

SBA's ROLE IN CLIMATE SOLUTIONS

HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS, AND REGULATIONS
OF THE
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WEDNESDAY, JULY 21, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS, AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building, Hon. Dean Phillips [chairman of the Subcommittee] presiding.

Present: Representatives Phillips, Newman, Craig, Chu, Evans, Van Duyne, Hagedorn, Meuser, and Donalds.

Chairman PHILLIPS. Good morning, everybody. I am going to call the meeting to order.

And without objection, the Chair is authorized to declare a recess at any time.

Let me begin by saying that standing House and Committee rules and practice will continue to apply during hybrid proceedings. All members are reminded that 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. And 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 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 and staff physically present in the Committee room today, we will continue to follow the most recent OAP guidance. Masks are no longer required in our meeting space for members and staff who have been fully vaccinated. All members and staff who have not been fully vaccinated are still required to wear masks and socially distance. I sincerely hope we do our part to protect each other and our staff.

I will move to my opening statement.

The coronavirus pandemic may have been the most severe and widespread shock to the global economy in recent memory. It was a harsh reminder of the economic and social injury that come with being unprepared. And America's small businesses have been particularly hard hit, which is why Congress quickly established emergency relief programs like the Paycheck Protection Program, which

has provided more than \$798 billion in economic aid to 8.5 million small businesses and nonprofits across our country.

But throughout the pandemic, we have witnessed the heart-breaking human cost of a slow and oftentimes uncoordinated response and our businesses are still battling the economic consequences.

I look forward to this Subcommittee hearing and I look forward to future hearings on the challenges that inflation and labor shortages are also posing to small businesses. But today, I want to focus our attention on how the lessons of the COVID-19 pandemic can help inform our response to another looming crisis, and that is our rapidly changing climate.

Scientists and experts have long warned of the devastation of a pandemic scale climate crisis, but recently, those predictions have transformed into devastating realities. Today, historic droughts, rising sea levels, and other extreme weather events pose a significant risk to life as we know it and to our businesses. In the same way that we could not have imagined how the pandemic would alter our lives and livelihoods, we can hardly anticipate the challenges that await us if our conservation and sustainability efforts remain unrealized. With small firms accounting for 99 percent of all businesses and much of our economic growth, they will be important participants in the fight against climate change. Businesses, governments, and individuals have a vital role to play as we work to manage disruption risk, invest in more resilient infrastructure, reduce our carbon footprint, and build a green economy.

While short-term economic challenges, such as unemployment, supply chain management issues, labor shortages, inflation, and shipping delays are important outstanding matters, global environmental threats only stand to worsen if these issues in the long term and the fact of the matter is we must be solving for each and every one of them.

This will present monumental challenges but also immense opportunities. By innovating to go green, small businesses can help create new industries and great paying jobs as part of the clean energy economy. The clean energy economy already covers many industries that are dominated by small businesses. For example, the construction, manufacturing, and renewable energy sectors all have a very high percentage of small firms. In 2020, renewable energy provided 21 percent of energy consumption in the United States and fossil fuel consumption hit its lowest level since 1991.

As the federal government prioritizes combatting climate change, the renewable sector will continue to grow. As the adoption of wind and solar and other renewable energy systems increase, small business owners stand to benefit.

Going green also presents many benefits for small businesses on a micro level. Green energy is often the cheapest way to power a business and switching to renewables can often boost an entrepreneur's bottom line. Small business owners who save money through energy efficiency improvements can reallocate it to capital expenditures to make their enterprises more competitive and profitable. Renewable investment can also uplift the American economy as a whole. Seizing on the opportunities the green economy creates

can help revitalize America's energy production, manufacturing, and position America as a clean energy leader in the world.

These benefits make it plain that the federal government must offer adequate incentives for businesses to go green. The SBA has a clear role in supporting the small businesses that want to make the transition to renewables. The agency already has several programs that supply small firms with capital to undergo business improvements, purchase assets, and rebuild after disasters. It is vital that we take a close look at these programs and find ways to optimize them to serve businesses that wish to switch to renewables or make other climate related decisions.

Investing in energy infrastructure improvements or preparing a business for future weather events can be costly endeavors as we all know. That is why the SBA's programs must ensure that they are set up to help small businesses confronting the realities of the climate crisis. By crafting programs that understand the level of vulnerability small firms face, we can better prepare for future environmental threats to our nation, its economy, and the health of our fellow citizens. I hope this hearing will enable us to increase the resilience of small businesses that were very affected by the pandemic and continue to need our support in their endeavors.

Now I would like to yield to the Ranking Member, Ms. Van Dyne, for her opening statement.

Ms. VAN DUYNE. Thank you very much, Mr. Chairman.

Small businesses are the lifeblood of the American economy. They spur innovation, provide the majority of jobs, and keep America's uniquely entrepreneurial spirit thriving. At the beginning of 2020, we saw small business success at record levels, and as everyone on this Committee is brutally aware, the COVID-19 pandemic brought the economy to a standstill. These shutdowns forced small businesses to temporarily close their doors, lay off their employees, and for some shattered their dreams entirely.

But even while enduring such a difficult moment in our nation's history, the resilience of America's entrepreneurs shine through. Small businesses quickly adapted to this new environment and the SBA's COVID relief programs including the successful Paycheck Protection Program helped many of America's smallest employers keep the bills paid as they waited to reopen.

Yet even after getting past seemingly never-ending state and local restrictions, small businesses are now facing unexpected competition from the federal government. The Biden administration seems relentless in its attempt to destroy small businesses. Today, the businesses fueling growth in our communities are experiencing massive labor force shortages, rapidly increasing inflation, and an unreliable supply chain. And unfortunately, all of these individually disastrous issues have something in common—tone-deaf Federal policies.

To top it all off, the small businesses I have spoken with are already preparing for the next disaster. This administration is hurling their way which is tax hikes. After meeting with countless small businesses back at home in North Texas, there was not one that I talked to who has not already increased wages and benefits to attract workers and yet they are still struggling to find good help.

So last week, with the help of local elected officials, I hosted a job fair to connect these hurting businesses with workers looking for their next opportunity. If there is one takeaway that I can share today it is that America is ready to reopen. We need to give small business the room to succeed and allow American workers to earn their way forward.

While I left that job fair with a great sense of optimism in the people of this country and their never-ending resiliency, the work here in Congress is far from over. Prices today are notably higher than at this time last year and the solution given by this administration is to spend trillions more. And who will fit the bill? The exact same small businesses and employees we are allegedly trying to help.

Small businesses can lead this recovery but they must be given the opportunity to do so in their own way. The American entrepreneur, not this administration's checkbook, is our country's greatest asset. I look forward to promoting an environment in which small businesses can once again drive our country forward.

I want to thank all of our witnesses for joining us here today, Mr. Chairman, and I yield back.

Chairman PHILLIPS. Thank you, Ms. Van Duyne. The gentlelady yields back.

Now I will 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 you are finished.

With that, I will begin to introduce our witnesses.

Our first is Ms. Laura Walk. Ms. Walk is the chief lending officer with Colorado Lending Source, a certified development company with a mission to foster the economic growth of diverse small businesses. Colorado Lending Source utilizes the SBA 504 and 7(a) loan programs to offer access to capital for entrepreneurs as well as the SBA Community Advantage and Colorado main street programs. Ms. Walk has assisted in the approval of over 1,400 SBA 504 loans which have created more than 10,000 jobs and injected over \$2 billion into the economy. We appreciate you being with us today, Ms. Walk.

Our second witness is Mr. Rick Chapman, the general manager of Sunnyside Marina on the St. Croix River in Minnesota and the president of the Midwest Marina Association representing 25 marinas on the St. Croix River, the Mississippi River, Lake Minnetonka, and Lake Superior, with over 6,000 boaters. Mr. Chapman is also a resident of Bloomington located in my district, Minnesota's 3rd. We appreciate you being with us today, Mr. Chapman.

