12.42
2029	$10.10	$16.69	$6.59	$3.63	$16.69	$13.06

Massachusetts[16]						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$12.00	$12.00	$0.00	$3.35	$3.35	$0.00
2020	$12.75	$12.75	$0.00	$3.75	$4.43	$0.68
2021	$13.50	$13.50	$0.00	$3.75	$5.85	$2.10
2022	$14.25	$14.25	$0.00	$3.75	$7.35	$3.60
2023	$15.00	$15.00	$0.00	$3.75	$8.85	$5.10
2024	$15.00	$15.00	$0.00	$3.75	$10.35	$6.60
2025	$15.00	$15.68	$0.68	$3.75	$11.85	$8.10
2026	$15.00	$16.04	$1.04	$3.75	$13.35	$9.60
2027	$15.00	$16.42	$1.42	$3.75	$14.85	$11.10
2028	$15.00	$16.80	$1.80	$3.75	$16.05	$12.30
2029	$15.00	$17.19	$2.19	$3.75	$16.69	$12.94

[16] Massachusetts state law requires the state minimum wage to be at least fifty cents higher than the federal minimum wage.

Michigan	COLA:	2.0%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.40	$9.40	$0.00	$3.57	$3.57	$0.00
2020	$9.65	$9.75	$0.10	$3.67	$4.38	$0.72
2021	$9.87	$10.51	$0.64	$3.75	$5.85	$2.10
2022	$10.10	$11.80	$1.70	$3.84	$7.35	$3.51
2023	$10.33	$13.10	$2.77	$3.93	$8.85	$4.92
2024	$10.56	$14.38	$3.82	$4.01	$10.35	$6.34
2025	$10.80	$15.18	$4.38	$4.10	$11.85	$7.75
2026	$11.04	$15.54	$4.50	$4.20	$13.35	$9.15
2027	$11.29	$15.92	$4.63	$4.29	$14.85	$10.56
2028	$11.54	$16.30	$4.76	$4.39	$16.05	$11.66
2029	$11.79	$16.69	$4.90	$4.48	$16.69	$12.21

Minnesota	COLA:	1.6%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.86	$9.86	$0.00	$9.86	$9.86	$0.00
2020	$10.02	$10.02	$0.00	$10.02	$10.02	$0.00
2021	$10.18	$10.66	$0.49	$10.18	$10.66	$0.49
2022	$10.34	$11.80	$1.46	$10.34	$11.80	$1.46
2023	$10.50	$13.10	$2.60	$10.50	$13.10	$2.60
2024	$10.67	$14.38	$3.71	$10.67	$14.38	$3.71
2025	$10.84	$15.18	$4.34	$10.84	$15.18	$4.34
2026	$11.01	$15.54	$4.54	$11.01	$15.54	$4.54
2027	$11.18	$15.92	$4.73	$11.18	$15.92	$4.73
2028	$11.36	$16.30	$4.94	$11.36	$16.30	$4.94
2029	$11.54	$16.69	$5.15	$11.54	$16.69	$5.15

Mississippi						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Missouri	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.60	$8.60	$0.00	$4.30	$4.30	$0.00
2020	$9.45	$9.65	$0.20	$4.73	$4.91	$0.19
2021	$10.30	$10.73	$0.43	$5.15	$5.88	$0.73
2022	$11.15	$11.80	$0.65	$5.58	$7.35	$1.78
2023	$12.00	$13.10	$1.10	$6.00	$8.85	$2.85
2024	$12.21	$14.38	$2.17	$6.10	$10.35	$4.25
2025	$12.42	$15.18	$2.76	$6.21	$11.85	$5.64
2026	$12.63	$15.54	$2.91	$6.32	$13.35	$7.03
2027	$12.85	$15.92	$3.06	$6.43	$14.85	$8.42
2028	$13.08	$16.30	$3.22	$6.54	$16.05	$9.51
2029	$13.30	$16.69	$3.38	$6.65	$16.69	$10.04

Montana	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.50	$8.53	$0.03	$8.50	$8.53	$0.03
2020	$8.64	$9.25	$0.60	$8.64	$9.25	$0.60
2021	$8.78	$10.50	$1.72	$8.78	$10.50	$1.72
2022	$8.93	$11.80	$2.87	$8.93	$11.80	$2.87
2023	$9.08	$13.10	$4.02	$9.08	$13.10	$4.02
2024	$9.23	$14.38	$5.15	$9.23	$14.38	$5.15
2025	$9.38	$15.18	$5.80	$9.38	$15.18	$5.80
2026	$9.54	$15.54	$6.01	$9.54	$15.54	$6.01
2027	$9.69	$15.92	$6.22	$9.69	$15.92	$6.22
2028	$9.86	$16.30	$6.44	$9.86	$16.30	$6.44
2029	$10.02	$16.69	$6.67	$10.02	$16.69	$6.67

Nebraska						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.00	$9.00	$0.00	$2.13	$2.87	$0.74
2020	$9.00	$9.43	$0.43	$2.13	$4.35	$2.22
2021	$9.00	$10.50	$1.50	$2.13	$5.85	$3.72
2022	$9.00	$11.80	$2.80	$2.13	$7.35	$5.22
2023	$9.00	$13.10	$4.10	$2.13	$8.85	$6.72
2024	$9.00	$14.38	$5.38	$2.13	$10.35	$8.22
2025	$9.00	$15.18	$6.18	$2.13	$11.85	$9.72
2026	$9.00	$15.54	$6.54	$2.13	$13.35	$11.22
2027	$9.00	$15.92	$6.92	$2.13	$14.85	$12.72
2028	$9.00	$16.30	$7.30	$2.13	$16.05	$13.92
2029	$9.00	$16.69	$7.69	$2.13	$16.69	$14.56

Nevada	COLA:	1.5%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.25	$8.40	$0.15	$8.25	$8.40	$0.15
2020	$8.38	$9.20	$0.82	$8.38	$9.20	$0.82
2021	$8.50	$10.50	$2.00	$8.50	$10.50	$2.00
2022	$8.63	$11.80	$3.17	$8.63	$11.80	$3.17
2023	$8.77	$13.10	$4.33	$8.77	$13.10	$4.33
2024	$8.90	$14.38	$5.47	$8.90	$14.38	$5.47
2025	$9.04	$15.18	$6.14	$9.04	$15.18	$6.14
2026	$9.18	$15.54	$6.37	$9.18	$15.54	$6.37
2027	$9.32	$15.92	$6.60	$9.32	$15.92	$6.60
2028	$9.46	$16.30	$6.84	$9.46	$16.30	$6.84
2029	$9.60	$16.69	$7.08	$9.60	$16.69	$7.08

New Hampshire						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$3.26	$3.26	$0.00
2020	$7.25	$9.20	$1.95	$3.26	$4.35	$1.09
2021	$7.25	$10.50	$3.25	$3.26	$5.85	$2.59
2022	$7.25	$11.80	$4.55	$3.26	$7.35	$4.09
2023	$7.25	$13.10	$5.85	$3.26	$8.85	$5.59
2024	$7.25	$14.38	$7.13	$3.26	$10.35	$7.09
2025	$7.25	$15.18	$7.93	$3.26	$11.85	$8.59
2026	$7.25	$15.54	$8.29	$3.26	$13.35	$10.09
2027	$7.25	$15.92	$8.67	$3.26	$14.85	$11.59
2028	$7.25	$16.30	$9.05	$3.26	$16.05	$12.79
2029	$7.25	$16.69	$9.44	$3.26	$16.69	$13.42

New Jersey	COLA:	1.6%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.85	$8.85	$0.00	$2.13	$2.87	$0.74
2020	$8.99	$9.42	$0.43	$2.13	$4.35	$2.22
2021	$9.13	$10.50	$1.37	$2.13	$5.85	$3.72
2022	$9.28	$11.80	$2.52	$2.13	$7.35	$5.22
2023	$9.43	$13.10	$3.67	$2.13	$8.85	$6.72
2024	$9.58	$14.38	$4.80	$2.13	$10.35	$8.22
2025	$9.73	$15.18	$5.45	$2.13	$11.85	$9.72
2026	$9.88	$15.54	$5.66	$2.13	$13.35	$11.22
2027	$10.04	$15.92	$5.87	$2.13	$14.85	$12.72
2028	$10.20	$16.30	$6.10	$2.13	$16.05	$13.92
2029	$10.36	$16.69	$6.32	$2.13	$16.69	$14.56

New Mexico						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.50	$8.03	$0.53	$2.13	$2.87	$0.74
2020	$7.50	$9.20	$1.70	$2.13	$4.35	$2.22
2021	$7.50	$10.50	$3.00	$2.13	$5.85	$3.72
2022	$7.50	$11.80	$4.30	$2.13	$7.35	$5.22
2023	$7.50	$13.10	$5.60	$2.13	$8.85	$6.72
2024	$7.50	$14.38	$6.88	$2.13	$10.35	$8.22
2025	$7.50	$15.18	$7.68	$2.13	$11.85	$9.72
2026	$7.50	$15.54	$8.04	$2.13	$13.35	$11.22
2027	$7.50	$15.92	$8.42	$2.13	$14.85	$12.72
2028	$7.50	$16.30	$8.80	$2.13	$16.05	$13.92
2029	$7.50	$16.69	$9.19	$2.13	$16.69	$14.56

New York[17]						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.10	$11.10	$0.00	$7.50	$7.50	$0.00
2020	$11.80	$11.80	$0.00	$7.85	$7.85	$0.00
2021	$12.50	$12.50	$0.00	$8.35	$8.35	$0.00
2022	$13.20	$13.20	$0.00	$8.85	$8.85	$0.00
2023	$13.90	$13.90	$0.00	$9.35	$9.48	$0.13
2024	$14.60	$14.80	$0.20	$9.85	$10.48	$0.63
2025	$15.00	$15.18	$0.18	$10.00	$11.85	$1.85
2026	$15.00	$15.54	$0.54	$10.00	$13.35	$3.35
2027	$15.00	$15.92	$0.92	$10.00	$14.85	$4.85
2028	$15.00	$16.30	$1.30	$10.00	$16.05	$6.05
2029	$15.00	$16.69	$1.69	$10.00	$16.69	$6.69

North Carolina						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

[17] New York's recently enacted minimum wage increase operates under three separate schedules: New York City, the counties surrounding New York City, and upstate New York. In the interest of conservatism, this model used the most aggressive schedule.

North Dakota						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$4.86	$4.86	$0.00
2020	$7.25	$9.20	$1.95	$4.86	$4.98	$0.12
2021	$7.25	$10.50	$3.25	$4.86	$5.85	$0.99
2022	$7.25	$11.80	$4.55	$4.86	$7.35	$2.49
2023	$7.25	$13.10	$5.85	$4.86	$8.85	$3.99
2024	$7.25	$14.38	$7.13	$4.86	$10.35	$5.49
2025	$7.25	$15.18	$7.93	$4.86	$11.85	$6.99
2026	$7.25	$15.54	$8.29	$4.86	$13.35	$8.49
2027	$7.25	$15.92	$8.67	$4.86	$14.85	$9.99
2028	$7.25	$16.30	$9.05	$4.86	$16.05	$11.19
2029	$7.25	$16.69	$9.44	$4.86	$16.69	$11.83

Ohio	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.55	$8.55	$0.00	$4.28	$4.28	$0.00
2020	$8.69	$9.27	$0.58	$4.35	$4.72	$0.38
2021	$8.84	$10.50	$1.66	$4.42	$5.85	$1.43
2022	$8.98	$11.80	$2.82	$4.49	$7.35	$2.86
2023	$9.13	$13.10	$3.97	$4.57	$8.85	$4.28
2024	$9.28	$14.38	$5.09	$4.64	$10.35	$5.71
2025	$9.44	$15.18	$5.74	$4.72	$11.85	$7.13
2026	$9.59	$15.54	$5.95	$4.80	$13.35	$8.55
2027	$9.75	$15.92	$6.16	$4.88	$14.85	$9.97
2028	$9.91	$16.30	$6.38	$4.96	$16.05	$11.09
2029	$10.08	$16.69	$6.61	$5.04	$16.69	$11.65

Oklahoma						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$3.63	$3.63	$0.00
2020	$7.25	$9.20	$1.95	$3.63	$4.36	$0.74
2021	$7.25	$10.50	$3.25	$3.63	$5.85	$2.23
2022	$7.25	$11.80	$4.55	$3.63	$7.35	$3.73
2023	$7.25	$13.10	$5.85	$3.63	$8.85	$5.23
2024	$7.25	$14.38	$7.13	$3.63	$10.35	$6.73
2025	$7.25	$15.18	$7.93	$3.63	$11.85	$8.23
2026	$7.25	$15.54	$8.29	$3.63	$13.35	$9.73
2027	$7.25	$15.92	$8.67	$3.63	$14.85	$11.23
2028	$7.25	$16.30	$9.05	$3.63	$16.05	$12.43
2029	$7.25	$16.69	$9.44	$3.63	$16.69	$13.06

Oregon[18]	COLA:	1.8%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.75	$10.75	$0.00	$10.75	$10.75	$0.00
2020	$11.25	$11.25	$0.00	$11.25	$11.25	$0.00
2021	$11.75	$11.75	$0.00	$11.75	$11.75	$0.00
2022	$12.25	$12.35	$0.10	$12.25	$12.35	$0.10
2023	$12.61	$13.18	$0.57	$12.61	$13.18	$0.57
2024	$12.83	$14.38	$1.54	$12.83	$14.38	$1.54
2025	$13.06	$15.18	$2.12	$13.06	$15.18	$2.12
2026	$13.29	$15.54	$2.26	$13.29	$15.54	$2.26
2027	$13.52	$15.92	$2.40	$13.52	$15.92	$2.40
2028	$13.76	$16.30	$2.54	$13.76	$16.30	$2.54
2029	$14.00	$16.69	$2.69	$14.00	$16.69	$2.69

[18] Oregon's recently enacted minimum wage increase operates under three separate schedules dependent upon each county's population density. In the interest of conservatism, this model used the most aggressive schedule.

Pennsylvania						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.83	$3.22	$0.39
2020	$7.25	$9.20	$1.95	$2.83	$4.35	$1.52
2021	$7.25	$10.50	$3.25	$2.83	$5.85	$3.02
2022	$7.25	$11.80	$4.55	$2.83	$7.35	$4.52
2023	$7.25	$13.10	$5.85	$2.83	$8.85	$6.02
2024	$7.25	$14.38	$7.13	$2.83	$10.35	$7.52
2025	$7.25	$15.18	$7.93	$2.83	$11.85	$9.02
2026	$7.25	$15.54	$8.29	$2.83	$13.35	$10.52
2027	$7.25	$15.92	$8.67	$2.83	$14.85	$12.02
2028	$7.25	$16.30	$9.05	$2.83	$16.05	$13.22
2029	$7.25	$16.69	$9.44	$2.83	$16.69	$13.86

Rhode Island						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.50	$10.50	$0.00	$3.89	$3.89	$0.00
2020	$10.50	$10.50	$0.00	$3.89	$4.50	$0.61
2021	$10.50	$10.83	$0.32	$3.89	$5.85	$1.96
2022	$10.50	$11.80	$1.30	$3.89	$7.35	$3.46
2023	$10.50	$13.10	$2.60	$3.89	$8.85	$4.96
2024	$10.50	$14.38	$3.88	$3.89	$10.35	$6.46
2025	$10.50	$15.18	$4.68	$3.89	$11.85	$7.96
2026	$10.50	$15.54	$5.04	$3.89	$13.35	$9.46
2027	$10.50	$15.92	$5.42	$3.89	$14.85	$10.96
2028	$10.50	$16.30	$5.80	$3.89	$16.05	$12.16
2029	$10.50	$16.69	$6.19	$3.89	$16.69	$12.80

South Carolina						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

South Dakota	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.10	$9.10	$0.00	$4.55	$4.55	$0.00
2020	$9.25	$9.55	$0.30	$4.63	$4.86	$0.24
2021	$9.40	$10.50	$1.10	$4.70	$5.85	$1.15
2022	$9.56	$11.80	$2.24	$4.78	$7.35	$2.57
2023	$9.72	$13.10	$3.38	$4.86	$8.85	$3.99
2024	$9.88	$14.38	$4.50	$4.94	$10.35	$5.41
2025	$10.04	$15.18	$5.14	$5.02	$11.85	$6.83
2026	$10.21	$15.54	$5.33	$5.10	$13.35	$8.25
2027	$10.38	$15.92	$5.54	$5.19	$14.85	$9.66
2028	$10.55	$16.30	$5.75	$5.28	$16.05	$10.77
2029	$10.73	$16.69	$5.96	$5.36	$16.69	$11.32

Tennessee	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Texas	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Utah						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Vermont	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.78	$10.78	$0.00	$5.39	$5.39	$0.00
2020	$10.96	$10.96	$0.00	$5.48	$5.48	$0.00
2021	$11.14	$11.15	$0.00	$5.57	$6.09	$0.51
2022	$11.32	$11.89	$0.56	$5.66	$7.35	$1.69
2023	$11.51	$13.10	$1.59	$5.76	$8.85	$3.09
2024	$11.70	$14.38	$2.67	$5.85	$10.35	$4.50
2025	$11.90	$15.18	$3.28	$5.95	$11.85	$5.90
2026	$12.09	$15.54	$3.45	$6.05	$13.35	$7.30
2027	$12.30	$15.92	$3.62	$6.15	$14.85	$8.70
2028	$12.50	$16.30	$3.80	$6.25	$16.05	$9.80
2029	$12.71	$16.69	$3.98	$6.35	$16.69	$10.33

Virginia						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Washington	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$12.00	$12.00	$0.00	$12.00	$12.00	$0.00
2020	$13.50	$13.50	$0.00	$13.50	$13.50	$0.00
2021	$13.72	$13.72	$0.00	$13.72	$13.72	$0.00
2022	$13.95	$13.95	$0.00	$13.95	$13.95	$0.00
2023	$14.18	$14.18	$0.00	$14.18	$14.18	$0.00
2024	$14.42	$14.71	$0.29	$14.42	$14.42	$0.00
2025	$14.66	$15.18	$0.52	$14.66	$14.66	$0.00
2026	$14.90	$15.54	$0.64	$14.90	$14.90	$0.00
2027	$15.15	$15.92	$0.77	$15.15	$15.37	$0.23
2028	$15.40	$16.30	$0.90	$15.40	$16.05	$0.65
2029	$15.65	$16.69	$1.04	$15.65	$16.69	$1.04

West Virginia						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.75	$8.75	$0.00	$2.63	$3.11	$0.49
2020	$8.75	$9.30	$0.55	$2.63	$4.35	$1.73
2021	$8.75	$10.50	$1.75	$2.63	$5.85	$3.23
2022	$8.75	$11.80	$3.05	$2.63	$7.35	$4.73
2023	$8.75	$13.10	$4.35	$2.63	$8.85	$6.23
2024	$8.75	$14.38	$5.63	$2.63	$10.35	$7.73
2025	$8.75	$15.18	$6.43	$2.63	$11.85	$9.23
2026	$8.75	$15.54	$6.79	$2.63	$13.35	$10.73
2027	$8.75	$15.92	$7.17	$2.63	$14.85	$12.23
2028	$8.75	$16.30	$7.55	$2.63	$16.05	$13.43
2029	$8.75	$16.69	$7.94	$2.63	$16.69	$14.06

Wisconsin						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.33	$2.97	$0.64
2020	$7.25	$9.20	$1.95	$2.33	$4.35	$2.02
2021	$7.25	$10.50	$3.25	$2.33	$5.85	$3.52
2022	$7.25	$11.80	$4.55	$2.33	$7.35	$5.02
2023	$7.25	$13.10	$5.85	$2.33	$8.85	$6.52
2024	$7.25	$14.38	$7.13	$2.33	$10.35	$8.02
2025	$7.25	$15.18	$7.93	$2.33	$11.85	$9.52
2026	$7.25	$15.54	$8.29	$2.33	$13.35	$11.02
2027	$7.25	$15.92	$8.67	$2.33	$14.85	$12.52
2028	$7.25	$16.30	$9.05	$2.33	$16.05	$13.72
2029	$7.25	$16.69	$9.44	$2.33	$16.69	$14.36

Wyoming						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Appendix B: Remarks Concerning Alleged Counterfactual Evidence Regarding Minimum Wage Effects on Employment

Research on the economic effects of minimum wage policy consists of a rich literature spanning decades. This body of literature includes studies whose results contradict the basic economic principle of the law of demand, suggesting that increases in the minimum wage have no impact on low-wage employment and may even have a modest positive effect. This section discusses two popular studies within this counterfactual literature and notes certain methodological problems which introduce uncertainty with respect to their findings.