Our third witness is Dr. Lynn Abramson, the president of the Clean Energy Business Network, the small business voice for the clean energy economy, representing over 3,000 businesses in all 50 states. Dr. Abramson has a Ph.D. in marine and atmospheric sciences from Stoney Brook University where her research on carbon cycle processes spurred her interest in advancing low carbon energy solutions. We appreciate you being with us, Doctor.

Now, Ms. Van Duyne, will introduce her witness.

Ms. VAN DUYNE. Our fourth witness is Mark Glenn. Mr. Glenn is the owner and chief executive officer of four different FASTSIGNS locations in the Dallas area and one in Carrollton, Texas, which is actually in my district. FASTSIGNS is a banner and graphics sign company with franchise locations across the globe. Prior to being a franchisee owner with his wife Shawn and employing approximately 30 workers, Mr. Glenn worked in the corporate headquarters office of FASTSIGNS in Carrollton, Texas. With a business management degree from Southeastern Oklahoma State University, Mr. Glenn brings an entrepreneurial spirit to his company daily. Mr. Glenn, we appreciate you taking time away from your busy schedule running four different small businesses, and I know your expertise as a business owner will be important as we continue to examine the small business ecosystem.

I thank you for joining us this morning. I would like to welcome all of the other witnesses as well. I look forward to this morning's conversation and I yield back.

Chairman PHILLIPS. Thank you, Ms. Van Duyne. And I join you in welcoming all of our witnesses.

And we will start with Ms. Walk. You are recognized for 5 minutes for your opening statement.

STATEMENTS OF LAUREL WALK, CHIEF LENDING OFFICER, COLORADO LENDING SOURCE, LTD.; RICK CHAPMAN, GENERAL MANAGER AND CERTIFIED MARINA MANAGER (CMM), THE PORT OF SUNNYSIDE CLUB, INC.; LYNN ABRAMSON, PRESIDENT, CLEAN ENERGY BUSINESS NETWORK; MARK GLENN, OWNER AND CHIEF EXECUTIVE OFFICER, FASTSIGNS

STATEMENT OF LAUREL WALK

Ms. WALK. Good morning, Chairman Phillips, Ranking Member Van Duyne, and distinguished members of the Subcommittee. Thank you so much for having me today.

My name is Laurel Walk and I am the chief lending officer at Colorado Lending Source, a certified development company, or known as a CDC, based here in Denver, Colorado.

Colorado Lending Source is also a member of the National Association of Development Companies (NADCO), the trade association representing more than 200 private, nonprofit CDCs. I am also pleased today to testify on behalf of NADCO and my CDC colleagues.

I am honored to discuss the role of the Small Business Administration lending programs, particularly the 504 program in supporting a resilient 21st century economy, including lending in the energy space.

First, the 504 program is SBA's premier economic development tool and CDCs who deliver the program are dedicated to building strong communities across the country. The program is primarily used to finance real estate, including new construction, remodeling, retrofitting existing real estate and equipment. The program also has specific energy reduction goals that allows borrowers to access more capital.

Like other public policy and job creation goals, the energy-related goals of the program have made a real impact. Colorado Lending Source was able to see this impact firsthand when we partnered with the Garden of the Gods resort in Colorado Springs on two different projects. Their second project was made possible by using the renewable energy program. The business is women-owned and our borrowers, Brenda Smith and Judy Mackey have stated that thanks to the renewable energy program, the property has been able to improve their energy efficiency. All of this equipment not only saved money in the first year that they were installed but continues to save and provide energy efficiency.

There are many small businesses that must make hard choices regarding what they can afford to do at any time. We see the renewable energy program as a way for businesses to focus on energy efficiency at the same time they are improving their property.

The scope and reach of the 504 program could be broadened. First, Congress should consider reducing the required equity injection for green energy projects from 10 percent to 5 percent. This is something the Small Business Committee has already considered and included for manufacturing loans in the bipartisan 504 Modernization and Small Manufacturing Enhancement Act of 2021. In particular, a smaller equity injection from the borrower would increase access to smaller projects under \$500,000. This is a category often overlooked by traditional lending.

As small businesses compete for commercial real estate in today's market, a smaller equity requirement would truly expand access to capital for those businesses and allow them to conserve precious capital while filling a gap in conventional financing which 504 was created for.

Secondly, Congress should consider increasing the loan size for renewable energy projects which is another enhancement provided for manufacturers in H.R. 1490.

As small businesses recover and look to scale, the current loan size, coupled with real estate and construction costs will likely impact the ability of the program to help small businesses achieve their scaling goals in the future.

SBA's local district offices could also partner more actively with at least one resource partner such as their local small business development center to promote the benefits of implementing the alternative energy sources.

There are also administrative changes the SBA could make. For example, there is an instituted cap of \$16.5 million as the maximum amount of 504 loans for a borrower under the existing energy goals for the program. SBA could reassess and consider eliminating this. One of the benefits that we have heard over and over from our borrowers is the ability to come back and utilize the program as they grow which happens with the energy program.

Finally, but very importantly, the 504 program is available to borrowers across the country thanks to an annual authorization by Congress. The authorization level for the amount of 504 loans that can be approved has been at \$7.5 billion for years. The combination of recovering from the pandemic and the higher profile the SBA has created has resulted in high demand. As an industry, we are thrilled to be helping so many small businesses. However, we have

real concerns about the possibility of reaching the \$7.5 billion cap before the end of the fiscal year. If the program reaches the authorization cap, the program will shut down and we will be unable to make any 504 loans. It is critically important the program be available to small businesses during this integral recovery period. The CDC industry supports efforts to provide flexibility for the administrator to increase the 504 authorization cap up to 15 percent which is consistent with the 7(a) program.

Thank you again for having me here today and I look forward to answering any questions.

Chairman PHILLIPS. Thank you, Ms. Walk.

Now, Mr. Chapman, you are recognized for 5 minutes for your opening statement.

STATEMENT OF RICK CHAPMAN

Mr. CHAPMAN. Chairman Phillips and Ranking Member Van Duyne, and members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Small Business Administration's role in climate solutions.

My name is Rick Chapman. I live in Bloomington and work in Stillwater, Minnesota, the land of 10,000 lakes. And like 70 percent of my fellow Minnesotans, I am an outdoor enthusiast. I am fortunate that I am also able to further foster the enjoyment and protection of our great outdoors through my role as general manager and certified marina manager at Sunnyside Marina, a private marina on the St. Croix River. I also serve as the president of the Midwest Marina Association, representing 25 marinas on the St. Croix River, Mississippi River, Lake Minnetonka, and Lake Superior with over 6,000 boaters.

MMA works collaboratively with the National Marine Manufacturers Association, the Association of Marina Industries, and the Marine Retailers Association of the Americas. Sunnyside Marina, along with other marinas on the St. Croix River, have been leaders in the state's Clean Marina program as part of a national program that encourages marina operators and recreational boaters to protect water quality by engaging in environmentally sound operating and maintenance procedures.

I am proud to report we were the first marina in Minnesota to install a water recycling system to capture, filter, and reuse the water we use to wash boats at the end of the season, helping to keep acids and metals out of the water. Lead by the recreational boating industry, the outdoor recreation economy is a major contributor to the U.S. economy accounting for 2.1 percent of GDP, \$788 billion in economic output, and most importantly, 5.2 million American jobs. New powerboat sales in the U.S. increased last year by an estimated 13 percent compared to 2019, reaching a 13-year high. Four hundred fifteen first-time boat buyers entered the market in 2020.

This rise in outdoor recreation has both showcased the popularity of such activities as a safe and fun way to spend time with loved ones and illuminated one of the most pressing issues facing our industry. We need resilient infrastructure to protect access to recreation and marine businesses and can adapt to our rapidly changing climate.

Small businesses in the outdoor sector depend on robust infrastructure to be able to make their living and they often face the brunt of natural disasters like flooding, wildfires, hurricanes, earthquakes, tornadoes, and mega droughts, leaving them damaged and unable to operate. When they are unable to operate, the jobs and families they support are at risk. Local economies depend on small businesses like these.

According to FEMA, natural disasters have cost the U.S. \$800 billion in the past decade and have been the direct cause of thousands of businesses shutting down. Small businesses are particularly susceptible to these dire economic effects with 40 to 60 percent never reopening after a natural disaster.

I thank the Committee for holding today's hearing to discuss how the SBA can better support small businesses in providing climate solutions and for allowing me to shine a light on the significant role small businesses play in driving the outdoor economy. Small businesses in our industry are in jeopardy without investments in climate resilient recreation infrastructure. The time to fortify recreation infrastructure from the impacts of climate change is now. Fortunately, a bipartisan infrastructure deal is in negotiation and infrastructure resiliency is a primary for both the administration and the bipartisan group of senators leading this process.

The infrastructure package presents an opportunity to utilize the SBA as a resource to help small businesses protect themselves from the costly damages of climate change. To accomplish this, Congress should include language from the PREPARE Act and the resiliency title of any infrastructure package that moves forward. To allow small businesses to access much needed capital, to invest in disaster resilient infrastructure, this landmark legislation will allow the SBA to make low interest, fixed rate loans of up to \$500,000 to small businesses to invest in their properties to protect against natural disasters.

We applaud the Committee on small business in spearheading this proposal that would create an integral tool for building more resilient recreation access, protecting vulnerable communities, and rebuilding local economies. The recreational boating industry looks forward to continue to work with the members of this Subcommittee and other Committees of jurisdiction to protect and expand opportunities for recreation going forward. And we thank you very much for the opportunity to appear today and I look forward to taking your questions.

Chairman PHILLIPS. Thank you, Mr. Chapman.

And now I recognize Dr. Abramson for 5 minutes for your opening statement.

STATEMENT OF LYNN ABRAMSON

Ms. ABRAMSON. Thank you, Chairman Phillips, Ranking Member Van Duyne, and members of the Subcommittee. Thank you for the opportunity to testify today on the SBA's role in climate solutions.

I also want to take a moment to thank the Committee on Small Business for providing critical lifelines of support for small businesses throughout the COVID-19 pandemic.

I am Lynn Abramson, president of the Clean Energy Business Network, which serves as a small business voice for the clean energy economy. Our nonpartisan, nonprofit organization works with more than 5,000 small and mid-size clean energy business leaders across all 50 U.S. states and a very broad spectrum of energy technologies.

These businesses include innovators like Exergy Predictive in St. Paul, Minnesota, which is developing cloud computing to support electric vehicle fleet deployment. And they include UHV technologies in Fort Worth, Texas, which has developed an X-ray technology to enable faster and more efficient recycling of scrap metals.

I would like to share with you my perspective of clean energy as an economic engine, the role of small businesses, and what policies can best support our nation's clean tech entrepreneurs.

First, clean energy drives a competitive economy. The past decade has seen significant growth in energy efficiency, natural gas, and renewable energy. Today, more than 3 million Americans earn a living in the clean energy economy with roughly 70 percent of those workers employed by small businesses.

As we rebuild our economy investing in new clean energy technologies is one of the best things that we can do to create good jobs for regular people right now while reaping long-term benefits for decades to come.

First, we must continue to invest in energy innovation programs such as the American Made challenges, the advanced research projects, agency energy, and the small business innovation research and small business technology transfer programs.

There are also a number of ways we can make these crucial programs even more accessible and impactful for entrepreneurs. I have outlined these recommendations in my written testimony and I am happy to speak on them further.

We must also continue to build an ecosystem of entrepreneurial support throughout the nation through regional centers such as the national laboratories, incubators and accelerators, and small manufacturers. And we must improve financing opportunities for demonstration projects to overcome the final valley of death to commercialization and help turn energy innovations into successful companies.

Finally, we must strengthen Federal coordination to help entrepreneurs access the breadth of available programs to support their work. The Small Business Administration can play an important role in coordinating with other Federal agencies to curate and promote such information.

My written testimony includes a link to a letter signed by more than 200 business leaders urging Congress to act swiftly on an infrastructure package that addresses such recommendations. We hope that the Senate's bipartisan Energy Infrastructure Act and the House's LIFT Act will provide a basis for bicameral, bipartisan negotiation and enactment of an infrastructure deal.

Investing in American technology has a history of paying off. From landing a man on the moon to putting computers in our pockets, to developing COVID vaccines, government investment has been key to America's success. It is time to empower America's small clean energy businesses to unlock their most brilliant ideas

for tackling climate change while building the economy of the future.

Thank you, and I look forward to your questions.

Chairman PHILLIPS. Thank you, Doctor.

And now I recognize Mr. Glenn for 5 minutes for your opening statement.

STATEMENT OF MARK GLENN

Mr. GLENN. Good morning, Chairman Phillips, and Ranking Member Van Dyne.

Thank you for your strong bipartisan support efforts to save businesses like mine through the pandemic. I was a recipient of PPP loans and I am grateful for your support. It really made a difference in our business.

My name is Mark Glenn, and I am the CEO and multiunit owner of four FASTSIGNS locations in the Dallas area. My wife Shawn and I became business owners in 2011 after spending 15 years in the corporate headquarters of FASTSIGNS. FASTSIGNS is a sign and visual graphics company and is the sign industry's leading franchise system. The system is 100 percent owned by franchisees just like me. I do believe that all stakeholders, including small businesses, have a role to play in the responsible, sustainable stewardship of our planet. But, as a small business owner still recovering from the pandemic, my main focus right now is on rebuilding our employee team and navigating policy uncertainties that may have real world bottom line impacts on our balance sheet.

I would like to share my experience with the critical labor shortage issue. It is real and it is crippling to the business. My four locations generally have 28 to 30 staff. I currently have four open positions that cannot be filled right now due to a lack of quality applicants. That is roughly 10 percent of my workforce is unfilled. I strive to be an employer of choice through competitive wages and career building opportunities. These are good paying jobs in a strong industry with a career that can be built upon. We have made extraordinary efforts to recruit and hire talented candidates. Not only have we posted job openings on traditional online job platforms and on social media, but we are offering referral incentives and joining local job fairs like the one recently hosted by Ranking Member Van Dyne.

My on-the-ground experience is that the expanded unemployment insurance is keeping people home right now. I fully understand and I appreciate that there are continued childcare challenges as we come out of the pandemic, but my firsthand real-world experience is that candidates are sharing during these hiring processes.

The staffing shortage is without a doubt my biggest hurdle to meet customer service and market needs. I am worried about potential tax increases and threats to the franchise business model. Policy uncertainties have real-world impacts because our everyday business decisions rely on certainty. For those of us outside of Washington, D.C., we often hear about potential tax increases associated with infrastructure, spending, or budget debates. I want to emphasize that increasing taxes on small businesses can take the lifeblood needed to help with this recovery. This forces us to take

cash and allocate to taxes rather than increasing pay for staff or creating promotional opportunities for our employees.

As you know, small businesses' incomes appear on their personal tax return. There is a real difference between a hedge fund manager's tax return showing over \$1 million in income where zero jobs are created and a small business owner that shows a profit that is essential to take risk and create jobs.

I am concerned about the House's support for the PRO Act and how close this bill is to becoming law. I am concerned about how franchise brands will react to the increased liability.