A controversial and well-cited study on the minimum wage dating from the mid-1990s is Card and Krueger's investigation of the impact of the April 1, 1992 increase in the New Jersey minimum wage from $4.25 to $5.05 per hour.[19] Card and Kruger used a telephone survey to compare the experiences of 410 fast-food restaurants in New Jersey and Pennsylvania—331 in New Jersey and 79 in eastern Pennsylvania—following the increase in New Jersey's minimum wage. The Pennsylvania restaurants included in the survey served as a control group with which New Jersey restaurants (and their experiences) could be compared since, in the authors' opinions, "New Jersey is a relatively small state with an economy that is closely linked to nearby states" and no contemporary increase in Pennsylvania's minimum wage occurred during the time period studied. In summarizing their findings, the authors claim to have found "no evidence that the rise in New Jersey's minimum wage reduced employment at fast-food restaurants in the state." Contrary to conventional wisdom, the authors even found "that the increase in the minimum wage increased employment." In a follow-up study using different data (from the Bureau of Labor Statistics), the authors moderated their conclusion to the following: "The increase in New Jersey's minimum wage probably had no effect on total employment in New Jersey's fast-food industry, and possibly had a small positive effect."[20]

The motivation for Card and Kruger's follow-up study stems from criticism of the methodology employed in the authors' first study. In particular, concerns about noisy measurement, the unit of measure investigated (critics claimed that the study's focus should have been the number of hours worked by employees, not the number of employees itself), and inconsistencies between Card and Kruger's data set and actual payroll data from fast-food establishments in New Jersey and Pennsylvania incentivized the authors to perform subsequent research. These points aside, other criticisms can be made about Card and Kruger's analysis. First, the authors focused on a relatively small geographic area. Second, the authors focused on fast-food *chains*, which are not the same as the fast-food *industry*, which is comprised of both chains and an independent sector. The independent sector has been observed to be "much more labour intensive than the chain sector."[21] This being the case, it is entirely possible for the chain sector of the fast-food industry to experience negligible effects due to a minimum wage increase, while

[19] Card, David and Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," The American Economic Review, Vol. 84, No. 4, Sept. 1994, pp. 772-793.
[20] Card, David and Alan B. Krueger, "Minimum Wage and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania: Reply," The American Economic Review, Vol. 90, No. 5, Dec. 2000, pp. 1397-1420.
[21] Worstall, Tim, "Alan Krueger's Mistake on the Minimum Wage", Forbes, Aug. 31, 2011.

the more labor-intensive independent sector (and the industry as a whole) experiences material negative employment effects due to the minimum wage increase. Third, by focusing on the fast-food industry, Card and Kruger leave out a significant subpopulation of the minimum wage workforce (employed outside of the fast-food industry). Fourth, the New Jersey minimum wage became effective two years after the legislation was passed. It is possible, and perhaps even likely, that some of the reaction among employer firms to the legislation occurred before the new minimum wage came into effect. To the extent that the examined time period excluded some employer's reactions to the minimum wage increase, the change in employment measured by Card and Kruger may be biased upward. Fifth, Card and Kruger focused on nationally-known fast-food enterprises rather than a representative sample of all eating establishments. Such a focus could bias results upward, as national chain restaurants may be better able to absorb wage increases than eating establishments in general. If such is the case, national chain restaurants may even gain market share and expand even as the industry as a whole loses employment.

The second study of some popularity which presents counterfactual evidence on the employment effects of minimum wage policy is much more recent. An article by Allegretto, Dube, and Reich (hereby ADR) published in 2011 asserts that minimum wage increases between 1990 and 2009 had essentially zero impact on teen employment (the authors rule out "any but very small disemployment effects").[22] Their results were obtained using a methodology that accounted for the (according to the authors) prior-to-then ignored "heterogeneous employment patterns that are correlated with selectivity among states with minimum wages." By including control variables for "long-term growth differences among states and for heterogeneous economic shocks," the authors achieve elasticities for employment and hours worked "indistinguishable from zero."

While the approach used by ADR holds some intuitive appeal, a thorough examination of the authors' methodology by Neumark, Salas, and Wascher (hereby NSW) "points to serious problems with [their] research designs."[23] NSW's analysis provides evidence that the tendency for including state-specific time trends into the baseline fixed-effects regression model typically used for minimum wage analysis to eliminate negative employment effects of minimum wages (during the time period studied) is due principally to the strong influence of the recessionary periods of the early 1990s or the Great Recession period. NSW show that when long-term trends are estimated in ways that are not highly sensitive to the business cycle, the estimated effects of minimum wages on teen employment are negative and statistically significant. NSW also address the second methodological technique used by ADR to obtain their counterfactual results, namely, the inclusion of a (Census Division x Period Interaction) term into the regression model. A justification for the inclusion of this term is that omitted factors could drive patterns of teen employment differentially by Census division, and therefore this term should be included to capture those effects. Underlying this approach is the assumption that states within a Census

[22] Allegretto, Sylvia A., Arindrajit Dube, and Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," Industrial Relations, Vol. 50, No. 2, Apr. 2011, pp. 205-240.

[23] Neumark, David, J.M. Ian Salas, and William Wascher, "Revisiting the Minimum Wage-Employment Debate: Throwing Out the Baby with the Bathwater?", Discussion Paper No. 7166, IZA, January 2013.

division make better controls for states where minimum wages increase than are states in other Census divisions. NSW investigate this claim by utilizing two ranking algorithms to assess whether within-Census-division states truly do make for better controls.[24] The two algorithms include a synthetic control approach and a "ranked prediction error" approach. Both algorithms provide evidence which generally question the rationale for restricting control states to those in the same Census division. In light of these results, NSW conclude that "the evidence still shows that minimum wages pose a tradeoff of higher wages for some against job losses for others."

Other recent research investigating the impact of minimum wage increases in Seattle and San Francisco on labor market conditions and business dynamics reinforces NSW's conclusion that minimum wage increases do indeed result in job losses for at least part of the workforce. For example, researchers at the University of Washington analyzed the impact of recent minimum wage increases in Seattle from \$9.37 per hour to as high as \$13.00 per hour. The researchers found that while the minimum wage hikes led to higher wages for workers with above-median experience, no wage increases were found among the less skilled. Furthermore, the researchers found that these wage increases came at the cost of a significant reduction in the rate of new entries into the workforce.[25] Additionally, researchers at Harvard Business School examined the effect of recent increases in the minimum wage in San Francisco and found that minimum wage increases raised the likelihood of firm exits, an outcome that constitutes not only lost jobs but also shuttered businesses.[26]

[24] The structures of the algorithms are non-trivial and details surrounding them are omitted from this report. Readers interested in learning more about the algorithms should refer to Neumark et al. noted in footnote 23.
[25] Jardim, Ekaterina et al, "Minimum Wage Increases and Individual Employment Trajectories," NBER Working Paper 25182, 2018.
[26] Luca, Dara Lee and Michael Luca, "Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit," Harvard Business School, Working Paper 17-088, 2017.

SEPTEMBER 1, 2020

SELECT SUBCOMMITTEE ON THE
CORONAVIRUS CRISIS
— REPUBLICANS | WHIP STEVE SCALISE, RANKING MEMBER —

RESOUNDING SUCCESS: A REVIEW OF THE PAYCHECK PROTECTION PROGRAM

STAFF REPORT

HOUSE SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS | MINORITY

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Paycheck Protection Program (PPP) is a forgivable loan program designed to provide a direct incentive for small businesses to keep their workers on the payroll. Congress appropriated $659 billion for the program in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement Act. This enabled the Small Business Administration (SBA) to fund more than 4.9 million PPP loans.

Data show the PPP supported more than 51 million jobs across the country. The program demonstrated how the government can work with the private sector to quickly and efficiently get aid to those in need.

In the early weeks of the coronavirus crisis, much of the country shut down to limit the spread of the deadly virus. Dr. Megan Ranney – a witness invited by Subcommittee Democrats– testified at a hearing on May 21, 2020 that the economy was shut down to "flatten the curve of this infection so our hospitals across the country would not be overrun." The effects of the broad shutdown orders, however, went far beyond the hospital population. Essential and non-essential sectors of the economy were effectively closed. Consequently, many small businesses faced bankruptcy and the country faced a burgeoning economic crisis. Republicans in Congress and the Trump Administration designed the PPP to address this need, prioritizing rapid distribution of funds to small businesses to keep employees on payroll while shutdown orders were in effect and until the economy was fully restored. The program's focus on getting money to workers quickly saved millions of jobs and kept the economy from collapse.

Challenges related to connecting bank systems to the SBA's E-Tran portal – which was receiving an unprecedented volume of loan applications – caused delays immediately after PPP went live on April 3, 2020. SBA and Treasury Department employees worked around the clock to address those technical issues, and the program was fully operational within a matter of days. The SBA and Treasury issued a series of guidance documents to clarify certain aspects of the program, many of which were issued in response to discrete questions from applicants, lenders, and Congress. The evolving nature of the program's guidelines predictably caused confusion. The urgent need to disburse funds to millions of small businesses, however, justified the expedited rollout of the lending program, as Congress intended.

The SBA distributed PPP loans through thousands of financial institutions across the country. SBA directed financial institutions to work with small businesses in their communities and rapidly process loan applications. SBA and our nation's banks worked tirelessly to provide $342.3 billion in loans in 14 days. Behind the scenes, SBA and Treasury worked together to quickly get funds to more than 84 percent of the country's small businesses, with minimal fraud.

Under the lending terms of the PPP, small businesses may have their loans forgiven if they abide by the CARES Act and SBA employee retention requirements. These incentives ensured small businesses used the funds to pay employees and prevented abuses.

The Trump Administration's fast and efficient work with financial institutions across the country should be commended. Indeed, SBA and Treasury officials, and their counterparts at financial institutions, worked around the clock in March and April 2020 to stand up and execute the PPP. Their efforts may have prevented an apocalyptic scenario for American small businesses.

President Trump's Swift Action Provided Relief

In the early weeks of the coronavirus crisis much of the country was forced to shut down to limit the spread of the deadly virus. Dr. Megan Ranney – a witness invited by Democrats to testify before the Subcommittee – stated, under oath, the economy was shut down to "flatten the curve of this infection so our hospitals across the country would not be overrun." These broad and inflexible shutdowns drastically limited commercial activity. Consequently, many small businesses faced bankruptcy and the country faced a burgeoning economic crisis. President Trump and his Administration designed the PPP with Congress to address this need, prioritizing rapid distribution of funds to small businesses to keep employees on payroll and keep their doors open. On March 27, 2020, President Trump signed the CARES Act which included $349 billion in initial funding for the PPP.[1] The PPP saved millions of jobs and kept the economy from collapse.

Due to the hard work of President Trump, SBA, and the Treasury Department, it took only six days to stand up the PPP.[2] In the following 14 days, lenders of various shapes and sizes worked with SBA to process a deluge of loan applications.[3] The scale of this economic relief effort was unprecedented. Over the course of two weeks, loans totaling $349 billion were approved for more than 1.6 million small businesses, nonprofits, veterans' organizations, tribal businesses, sole proprietors, and independent contractors. Thousands of additional small businesses remained in the queue when PPP funds ran out.

The demand for PPP loans made clear the program was the most successful aspect of the CARES Act and was serving as a lifeline for America's small businesses, as it was intended. On April 7, 2020, Treasury Secretary Steven Mnuchin asked congressional leaders to provide an additional $250 billion for the PPP program, which was immediately supported by Republicans, with the Senate set to pass additional funds on April 9, 2020.[4]

House Democrats, however, jeopardized paychecks for millions of small business employees by attaching conditions to additional funding for the program during negotiations for the successor to the CARES Act. On April 8, 2020, Speaker Nancy Pelosi and Senate Minority Leader Chuck Schumer said they would block a vote on additional funds for the PPP.[5] Democrat leaders used funds for small businesses on the brink of insolvency as a bargaining chip to push progressive priorities including federal workplace standards and more funding for state and local

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[1] Pub. L. No. 116-136 (2020).
[2] Johnathan O'Connell, et. al, *Following messy start, enormous Paycheck Protection Program shows signs of buttressing economy*, Washington Post, (Jun. 10, 2020), https://www.washingtonpost.com/business/2020/06/09/how-effective-is-ppp-small-business/.
[3] *Id.*
[4] Erica Werner, et. al., *Treasury's Mnuchin seeks additional $250 billion to replenish small-business coronavirus program*, The Washington Post, (Apr. 7, 2020), https://www.washingtonpost.com/us-policy/2020/04/07/treasury-coronavirus-small-business/
[5] The Editorial Board, *Pelosi Holds Up Small Business*, Wall Street Journal, (Apr 8. 2020), https://www.wsj.com/articles/pelosi-holds-up-small-business-11586388710.

governments, even though the original funds for states and localities had not been expended at that time.[6]

Meanwhile, other senior Democrats refused to fund PPP based on concerns about transparency and the availability of data. For instance, Small Business Committee Chairwoman Nydia Velazquez said a lack of borrower data "has left unanswered questions as to whether taxpayer funding is going to those the program was intended to serve. Before Congress allocates billions of additional dollars, the administration must show a greater commitment to transparency."[7]

In fact, the SBA had just released a trove of PPP data voluntarily that showed small businesses in the manufacturing and health care/social assistance sectors were approved for more than $58 billion in loans, or nearly one-quarter of the total approved dollars as of the date that PPP funds expired.[8] According to the North American Industry Classification System (NAICS), those sectors included businesses that manufacture medical equipment and pharmaceuticals,[9] and establishments providing health care and social assistance for individuals, among many other important businesses.[10]

The lapse in PPP funding harmed the most vulnerable enterprises. On April 15, 2020, Citigroup, JPMorgan Chase, and Bank of America provided data that showed the nation's largest financial institutions are focused on ensuring PPP and other relief loans are available to a diverse group of people and entities. For example, Citigroup received nearly 500 applications from not-for-profit clients including churches, skills training programs, and schools for people with special needs and at-risk students.[11] JPMorgan Chase established a new program to focus on underserved entrepreneurs, including women and racial/ethnic minority owners and hardest hit communities.[12] Bank of America conducted extensive outreach to small business clients in low and moderate income (LMI) neighborhoods to raise awareness about PPP loans.[13]

As Democrats attempted to leverage the desperation of the small business community to push partisan policies, the need for PPP loans remained urgent, and the queue disproportionately consisted of small, family-owned, and independent businesses and independent contractors. Indeed, due to the tactics of Speaker Pelosi and Minority Leader Schumer, PPP funds ran out on

[6] *Supra* n. 12. *See also* Erica Werner, Mike DeBonis, *Worried that $2 trillion law wasn't enough, Trump and Congressional leaders converge on need for new coronavirus economic package*, Washington Post, (Apr. 6, 2020), https://www.washingtonpost.com/us-policy/2020/04/06/trump-democrats-coronavirus-stimulus-trillion/

[7] Warmbrodt, Everett, and Caygle, *supra* note 3.

[8] SBA Payroll Protection Program (PPP) Report, Approvals Through 4/13/20 (Apr. 14, 2020), https://content.sba.gov/sites/default/files/2020-04/PPP%20Report%20SBA%204.14.20%20%20-%20%20Read-Only.pdf (last accessed Apr. 16, 2020).

[9] NAICS Sector 32: Manufacturing.

[10] NAICS Sector 62: Health Care and Social Assistance.

[11] Letter from David Chubak, Head of U.S. Retail Banking, Citigroup, to Hon. Maxine Waters and Hon. Nydia Velazquez (Apr. 15, 2020).

[12] Letter from Jason Rosenberg, Head of U.S. Gov't Relations, JPMorgan Chase & Co., to Hon. Maxine Waters and Hon. Nydia Velazquez (Apr. 15, 2020).

[13] Letter from John Collingwood, Dir., Fed. Gov't Relations, Bank of America, to Hon. Maxine Waters and Hon. Nydia Velazquez (Apr. 15, 2020).

April 16, 2020.[14] As a result, hundreds of thousands of small businesses were unable to access PPP funds and had to consider layoffs and furloughs.[15]

On April 24, 2020, President Trump signed the Paycheck Protection Program and Health Care Enhancement Act, providing an additional $310 billion in PPP funds.[16] These funds provided desperately needed relief to small businesses across the country, but the damage was already done. Many small businesses that missed the first round of PPP funds were unable to bring back their employees and discontinued services.[17]

[14] Thomas Franck, *Small Business rescue loan program hits $349 billion limit and is now out of money*, CNBC, (Apr. 16, 2020), https://www.cnbc.com/2020/04/16/small-business-rescue-loan-program-hits-349-billion-limit-and-is-now-out-of-money.html.
[15] Tom Huddleston Jr., *As small business loan money runs out, many approved businesses still await checks or clarity on strict guidelines*, CNBC, (Apr. 17, 2020), https://www.cnbc.com/2020/04/17/small-businesses-await-checks-clarity-as-ppp-loan-program-runs-dry.html.
[16] Lisa Nagele-Piazza, *Trump Signs Coronavirus Relief Bill with $310 Billion More for Small Businesses*, SHRM, (Apr. 24, 2020), https://www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/house-approves-small-business-coronavirus-relief.aspx
[17] *Id.*

THE ADMINISTRATION'S GUIDANCE FOR PROGRAM LENDING

SBA and Treasury Guidance

Five days after the passage of the CARES Act, on April 2, 2020, SBA posted the Interim Final Rule (IFR) implementing the Paycheck Protection Program, and on April 3, 2020, released the affiliation rules so small businesses and lenders could easily determine whether they qualified for the program.[18] Through April 30, SBA issued five more IFRs and 39 FAQs to address many aspects of the PPP implementation.[19] The IFRs and FAQs were necessary to quickly respond to new issues within the rapidly evolving and unprecedented program.[20] Lenders were frustrated by the evolving nature of the guidance but their employees worked tirelessly to adapt their interactions with applicants to push the program forward.

On April 23, 2020, in an effort to ensure loans were going to small businesses in need, SBA and Treasury updated PPP FAQ guidance. The updated guidance stated "a public company with substantial market value and access to capital markets "is *unlikely* to be able to make the certification on its PPP application in good faith that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant."[21] Borrowers that falsely certify their loan application must repay PPP loans in full by May 7, 2020, or else face agency scrutiny of the loan applications, which carries the possibility of a criminal referral.[22] SBA and Treasury provided private-equity-owned businesses the same opportunity to repay their loans to avoid such scrutiny.[23]

On April 29, 2020, SBA and Treasury created a dedicated window for accepting PPP applications from "the smallest lenders and their small business customers."[24] During that window, SBA only accepted loans from small lending institutions with asset sizes less than $1 billion because many of these lenders served different communities than their larger counterparts.[25] This dedicated window guaranteed the smallest borrowers had access to funds. During the course of the Subcommittee's investigation, Democrats stated certain banks were unnecessarily limiting access to the PPP to existing customers to the detriment of applicants who lacked pre-existing banking relationships. Documents and information obtained by the Subcommittee, however, show lenders were constrained by the requirements to vet new

[18] SMALL BUSINESS ADMINISTRATION OFFICE OF THE INSPECTOR GENERAL, FLASH REPORT SMALL BUSINESS ADMINISTRATION'S IMPLEMENTATION OF THE PAYCHECK PROTECTION PROGRAM REQUIREMENTS, (May 8, 2020), https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-14_508.pdf
[19] *Id.*
[20] *Id.*
[21] U.S. Small Bus. Admin., Paycheck Protection Program Loans Frequently Asked Questions (Jun. 25, 2020), https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf *(emphasis added).*
[22] *Id.*
[23] *Id.*
[24] Press Release, U.S. Small Bus. Admin., Joint Statement by Administrator Jovita Carranza and Secretary Steven T. Mnuchin on Establishing Dedicated Hours for Small Lender Submissions of PPP Applications (Apr. 29, 2020), https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/joint-statement-administrator-jovita-carranza-and-secretary-steven-t-mnuchin-establishing-dedicated
[25] *Id.*

customers pursuant to the Bank Secrecy Act, also known as the Anti-Money Laundering law (BSA/AML) – statutes aimed at thwarting criminal activity and terrorist financing.