As franchise contracts come up for renewal, franchise brands will be encouraged to convert locations into corporate locations. These policies hurt small business owners the most. I welcome the opportunity to work with you to find a better solution for workers and business owners. The franchising sector needs certainty and should be supported, especially because it provides wealth-building opportunities that are important for underserved communities. Franchising is also good paying jobs.

In my written testimony, I included a new study by IFA and Oxford Economics that shows a wage and benefit premium associated with franchise jobs in certain industries. Thirty-two percent of respondents also said they would not be business owners without franchising which translates to about 60,000 small businesses across the economy. That percentage was even higher for women-owned and first-time business owners. Franchisees also have material higher sales on average than independent small businesses including among women and people of color. Together, I truly believe we can build a stronger economy if the right policy environment is provided.

Thank you again for allowing me to testify today. I look forward to your questions.

Chairman PHILLIPS. Thank you, Mr. Glenn. And gratitude to all of our witnesses for being with us today and for your work and engagement on this issue.

I will begin by recognizing myself for 5 minutes. My first question is to you, Ms. Walk.

You spoke of the 504 program which, of course has accelerated in the post-pandemic economy as businesses and optimism have improved, but you reference that we may be hitting the \$7.5 billion cap sooner than expected which would cause the program to shut down before the end of the fiscal year. So could you elaborate for our Committee how a 504 program shutdown would impact the ability of small businesses to access affordable growth capital?

Ms. WALK. Yeah, absolutely. Thank you for your question. Yes.

Since the recovery 504 volume has been higher than we have seen in a long time and we have seen more and more businesses taking advantage of the program with its low interest rates and long-term fixed rate for the borrower, it is very attractive for businesses that are looking to purchase real estate. Overall, nationwide, we are up 37 percent in volume which just shows the appetite of businesses that are looking to make that commitment and purchase a building and really recovery from the pandemic robustly.

If the program were to shut down, all of those businesses would be in a waiting pattern until the program reopened in October, and that would be very detrimental for our businesses. Businesses that are out trying to purchase real estate are competing with investors and other entities that have more cash. They are constantly being told if they do not meet their closing deadlines they will not get the property. If there is a delay in how they get their financing, or worse, if they are not able to get the financing they were planning on with a lower equity requirement, they will lose the property and that could seriously impact their business.

One of the wonderful pieces of the 504 program is that it allows borrowers to bring 10 percent equity injection to the project. Typically, on a conventional commercial real estate loan you are seeing that at 20-25 percent. So that savings of capital is so critical for our businesses. And if there was anything that would hinder that from the program, if there was a pause, if businesses had to wait, it would be very detrimental.

Chairman PHILLIPS. So fair to say that time is of the essence?

Ms. WALK. Yes. Very much so.

Chairman PHILLIPS. All right. Thank you.

Mr. Chapman, you spoke of natural disasters, of course, impacting small businesses throughout the country from powerful storms to fires to drought to low water levels. And of course, in our home state of Minnesota, oftentimes even a lack of snow during the winter season are affecting small businesses. What can you tell us about how your business has adapted throughout the pandemic and what lessons have you learned that might support our response to climate events in the future?

Mr. CHAPMAN. Well, so currently in Minnesota right now we are experiencing low water. And the thing about the climate change is we do not know whether it is going to be low water or high water or what the issue is going to be. But that is why we spend so much time talking about infrastructure because all of that infrastructure, from locks and dams to just simple things that we have to do to prepare for high water, for instance, making sure that power sources are above the highest waterline and making sure that fuel tanks are secure if they are above ground. Those are the kind of things that unfortunately we often react to after the disaster has occurred instead of being proactive and having those things in place before the disaster occurs. So I think that the Small Business Administration could really help in this situation especially with small marinas, small individual owners to help them prepare before the disaster strikes if you will. I do not know if I did a great job of answering that question.

In regards to the pandemic, I should just say the pandemic had the opposite effect on the recreational boating industry. I am sure all of you know that anything to do with outdoor activity is seeing an enormous boom. We were not expecting this. I was last March applying for payroll protection and then all of a sudden we had the busiest season we have ever had and now we are doing it again this year with even a busier season. So the pandemic for us has been incredibly good for business. I feel sorry for small businesses that cannot say that but for the recreational boating industry, we are really seeing a boom because of the pandemic.

Chairman PHILLIPS. And fair to say that you would like to see Congress and the SBA prioritize resiliency, investments, and support?

Mr. CHAPMAN. Absolutely. That is the whole point is trying to make sure that we are building better before the disaster strikes would be really beneficial to these small operators. I represent a number of privately, family-owned marinas from the Midwest Marina Association and that is what they are telling me is that it would be really, you know, it is not just the locks and dams which, you know, falls on the Army Corps. It is the stuff that we can do at our individual marinas to help prepare ourselves for the disaster that might be coming next.

Chairman PHILLIPS. And I think you just coined a new phrase: build back better before. You just added another B to that one.

Thank you. I appreciate your answer.

Last month, the International Trade Center at the United Nations issued a report on the pandemic entitled "Empowering a Green Recovery." The report states that while the range of likely impacts varies depending on the model used, the economic damage of climate change could be as bad as having a pandemic the size of COVID-19 every 10 years.

Ms. Abramson, the pandemic revealed just how vulnerable small businesses are to unanticipated economic events. So why is it important that we have a conversation about aligning our resources to mitigate climate events now as businesses are still struggling to recover from COVID-19 impacts?

Ms. ABRAMSON. Thank you.

I think some of the points that both Ms. Walk and Mr. Chapman raised resonate with the clean energy businesses that I work with, as well as their customers, the small businesses around the nation in terms of preparation. And so you raised earlier the concern about how COVID-19 caught us all unprepared and unaware. And I think it has really highlighted how much we need to anticipate and plan for risk. And certainly, climate change related natural disasters, you know, extreme weather, as well as sort of the changing impacts on our economy are things that we need to prepare for. So investing in resilient infrastructure up front to better accommodate these changes is absolutely critical for all of our small businesses.

And I think in addition to the general impact that it will have on our economy and in helping businesses of all sizes prepare for these extreme weather events, it also helps to generate new industries and jobs. And so we actually saw that prior to the COVID-19 pandemic the clean industries were the growth sectors of the U.S. energy economy and were adding all sorts of new diversified technologies to our portfolio. And generating some very high-paying jobs in the process. So I think that we can really achieve a double benefit by investing in clean and resilient technology that not only helps us better withstand some of the stressors on our economy but also helps to generate new industries.

Chairman PHILLIPS. Thank you.

And forgive me, my time is long expired. Forgive me.

I am going to turn it over to Ms. Van Duyne for 5 minutes.

Ms. VAN DUYNE. Great. Thank you.

Chairman PHILLIPS. For 3 minutes.

Ms. VAN DUYNE. Thank you very much.

Mr. Glenn, in your testimony—first of all, thank you very much. I appreciate your testimony. You state that the primary challenge we, as small business owners face with staffing has come from the expanded unemployment benefits which has become a small business owner's biggest hurdle to recruiting and hiring candidates. Why do you believe this is such a hurdle and what should Congress do moving forward?

Mr. GLENN. Thank you for the question. I am happy to address that.

Not only me, but just in talking with other small business owners, the issue has been the same. We have gone, just as a side note, we as a sign company have gone and offered signage, now hiring signage to business neighbors of ours in the community. And we are trying to do everything we can. But the real issue is the competition is the federal government with the added unemployment subsidies that many have been receiving. A plus for us here in the state of Texas as Governor Greg Abbott has declined as of late last month, declined the Federal benefit for recipients receiving these. That has helped some with that. But just to give you an example, we have ads out on job lines. And these are good positions. These are graphic designer positions. These are equipment operators. And these are sales positions with a very competitive earning range. And we have received resumes with no qualification at all that just were not legitimate candidates for us. And so that is the type of challenges we are facing as small business owners. And again, it is just not isolated with me. I stay very close to the business community and through the chambers, the local chambers and business associations, and we are all facing the same here. And fortunately for me and the ones, the others that I speak with, the majority of us are in Texas and it is not as bad. It would really be a tough time if we were not in the state of Texas and were still up against these challenges. And people are not leaving their homes to seek jobs because financially, in my opinion, they do not have to at this point.