On April 30, 2020, SBA and Treasury issued an IFR stating that "businesses that are part of a single corporate group shall in no event receive more than $20 [million] of PPP loans in the aggregate." Businesses are part of a single corporate group if they are majority owned, directly or indirectly, by a common parent. The limitation goes into effect for any loan that has not been fully disbursed as of April 30, 2020. It is the PPP loan applicant's responsibility to notify the lender if the applicant has applied for or received PPP loans in excess of the amount permitted and withdraw or request cancellation of any pending PPP loan application or approved PPP loan not in compliance with the limitation.

Since April 30, SBA and Treasury have continued to respond to all manner of questions from small businesses, financial institutions, Congress, and the public on the implementation of the PPP.[26] These responses include 16 additional IFRs and guidance documents, near daily updates of the FAQs, and additional information for the loan forgiveness process.[27] SBA's rapid response has enabled it to quickly and efficiently implement the PPP saving millions of small businesses and American jobs.

PPP Loan Forgiveness

Loan forgiveness is dependent upon an employer maintaining or quickly rehiring employees and maintaining salary levels.[28] To qualify for loan forgiveness, employers may use PPP funds on payroll, payments of mortgage interest, rent, and utilities.[29] Originally, employers were required to use 75 percent of PPP funds received on payroll costs within eight weeks in order to qualify for forgiveness.[30] In response to concerns from borrowers whose unique circumstances made it difficult to comply with the eight week deadline, Congress responded and on June 5, President Trump signed the PPP Flexibility Act, which reduced the payroll obligation to 60 percent and increased the expenditure period to 24-weeks or December 31, 2020, whichever comes first, to qualify for forgiveness.[31]

All these actions ensured the smallest businesses got relief quickly. Instead of helping American workers, Democrats bullied companies that complied with the terms of PPP loan and fought against extending the program.[32] President Trump and his Administration provided lenders and borrowers with the guidance necessary to make PPP a success.

[26] U.S. Small Business Administration, Paycheck Protection Program, https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program
[27] *Id.*
[28] 13 C.F.R. 120 (2020).
[29] *Id. see also*
[30] *Id.*
[31] PPP Flexibility Act of 2020, Pub. L. No. 116-142.
[32] SELECT SUBCOMM. ON THE CORONAVIRUS CRISIS, HOUSE CORONAVIRUS PANEL DEMANDS THAT LARGE PUBLIC CORPORATIONS RETURN TAXPAYER FUNDS INTENDED FOR SMALL BUSINESSES, (May 8, 2020), https://coronavirus.house.gov/news/letters/letter-ceo-tim-abood-evo-transportation-energy-services-inc, (Letters from Chairman Clyburn to EVO Transportation & Energy Services, Inc., Gulf Island Fabrication, Inc., MiMedx Group, Inc., Quantum Corporation, and Universal Stainless & Alloy Products, Inc.). *See also supra* n. 13.

Overview of the Select Subcommittee Democrats' Partisan Investigation

On June 15, 2020, Select Subcommittee Democrats initiated a partisan investigation into the disbursement of PPP funds by sending letters to the Treasury Department, SBA and eight banks (JPMorgan Chase, Bank of America, PNC Bank, Truist Bank, Wells Fargo Bank, U.S. Bank, Citibank, and Santander) seeking thousands of documents and written responses.[33] These letters came as banks were still working to get PPP funds to small businesses across the country, and made baseless accusations that banks had created a two-tiered system benefiting the most wealthy clients.[34]

All eight banks responded to the Democrats' burdensome requests by June 29, 2020, with thousands of documents, detailed responses to the Democrats' questions, and lengthy virtual briefings to Select Subcommittee staff.[35] After receiving these responses, Ranking Member Steve Scalise wrote Chairman James Clyburn urging him to narrow his inquiry because the evidence available to the Select Subcommittee "shows the systems [the banks] built – in a matter of weeks – did not consider an applicant's wealth, as you allege. In fact, bank staff who processed and submitted applications to SBA had no way to determine whether an application came from an existing client or a new customer."[36]

Documents and Information Show Democrat Allegations Are Wrong

The evidence clearly shows that the Democrats mischaracterized why banks processed categories of applications in different ways, and confirmed that the banks were limited by the requirement to collect and verify BSA/AML information from any new customers.[37] The information required from new customers is extensive to prevent money laundering, and failure to abide by those requirements can carry significant fines. Financial institutions therefore take BSA/AML requirements very seriously.[38] The evidence shows the regulatory framework for the banking and lending industries made implementation of such an enormous program difficult.

Banks are particularly concerned with the BSA/AML risks of new small business clients because small businesses are more likely than medium and large businesses to be used as shell

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[33] Select Subcomm. on the Coronavirus Crisis, Select Subcommittee Launches Investigation into Disbursement of PPP Funds, (Jun. 15, 2020), https://coronavirus.house.gov/news/letters/select-subcommittee-launches-investigation-disbursement-ppp-funds.

[34] *Id.*

[35] Documents on file with the Select Subcommittee on the Coronavirus Crisis.

[36] Letter from Steve Scalise, Ranking Member, Select Subcomm. on the Coronavirus Crisis, to James Clyburn, Chairman, Select Subcomm. on the Coronavirus Crisis, (Jul 2, 2020) (citing numerous briefings from some of the largest PPP lender banks), https://republicans-oversight.house.gov/wp-content/uploads/2020/07/Scalise-to-Clyburn-re-withdraw-PPP-requests.pdf

[37] *Id.*

[38] Know Your Customer in Banking, Thales Group, (2019), https://www.thalesgroup.com/en/markets/digital-identity-and-security/banking-payment/issuance/id-verification/know-your-customer

companies for money laundering.[39] BSA/AML violations carry potential monetary penalties of millions of dollars for financial institution's negligence or willful violation.[40] Employees of financial institutions also share BSA/AML risk because violations can result in criminal fines of $250,000 and up to five years in prison.[41] Recent legislative proposals to amend the BSA would create new information requirements for small businesses to enable law enforcement and financial institutions to better identify entities being used for money laundering.[42] While these legislative proposals are still being negotiated they highlight the risks associated with small business lending, in particular the need for rigorous review of new customers' information and continuous review of existing client information.

Overview of the PPP Lending Process

Every financial institution created a proprietary approval process to suit its existing infrastructure and potential customers. Each one also made individual decisions including: (1) whether to serve new customers or only existing customers, (2) how to engage in outreach within their communities, (3) how to target minority or underserved communities and businesses, and (4) whether to proceed on a first come, first served basis or provide preference to a certain category of applicants. Some financial institutions chose to only provide loans to existing customers due to concerns that they would be unable to conduct adequate research into the background of those companies to meet their obligations under the Anti-Money Laundering and Bank Secrecy Act (BSA/AML).[43]

The need to quickly develop the online or manual infrastructure to process thousands of applications required banks to make decisions that in any other circumstance would likely take months of review. SBA and the Treasury Department enabled banks to make their own decisions within a set framework in order to get PPP funds to small businesses in need. Congress was clear that the goal for SBA, the Treasury Department and the banks was to get funds to small businesses as quickly as possible while still meeting regulatory requirements. This effort did not come without challenges. Banks told the Subcommittee they struggled to establish online portals for small businesses to apply, their systems were inundated with applications, and transmitting the information to the SBA was initially problematic.[44]

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[39] Kristin Broughton, *Small Businesses Brace for Compliance Hurdles Under Shell-Company Bills*, Wall Street Journal, (Nov. 3, 2019), https://www.wsj.com/articles/small-businesses-brace-for-compliance-hurdles-under-shell-company-bills-11572782401.
[40] Shari Pogach, et. al., *BSA Violation Civil Penalties Increase*, National Association of Federally-Insured Credit Unions, (Nov. 13, 2019), https://www.nafcu.org/compliance-blog/bsa-violation-civil-penalties-increase#:~:text=As%20the%20chart%20indicates%2C%20a,range%20from%20%2457%2C317%20to%20%24229%2C269.
[41] *Id.*
[42] *Supra* n. 1.
[43] *Bank Secrecy Act (BSA) & Related Regulations*, Office of the Comptroller of Currency Dep't of the Treasury, (last visited Aug. 14, 2020); AML/BSA was created to in 1970 to combat money laundering by requiring financial institutions to keep detailed records, report suspicious activities, and work with government agencies. Among the many requirements is one called Know Your Customer (KYC) which requires a financial institution to verify the identity of a client opening an account and over time. Failure to abide by KYC regulations can carry significant fines therefore financial institutions take it very seriously and include it in their risk assessment protocols for any new customer.
[44] Briefing from Banks for SSOCC Staff (June 29 – July 6, 2020).

Generally, the process for borrowers was very similar regardless of the financial institution that processed the loan application. Below is a general description of the application process:

1. The client completes the SBA Paycheck Protection Program Borrower Application Form on the lender's website.

2. The application goes through the financial institution's eligibility check, based on SBA eligibility guidelines. Some financial institutions implemented additional checks to determine whether the potential borrower had an existing relationship with the financial institution.

3. The financial institution may require additional information or corrections to incomplete information provided by the client.

4. The application is sent to SBA for approval through the E-Transaction (E-Tran) system.

5. The SBA approves or denies the application.

6. If approved, the client is provided with documentation related to the terms of the PPP loan and offered the opportunity to sign the loan documents.

7. The client receives the loan distribution.

PPP Data for Select Financial Institutions

JPMorgan Chase & Co.

- Total Loans: 280,000+
- Total Amount: $29 billion+
- Average Loan: $104,760[45]

JPMorgan Chase & Co. (JPM) launched its digital intake form on April 3. Within one hour, they received more than 75,000 expressions of interest from clients and non-clients.[46] JPM initially chose to serve only existing clients who had an account open with the bank prior to February 15, 2020.[47] In a letter to Treasury and SBA on April 6, 2020, JPM stated that the need for a lender to have "exercised due diligence to obtain true and correct information," conflicted with the SBA Interim Final Rule, in SBA Form 2484, which set forth relaxed due diligence requirement intent on getting funds to businesses quickly.[48] While there was an initial lack of clarity, that was resolved and most other major financial institutions allowed non-customers to apply for PPP funds, though JPM has maintained they will only provide PPP loans to existing

[45] *Supra* n. 4.
[46] HSSC_JPMC_00000013
[47] HSSC_JPMC_00000074
[48] HSSC_JPMC_00000002-00000005

customers. The week before the Paycheck Protection Program and Health Care Enhancement Act was signed, JPM's focused on underserved communities and worked to develop a plan for outreach to such communities. JPM submitted loan applications to SBA on a first come first serve basis. [49]

Citi Group Inc.

- Total Loans: 29,000+
- Total Amount: $3.3 billion+
- Average Loan: $175,000[50]

Prior to the PPP program, Citi Group Inc. (Citi) did not have a digital lending capability for small businesses, instead requiring small businesses to go to the bank's physical locations to apply for a small business loan.[51] As it became clear that PPP was going to be included in the CARES Act, Citi began working with Fundation, a company that specializes in small business lending capabilities, to create a digital lending capability for small businesses in less than three weeks.[52] Citi required Fundation to complete the BSA/AML Know-Your-Customer (KYC) verification and any mismatches were reviewed by a Citi branch KYC team.[53] Additionally, Citi still required loans of more than $1 million to go through a separate more difficult underwriting process to reduce the risks associated with larger loans.[54]

Citi operated on a "first in first out" basis and no loan amount preference was given to any borrower.[55] Citi made a $100 million commitment to get PPP loans to the communities hardest hit by the coronavirus crisis. That commitment contained a partnership with Community Development Financial Institutions (CDFIs) to get funds to underserved communities. Citi recognized that "not taking non-customers might create a heightened risk of disparate impact on minority and women-owned businesses."[56] Citi provided loans to only existing customers due to BSA/AML concerns, then opened the program to non-customers after working with their risk management team to develop controls to limit their risks.[57]

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[49] Tel. Call, JPMorgan Chase Staff and minority staff, Select Subcomm. on the Coronavirus Crisis H. Comm. on Oversight & Reform (Jul. 6, 2020).
[50] Letter From David Chubak, Head of U.S. Retail Banking, Citigroup, to James Clyburn, Chairman, Select Subcomm. on the Coronavirus Crisis, (Jun. 29, 2020).
[51] CITI_PPP_00000037
[52] CITI_PPP_00000005
[53] CITI_PPP_00000011.jpg
[54] CITI_PPP_00000112
[55] CITI_PPP_00000112
[56] *Id.*
[57] CITI_PPP_00000186

Bank of America	
• Total Loans:	343,000+
• Total Amount:	$25.5 billion+
• Average Loan:	$74,376[58]

Bank of America (BofA) was able to leverage its existing systems to begin accepting PPP applications at 9:00 a.m. on April 3, 2020, making them the first financial institution to begin accepting PPP applications.[59] While these capabilities enabled BofA to quickly accept applications for clients with pre-existing business relationships, the bank still had AML concerns for businesses without a pre-existing relationship.[60] BofA was accused but has denied that it prioritized larger clients, citing that near the end of the first round of funding the bank focused on the smallest loan applications first.[61]

BofA conducted outreach to existing small business clients, and clients in low- and moderate-income (LMI) areas to get them involved in the process.[62] In addition, BofA committed $250 million to CDFIs and Minority Depository Institutions (MDIs) to provide funds to underserved communities.[63] More than 74,000 loans went to businesses in low- and moderate-income areas.[64]

Wells Fargo	
• Total Loans:	194,000+
• Total Amount:	$10.5 billion+
• Average Loan:	$54,501[65]

Wells Fargo began accepting expressions of interest on April 4, while the bank began preparing an online application.[66] During this time, Wells Fargo also began conducting outreach to its existing customers.[67] Wells Fargo began accepting PPP applications on April 6.[68] Due to the pre-existing asset cap imposed on Wells Fargo by the Federal Reserve, the bank initially provided $10 billion in loans to non-profits and businesses with fewer than 50 employees.[69] On April 8, the Federal Reserve temporarily relaxed these restrictions, and Wells Fargo expanded its

[58] *Supra* n.4.
[59] *Supra* n. 54.
[60] *Id.*
[61] *Id.*
[62] Letter from Reginald Brown et. al, att'y WilmerHale, to James Clyburn, Chairman of the Select Subcomm. on the Coronavirus Crisis, (Jun. 29, 2020).
[63] *Id.*
[64] *Id.*
[65] *Supra* n. 4.
[66] Letter from Steve Troutner, Head of Small Business at Wells Fargo, to James Clyburn, Chairman of the Select Subcomm. on the Coronavirus Crisis, (Jun. 29, 2020).
[67] *Id.*
[68] *Id.*
[69] WF-Subcommittee-00000159-00000162. *See also*, WF-Subcommittee-00001075-1079

PPP loan capabilities to their small business customers with more than 50 employees.[70] Wells Fargo had three requirements for PPP loan eligibility for businesses: (1) meet SBA's eligibility requirements; (2) have a Wells Fargo business checking account as of February 15, 2020; and (3) be enrolled in one of Wells Fargo's online banking platforms.[71] The second requirement was based on Wells Fargo's determination that in order to meet its BSA/AML obligations without causing significant delays in getting funding to businesses, they could only service existing customers.[72] Applications were transmitted to SBA on a first come, first served basis.

In addition, 41 percent of Wells Fargo's PPP loans went to low- and moderate-income areas or to areas with over 50 percent minority populations.

Truist

- Total Loans: 82,000+
- Total Amount: $12 billion+
- Average Loan: $153,956[73]

Truist began accepting PPP loan applications on April 4.[74] Truist received a significant number of PPP applications between April 4 and April 7, but many of these businesses missed the first round of PPP funds.[75] As a result, Truist prioritized the applications received on those dates for the second round of funding, regardless of whether another application was ready for approval.[76] If Truist's underwriters determined that the amount a client could receive was less than the client's PPP worksheet or less than the E-Tran determination, Truist would adjust the amount down to the underwriter's determination, without communicating that with the client.[77] If the underwriters determined that the amount a client could receive was more than the E-Tran amount, within $500, they would fund the higher loan amount.[78] If the difference was greater than $500, Truist would work with SBA to make the appropriate adjustment.[79]

Truist worked hard to serve as many existing business clients as possible during the first round of PPP funding and well into the second round.[80] Truist opened the application process to sole proprietors and non-business clients in accordance with the proscribed SBA schedule.[81] During the second round of funding, Truist began accepting existing clients without an existing

[70] *Id.*
[71] *Supra* n. 63.
[72] *Id.*
[73] *Supra* n. 4.
[74] Truist_PPP_0001964.
[75] Truist_PPP_0001455.
[76] *Id.*
[77] Truist_PPP_0001456.
[78] *Id.*
[79] *Id.*
[80] Truist_PPP_0001177
[81] Email from Peter Mahoney, Executive Vice President, Truist, to Republican Staff, Select Subcomm. on the Coronavirus Crisis, (Aug. 26, 2020, 1:11p.m.).

business relationship.[82] The company's retail banks also began outreach within their local communities to existing customers that owned and operated small businesses.[83]

U.S. Bank	
• Total Loans:	108,000+
• Total Amount:	$7.6 billion+
• Average Loan:	$70,212[84]

U.S. Bank launched its online platform for accepting applications on April 4, for single-owned businesses.[85] A few days later, the company expanded lending to dual-owned businesses, and on April 19, for multi-owner businesses.[86] The technical rollout of the online platform was delayed, particularly during round one of PPP funding, causing some applications for multi-owner businesses to need to be input manually.[87] Those technical issues were quickly addressed and only three percent of the U.S. Bank PPP loan applications required manual applications.[88] On June 19, U.S. Bank stopped accepting PPP loan applications even though there was more than $130 billion left in available PPP funds.[89] U.S. Bank has said it is shifting its focus to preparing for and managing the loan-forgiveness phase of PPP, though it is unclear how many resources will be necessary for this portion of the program.[90]

Only 10 percent of U.S. Bank's PPP loan applications came from new customers, though new customers were not included until round two. U.S. Bank was largely a first come, first served provider of PPP loans, however, new customer applications took longer to process due to BSA/AML requirements. In June, U.S. Bank prioritized direct outreach to minority-owned business customers.[91] Around 23.9 percent of U.S. Bank's PPP loans went to LMI communities and 8.7 percent of their loans went to rural areas.[92] U.S. Bank also provided $50 million to seven CDFIs focused on providing funds to women and minority-owned businesses, and LMIs.

PNC Bank	
• Total Loans:	73,000+
• Total Amount:	$13 billion+
• Average Loan:	$175,906[93]

[82] Truist_PPP_0001299
[83] *Id.*
[84] *Supra* n. 4.
[85] Letter from Timothy Welsh, Vice Chair, Consumer and Business Banking, U.S. Bank, to James Clyburn, Chairman, Select Subcomm. on the Coronavirus Crisis, (Jun. 29, 2020).
[86] *Id.*
[87] *Id.*
[88] *Id.*
[89] *Id.*
[90] *Id.*
[91] *Id.*
[92] *Id.*
[93] *Supra* n. 4.

PNC Bank built a new online portal to accept PPP loan applications, which launched on April 4, 2020.[94] PNC resolved some early technical difficulties and quickly and efficiently processed applications.[95] PNC chose to only accept PPP applications from existing customers "[d]ue to the Bank Secrecy Act and anti-money launder (BSA/AML) compliance obligations . . . as well as the volume of PPP applications that we expected to (and did) receive from existing PNC customers."[96]

PNC dedicated more than 4,000 employees to processing PPP applications.[97] This massive effort enabled PNC to provide more than 85 percent of its loans to businesses with less than $5 million in annual revenues.[98] PNC did not prioritize applicants from larger businesses, or prioritize based on the requested loan.[99] PNC also specifically targeted small businesses in LMI communities soon after the PPP went online.[100] As a result, they provided more than $3.3 billion in loans to small businesses in LMI communities.[101] PNC also committed more than $45 million to eight CDFIs starting in March of 2020, even before the PPP was created.[102]

Santander

- Total Loans: 10,700+
- Total Amount: $1.2 billion+
- Average Loan: $112,150[103]

Prior to the start of the PPP, Santander averaged between 25 and 30 SBA loan applications per month, but did not have a digital platform for SBA loans.[104] Santander contracted with a technology vendor to develop a digital platform for the PPP applications, while the bank made an expression of interest form available to begin collecting customer interest and information.[105] The vendor was unable to provide the platform, requiring manual entry and causing a delay in Santander's ability to process loan applications.[106] After the first round of PPP, Santander continued processing applications into a batch in preparation for Congress' approval of a second round of PPP funding.[107] During this time, Santander also streamlined its manual submission process.[108] Santander is a smaller financial institution and did not have a digital platform to meet BSA/AML requirements which partially delayed their ability to quickly

[94] Letter from Lakhibir Lamba, Executive Vice President, Head of Retail Lending and Asset Resolution, PNC Bank, to James Clyburn, Chairman, Select Subcomm. on the Coronavirus Crisis, (Jun. 29, 2020).
[95] *Id.*
[96] *Id.*
[97] *Id.*
[98] *Id.*
[99] *Id.*
[100] *Id.*
[101] *Id.*
[102] *Id.*
[103] *Supra* n. 4.
[104] Letter from Emily Loeb, Counsel for Santander, to James Clyburn, Chairman of the Select Subcomm. on the Coronavirus Crisis, (Jun. 29, 2020).
[105] *Id.*
[106] *Id.*
[107] *Id.*
[108] *Id.*

review applications, though they only provided loans to existing customers.[109] Santander processed loans on a first come, first served basis in batches.

Oriental Bank:

- Total Loans: 4,700+
- Total Amount: $304 million+
- Average Loan: $63,825[110]

Banco Popular

- Total Loans: 28,000+
- Total Amount: $1.42 billion+
- Average Loan: 45,000[111]

On August 20 and 21, 2020, leadership of two large banks in Puerto Rico (PR) – Oriental Bank and Banco Popular – provided voluntary briefings for Subcommittee staff. Bank executives expressed appreciation for the PPP program and discussed the positive effects it had on the island. Accounting firms were not deemed essential businesses in Puerto Rico, which made it difficult for loan applicants to access their financial documents. Employees at both banks went to extraordinary lengths to provide service for the island's small business population. Banco Popular, for instance, kept branches open to provide access to PPP for those applicants who had no internet access – a vestige of the island's ongoing remediation from recent hurricanes and other weather events.

The bank executives stated the program was a success – the PPP saved countless small businesses on the island. The banks identified the fact that the program was managed by the federal government, and not the local government, as one of the reasons for its effectiveness.

[109] *Id.*
[110] Paycheck Protection Program (PPP) Our numbers, Oriental, (Aug. 18, 2020), https://covid.orientalbank.com/en-us/ppp.
[111] Popular Updates Loans Granted Under the SBA Payroll Protection Program (PPP), Newsroom, (Jul. 8, 2020), https://newsroom.popular.com/press-release/english/popular-updates-loans-granted-under-sba-payroll-protection-program-ppp

IMPACTS ON UNDERSERVED COMMUNITIES

On April 24, 2020, President Trump signed the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA), which increased the total lending authority in the PPP to $659 billion, an increase of $310 billion over the $349 billion authorized in the CARES Act. The PPPHCEA included a set aside of no less than $30 billion for "community financial institutions," which includes Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).

The Administration made additional efforts to ensure that PPP loans were reaching small businesses that need capital. For example, the Department of Treasury and SBA issued supplemental guidance that required applicants to consider an applicant's access to other sources of liquidity before certifying the necessity of their application. Moreover, the SBA and Treasury committed to reviewing loans in excess of $2 million as part of the forgiveness determination.[112]

In addition to the PPP, lenders have taken steps to ensure funding reaches diverse and vulnerable populations. On April 15, 2020, in response to a request from House Democrats, lenders such as Citigroup, JPMorgan Chase, and Bank of America provided data highlighting their work to ensure that PPP is available to a diverse group of customers. For example, JPMorgan set up a new program to focus on underserved entrepreneurs, including women and minority owners and those in the hardest hit communities.[113] Additionally, Bank of America conducted extensive outreach to small business clients in low- and moderate-income neighborhoods to raise awareness about PPP and other loans facilities.[114]

The Administration's and the financial institutions' focus on reaching diverse communities and businesses helped support those hit hardest by the coronavirus. Most financial institutions made direct outreach to minority-owned businesses and underserved communities early in the process.[115] Around $117 billion in loans were provided to small businesses in economically distressed areas known as Historically Underutilized Business (HUB) zones.[116] In addition, PPP supports 13 million jobs in HUB zones.[117] The PPP program provided $79.8 billion in loans and about 12 million jobs in rural communities.[118]

These efforts were all part of a dedicated outreach program by the Trump Administration to ensure those communities hit hardest by the ongoing pandemic, particularly minority communities, had access to the relief necessary to withstand the crisis.

[112] https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf.
[113] JPMC response to House Democrat Request, April 15, 2020, on file with the Committee. See also https://www.jpmorganchase.com/corporate/news/pr/eocf-exceeds-9mm-with-new-investments.htm.
[114] Bank of America response to House Democrat Request, April 15, 2020, on file with the Committee.
[115] Briefings from eight banks for SSOCC staff.
[116] *Supra* n. 5.
[117] *Id.*
[118] *Supra* n. 2.

CONCLUSION

The deliberate actions by President Trump's Administration, in partnership with financial institutions, to stand up the PPP program saved the small business community. Small businesses are the backbone of our nation's economy, employing more than 58 million Americans. Without access to PPP loans, the vast majority of small businesses would likely go bankrupt or lay off employees due to broad economic shutdowns.

SBA has never engaged in a program near the scale of PPP. Yet, through the focused resolve of the Trump Administration, SBA accepted applications within six days of the passage of the CARES Act. While there were some challenges implementing the program, as would be expected in implementing a program of this size on an expedited timeline, SBA processed applications quickly and avoided fraud to the extent that is typical of disaster relief and other large government programs, such as those associated with Hurricane Sandy,[119] Hurricane Katrina,[120] and Medicaid.[121]

As the PPP transitions from processing loan applications to reviewing loan forgiveness applications, SBA should remain vigilant to ensure loan forgiveness only extends to businesses who complied with the letter of the law. Given the success of the development and implementation of the program, it is expected SBA will be well positioned to oversee this process and provide further relief for America's small businesses, if needed.

President Trump's leadership guided many of America's small businesses through this crisis. Coast to coast, America's main street is recovering. The policies established by this Administration will restore the American way of life and rebuild the greatest economy in the world.

[119] Luis Ferre-Sadurni, *City Admits Defrauding FEMA After Hurricane Sandy; Agrees to pay $5.3 Million,* NYTimes, (Feb. 20, 2020), https://www.nytimes.com/2019/02/20/nyregion/fema-hurricane-sandy-fraud.html.
[120] Sarah Westwood, *10 years later, extent of Katrina fraud still unknown,* Washington Examiner, (Aug. 28, 2015), https://www.washingtonexaminer.com/10-years-later-extent-of-katrina-fraud-still-unknown#:~:text=Botched%20contracts%2C%20rampant%20fraud%20and,help%20the%20victims%20of%20Katrina.&text=A%20Disaster%20Fraud%20Task%20Force,Hurricanes%20Katrina%2C%20Rita%20and%20Wilma.
[121] Peter Viechnicki, *Shutting down fraud, waste, and abuse*, Deloitte, (May 12, 2016), https://www2.deloitte.com/us/en/insights/industry/public-sector/fraud-waste-and-abuse-in-entitlement-programs-benefits-fraud.html.

APPENDIX A: KEY STATISTICS

- The PPP supports more than 51 million jobs for American workers.[122]
  - For example, the PPP supports 4.5 million jobs in Texas, 3.2 million in Florida, 1.8 million in Pennsylvania, 1.9 million in Ohio, 1.6 million in Michigan, 1.5 million in Georgia, and 1.2 million in North Carolina. [123]
- The PPP obligated $659 billion under the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act.[124]
- The PPP supports as much as 84 percent of all small business employees in the country. [125]

Figure 1: PPP Loans by State and Territory[126]

States and Territories

State	Loan Count	Net Dollars
AK	12,087	$1,311,919,096
AL	70,331	$6,245,496,446
AR	43,669	$3,333,413,929
AS	296	$12,233,986
AZ	85,771	$8,683,213,943
CA	623,360	$68,644,418,670
CO	109,170	$10,402,528,373
CT	64,629	$6,718,327,006
DC	13,510	$2,145,594,401
DE	13,202	$1,520,789,172
FL	432,893	$32,251,422,436
GA	174,429	$14,688,047,519
GU	2,208	$192,074,123
HI	25,097	$2,478,864,703
IA	61,418	$5,124,660,961
ID	31,056	$2,593,497,832
IL	225,409	$22,849,324,883
IN	83,246	$9,558,833,007
KS	53,755	$5,031,013,626
KY	50,655	$5,282,244,302

State	Loan Count	Net Dollars
LA	78,866	$7,461,129,155
MA	118,392	$14,315,290,705
MD	87,007	$10,054,456,506
ME	28,309	$2,266,870,258
MI	128,159	$16,040,039,297
MN	102,352	$11,269,172,424
MO	95,599	$9,194,916,076
MP	482	$38,700,116
MS	48,545	$3,209,532,093
MT	23,908	$1,780,415,878
NC	129,289	$12,288,152,674
ND	20,510	$1,775,524,393
NE	44,074	$3,442,626,881
NH	24,741	$2,563,295,034
NJ	157,405	$17,360,085,952
NM	23,033	$2,268,802,500
NV	45,771	$4,215,380,081
NY	348,870	$38,699,947,686
OH	149,144	$18,532,840,346
OK	66,210	$5,460,267,982

State	Loan Count	Net Dollars
OR	66,344	$7,057,574,349
PA	173,552	$20,742,750,517
PR	39,544	$1,821,671,163
RI.	17,942	$1,905,859,786
SC	67,176	$5,791,085,572
SD	23,494	$1,682,896,085
TN	99,579	$8,970,935,809
TX	417,276	$41,326,454,268
UT	52,275	$5,257,258,177
VA	114,570	$12,588,096,276
VI	2,057	$126,446,683
VT	12,401	$1,201,175,929
WA	107,659	$12,464,918,993
WI	89,615	$9,908,335,442
WV	18,062	$1,802,521,277
WY	13,586	$1,052,798,882
To be confirmed	139	$6,057,463

Approvals through 08/08/2020

SBA

[122] U.S. SMALL BUSINESS ADMIN., PAYCHECK PROTECTION PROGRAM (PPP) REPORT (Jun. 30, 2020), https://home.treasury.gov/system/files/136/PPP-Results-Sunday.pdf
[123] Kathy Morris, *The States that Received the Most (and Least) in PPP Funds*, ZIPPIA (July 2020) https://www.zippia.com/advice/states-least-most-ppp-loans/.
[124] *Supra* n. 2.
[125] U.S. SMALL BUSINESS ADMIN., PAYCHECK PROTECTION PROGRAM (PPP) REPORT (Aug. 8, 2020), https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf.
[126] *Id.*

- The PPP provided loans to nearly 4.9 million small businesses across the country totaling $521 billion.[127]
- The PPP sent loans to our nation's smallest businesses in need, with 87.4 percent of all loans for less than $150,000 and more that 67 percent for $50,000 or less.[128]
- As of August 8, the PPP is still funded at over $133 million.[129]

[127] *Id.*
[128] *Id.*
[129] *Id.*

APPENDIX B: TIMELINE

- **March 27**: President Trump signed the CARES Act signed into law.
- **April 2:** Treasury published an Interim Final Rule and SBA released an updated borrower application, lender application form, and updated borrower information sheet.
- **April 3**: SBA began accepting PPP applications.
- **April 3 – 16**: First round of PPP funding.
- **April 16**: $349 billion in CARES Act funding for the PPP was exhausted.
- **April 16 – 27**: Many banks prepared for a second round of funding.
- **April 24**: The Paycheck Protection Program and Health Care Enhancement Act was passed, providing an additional $310 billion in PPP funds, bringing the total to $659 billion.
- **April 27**: SBA began accepting applications for the second round of funding.
- **August 8**: SBA stopped accepting new PPP applications due to the statutory deadline leaving roughly $136 billion left in the program.

Associated Builders and Contractors

February 4, 2021

The Honorable Nydia M. Velázquez Chairwoman U.S. House Committee on Small Business Washington, D.C. 20515	The Honorable Blaine Luetkemeyer Ranking Member U.S. House Committee on Small Business Washington, D.C. 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 69 chapters representing more than 21,000 members, I write to comment on today's U.S. House Committee on Small Business hearing "State of the Small Business Economy in the Era of COVID-19." We appreciate the opportunity to provide insight on the state of small construction businesses and the construction industry a whole, nearly a year into the COVID-19 pandemic.

The construction industry is fueled by small businesses. The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. This is consistent with the SBA's findings that the construction industry has one of the highest concentrations of small business participation. Many of (some of?) ABC's large member companies not only contract directly with the federal government to successfully build large-scale projects that are subject to federal acquisition regulations but also subcontract work to qualified small businesses and meet federal agency small business goals.

Snapshot of the State of the Construction Industry in the COVID-19 Era:

According to ABC's analysis of recent data released by the U.S. Bureau of Labor Statistics, the construction industry added 51,000 net new jobs in December 2020 – a month the nation lost an estimated 140,000 jobs. Of those jobs added in the construction industry, nonresidential construction employment gained 29,000 net jobs in December 2020. Nonresidential specialty trade contractors added 18,300 jobs for the month, while heavy and civil engineering added 15,000. Nonresidential building was the only subsegment that experienced a net loss in jobs, contracting by 4,300 positions.

During the last eight months, the construction industry has added an impressive 857,000 jobs, recovering 79.1% of the jobs lost during the earlier stages of the COVID-19 pandemic. However, the construction unemployment rate rose to 9.6% in December 2020 from 7.3% in November 2020 and is up 4.6% from the same time last year. In December 2020, unemployment across all industries remained unchanged at 6.7%.

ABC's Construction Backlog Indicator, a forward-looking, national economic indicator that reflects the amount of work already under contract but not yet performed by commercial, industrial and heavy highway/infrastructure contractors, found that backlog rebounded modestly to 7.3 months in December 2020, an increase of 0.1 months from November's reading. The backlog is 1.5 months lower than in December 2019.

However, for smaller construction businesses – defined as (classified as?) those with annual income less than $30 million- the backlog fell from 7.4 months in November 2020 to 6.8 months in December 2020. With an already smaller backlog among all company sizes measured, smaller construction businesses saw a 0.6 month decline over the past month - the sharpest decline. In fact, the backlog grew for every other category, except for the $30-50 million category, which only saw a 0.1-month decline. These data indicate that small construction businesses need additional help to grapple with the lingering affects of the pandemic.

Further – ABC's Construction Confidence Index[1] readings for sales, profit margins and staffing levels increased in December 2020. The sales index climbed above the threshold of 50, indicating contractors expect to grow sales over the next six months, however, the index reading for profit margins remained below that threshold. The staffing level index increased to 56.3 but remains well below its December 2019 reading.

According to ABC's most recent backlog and confidence readings, many contractors are entering 2021 with significant trepidation, as many projects have been postponed, while others have been cancelled. As new bidding opportunities have become rarer, pushing backlog lower, the prospect of additional state-driven lockdowns has not helped with the uncertainty to bring the next generation of commercial projects to market. In all - 2021 will be another challenging year for many contractors, including smaller contractors.

Continue Aid for Small Businesses in the Construction Industry:

Small businesses in the construction industry have been significantly aided by the fact that in many states, the industry is deemed essential, and for the most part, jobsites have remained open. Small construction businesses have also been buoyed by some of the programs created by Congress, including the Paycheck Protection Program.

According to the most recently available SBA data, small businesses in the construction industry have accounted for 13.39% of all PPP loans, totaling more than $65 billion – the third largest total of any industry sector. As the construction industry continues its essential work during the COVID-19 pandemic, measures like the PPP will keep more Americans employed while preserving important business operations that will assist in the recovery of our economy and country.

ABC has supported other critical efforts to protect and support our nation's businesses and hardworking Americans, and appreciates the work of Congress to include critical relief in the latest COVID package in December, including:

- Ensuring Paycheck Protection Program loans are tax deductible.
- Improvements to the Employee Retention Tax Credit to better fulfill its goal of keeping workers connected to their jobs during this crisis.
- Expansion of PPP loans for 501(c)(6) organizations

Additional Congressional Action:

ABC believes that, in a subsequent effort beyond the measures passed so far in response to COVID-19, Congress should support liability protections related to the COVID-19 pandemic that would safeguard businesses, non-profit organizations and educational institutions, as well as healthcare providers and

[1] CCI readings above 50 indicate an expectation of generally improving conditions in the U.S. nonresidential construction industry, while readings below 50 indicate expectations of deteriorating conditions.

facilities, from unfair lawsuits so that they can continue to contribute to a safe and effective recovery from this pandemic.

Additionally, ABC urges Congress to consider investing in America's infrastructure, and ensuring that small construction businesses are not excluded from the competitive bidding process for federal infrastructure projects. Most small businesses in the construction industry are not signatory to a construction union. When governments mandate Project Labor Agreements on a federal or federally assisted taxpayer-funded project, small businesses are disproportionately harmed, as they drive up the cost of construction projects by 12% to 20% and discriminate against the 87.3% of U.S. construction workers who choose not to join a union.

Further, ABC has apprehensions about the regulatory agenda of the Biden administration, which is already showing the potential to make operations harder for small businesses that are struggling to maintain operations during the pandemic. While we must support thoughtful and necessary regulations that ensure the safety and health of our communities, we must ensure they do not place an undue burden on these businesses, but instead allow them to continue to grow and provide jobs to hardworking Americans.

Congress should steer away from policies such as the Protecting the Right to Organize Act, which would limit the opportunities for small businesses to compete and recover from the pandemic. The PRO Act is being reintroduced this Congress, which would enact harmful policy changes that would eliminate right-to-work protections in 27 states, violate employees' privacy, upend the business community and devastate the economy at a time when small businesses and the economy as a whole are struggling to recover from the COVID-19. ABC members urge Congress to reject this bill and its devastating policies.

We thank you for your leadership and look forward to working with you to address the critical needs of our nation during this difficult time.

Sincerely,

Kristen Swearingen
Vice President, Legislative & Political Affairs

ACA
INTERNATIONAL

February 3, 2021

Chairwoman Nydia M. Velázquez
Committee on Small Business
Washington, D.C. 20510

Ranking Member Blaine Luetkemeyer
Committee on Small Business
Washington, D.C. 20510

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

On behalf of ACA International, the Association of Credit and Collection Professionals (ACA), I am writing regarding tomorrow's hearing titled, "State of the Small Business Economy in the Era of COVID-19." ACA represents approximately 2,500 members, including credit grantors, third-party collection agencies, asset buyers, attorneys, and vendor affiliates in an industry that employs nearly 125,000 people worldwide. Most ACA member debt collection companies, however, are small businesses. Women make up 70 percent of the total debt collection workforce and it is ethnically diverse. Additionally, 32 percent of businesses are women-owned.