Ms. VAN DUYNE. All right. Thank you.

As you know, this administration is proposing a number of changes to the Tax Code to pay for their spending plans. While details continue to be debated, how could tax increases impact small businesses? And do you believe that it could impact investment decisions?

Mr. GLENN. It would absolutely impact decisions that a small business owner would be forced to take. It would be critical for us that that cash would be at the expense of the operation of the business. The investment to our employees. The additional training. With the taxes we currently pay, I look at the taxes that I pay each year, and if I knew that money did not have to go to those areas, I think of all the other things that I could do to improve the business, to add more jobs. So it is very concerning with the uncertainty of any new taxes coming to us that we, as small businessowners, would shoulder the burden of those payments. It is very concerning.

Ms. VAN DUYNE. Can you talk about the impact of rising costs and inflationary pressures on small businesses that operate on the margins as yours does? And do you think Congress should avoid policies that would increase inflation?

Mr. GLENN. Congress should avoid that by all means. Let capitalism work at its best and free flowing without any interference. We have seen with our materials, specifically our plastic materials used to create signs are petroleum-based in many cases. We have seen increases along those around 30 percent so far. And it is still coming up. Not only the increases but shortages. Additionally, aluminum products have gone up drastically for us. About 30 percent of our revenue is aluminum products and those have not only with shortages but increasing costs for us, we are very reluctant to stay competitive in the market to pass along those increases. We are absorbing some of that in our pricing but it comes to a point where you can no longer do that and sustain the business and make a profit. It is very challenging and the last thing we want is the government to become a factor with that.

Ms. VAN DUYNE. We have discussed a number of challenges facing small businesses today from labor shortages to inflation to taxes. The topic of today's hearing is the SBA's role in climate solutions. When you think back on the last year, where did the climate issue rank in your list of concerns and do you think the SBA should be focusing on it over items like access to capital and labor issues?

Mr. GLENN. If I look back at the past 16 months or basically all of 2020, the environmental issues would rank relatively low considering the other issues that were much more urgent as a result of the pandemic. And these were things that as a small business owner we, in many cases, had to totally reshape our business model. I was very fortunate that we were buffered by some of that with COVID-related signage. We did have some nice projects that kept people employed. But at the height of the uncertainty, we were making those adjustments as well. So any climate issues, they were not top of mind with not only just me but other small businesses outside my industry as well. It is not something that we were forced to deal with at the time. It was more how do we react and adjust our business to the uncertain economy of the past 12 months?

Chairman PHILLIPS. Thank you, sir. The gentlelady's time is expired.

Now I recognize the gentlelady from California, Ms. Chu, for 5 minutes.

Ms. CHU. Dr. Abramson, as the clean economy rebounds from COVID and resumes its enormous growth across the country, it will be especially important to ensure that we have a trained workforce that can quickly step into skilled high-paying union jobs in the green economy. And we have an incredible opportunity to do that through President Biden's American Jobs Plan, especially through a new civilian climate corps. That is why I introduced H.R. 4220, the National Climate Service Corps and Careers Network Act of 2021 which would create a new program under AmeriCorps to complete climate-related projects. But most importantly, this bill will also create a new climate careers network to connect partici-

pants with high-paying, long-term careers using the skills they acquired in the corps.

So could you talk about the job placement needs of small businesses in the clean energy industry today and how you see that demand increasing as we make major investments into decarbonization? How can both a climate service corps and a dedicated climate careers network help clean energy small businesses find qualified and trained marine energy workers?

Ms. ABRAMSON. Thank you, Congresswoman. I think that is a very important issue and I just want to acknowledge, I think some of the labor shortages that Mr. Glenn spoke about are challenges we have seen across small businesses. But unlike I think more typical small businesses, the clean energy economy has faced those labor shortages prior to the pandemic and I think the major factor influencing those shortages has been the lack of appropriately trained and skilled workers to support our industry.

The U.S. Energy Employment Report, which is an annual report tracking trends in the clean energy economy and workforce has consistently reported that small businesses and large corporations in the clean energy sector face a shortage of appropriately skilled workers. And so I think getting more of these kinds of economic opportunities in front of communities training workers, whether it is through apprenticeship type programs such as what you are envisioning, working with our community colleges as well as our higher institutions of learning to make sure we are training people for the jobs of the future is very important.

I also want to note that I believe that workforce development is critical to ensuring that the clean energy industry is more representative of the United States population as a whole. And we have seen that, for example, across energy sectors, and this is broadly speaking, women represent about 23 to 32 percent of the workforce in the energy economy compared to roughly half of the workforce nationwide. And specifically, when it comes to small business leadership and ownership, we see that only about 7 to 8 percent of the Department of Energy's small business innovation research awards are going to women-owned or minority-led businesses. So this is a significant concern. I think that we see that the clean energy sectors are the growth sectors of the energy economy, and if we do not make sure that these are inclusive sectors then we will definitely be leaving whole segments of our population out of that potential for economic growth.

Ms. CHU. Thank you for that.

Mr. Chapman, I am so glad that you are here to talk about the importance of community resiliency for the small business economy. We know that climate cost disasters are increasing and having a terrible disproportionate impact on small businesses. In California, my state, wildfires in 2018 caused \$150 billion in economic damage. And now that the state faces a historic drought, we have to prepare for a fire season that could be even more damaging. So that is why the National Climate Service Corps that I talked about could improve community resilience and complete projects that would address sustainability.

Could you talk about what it would mean for your industry to mobilize thousands of young people across the country to complete these projects?

Mr. CHAPMAN. Yeah. So we are also experiencing in the recreational boating industry I think the same thing that happens to a lot of industries in regards to finding the right or the qualified employees. And part of it is just because right now for us it is specifically technicians. It is specifically the technicians that work on the boats. I know that the automobile industry is having the same issue but trying to find those kind of skilled people just to come into the industry is very, very difficult. So a program like what you are talking about which would potentially bring young people into an industry that we are having a hard time getting young people to come into would be extremely beneficial.

Ms. CHU. Thank you.

I yield back.

Chairman PHILLIPS. The gentlelady yields back.

And now I recognize the Ranking Member on the Subcommittee on Underserved, Agricultural, and Rural Business Development, Mr. Hagedorn, the gentleman from Minnesota.

Mr. HAGEDORN. Thanks, Mr. Chairman. I appreciate that.

I agree with Ranking Member Van Dwyne. I think this hearing is a little bit offtrack. We should probably be focusing more on the supply chain issues, labor shortages, and things that are really affecting our small businesses now. And frankly, I do not think there is any discernible positive outcome that anybody can point to as to these changes that people are talking about making. I would just add this though: you know, technology is great and we want better products, higher quality products, but they need to be at the same price. They need to be as reliable. And we do not always get that in this whole green energy sector. As a matter of fact, to put this in perspective, look, China, Communist China alone emits more carbon than all the developed countries in the world. Three times more than the United States. So I think we can talk about changes here of small businesses but it is going to mean nothing compared to what has to happen. If you think this is the big problem, you have got to go after China. You are going to have to go after India. And I do not think we should be taxing and burdening our own sectors more than that. If you really want to help the world get rid of carbon emissions, we should be producing way more natural gas in the United States, like in Congressman Meuser's district and exporting that to China so they can produce electricity cleaner, have more nuclear power. These are the things that make the big difference. And so those are great jobs in the United States. That means it creates wealth in the United States. It puts China in a position where they are dependent on us. But instead, this administration under Biden attacking U.S. energy, going after the lifeblood of our economy, it is absolutely I think disgusting what they are doing. And they are going to destroy our economy and our way of life if we are not careful and we cannot let that happen.