As businesses, community lenders, hospitals, and other providers throughout the country continue to face unprecedented challenges as a result of COVID-19, the work of ACA members is more important than ever. As part of the process of attempting to recover outstanding payments, ACA members are an extension of every community's businesses. ACA members work with these businesses, large and small, to obtain payment for the goods and services already received by consumers.

Proposed policy solutions to halt accounts receivable management (ARM) industry activities, as well as actions taken by certain states, pose threats to consumers' ability to access credit and services and information about financial assistance and other affordable payment options. Consumer welfare depends on open communication, and it is important to engage in policymaking during this critical time for the country that provides consumers with more options and information. When consumers work with the ARM industry, it is also a benefit for small businesses, medical providers, and community financial institutions across the country relying on ACA members to stay afloat.

For consumers directly impacted financially by COVID-19, open communications with the ARM industry helps them understand options to pause payments and other means of controlling their own financial future. ACA members have hardship programs in place and can work with consumers to find a resolution to legally owed outstanding debt that works for their unique financial situation. The ARM industry is committed to exhibiting compassion during this challenging time for the country and being part of the solution for consumers, not the problem.

Significant research has confirmed the basic economic reality that losses from uncollected debts result in higher prices and restricted access to credit. The collections process plays a critical role in a healthy credit ecosystem. Lenders rely on the ability to collect to be able to lend to consumers of all means with diverse financial backgrounds. In a world without a collections process, consumers' ability to obtain credit cards or other extensions of unsecured credit would be greatly limited, and in many instances, consumers would only have the option to pay cash. This would be a disadvantage to many consumers, particularly to those that are low-income, and significantly limit options for credit and services. The work of ACA members allows lenders to continue to lend while keeping the cost of credit down, particularly for the riskiest borrowers.

In short, consumer harm can result in several ways when unpaid debt is not addressed. ACA members are committed to fair, reasonable, and respectful practices and take their compliance obligations with consumer protection laws when collecting debt very seriously. As legitimate credit and collection professionals, ACA members play a key role in helping consumers fulfill their financial goals and responsibilities while facilitating broad access to the credit market.

As Congress takes on no shortage of challenges, not the least of which are those resulting from the global pandemic, ACA stands ready to work with you on behalf of our members. Thank you for your leadership and we look forward to continuing our engagement with you this Congress.

Sincerely,

Mark Neeb
Chief Executive Officer

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Small Business Trends and Policy Responses in the Wake of COVID-19

Testimony Submitted to:
U.S. House Committee on Small Business
"State of the Small Business Economy in the Era of COVID-19"

February 4, 2021

Joseph Parilla (Fellow) and Sifan Liu (Senior Research Analyst)
Brookings Metropolitan Policy Program

Thank you, Chairwoman Velázquez and distinguished members of the Committee for the opportunity to submit written materials for the record. This testimony focuses on two basic questions: 1) what is the state of small business in America? and 2) how does public policy support the creation and growth of small businesses to spur a dynamic, equitable recovery from COVID-19?

State of Small Business in America

There are three important trends occurring simultaneously in the small business economy.

The first trend is the acute shock to small businesses induced by COVID-19. Starting in March, the necessary measures to guard the public's health against COVID-19 disrupted the revenues of millions of small businesses. Large federal programs like the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program were designed to provide low-cost capital to help small businesses maintain their payrolls. Local and state governments, large philanthropies, and corporate America also created their own small business relief funds and programs, many of which explicitly sought to target microbusinesses, minority-owned businesses, and businesses located in underserved neighborhoods and rural areas.

The goal of these programs was to avoid a historic wave of small business closures that could tear apart the fabric of the economy and ensure a painfully slow recovery period. In response, the PPP program distributed 5 million loans and the EIDL program distributed 3.6 million loans and 5.8 million advances in 2020.[1] The evaluations of those programs paint a mixed portrait of their impact. Several recent studies indicate these programs helped small businesses cover their expenses and stay in business but differ on the number of jobs PPP helped retain in small businesses. Bartik et al. (2020) found that the first round of PPP assistance increased self-reported business survival probability by 14 to 30 percentage points.[2] Autor et al. (2020) estimated that PPP increased employment by 2.3 million through the first week of June 2020.[3] More recently, Hubbard and Strain (2020) found that PPP had a substantial effect on small business employment, financial health, and business continuality, and that those outcomes increase over time, with larger medium-term effects in August than in previous months.[4] Whereas Chetty et al. found "no evidence" of significant impact on job retention due to PPP.[5]

Even with the extension of these programs, small businesses are still reporting significant challenges. As of January 2021, 40% of small business owners report operating below capacity as compared to a year ago and 69% expected it would take at least four months to return to normal operating levels, if ever.[6] About 30% of businesses are closed.[7]

The second trend—the structural racial disparities in small business ownership—is continuous and long-standing, but equally damaging. Nationally, people of color represent about 40% of the population, but only 20% of the nation's 5.6 million business owners with employees. Importantly, these trends represent structural impediments to entrepreneurship, and do not reflect the inherent entrepreneurial abilities or interests of different groups.[8]

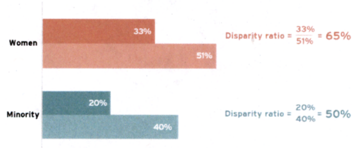
This long-standing injustice is intersecting with the coronavirus-induced crisis. COVID-19 economic disruptions fall disproportionately on industries in which entrepreneurs of color are most represented. The monthly-updated Current Population Survey shows that in the first month of the pandemic, active business owners declined by 41% for Blacks, 32% for Hispanics, 26% for Asian, compared to 17% for whites. These temporary losses later bounced back in August for all groups, with the exception of Asian business owners who still suffer a 20% drop almost one year later.[9]

While we do not have comprehensively reliable data on the demographics of PPP loan recipients, a range of evidence strongly suggests that access to PPP was not equal across different racial groups. A matched-pair test conducted in April found that Black business owners in Washington, DC were more likely to be denied PPP loans compared to white business owners with similar application profiles due to outright lending discrimination.[10] Brookings research found that small businesses in majority-white neighborhoods received PPP loans much more quickly than small businesses in majority-Black and majority-Latino or Hispanic neighborhoods. For sole proprietors, the neighborhood-level gaps were even more significant.[11] A new NBER report released this month indicates that the second tranche of PPP reached small businesses in underserved and majority-minority communities[12], but these delays are likely costly to businesses in those communities that operate on very short cash buffers.[13]

In the absence of reliable demographic data at the national scale, local surveys of business owners are also revealing. A recent survey of microbusiness owners in Detroit by the New Economy Initiative found that 64% of Black respondents who applied for PPP loans were approved, compared to 94% of businesses in Southeast Michigan. Many microbusiness owners are skeptical that existing small business relief solutions will work for them. One leader of a neighborhood business organization in Detroit summarized the dynamic: "There hasn't been an appetite for PPP from many of the businesses in the neighborhood. They are anxious about it being a loan and then getting stuck to pay it back if they have to let employees go. Even if they try to fix it up, there is still a lot of mistrust."[14]

FIGURE 1

Women and people of color own businesses at much lower rates than men and non-Latino or Hispanic white individuals



Source: Brookings analysis of the U.S. Census Bureau's 2016 Annual Survey of Entrepreneurs (ASE) and American Community Survey (ACS)

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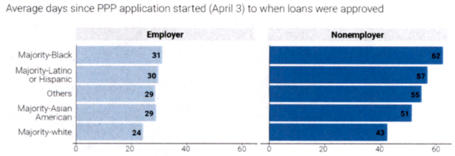
Figure 1. PPP loans in majority-minority neighborhoods were approved later than those in majority-white neighborhoods

Average days since PPP application started (April 3) to when loans were approved



Source: Brookings analysis of SBA Paycheck Protection Program Loan Level Data and American Community Survey 2018 5-Year Data

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A third long-term trend is the structural decline of the nation's startup rate, which is limiting the critical contribution of entrepreneurship — and the creative ingenuity often associated with it —to economic growth and opportunity. Dynamic economies demonstrate the business "churn" — where firms are both being created and destroyed — necessary to yield creative destruction. Young businesses, not necessarily small businesses, are critical in this process, which is why in recent years economists have been sounding alarms about the decline of new business starts and educating policymakers about the importance of the narrow subset of small, young businesses that are responsible for the nation's net job creation.[15] The startup rate, measured by the share of businesses less than one year old as share of all businesses, has been declining steadily from 14% in 1977 to 8% in 2018.[16] The startup rates in small metro areas fell more rapidly than those in large metro areas, contributing to a growing gap in business dynamism that fuels regional inequality.[17] Moreover, Haltiwanger, et al. (2014) found that the share of young firms in the high-tech sector has experienced a sharper decline than the rest of the economy since 2002. This is particularly concerning because young high-tech firms disproportionately drive net job creation and productivity growth.[18]

Policy Considerations for a Small Business Recovery

Against the backdrop of the three challenges above, this section concludes with five policy considerations for a small business recovery strategy.

1. **Ensure existing emergency relief is broadly accessible.** Mitigating small business failures will be critical in bridging towards a strong economic recovery. Absent broad and accessible relief, large-scale small business destruction will take a tremendous toll on the nation's workforce, physical and intangible capital stock, and the physical landscape of local communities.[19] In this regard, the recent modifications to large-scale relief programs is a welcome development to support undeserved businesses and communities and shuttered businesses reliant on in-person entertainment. For PPP, reserving initial access to round three for Community Financial Institutions (CFIs), including Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Certified Development Companies (CDCs), and Microloan Intermediaries helped advance the agency's ongoing efforts to reach underserved and minority small businesses.[20] For EIDL, a second round of EIDL grants will only be available to businesses in low-income communities whose revenue dropped at least 30% in 2020.[21]

2. **Consider new, additional pathways for future relief.** There are additional approaches the federal government could take to ensure this mitigation phase is as effective and inclusive as possible. Small business relief could be better targeted to address the specific challenges related to racial and geographic disparities in capital access. Given the challenges around reaching minority business owners in the first round of relief and the worries from those businesses about taking on more debt through PPP loans, direct grants to minority-owned businesses could be provided through a distribution network of community-based organizations. The proposed RELIEF for Main Street Act would provide $50 billion in loans and grants via a distributed network of local communities, building on the lending infrastructure that local relief funds established in the spring to target microbusinesses and provide them with practical assistance in addition to capital.[22] Another way to channel funds to decisionmakers more proximate to the small business challenges of local communities would be to reinstate the State Small Business Credit Initiative, which would devolve capital to state-led funds to be distributed to small businesses. Originally used in the wake of the Great Recession, SSBCI's program evaluation found that it helpfully gave states flexibility to tailor their small business support strategies to the particular needs of their state.[23]

3. **Experiment with new partnerships that extend capital access to smaller small businesses.** A federal entrepreneurship strategy will also need to intentionally reflect the fact that most small businesses tend to operate as sole proprietorships or very small microbusinesses (under 10 employees). Yet, traditional SBA loan guarantees are not targeted to these microbusinesses. Over the past couple decades, large banks have been less likely to operate in the small-loan space due to low profit margins[24], and small banks that traditionally served local small businesses have declined due to a wave of bank consolidations since the financial crisis[25]. This has a disparate impact at the

neighborhood level. According to the Institute for Local Self-Reliance, since 2006, communities of color have lost more small community banks than other communities[26]. Online lenders have stepped up to fill the gap with internet-based technologies that allow for more efficient loan processing and lower transaction costs, albeit with higher interest rates[27]. The SBA could broaden the reach of its 7(a) loan program by partnering with a fintech lender that can issue loans at much lower costs. Because microbusiness lending is riskier, the federal government could offer loan loss guarantees to fintech lenders, who as a result could offer underserved business owners lower interest rates. At the same time, the federal government should enhance investment in lenders serving communities of color, including a significant increase in the CDFI Fund.

4. **Invest more federal resources in building productive, inclusive local entrepreneurship ecosystems.** In addition to providing capital, federal policy needs to better support the development of local entrepreneurship ecosystems. Starting and growing a business is an extremely complex, iterative undertaking. Small businesses rarely can succeed in isolation and are more likely to grow when surrounded by other entrepreneurs, investors, and customers who are open to collaboration and knowledge sharing.[28] So much of entrepreneurial success is rooted in the in-person social exchange of ideas, information, and resources. Yet, currently the SBA and Economic Development Administration together invest less than $40 million annually in supporting local small business ecosystem-building, a tiny sum compared to the $23 billion in loans that the SBA provided in FY2019. Building on pilots such as the SBA's Growth Accelerator Fund Competition, the federal government could significantly increase its investments in those institutions that support local entrepreneurial ecosystems. As federal policy seeks to expand entrepreneurship ecosystems, it must design them in ways that prioritize racial equity. Given the importance of inclusive ecosystem-building as an economic strategy, the Biden administration and Congress should fund a new Minority Business Accelerator (MBA) challenge grant program that supports the creation of new accelerators and existing ones, replicating promising models like the Cincinnati Minority Business Accelerator.[29]

5. **Connect the nation's economic recovery plan to a "small business dynamism" agenda.** The policies and investments that can enable small businesses to innovate and compete globally extends beyond traditional "small business" policy. In the wake of COVID-19, the agenda to jumpstart business dynamism—especially related to growth entrepreneurship—requires a multifaceted federal strategy related to innovation, talent, capital, taxes, regulation, and antitrust policy.[30] Many of those foundational policies have a tremendous influence on the productive capacity of the U.S. economy, and the entrepreneurial ideas that drive it, and will be critical in shaping the environment for small businesses in the recovery period.

Conclusion

Because the nation is facing a massive potential disruption to a well-known status quo, the COVID-19 small business crisis has inspired a historic, necessary policy response. As Congress looks towards a recovery strategy, it must now also address two additional long-term small business challenges: the declining startup rate and the nation's racially inequitable entrepreneurial playing field. Without addressing these issues comprehensively, America's recovery from COVID-19 will be slower, more incomplete, and more inequitable.

The views expressed in these written remarks are those of the authors alone and do not necessarily represent those of the staff, officers, or trustees of the Brookings Institution.

[1] Fairlie, Robert W., and Frank Fossen. Did the $660 Billion Paycheck Protection Program and $220 Billion Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?. No. w28321. National Bureau of Economic Research, 2021.`
[2] Bartik, Alexander W., et al. The targeting and impact of Paycheck Protection Program loans to small businesses. No. w27623. National Bureau of Economic Research, 2020.
[3] David Autor et al. "An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata" (Cambridge, MA: Massachusetts Institute of Technology, 2020).
[4] Hubbard, R. Glenn, and Michael R. Strain. Has the Paycheck Protection Program Succeeded?. No. w28032. National Bureau of Economic Research, 2020.
[5] Chetty, Raj, John N. Friedman, Nathaniel Hendren, Michael Stepner, and The Opportunity Insights Team. 2020. "How Did COVID-19 and Stabilization Policies Affect Spending and Employment? A New Real-Time Economic Tracker Based on Private Sector Data." NBER Working Paper No. 27431 .
[6] Brookings analysis of U.S. Small Business Pulse Survey.
[7] Brookings analysis of Opportunity Insights data.
[8] Jonathan Rothwell, "No Recovery: An Analysis of Long-Term U.S. Productivity Decline", Gallup, December 6, 2016
[9] Robert Fairlie's analysis of CPS data, available at https://people.ucsc.edu/~rfairlie/current/, data retrieved on February 2, 2020
[10] Anneliese Lederer et al., "Lending Discrimination within the Paycheck Protection Program" (Washington: National Community Reinvestment Coalition, 2020).
[11] Sifan Liu and Joseph Parilla, "New data shows small businesses in communities of color had unequal access to federal COVID-19 relief" (Washington: Brookings Institution, 2020). Fairlie and Fossen, 2021.
[12] Fairlie, Robert W., and Frank Fossen. Did the $660 Billion Paycheck Protection Program and $220 Billion Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?. No. w28321. National Bureau of Economic Research, 2021.`
[13] This delay is particularly acute because, according to the JPMorgan Chase Institute, in at least 90% of all majority-Black and majority-Latino or Hispanic neighborhoods, a majority of small businesses have cash buffers of less than three weeks, compared to only 35% of majority-white neighborhoods.
[14] Preliminary survey results from the New Economy Initiative.
[15] Haltiwanger, John, Ron S. Jarmin, and Javier Miranda. "Who creates jobs? Small versus large versus young." *Review of Economics and Statistics* 95.2 (2013): 347-361.
[16] Brookings analysis of U.S. Census Bureau Business Dynamism Statistics data.
[17] Fikri, K., Lettieri, J., & Reyes, A. "Dynamism in Retreat: Consequences for Regions, Markets, and Workers" Economic Innovation Group, 2017
[18] Haltiwanger, John, et al. "High growth young firms: contribution to job, output, and productivity growth." Measuring entrepreneurial businesses: current knowledge and challenges. University of Chicago Press, 2016. 11-62.
[19] Tomaz Cajner et al, "The U.S. Labor Market During the Beginning of the Pandemic Recession" Working Paper No. 2020-58 (Chicago, IL: Becker Friedman Institute for Economics at University of Chicago, 2020).
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[21] Greg Iacurci, "Small businesses can get a second PPP but not this popular Covid-era loan." *CNBC,* January 15, 2021.
[22] "Recharge and Empower Local Innovation and Entrepreneurs Fund (RELIEF) for Main Street Act" Available at: https://www.booker.senate.gov/imo/media/doc/RELIEF%20for%20Main%20Street%20Act%20two%20pager_FINAL.pdf
[23] Center for Regional Economic Competitiveness and Cromwell Schmisseur, "Program Evaluation of The US Department of Treasury State Small Business Credit Initiative" (2016).
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[25] Davig, T. "Community bank mergers since the financial crisis: how acquired community banks compared with their peers." FDIC Quarterly 11 (2017): 41-52.

[26] Stacy Mitchell, "PPP Loan Data Continues to Show that Big Bank Consolidation has Hampered Small Business Relief" (Institute for Local Self-Reliance, 2020)
[27] Gene Marks , "Online lenders are stepping up to fill the gap left by banks during the pandemic", the Guardian, April 16, 2020.
[28] Brad Feld and Ian Hathaway, *The Startup Community Way: Evolving an Entrepreneurial Ecosystem* (Hoboken, NJ: Wiley, 2020.)
[29] Joseph Parilla and Darrin Redus, "How a new Minority Business Accelerator grant program can close the racial entrepreneurship gap" (Washington: Brookings Institution, 2020).
[30] Center for American Entrepreneurship. Available at: https://startupsusa.org/

Engine

February 25, 2021

Attn: Members of the House Committee on Small Business

Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers 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.

We would like to thank the Committee for considering the concerns of small businesses generally. However, in addressing small businesses and the pandemic, we believe that it is critical to look at support for and the contributions of startups, which are a significant source of America's future paychecks. While the federal government can work to support startups in a number of ways, we would like to center our input around three key issues relevant to the startup community: the Paycheck Protection Program (PPP), incentivizing investment in startups, and improving broadband access.

Addressing the Needs of Startups

Startups are more than the pioneers of American innovation; they are also significant generators of U.S. job growth.[1] Startups exist across diverse regions throughout the country, bringing the most exciting and cutting-edge technology to the market, driving global competitiveness, and connecting customers with innovative products and services in unique new ways. That is especially critical now, as many of our lives have moved online during the pandemic. Startups also generate outsized economic and employment value. But they are unlike other small businesses. They have unique needs, at least in part because they are designed to grow quickly. In particular, when it comes to progress, many startups face significant challenges in launching and growing their ventures, largely because of difficulties accessing needed capital. The pandemic has only exacerbated these challenges for many startups. The obstacles are even more pronounced for startups founded by women[2] and for founders of color,[3] who often face discrimination when seeking capital and receive poorer options for bank loans and little venture capital. In order for small businesses and startups to avoid closure and thrive post-pandemic, policymakers need to do more to ensure these companies have the resources to do so.

[1] U.S. Small Business Administration Office of Advocacy, 2019 Small Business Profile (2019), *available at* https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142719/2019-Small-Business-Profiles-US.pdf.
[2] *See, e.g.*, Eliza Haverstock, *Female Founders Face Funding Hurdles Amid the Pandemic*, PitchBook (May 8, 2020), https://pitchbook.com/news/articles/female-founders-face-funding-hurdles-amid-the-pandemic.
[3] Minority-owned businesses routinely report higher loan denials, pay higher interest rates, and are more likely to be denied credit than white-owned businesses. *See* SBA Office of Advocacy, *Access to Capital among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech Firms* (April 2013), *available at* https://www.sba.gov/sites/default/files/files/rs403tot(2).pdf.

Indeed, we agree with Chairwoman Velázquez's proclamation at the hearing asserting that "big and bold relief is needed, and it should be targeted to the small firms and industries that need it most." Through our network of startups, we understand how emerging companies are adjusting to survive amidst the COVID-19 pandemic and the support they hope the government will offer. While the CARES Act provided relief to some small businesses and startups through, e.g. the Paycheck Protection Program, the program's requirements—particularly at its inception—shut out some at-risk businesses or limited relief available to them. Though Congress intended to also prioritize underserved and rural markets, many of the businesses in these demographics were also left behind. As Congress considers future relief packages, support for startups should be a top priority.

Improving the Paycheck Protection Program

Certain requirements of the Paycheck Protection Program (PPP) proved difficult for many startups—from the payroll threshold, to the permitted uses of loan funds, and the uncertainty surrounding the forgiveness process. And many startups were concerned that if they qualified for a loan, they still would not receive the full forgiveness. These issues are also important to startups launched by underrepresented founders,[4] and those without full-time employees. Many of these nascent companies rely on 1099 contractors until they are able to afford hiring full-time employees.[5] This means that many startups often have limited payroll costs, and PPP relief would therefore only have a limited value. And though some issues with PPP have been subsequently changed, including simplified forgiveness in some cases, more reform is needed in order for startups to maximize their benefits from the program.

While businesses gained greater flexibility regarding the use of funds in the most recent PPP round,[6] further expanding how PPP loans can be spent would better equip startups to survive the pandemic and serve as job creators as they recover. Being able to use loan funds to offset other expenses—like paying 1099 contractors—would be beneficial. Congress should also consider eliminating the payroll threshold in its entirety to account for the limited percentage that payroll may represent in the operating costs of many startups, particularly those run by underrepresented founders.[7] Policymakers could also consider expanding the scope of forgivable purposes to include more operating expenses and to cover services that startups may have to outsource, like attorney services. Those are the sorts of services for which larger companies would be able to use PPP funds, since they pay the paychecks of in-house employees who perform those services. Being able to use a

[4] For example, one study has reported nearly 95 percent of Black-owned businesses can be classified as non-employers. *The Paycheck Protection Program Continues to be Disadvantageous to Smaller Businesses, Especially Businesses Owned by People of Color and the Self-Employed*, Center for Responsible Lending 2 (Apr. 6, 2020), *available at* https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-cares-act2-smallbusiness-apr2020.pdf?mod=article_inline.

[5] Dan Biewener, *How Can the PPP do Better for Minority Businesses*, Fundbox (July 30, 2020), https://fundbox.com/blog/minority-business-ppp.

[6] *See, e.g.*, Howard Berkower, *Paycheck Protection Program 2.0: What Small Businesses Need to Know*, JD Supra (Jan. 12, 2021), https://www.jdsupra.com/legalnews/paycheck-protection-program-2-0-what-9687935/.

[7] For example, companies founded by underrepresented entrepreneurs of color are more likely to be sole proprietorships, or have very few employees. *E.g.*, *supra* note 4; Danielle Kurtzleben, *Minority-Owned Small Businesses Were Supposed To Get Priority. They May Not Have*, NPR (May, 12 2020), https://www.npr.org/2020/05/12/853934104/minority-owned-small-businesses-were-supposed-to-get-priority-they-may-not-have.

greater percentage of PPP loan funds to cover those services would help level the playing field for smaller businesses.

The government should also promote equitable access to information and offer technical assistance for its loan programs—which are very important for pandemic-related relief—and for financial services more generally. In order to support the long-term survival of startups, Congress could consider providing more focused technical assistance to loan applicants—especially PPP applicants—which would give these entrepreneurs a foundation to build from and knowledge about available resources. Such exercise could include more hands-on or direct offerings of technical expertise, information on qualifications and how to apply, and guidance on forgiveness procedures for PPP loans.[8]

Incentivizing Investment In Startups

Startups cannot, and should not, rely on direct government sources of funding alone to get the capital they need to sustain and grow their businesses. Policymakers should pursue other options, such as startup-friendly tax benefits, to incentivize investment in nascent businesses. One possible avenue would be to expand the Opportunity Zones program, a tool that Congress created to provide tax benefits to individuals or corporations that invest in financially distressed regions.[9] An expanded program could either cover more areas, or policymakers could create a similar program to provide tax benefits to investors who invest in qualified startup incubators or accelerators.[10]

While Congress could explore building on existing benefits,[11] it should also create new initiatives. One promising option would be creating a federal-level angel investor tax credit. A number of states have enacted similar tax credits encouraging angel investment by offering tax breaks for qualifying investments.[12] Enacting a federal counterpart, for example, by allowing individual investors a credit of 20-50 percent of the amount invested in startups (e.g., new investments in recently established businesses with a smaller number of employees) could create significant incentive for angel investors and would serve as a tool for prompting much needed additional investment. Congress could also look to expand R&D tax credits, to offset income and payroll tax liability for small businesses who spend on R&D, and could also consider expanding the definition of what counts as R&D to include common software development activities, like user experience (UX) research and design.

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[8] *See, e.g.*, *Using Satellites and Technology to Detect Methane Leaks from Space*, ENGINE (Jan. 22, 2021), https://www.engine.is/news/startupseverywhere-new-york-city-ny-bluefield (Yotam Ariel, Founder and CEO of Bluefield Technologies, describing the need to help startups with the funding application process, noting the government "often forget[s] that startups have very few resources or limited administrative capacity," yet "[i]n order to get the government funding, startup founders have to allocate hours and hours to get through the application process to secure any funding"); Sifan Liu & Joseph Parilla, *Small Businesses Have Received Uneven Relief from COVID-19 FederalAid*, Brookings (May 29, 2020), https://www.brookings.edu/blog/the-avenue/2020/05/29/how-the-paycheck-protection-program-is-coming-to-ground-in-the-nations-large-metro-areas/.

[9] *Opportunity Zones Frequently Asked Questions*, IRS, https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions.

[10] *See, e.g.*, Startup-Oriented COVID-19 Relief Proposals, Engine, https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/5f15c9ebd0fec75789cbe677/1595263468537/Engine+Proposals+for+Future+%28Phase+4%29+COVID-Relief+Packages.pdf.

[11] Such as benefits found in section 1202 of the Internal Revenue Code on partial exclusion for gains from certain small business stocks.

[12] *Everything You Need to Know About Angel Investor Tax Credits*, Startups.com (July 3, 2019), https://www.startups.com/library/expert-advice/angel-investor-tax-credits.

Policymakers should also consider incentivizing venture capital investment in diverse startups, including through a public-private matching model. Doing so would help the long-term survival of startups in underserved communities. One option, the New Business Preservation Act, would create a joint public-private program to invest in new startups. The legislation 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. Moreover, as introduced, the bill focuses on funding women- and minority-founded companies and companies located outside of major venture capital sectors. [13]

Engine's continued dialogue with a variety of stakeholders in the startup community confirms the value of these alternatives to encourage investment. Entrepreneurs in states that have implemented, for example, seed capital tax credit programs describe how they turbocharged a state's startup ecosystem,[14] and helped local founders dramatically.[15] For example:

> South Carolina had created tax incentives for individuals who invest in high growth companies. As a high growth company, our investors were able obtain tax credits of up to 35 percent of the amount invested. . . . It would help startups dramatically with fundraising if the government continued using tax incentives to encourage private investments.[16]

Likewise, state equity funds, local networks of angel investment funds, and state-level loan and grant programs can attract startups from across state borders—confirming the attractiveness of these programs.[17] Indeed, it is no surprise many startups favor a federal angel tax credit.

Expanding Broadband Access

But funding alone is not the only barrier to startup success. The government should step in to address the many different kinds of needs that startups have. Broadband access, identified during the February 4th hearing, for example, is one major area for action. Increasing access to affordable, reliable broadband is critical for the startup ecosystem, especially when many companies have increased their reliance on remote work because of the change in business practices caused by the pandemic. Startups who cannot reach consumers because of connectivity limitations will struggle, and the additional burden on our nation's infrastructure caused by the pandemic—coupled with the economic fallout from COVID-19—threatens the future of many of these early-stage companies.

We are encouraged by the broad consensus expressed at the hearing to narrow the digital divide by prioritizing faster and more accessible broadband, ensuring that all Americans have access to reliable

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[13] Press Release ,As Minority-Owned Businesses Are Hit Hard By Pandemic, Phillips Announces New Bill To Promote Economic Equity For New Businesses (July 9, 2020), https://phillips.house.gov/media/press-releases/minority-owned-businesses-are-hit-hard-pandemic-phillips-announces-new-bill.

[14] *See #StartupsEverywhere Profile: Alex Birdsall, Operations Manager, Mount Desert 365*, Engine (June 21, 2019), https://www.engine.is/news/category/startupseverywhere-mount-desert-island-maine

[15] *#StartupsEverywhere profile: Ryan Heafy, Co-Founder and COO, 6AM City*, Engine (May 15, 2020), https://www.engine.is/news/startupseverywhere-greenville-sc

[16] *Id.*

[17] *#StartupsEverywhere Profile: Matt Paulson, Founder, Startup Sioux Falls*, Engine (July 12, 2019), https://www.engine.is/news/category/startupseverywhere-sioux-falls-sd.

Internet services. For startups, reliable digital connectivity is key to further innovation and market access.

Indeed, we routinely hear from startups in our network, indicating that Internet access can prove to be a decisive factor in prompting startups to even relocate to better served rural areas. As a former executive of a startup that provides support, services, and resources for local entrepreneurs told us: "Internet access is at the top of the list [of biggest challenges startups face in Northern Michigan.]" He stated that his organization was "fortunate that one of [its] partners paid to bring fiber Internet to [their] space." Indeed, he reported that the quality of Internet access motivated three startups to relocate to the region.[18] We urge Congress and federal agencies to continue working to improve broadband access across the country, including by pushing Internet service providers to build out broadband networks and offer low-cost services for underserved areas.

Engine is committed to supporting the Committee's work and promoting policies that will foster success for America's small businesses—including vitally important tech startups—that need your attention. Thank you for the opportunity to submit these comments and for your continued work supporting startups and small businesses. We encourage you to develop the unique COVID-19 response that startups need, to modify PPP, to incentivize private investment, and to increase broadband access. These three critical steps would offer invaluable support to startup communities during this difficult time.

[18] *#StartupsEverywhere Profile: Andy Cole, Executive Director, 20Fathoms*, Engine (July 19, 2019), https://www.engine.is/news/category/startupseverywhere-traverse-city-mich; *Startup Agenda 2021*, Engine (Feb. 5, 2021), *available at* https://www.engine.is/news/engine-releases-startup-agenda-2021.

February 2, 2021

The Honorable Nydia M. Velázquez
Chairwoman
House Committee on Small Business
2302 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer
Minority Ranking Member
House Committee on Small Business
2230 Rayburn House Office Building
Washington, DC 20515

RE: U.S. House Committee on Small Business Public Hearing: State of the Small Business Economy in the Era of COVID-19, Written Testimony on behalf of the United States Hispanic Chamber of Commerce (USHCC).

Dear Chairwoman Velázquez and Minority Ranking Member Leutkemeyer,

Thank you, Chairwoman Velázquez and Members of this Committee, for the opportunity to share written testimony on behalf of our 4.7 million Hispanic Business Enterprises (HBEs) that contribute an estimated $800 billion to the U.S. economy annually. The USHCC, through our programming and network of more than 250 Hispanic chambers across our country have been providing necessary resources and technical assistance to ensure that the Economic Injury Disaster Loan (EIDL) program from the U.S. Small Business Administration (SBA) is being promoted and utilized to revitalize the American economy.

While this financial facility requires repayment to the U.S. Government, we appreciate the efforts put forth by Congress to allow for a $10,000 cash advance so that small minority-owned businesses can have immediate and much needed liquidity. Below are real business testimonials from Hispanic Business Enterprises (HBEs), policy recommendations based on the USHCC's advocacy, and recent data which illustrates the need and continuation of the EIDL program and its consideration by Congress.

The USHCC's ongoing advocacy during the COVID-19 pandemic and after is focused on three driving pillars: increasing public and private sector procurement opportunities for Hispanic Business Enterprises (HBEs), advocating for issues affecting Hispanic business and the more than 61 million Hispanics living in America, and creating synergies of strategic collaboration with our network of more than 250 local Hispanic chambers across our country. Furthermore, we strive to do this work under three overarching goals which are: influence policy makers to adopt recommendations into stimulus related legislation and administration policies, expand Hispanic and minority-owned small business access to government and private sector procurement, and secure inclusion of the Hispanic community with decision and policy makers throughout the process.

1424 K Street NW - Suite 401 - Washington, DC 20005 - Telephone (202) 842-1212 - Fax (202) 842-3221
www.ushcc.com

USHCC Member Examples of Economic Injury Disaster Loan (EIDL) Utilization:

1. **Business Name**: Unico Communications
   Business Owner: Lisa Bombin, President and CEO
   Contact Information: 210-846-0960 / Lbombin@unicocommunications.com

"Unico Communications Inc. is a 16-year events production company, we were able to sustain payroll during the pandemic. We have a long history of producing large-scale events for the nation's most reputable non-profit organizations. It was ironic that in the same year I was named one of the 100 most influential Latina leaders, I would find myself scrambling for a method to sustain my company, staff, and payroll. As the pandemic hit and the rapid event cancellations followed, our business came to an abrupt halt. The only alternative was to quickly pivot our services. During the quiet months that followed, I quickly suspended my own salary to retain as much cashflow enabling me to keep our staff secure and fully-employed. During that time, we shifted our focus to auditing, learning, and researching virtual productions and platforms with success in the market. I am thrilled to say, that we continue to produce national events today with our new services in virtual/digital productions. Without the forgivable funding we received through the EIDL Advance of $4,000, which was capped because we only had four employees, it would have been hard to avoid layoffs from our small but mighty team. Furthermore, we also were able to secure a PPP Loan in the amount of $26,900 which also helped us continue serving our customers with the necessary workforce."

2. **Company Name**: LUHV
   Business Owner: Silvia Lucci, Owner
   Contact Information: 215-768-7192 / silvia@luhvfood.com

"LUHV Food is a Latino immigrant-owned vegan food manufacturer with fast casual restaurants and catering operations headquartered in the Philadelphia region. LUHV was built on this belief: We can all change the world by the way we eat one bite at a time. We understand eating vegan, gluten free, and healthfully is not easy for most, which is why we need to make food that people crave and can afford. Health should not be the privilege of wealth nor an unsatisfying compromise. We deeply believe in making veganism stress-free, and pride ourselves to be part of a movement that will ensure the health of every person and the protection of our world for generations to come. In 2020, LUHV received an EIDL loan with cash advance totaling $112,000 that was used to cover operational expenses such as payroll, rent, and utilities. The funds were critical in helping the company stay afloat while pivoting our business model. Ultimately, LUHV was successful in increasing the wholesale segment and we are now expanding our manufacturing capacity."

3. **Company Name**: El Merkury
   Business Owner: Sofia DeLeon, Owner
   Contact Information: 517-488-9445 / sofia@elmerkury.com

"El Merkury is a Latina immigrant-owned fast-casual restaurant and caterer, serving Central American street food and churros in Philadelphia, PA. The idea behind this concept is that we can represent the under-represented countries whose perceptions are sometimes shadowed by news that sell (murder, criminals, drugs) and instead shine a different light by showing the awesomeness that they have. In other words, we want to represent Central America through food! In 2020, El Merkury received an EIDL loan with a cash advance totaling $200,000 that was used to cover operational expenses such as payroll, rent, and utilities. These funds were critical in allowing our company to remain open while we evolved to an alternative business model and engaged with new customers. Ultimately, El Merkury was successful in increasing the corporate catering segment and we are now adding a new location to our fast casual concept."

Calls to Action:

1. Increase funding for the Economic Injury Disaster Loans (EIDL) and grants. Allow businesses to apply for this funding and their loan amount should be based on operating expenses, not number of employees and should not be capped. Small businesses who have less than ten employees are automatically not eligible for the full amount of economic relief available.
2. Extend the EIDL Advance Program through December 31st, 2021 and remove any caps that would preclude small minority-owned businesses from accessing this program.
3. Continue the deferral of EIDL grants given to small businesses for an additional 12 months through March 1st, 2022.
4. Assess the economic harm that EIDL recipients have undergone and implement an interest reduction program for those businesses who have seen grave economic losses in revenue.
5. Require more transparent reporting on SBA's Disaster Relief Programs. Require lenders of all types to ask the ethnicity of loan applicants and report to the SBA to track demographic data that includes the total number and dollar amounts of loans or grants approved and disbursed through the Emergency EIDL Grants Program, and the EIDL Program as well as the amount of remaining funding in each program. Weekly reporting on EIDL should include a breakdown by industry, ethnicity, and loan/grant size.

Hispanic Statistics/Economic Impact:

- The number of U.S. Latino business owners grew by 34% when compared to all business owners in the country (2020),
- Today, one out of every four small businesses is run by a Hispanic entrepreneur,
- 43% of Fortune 500 Companies were started by an immigrant or their children,
- One out of ten jobs in America is created by an immigrant-entrepreneur,
- Latinos will be 75% of the labor growth in the U.S. over the next ten years,
- By 2050, one out of every three jobs will be held by a Latino/a,
- There are 61 million Hispanics living in America who account for $2.6 trillion of U.S. economic activity,
- Latinos open businesses at three times the rate of the national average,
- Minority-owned businesses are more likely to rely on personal savings (49%) than all small businesses (43%) to fund and grow their company,
- 38% of minority-owned businesses said they are more likely to turn to local banks or credit unions for funding,

- If we provided the capital for Hispanic Business Enterprises to scale up, we would add another $1.38 trillion to U.S. economy,
- Approximately 80% of U.S. jobs are created by small businesses,
- Working from home is not an option for more than 84% of Latinos professionals,
- 83% of Hispanics see the coronavirus as a threat to their finances vs 77% of the overall U.S. population.

Reimagine Main Street National Minority-Owned Businesses Survey Summary:
There has been very little data available about the effect this crisis is having on MBEs. To get a better understanding, the National Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship (National ACE), in partnership with the U.S. Black Chambers, Inc. (USBC), and the United States Hispanic Chamber of Commerce (USHCC), conducted the largest national survey of its kind, in collaboration with Reimagine Main Street. Our survey was conducted online from September 28 through November 30, 2020. A total of 8,328 business owners responded, including 893 Asian American and Pacific Islander (AAPI), 2,208 Black, 879 Hispanic, and 179 Native American business owners.

The results of our survey, attached to this testimony, paint a sobering picture: 10% of respondants expect to close permanently in the next six months, and 45% expect to lay off at least one employee. Thirty-three percent of Black-owned, 26% of Native American-owned, and 21% of Hispanic-owned businesses report having less than a month of cash to cover operating expenses. Of the business owners expecting to lay off at least one employee, AAPIs were the highest at 49%. Since the survey was fielded, COVID-19 cases have surged, averaging more than 1.3 million per week and over 3,000 deaths per day in our country. Furthermore, our minority communities have been the most disproportionately affected by this virus from both a healthcare and economic perspective.

Collectively, the above mentioned organizations represent the interests of more than 9.3 million minority-owned business enterprises (MBEs) and a network of more than 450 minority focused nonprofit organizations across the United States. We provide this data in good faith to the House Committee on Small Business so that you may consider necessary legislation, appropriations, and innovative solutions to continue to combat the economic threat that COVID-19 has imposed on our MBE communities.