So, you know, we do not want to exchange U.S. energy independence for dependence on China. And that is what we would have with a "clean energy economy." China has cornered the market for the most part on rare materials and the minerals that we need for

solar panels, wind generators, batteries for lithium. Why do we want to be dependent on China? Why would we not be dependent on the United States, independent like we are now, and we are going to lose that very quickly. It makes absolutely no sense. Our country became a great economic power because of homegrown U.S. energy, reliable, abundant, affordable, and we do not want to get away from that.

So Dr. Abramson, I will ask you this. I have never met a small businessperson that said increase my energy costs. Not one. As a matter of fact, lower energy cost is really good for business. So I do not know if you represent any manufacturers or people like that but some of these manufacturers spend 15, 20, 30 percent of everything they do and they produce on energy. So we are going to swap out energy sources that are low cost with energy sources that are not as low cost and certainly not as reliable. How does that help small businesses in that sector, manufacturing especially?

Ms. ABRAMSON. Thank you, Congressman. And I agree with you. I think that reducing energy cost is critical for small businesses and manufacturers. And we actually, frankly, have a lot of manufacturers of clean energy technologies within our network. And they are consumers of energy as well.

Mr. HAGEDORN. That is a piecemeal thing. The policies that the Democrat party is talking about are top-down Washington, D.C. policies that are going to pick winners and losers in the energy sectors and they are going to swap out all sorts of traditional technology for new technology. The new technology is not as reliable. The new technology is much more expensive and you cannot even do it on a grand scale today. It is not even feasible. If you went and did it today, we could not produce the electricity that we needed. So I mean, I understand you can have a business that puts up solar panels or something and you can say that is cheaper, but we are talking about the whole economy and we are talking about our whole energy sector. How is that going to be good to increase energy prices for our small businesses?

Ms. ABRAMSON. Well, I want to actually start by clarifying some of the businesses within our network do work in the industries you mentioned such as natural gas and nuclear energy. And one of the things that we advocate for is a portfolio-based approach to diversifying our energy economy. And investing across the board in energy innovation. And some of the things you highlighted in terms of America's leadership in the energy economy I fully agree. I mean, we need to look at our critical minerals. We need to look at technologies across the board including looking at our fossil energy industry and ways to help it decarbonize and keep up with some of the technology innovations that we are seeing across the globe.

Mr. HAGEDORN. Everybody is crossways here. I mean, in Minnesota, we have a mine up in Northern Minnesota that could produce all the copper we need but the people on the left do not want us to go get that copper. Instead, we have to rely on, for instance, China and others. And I think that, I agree, nuclear power is good. All these other things. But if we cannot swap out the technology and keep it as low cost, reliable, and abundant, we should

not do it. And like I said, if you are really concerned about this issue, I would focus on China.

I yield back.

Chairman PHILLIPS. The gentleman's time is expired.

I just remind my colleagues, this is not a hearing about China. It is not a hearing about mining. It is not a hearing about the price——

Mr. HAGEDORN. Why is not a hearing on whatever I want to talk about, sir?

Chairman PHILLIPS. I am just reminding colleagues that today's hearing is about how we support small businesses in our country, in Pennsylvania and Minnesota and California and Indiana and Texas, those who are suffering from the consequences of climate change, which is real. Plain and simple. Fires, low water tables, lack of snow. That is what today's——

Mr. HAGEDORN. So what are you talking about doing today that is going to change anything tomorrow?

Chairman PHILLIPS. So that is what today's topic is and I ask that my colleagues focus on that.

Now I recognize the gentleman from Pennsylvania, Mr. Evans, for 5 minutes.

Mr. EVANS. Thank you, Mr. Chair.

My question is to Ms. Walk. There are a number of job opportunities in both construction and installation of energy efficient upgrades. How does the increase of energy efficiency and the decreased cost of electric renewable energies help to keep the energy intense American business competitive in a global economy and how can the 504 program help small businesses achieve this growth and competitiveness?

Ms. WALK. Thank you for the question.

You know, we have seen when our businesses are installing and looking to the green energy pieces to add renewable energy, you know, working closely with those providing installation. We have seen an increase in that really statewide here in doing that. And I think, the more that small businesses have access to renewable energy, the more that it makes sense for them from a business perspective, like some of the businesses I highlighted in my testimony. You know, the first business I talked about within there, the Comedy Club, their decision to include solar really ended up being a huge cost savings. You can see that in the comments that we heard from our other businesses as well. Something that they really were not considering but came about because of the 504 program ended up really having a great impact for the business, for the bottom line, and for the overall energy consumption of the business. So I think the 504, by taking what is in place, the 504 has a great system in place. It is a program that has been well-established. And increasing those enhancements and making it more attractive to small businesses helps the entire energy consumption deplete and it helps our businesses save capital.

Mr. EVANS. Do you have any kinds of suggestions of how we can augment the program in any way?

Ms. WALK. Yeah. As I outlined, I think, one of the things that we could do especially with the equity injection, I think if we could open the program for businesses that are utilizing renewable ener-

gies and reduce the equity requirement from 10 to 5 percent would be phenomenal. I think that would be a savings that would be welcomed by all of our borrowers as capital has become so critical. It is something you have heard over and over here today. I think you could look to increase the cap for energy projects as well. Right now it is at the 5.5. I think as costs increase, construction real estate, increasing that makes the program more dynamic for the years to come.

Mr. EVANS. I thank you and I yield back the balance of my time, Mr. Chairman.

Chairman PHILLIPS. The gentleman yields back.

And now I recognize the Ranking Member on the Subcommittee on Economic Growth, Tax, and Capital Access, Mr. Meuser, for 5 minutes.

Mr. MEUSER. Thank you, Chairman Phillips. I appreciate that. Thank you, Dr. Abramson and all the other witnesses with us today. I appreciate you being here very much. It is an interesting topic.

You know, I think it is okay, and I take the Chairman's words and my colleagues into consideration but I think it is fine to look at the big picture here. Small businesses, what we can do for them, the effects of climate change and how we can truly, what we can do to create an environment to help them be more competitive yet drive the idea of a cleaner climate; right? I mean, I think we all want the cleanest environment possible in the shortest time possible that is economically feasible. It must be economically feasible. And you know what is interesting about this debate, I tend to think that it has been polluted by politics; right? I mean, you are either in this debate, you are either a knuckle-dragging, climate-denying neanderthal or you are an environmental wacko; right? There are a lot of us in between. I certainly see myself as very much in between.

So natural gas, we went through that. It has lower costs for businesses, so particularly in Pennsylvania. We have some of the lowest energy costs in the country, which absolutely should make us more competitive. It has also made the United States 2 years in the row having the least level of carbon emissions. We have to admit that. We can call it a transitory energy source and all, and that is fine. Let's get to something that is better. But it has proven to be important in both ways, costs and the environment.

And do you know what is interesting? All of us as members and, you know, you visit small businesses, mid-size businesses, large businesses. They are finding it to be kind of cool to become green; right? I mean, there are all kinds of new energy efficiency measures taking place. You know, the lights are going off when you leave a room. They are investing in solar panels. Employees like it. You know, it is a trend. It is a private sector trend and it is happening in rural Pennsylvania and in urban Pennsylvania. So it must be throughout the country as well. So those are very important things.

So what we need to do is we need to help businesses do that. We can remind them. Groups like yours I think are good to make sure they know what is available, what the resources are, what sort of tax credits. But at the same time that we are talking about low in-

terest loans, we cannot be talking about tax increases because China does fall into the big picture here; right? Because when our small businesses become less competitive, that makes frankly the Amazons more attractive. And, you know, unfortunately, most of what people buy from Amazon comes from China where China, by the way, is making something like one coal plant, building one coal plant a week or something insane like that. So it does come into play here and it is sort of a big picture situation.