REIMAGINE MAIN STREET

Business Owners of Color and COVID-19

December 10, 2020

ACE
ASIAN/PACIFIC ISLANDER AMERICAN CHAMBER OF COMMERCE AND ENTREPRENEURSHIP

USBC
UNITED STATES BLACK CHAMBERS INCORPORATED

USHCC
UNITED STATES HISPANIC CHAMBER OF COMMERCE

PUBLIC PRIVATE STRATEGIES

REIMAGINE MAIN STREET

Small businesses and their workers must rebound from the COVID-19 crisis so that communities thrive and the benefits ripple throughout the economy. We are a multi-stakeholder, cross-sector initiative focused on advancing and uplifting innovative solutions to ensure that Main Street is at the center of our recovery. Reimagine Main Street is a project of Public Private Strategies.

Context for this Survey

- Small business and communities of color hard hit by pandemic

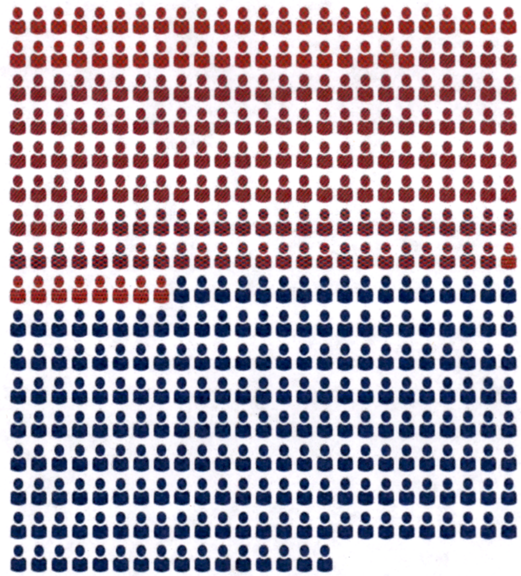
- Limited data available to reflect absolute and relative experience of Asian-, Black-, Hispanic- and Native-owned small businesses

- Large-scale national survey of small business owners fielded from September 28 through November 30, 2020. Large samples of Asian-, Black-, Hispanic-, Native- and White-owned businesses provide timely insight into impact and pain points.

Large and Diverse Sample

8,328

Respondents



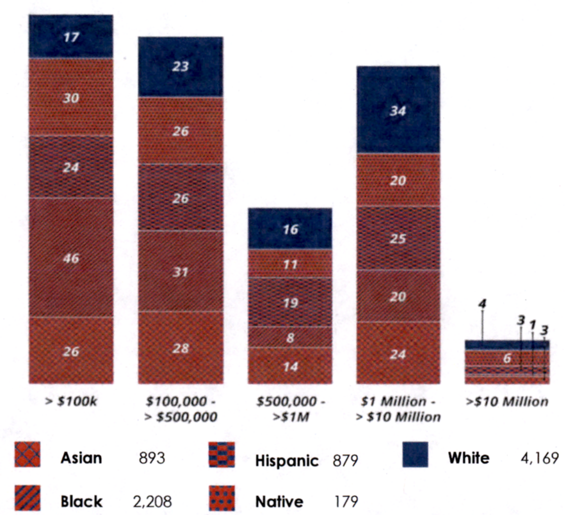
	Asian	893
	Black	2,208
	Hispanic	879
	Native	179
	White	4,169

= 20 Small Business Owners

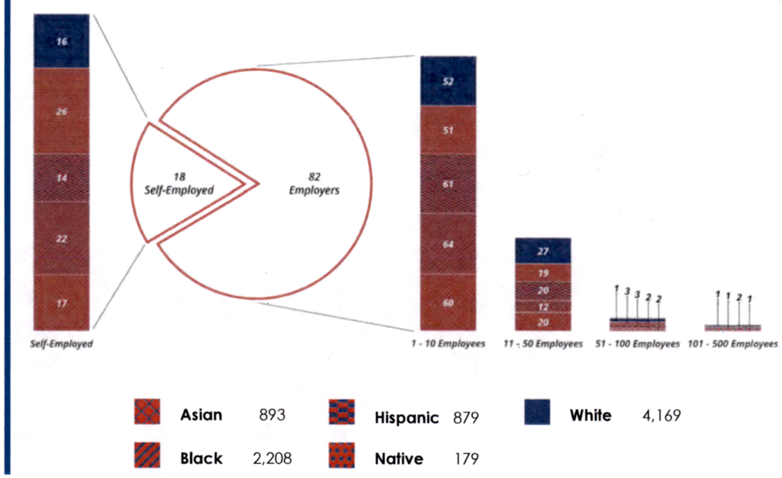
Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q32: How do you most strongly identify?

Robust Mix of Micro and Small Businesses

2019 Revenue
% of respondents



Distribution by Number of Employees
% of respondents

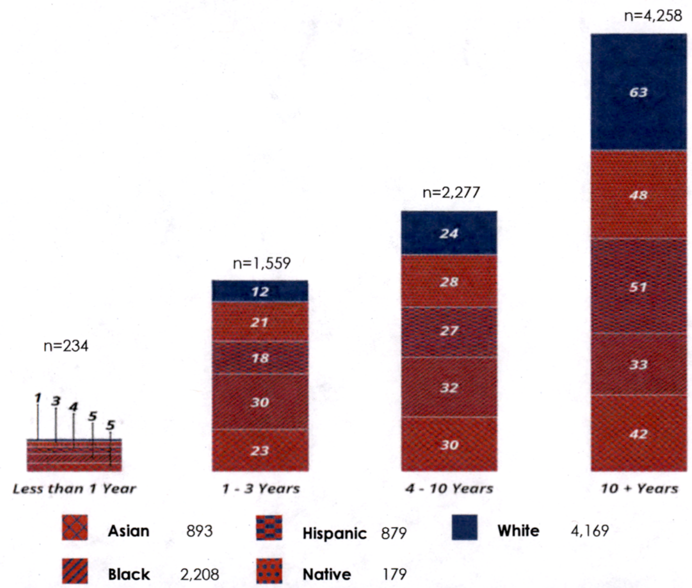


REIMAGINE MAIN STREET

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q28: What was your business revenue in 2019? Note: Does not include 410 respondents who declined to share
Q2: How many people does your small business employ?

Skews Toward Established Businesses

Time in Business
% of respondents



REIMAGINE MAIN STREET

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q27: How many years have you owned/operated your business?

Takeaways

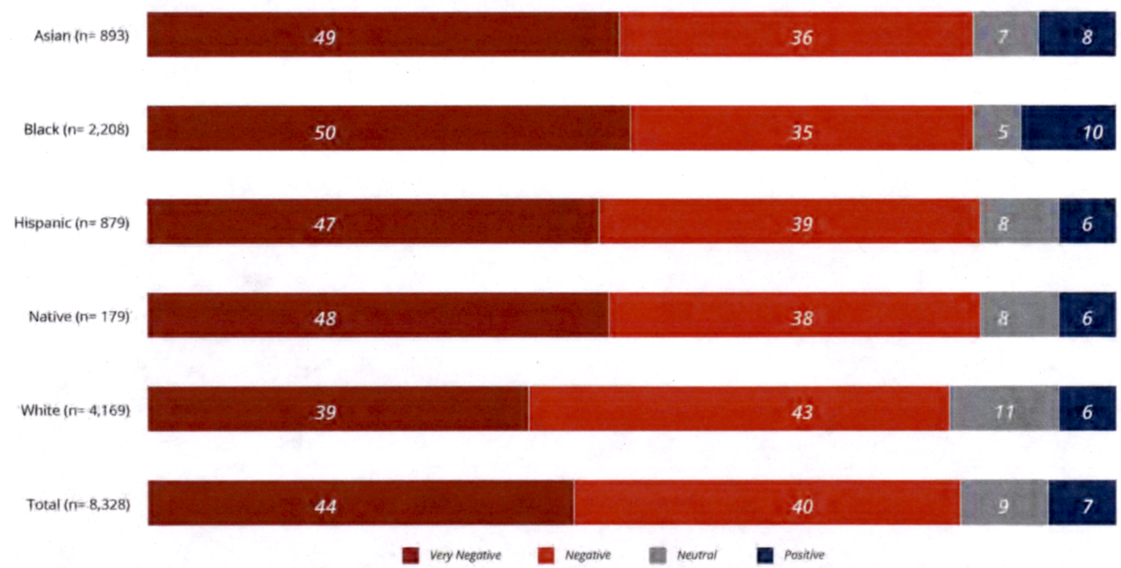
- ***Small businesses have been hard hit to date:*** 8 in 10 small business owners surveyed reported negative effects from the pandemic, more than half of respondents have experienced revenue declines of more than 25%, and 37% are not operating at full capacity, with an average of almost 10% closed.

- ***It's going to get worse for business owners and their employees:*** ~10% of small business respondents expect to close permanently in next 6 months. 44% of employer businesses that responded have already shed jobs and 45% expect more job losses to come.

- ***Small businesses need cash:*** As expected, most respondents want relief in the form of grants or another PPP loan. More than one-third of small businesses in the survey expect to borrow to address COVID-induced cash flow constraints, making it imperative to ensure liquidity in credit markets, especially for relatively small-dollar loans.

Small Businesses Hard Hit by Pandemic

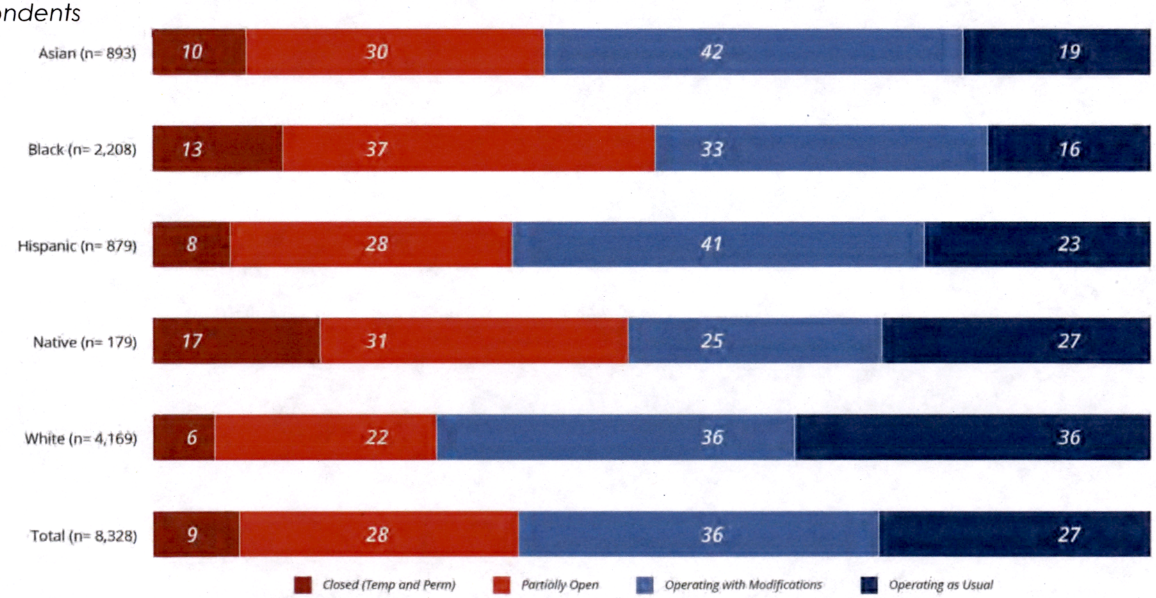
Effect of COVID-19 Pandemic
% of respondents



Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October-November 2020)
Q5: Overall (how) has your business been affected by the COVID-19 pandemic?

It's Not Business as Usual for the Majority of Respondents

Status of Operations
% of respondents

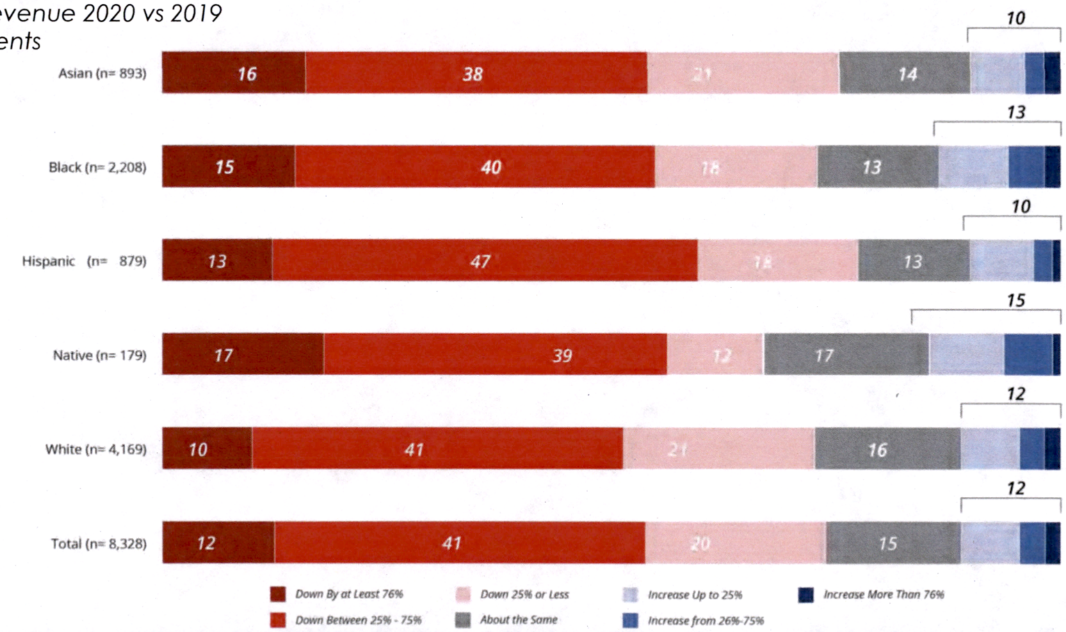


REIMAGINE MAIN STREET

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October-November 2020)
Q3: As a result of the pandemic, is your business...?
Note: Totals may not equal 100% due to rounding

Revenue Down by > 25% for Most Respondents

Change in Revenue 2020 vs 2019
% of respondents



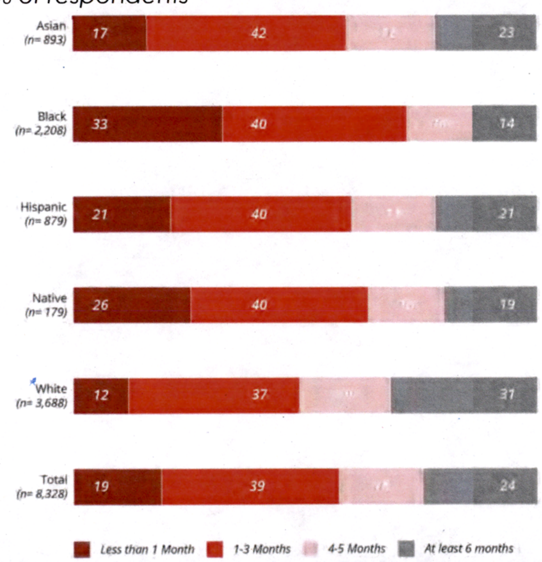
REIMAGINE MAIN STREET

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q29: Compared with your 2019 year end revenue, what do you anticipate your 2020 year end revenue will be?
Note: Down more than 76% includes businesses that expect to be permanently closed

Expect More Small Businesses to Shut Down

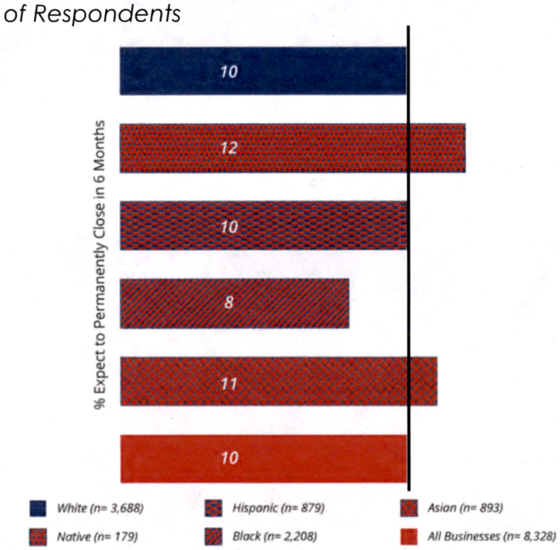
Cash Crisis without Relief

Months of Cash
% of respondents



~10% of Small Business Respondents Expect to Close Permanently in Next 6 Months

% of Respondents



REIMAGINE MAIN STREET

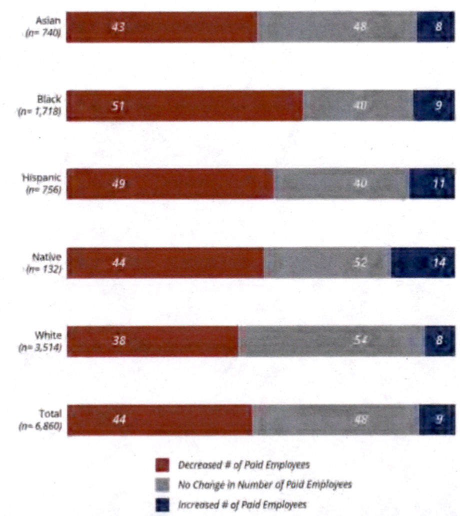
Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce; (October -November 2020)
Q21:In the next six months, do you think your business will need to do any of the following? (Select all that apply)
Q17: How long can your company's current cash flow maintain your business operations?