As well, what we have done with gasoline. Look at the cost of gasoline. That is because of the rattling of the oil industry; right? And at the same time, I do not know how many people know this, Russia's imports to the United States for oil is at an all-time high. So what sense does that make; right? We do it in a cleaner way. We should pursue that with, again, economically feasible regulations.

So, and we do have many tax credits, Dr. Abramson and others; right? I mean, it is 26 percent Federal reduction for solar panels. Okay. That is fine. States have additional. Many states do. We have a \$7,500 tax credit for EVs. Right? So wind turbines have very extended programs and they are very controversial in Pennsylvania because they are not so environmentally friendly when you put them in. They are really troublesome, particularly if they are near any residential areas.

Anyway, I have said a lot. I am going to ask you, since you are sitting here, Dr. Abramson, to react to some of the things that I have said.

Ms. ABRAMSON. Thank you. And there is a lot to unpack there. But first, I want to thank you for your comments that this does not have to be such a political issue. And I want to point out that a lot of our members are all across the political spectrum and are in this because they see this as an economic opportunity. And you talked about some of that. And I want to highlight that, yes, natural gas has played a huge role in the decarbonization of our economy as well as the growth of affordable clean energy. And we really believe that setting goal-based approaches for what directions we want to see in terms of decarbonization as well as affordability and reliability and resilience and then allowing different technologies to compete in that market is really the way to get there rather than necessarily picking winners and losers. That does not mean we do not necessarily want to invest in technology hurdles to overcome particular challenges that the hydrogen economy might face or storage or solar, et cetera. But we think that market-based approaches are the way to go.

On the Tax Code issues, I mean, we have focused more on the incentive side of things and I do believe that the clean energy tax incentives have been critical for fostering market pathways to help reduce the costs of these technologies and really get them to the point where now increasingly the cleanest sources of energy are becoming the cheapest and I am really interested to see the conversations going on in both the House and Senate. And in fact, in the House, in quite a bipartisan manner, looking at potential pathways down the road where we can encourage sort of technology-neutral, goal-based approaches to the Tax Code. I think the certainty that has been provided with technology-specific tax credits has been in-

credibly valuable but we recognize that ultimately at some point, you know, we have to think about these goal-based approaches. And so—

Mr. MEUSER. Thank you. I am sorry.

Ms. ABRAMSON. Yeah.

Mr. MEUSER. I am way past my time.

Ms. ABRAMSON. No worries, but thank you very much, Congressman.

Chairman PHILLIPS. The gentleman's time is expired but we are going to move to a brief second round. And frankly, Mr. Meuser, I really appreciate this exchange and your comments, and if you are willing, we can come back to it in a moment.

With that, we will move to a second round. I will recognize myself for 5 minutes.

Mr. Chapman, I think you would agree, as probably most Committee members would agree and most small business owners, the labor shortage is an issue. Inflation is an issue. Energy costs are an issue. Tax burdens are a challenge. But because today's topic is about the effects of climate change on business and how we can support small businesses, describe for us what you think would happen if we addressed all those other issues but we did nothing to support resiliency amongst small businesses in the United States.

Mr. CHAPMAN. Yeah. It is a tough topic, right, because I was just thinking as I was listening to this last response that I just wanted to use an example of something so simple that Sunnyside Marina just took advantage of. We just changed out our lighting. We went to all LED lighting in our warehouse, in our shop, in our ship store. We spent about \$8,000 to do it. Excel Energy was nice enough to give us a rebate of about \$2,000. So we put \$6,000 into this project. But guess what else happened? We lowered our electric bill by \$200 a month, which obviously is going to pay off quickly; right? So, you know, these are simple things that can be accomplished without, you know, really changing the world.

But in regards to how we look at climate change and how we look at what kind of things can happen to us, again, we are in a low water situation right now. We literally have boats in St. Paul, Minnesota, that are in their slips, sitting on the ground. They do not have enough water to float. That is obviously a dredging issue. But all of these things are related to climate change; right? So what happens if we do not do anything? If we do not try to give these small businesses the opportunity again to be prepared to spend the money that they need to spend and with the help of the Small Business Administration maybe lending them money to help get some of this dredging done or get some of this other stuff done that needs to be accomplished in order for them to stay in business. You know, we need to see these small businesses not be able to succeed simply because we do not want to address the issue just because it might be related to climate change.

Chairman PHILLIPS. I appreciate it, Mr. Chapman.

Mr. Glenn, I know you are in Texas, a small business owner, and you referenced a lot of the challenges small businesses face, and I concur. They are all issues that we should consider and address. But maybe share with us for a few moments if you would about

what impact on your business you are seeing in Texas relative to changing climate, weather events, droughts, the like. And equally importantly, on your customers. The ones that come to you for signs.

Mr. GLENN. Sure. Thank you for the question.

You know, one of the things we have seen and observed is we have directly been impacted with some of the things, and one of the most recent impacts climate-wise was the winter storm that Texas faced in February. We were closed, along with most other businesses. We were closed for over a week so that definitely hurt things. We had to be innovative on how we reacted to that. We set people up remotely for work environments and tried to make do as best we could with the business. But in terms of some of the things that we do environmentally and how we can contribute to that, I would like to share a little bit about what we do in our business and some of the characteristics of the things that we have and where we can kind of shrink our carbon footprint.

So 30 percent of my revenue of selling signs is aluminum signage. That is various types of signs made from aluminum products is 30 percent. So in an ideal world we would use a 4-by-8 sheet of aluminum, cut the sizes we need from that. In an ideal world we would have zero scrap. But that is not reality. We have remnants. We have scraps. And at 30 percent of a \$5 million business, that is a fair amount of scraps and aluminum that otherwise we could just discard. But we make a point, 100 percent of that is recycled. And, you know, aluminum has a lot of different uses other than just the sign industry, of course.

But to put that in perspective, in our volume and in our operation and within my production areas, that equates to three or four trailer loads of scrap aluminum that we are recycling every year. And so those are things like that. You know, Mr. Chapman mentioned LED lights. We have done that. You know, these are the small things that will make a difference with us.

Another thing I would bring up, too, and this is really something that is probably not on the surface that anyone would think about but we have wide-format sign printers in our business. And the ink cartridges, and how many ink cartridges we go through in a year, and just in my operation, extrapolate that out within the industry, but we make a point to recycle the ink cartridges. And keep in mind, these cartridges are approximately the size of a small shoebox. So they are not something that you would just want to toss anywhere. So there is a recycling program for that as well.

So these are some things that in our business that we do to try to impact or lessen the impact that we have on the environment. And so I just wanted to share those with you and just kind of let you know kind of what we are doing out here, you know, on those fronts.

Chairman PHILLIPS. Thank you, sir. And we salute and celebrate those efforts with gratitude.

With that I will recognize my friend from Pennsylvania, Mr. Meuser, for another 5 minutes.

Mr. MEUSER. Well, thanks again, Mr. Chairman.

So, Dr. Abramson, you went through a list earlier of some of the things and resources and advocacies and assets you have available

for small business. Could you give me a summary of how you could help and advocate some businesses in my district or any of our districts for that matter?

Ms. ABRAMSON. Thank you, Congressman.

So I think one of the important things we have talked about is trying to help make energy affordable for all small businesses. And I think some of the programs that we discussed today, 504, other sorts of financing assistance for modernizing energy infrastructure and ensuring that our small businesses are getting the most out of their money is really critical. And we see those kinds of assistance programs provided at the Federal, state, and utility level.