11

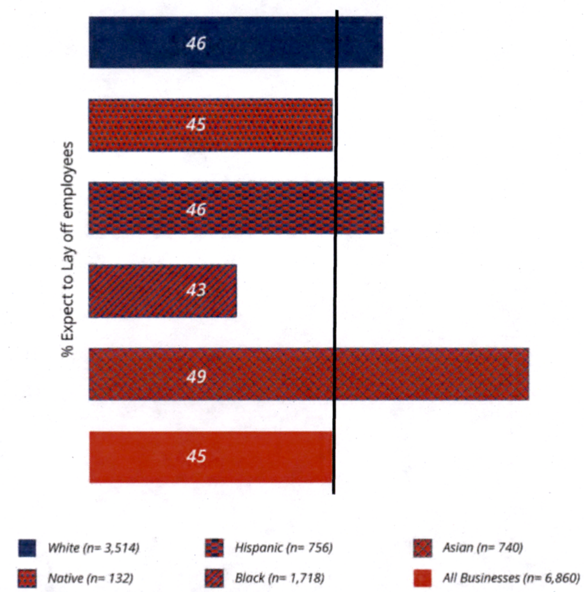
More Job Shedding Likely

~4 in 10 Small Employers Surveyed Have Already Shed Jobs

Change in Number of Paid Employees
% of Employer Firms

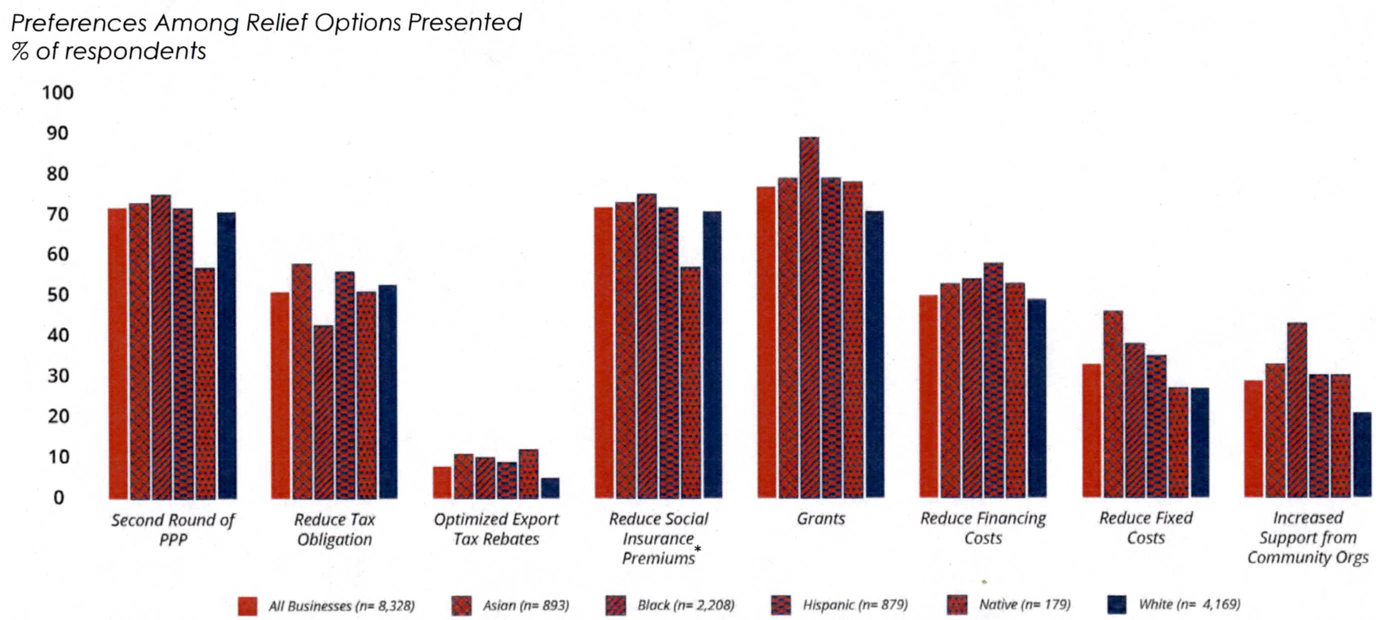


Nearly Half of Respondents Expect More Layoffs



Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q8: Since the Covid-19 pandemic, did your business have a change in the number of paid employees?
Q22: How are you considering managing current or potential cash flow issues? (Select all that apply)
Among respondents that employ others

Business Owners Want Relief, With Varying Priorities

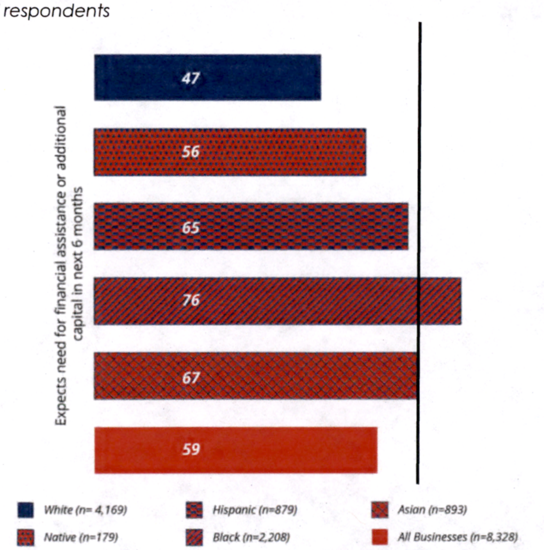


REIMAGINE MAIN STREET

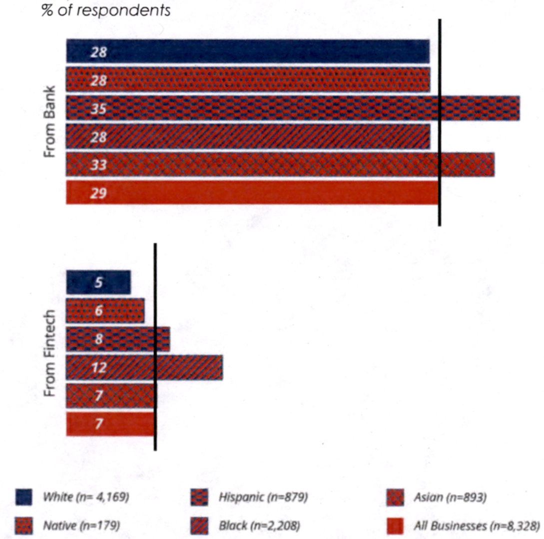
Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce; (October - November 2020)
Q23: Because of Covid-19, there have been a variety of proposed relief measures. Which of the following would be the most beneficial to your business? (Select all that apply)
*Temporary reduction for businesses that do not lay off workers
Note: ~6% of respondents selected other

Imperative to Maintain Liquidity in Credit Markets

More than half of respondents say they will need financial assistance or additional capital in next 6 months



More than one-third of small businesses expects to borrow to address COVID-induced cash flow constraints



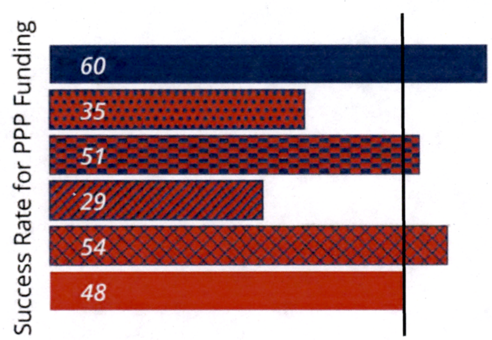
REIMAGINE MAIN STREET

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce; (October - November 2020)
Q21: In the next six months, do you think your business will need to do any of the following? (Select all that apply)
Q22: How are you considering managing any current or potential cash flow issues? (Select all that apply)

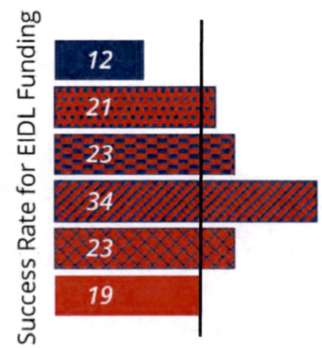
Federal Support to Date Not Distributed Equally

Success Rate
% Applied x % Received Relief

Paycheck Protection Program
- $484 Billion
- Distributed via private lenders



Economic Injury Disaster Loan
- $20 Billion
- Distributed by the SBA



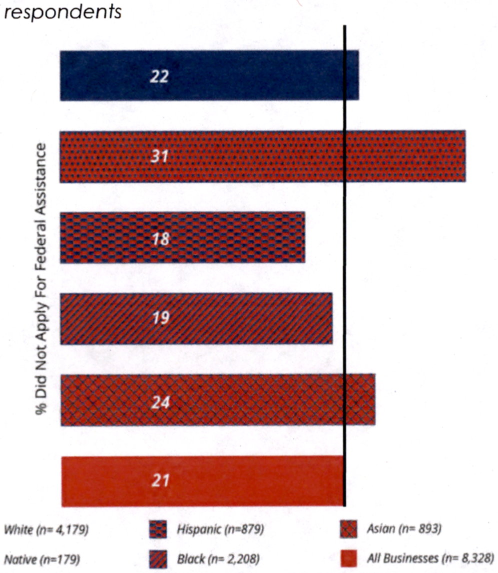
White (n= 4,169) | Hispanic (n= 879) | Asian (n= 893)
Native (n= 179) | Black (n= 2,208) | All Businesses (n= 8,328)

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q6: Have you applied for any federal financial assistance from any of the following sources? (Select all that apply)
Q11:Has your business received financial assistance from any of these programs from the Federal government? (Select all that apply)

Expectations & Needs for Federal Assistance Vary

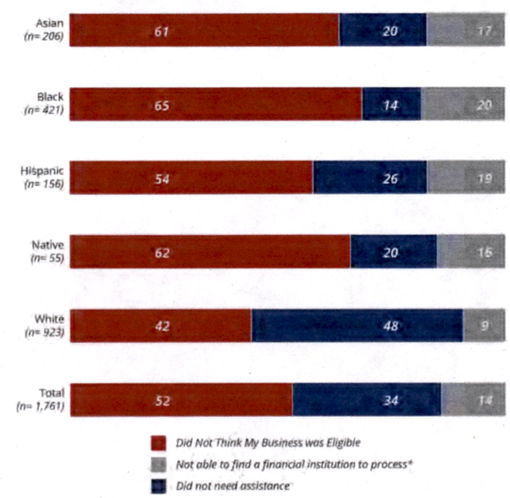
Roughly 1 in 5 Small Businesses Did Not Apply for Federal Assistance

% of respondents



Majority of Asian, Black, Hispanic and Native Owners Did Not Think They Were Eligible vs Almost Half of White Business Owners Who Did Not Need Assistance

% of respondents



Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October - November 2020)
Q6: Have you applied for any federal financial assistance from any of the following sources? (Select all that apply)
Q9: Why haven't you applied for federal financial assistance?

What Do We Think Needs to Happen?

- Get the virus under control so that demand returns
- In the meantime, provide flexible and sufficient Federal relief for small businesses and support for credit markets to ensure capital available for Main Street recovery
- Improve data driven insights into segments of small businesses and their workers
- Mobilize effective support for small businesses, the people who work for them and the communities that they serve
- Support innovation of financial products and distribution channels to reach small businesses in communities of color at scale

Questions? Contact Us

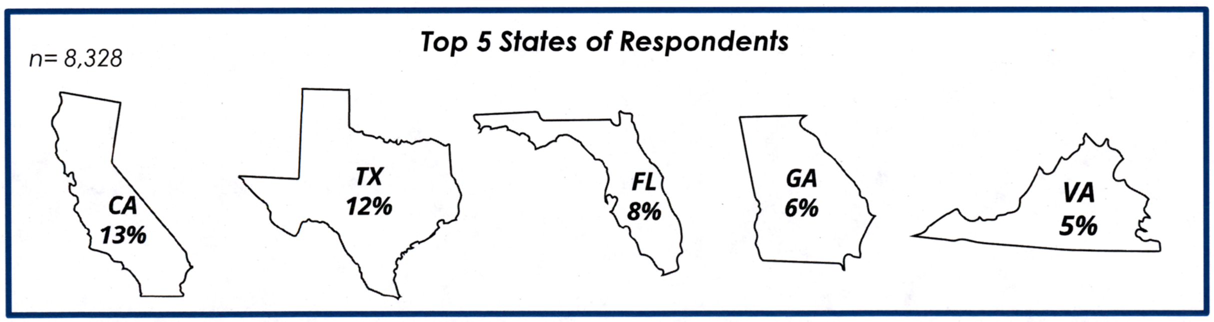
Chris Landrigan
chris@publicprivatestrategies.com

REIMAGINE MAIN STREET

Appendix: About the Sample

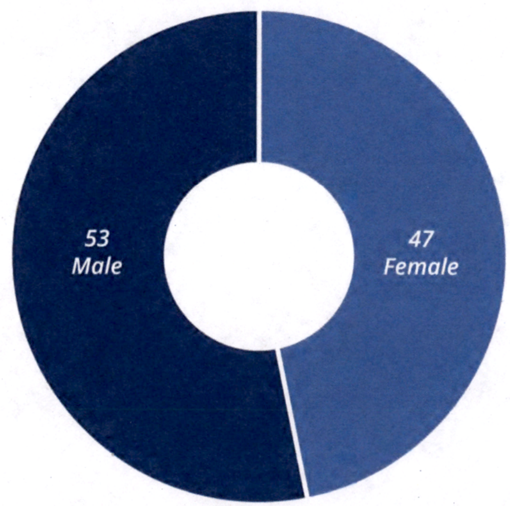
Broad Geographic Coverage

- Survey **respondents represent all 50 states** and three territories (Puerto Rico, Guam and the Northern Mariana Islands)
- **>1,000** respondents in **California, Texas**
- **>500** respondents in **Florida, Georgia**
- At least **300 respondents** in **Maryland, North Carolina, Illinois, Michigan, Pennsylvania and Ohio**



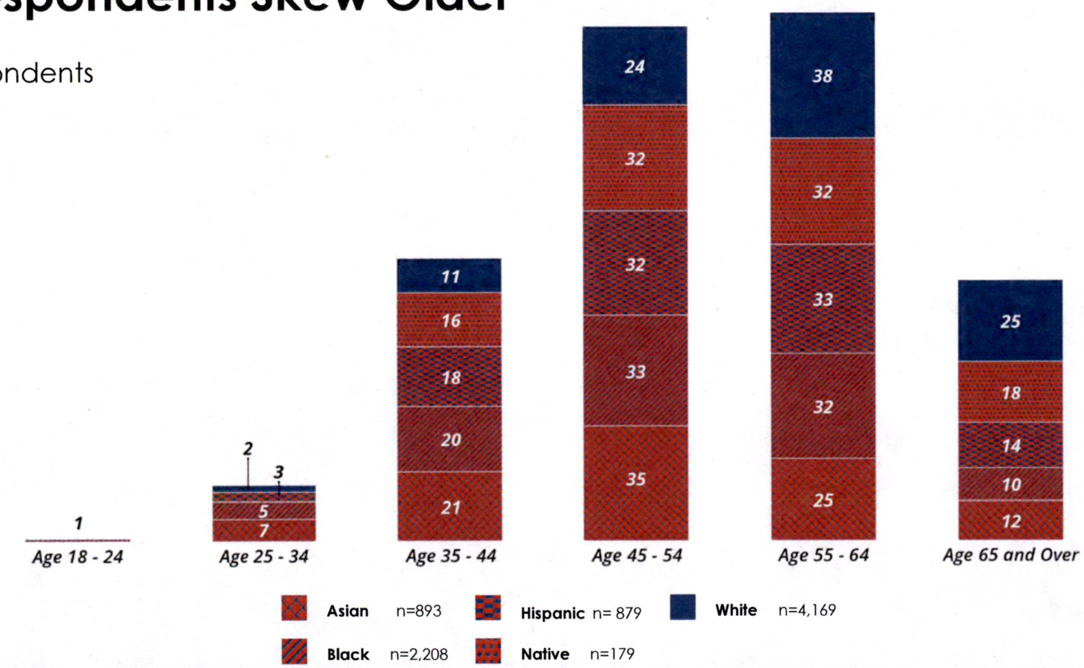
Rough Parity Between Male and Female Respondents

% of respondents
n=8,328



Respondents Skew Older

% of Respondents
n=8,328

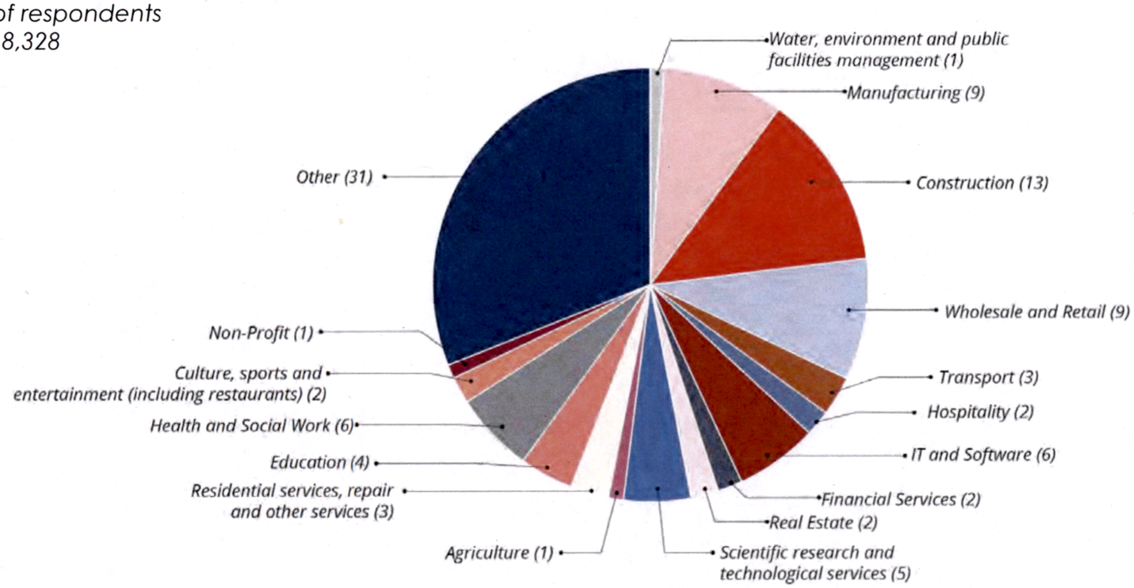


REIMAGINE MAIN STREET

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q31: How old are you?

Broad Range of Industries Represented in Sample

% of respondents
n= 8,328



Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q30: What best describes your business type?

Top 5 Industries by Race/Ethnicity of the Respondent

Asian	Black	Hispanic	Native	White	Total
IT & Tech Services (12%)	Construction (10%)	Construction (21%)	Construction (24%)	Construction (14%)	Construction (13%)
Wholesale & Retail (10%)	Health and Social (9%)	Wholesale & Retail (7%)	Manufacturing (10%)	Manufacturing (13%)	Wholesale & Retail (9%)
Scientific research and technological services (9%)	Wholesale & Retail (8%)	Manufacturing (7%)	Wholesale & Retail (8%)	Wholesale & Retail (10%)	Manufacturing (9%)
Construction (8%)	IT & Tech Services (8%)	IT & Tech Services (5%)	Health and Social (7%)	IT & Tech Services 4%	IT & Tech Services (6%)
Manufacturing (7%)	Transport & Logistics (6%)	Health and Social 4%	IT & Tech Services (4%)	Health and Social (4%)	Health and Social (6%)

Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
Q30: What best describes your business type?
Does not include "Other" ranging from 23% -34%

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National Association of Federally-Insured Credit Unions

February 3, 2021

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing, "State of the Small Business Economy in the Era of COVID-19"

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "State of the Small Business Economy in the Era of COVID-19." As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 123 million consumers with personal and small business financial service products. We thank you for providing credit unions with important tools to help their members in previous relief packages. Still, as you are aware, more needs to be done to help our nation recover, and we would like to take this opportunity to provide input on how credit unions are continuing to address the pandemic and share areas where further help is needed.

As you know, credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times, and their response through the first two rounds of the Paycheck Protection Program (PPP) was tremendous. Despite the uncertainty surrounding the PPP as it launched and the associated risks, credit unions did all they could to ensure their existing and new small business members were taken care of. According to a NAFCU survey, 87 percent of NAFCU members reported providing PPP loans to new members and businesses that were turned away by other lenders and came to their credit union to apply for a PPP loan. Moreover, compared to other types of lenders, credit unions disproportionately helped the smallest of small businesses. An analysis of the Small Business Administration's (SBA) PPP data from the first two rounds shows that credit unions made loans in amounts much lower than the national average, with the credit union average PPP loan approximately $50,000. Furthermore, a full 70 percent of credit union PPP loans went to businesses with less than five employees. Economic Injury Disaster Loans (EIDL) are also an important tool in ensuring additional liquidity to members. We appreciate the Committee's continuing oversight of these programs.

We were pleased to see that Congress passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) as part of the year-end stimulus package. The Economic Aid Act contained important support for our nation's small businesses, including authorization of a second PPP loan for the hardest-hit small businesses, simplifying loan forgiveness for PPP loans under the $150,000 threshold and repealing the deduction of EIDL advances from the PPP loan forgiveness amount. However, we have heard from many of our members that the loan forgiveness process is still in need of administrative simplification and there has been an inconsistency in length of time SBA is taking to administer forgiveness. We request the Committee implore the SBA to provide quicker loan forgiveness reviews and more proactive and transparent information for lenders.

Additionally, the economic impact of COVID-19 and the credit needs of small businesses will be with us beyond the short-term bridge provided by the PPP. While increasing the scope of other SBA programs will help with the recovery, we need to ensure that small businesses have access to as many potential sources of capital as possible. With that in mind, we believe that Congress should consider legislation to exclude credit union member business loans made in response to COVID-19 relief from the credit union member business lending (MBL) cap. This proposal had bipartisan support in the House last Congress in the form of H.R. 6789, the Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020, and similar legislation was introduced in the Senate. On April 16, 2020, a bipartisan group of 65 representatives wrote to House leadership to urge this issue be included in future pandemic relief. Moreover, NCUA Board Chairman Todd Harper and Board Member Rodney Hood have voiced their support for MBL cap relief as a step to make it easier for credit unions to do more to help small businesses in light of the pandemic.

We thank you for the opportunity to share our perspective on this important topic in advance of this hearing. Should you have any questions or require any additional information, please contact me or Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at jrelfe@nafcu.org.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. House Small Business Committee

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