On the flipside, too, we have the providers of energy technologies, and I have spoken a lot about energy innovation in this hearing. And I would say about a quarter to a third of the members that I work with are earlier stage companies. And they really excite me because they represent the promise of the energy future and the economy.

And so I mentioned some of the critical Federal investments that are very important to helping to get their ideas off of the table and turn them into real businesses. And those include things like RPE, SBIR, America's Seed Fund, America Made Challenges program. And these have enjoyed bipartisan support because these types of programs really have helped with energy innovation and addressing our competitiveness on a global scale.

We have outlined some proposed improvements to make some of these programs even more impactful and accessible. And so actually, in my written testimony, I have included a link to a letter where we have 115 business signatures recommending some improvements to SBIR. These are all pretty much low or zero cost types of proposals that can be administered, some of them accomplished through administrative action and some through legislation. And they include things like trying to make the various SBIR programs across the Federal agencies more uniform, learn what is working best at particular agencies and apply those best practices across the board. They include things such as making permanent certain pilot programs that have helped these agencies improve their administration of the programs or commercialization, providing more flexibility to small businesses in how they can use their technical and business assistance funds, encouraging the use of short form applications for the first round of review so that companies do not waste their time on 60-page applications if it turns out their technology is not a good fit.

And then one thing I wish that we could sort of get a message across to the Department of Energy in particular to learn from some of the other agencies is they have sort of in recent years adopted a practice of allocating their SBIR funds, which is a 3.65 percent set-aside of their extra grant funds according to the specific subaccounts of the agency. And we do not think that that is the best way to do it. Just sort of allocating it across the broader accounts such as Office of Science, Energy Efficiency, Renewable Energy, and Fossil Energy would be better because right now the way they are doing it, for some of the smaller accounts they can maybe cobble together one SBIR award a year. And it also kind of hinders

their flexibility to call for more open solicitations for novel technology ideas that might not be envisioned.

So those are just a handful of the recommendations. Our letter details these in further depth but I think, in sort, basically, on both the customer side and the provider side we really need to think about what small businesses need and make sure that the federal government is supporting them.

Mr. MEUSER. That is great.

I have limited time. I just want to ask Mr. Glenn, is there something you are hearing today or do you have any further comments where we can advocate for you or perhaps resources discussed during this hearing would be of use to a business like yours?

Mr. GLENN. Sure. Thank you for inquiring and checking with me on that. As a small business owner, the fear for us is uncertainty. And we look for certainty practically in every step of the way where we can make the best decisions for our business. And you know, as an entrepreneur you have to be a certain amount of a risk taker. So with uncertainty, that just increases risk. You know, but the largest thing and some of the largest concerns which I have touched on in my testimony is what are the chances of additional tax burdens? Those are things that quite frankly will keep me up at night. It is, how does that impact my cashflow? How does that impact my balance sheet? If it does, how do I make the adjustments? All of these series of events are what goes through a small business owner's mind as far as how do I adjust? You have to constantly be aware of what are your challenges of the day, so to speak? What are the long-term challenges? What are the immediate challenges? And those are the things that we look for to thrive with our business and to create more jobs and to become profitable and create wealth is, you know, taking out some of the uncertainty that could originate from the government. And you know, quite frankly, let capitalism work to its fullest extent and without interference. And there is a long history of that and a long history of success with that. And so those are the things that a small business owner, that is some of their greatest concerns is what I would add.

Mr. MEUSER. Thank you very much. I appreciate your testimony.

I yield back, Mr. Chairman.

Chairman PHILLIPS. The gentleman yields back.

And with that, we will conclude our questioning.

And I want to thank all of our witnesses. Heartfelt gratitude for joining us today. Your testimony has shed light on the economic challenges that you are all facing, that the country is. But also the opportunities that lie ahead for us.

You know, climate change is real. We are seeing it right in front of our eyes, whether it is Mr. Glenn having to close his business for a week because of winter storms in Texas; whether it is boats sitting on lakebeds in Minnesota or a lack of snow in Northern Minnesota for snowmobilers, not to mention the horrors we are seeing in the West right now as fires rage. It is real. The question is, are we going to do something about it? Are we just going to hope that businesses survive? I would argue, and I believe my colleagues agree, and the point of today's hearing was to elevate the need to

provide investment resources to small business to become more resilient. That is what this hearing is all about, how to protect small businesses.

COVID-19 has only highlighted that even the most sophisticated, well-staffed, well-resourced and profitable companies are still terribly vulnerable to unanticipated shocks. We have learned that there has to be greater government capacity to anticipate and then deal with major public crises. And for members of this Committee, I believe that means working to ensure that small businesses have support from the SBA and other programs as they experience the consequences of climate change. The crisis poses challenges, of course, for American small businesses and the SBA programs have to anticipate those and reflect that reality.

On this Committee, many of us like to say there is no partisanship when it comes to small businesses, and I think the same should go for the protection of our planet. Not just the planet, mind you. This is about our children and our grandchildren. Earth will survive. Earth will survive. The question is, will our children survive? Will humanity survive these consequences. The question is not whether they are manmade or not. The question is how are we going to accommodate it, anticipate it, and address it, and that should be our concern. And small businesses as the backbone of our entire economy, have to be prepared for these realities.

So I look forward to working with my colleagues on both sides of the aisle as we seek to ensure that small firms benefit from the creation of a more sustainable and resilient economy and ultimately, a more livable planet for our descendants.

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

And without objection, so ordered.

And if there is no further business to come before the Committee, we are now adjourned. And I thank you all.

[Whereupon, at 11:20 p.m., the Subcommittee was adjourned.]

APPENDIX



**Small Business Administration's Role in Climate
Solutions under the SBA 504 Loan Program**

Written Testimony before the
U.S. House of Representatives
Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations

July 21, 2021

Submitted by:
Laurel Walk
Chief Lending Officer
Colorado Lending Source, Ltd.
Denver, Colorado
www.coloradolendingsource.org

Chairman Phillips, Ranking Member Van Duyne, distinguished members of the Subcommittee, good morning, and thank you for having me today. My name is Laurel Walk, and I am the Chief Lending Officer at Colorado Lending Source, a Certified Development Company (CDC) based in Denver, Colorado. Colorado Lending Source was formed in 1990 and today our staff of 38 fulfill our mission of creating economic growth in the state of Colorado. In addition to the 504 loan program, we also act as a Lender Service Provider (LSP) to banks. We lend directly as a Community Advantage participant and under our direct lending arm as well. Since 1990, we have approved over 4,000 loans, which created 30,000 jobs, and injected \$4.98 billion into the local economy. In 2020, we approved 152 loans through the 504 program resulting in 746 jobs in Colorado.

I joined Colorado Lending Source in 2008 and have worked for the organization for the past 13 years. I started as a loan officer working with small businesses to access the 504 loan program. Before joining Colorado Lending Source, I worked with a nationwide SBA lender. For the past two years, I have been the Chief Lending Officer, which means I oversee our Production, Closing, Portfolio Management, and Direct Lending teams. I have assisted with the approval of over 1,500 SBA 504 loans, which created nearly 11,000 jobs and injected \$2 billion into the economy. Our organization has been a longtime supporter of the SBAs renewable energy public policy goals. In 2009, we approved one of the first loans under the designation, a woman-owned Comedy Club expanding to a second location, expanding her business and strengthening the community.

Colorado Lending Source is also a member of the National Association of Development Companies (NADCO), the trade association representing more than 200 private, nonprofit SBA

CDCs. I am also pleased to testify today on behalf of NADCO and my CDC colleagues. I am honored to discuss the role of Small Business Administration lending programs, particularly the 504 program, in supporting a resilient 21st-century economy, including lending in the energy space.

I would like to take a moment to frame the discussion from the CDC industry perspective. First, the 504 program is SBAs premier economic development financing tool, and CDCs who deliver the program are dedicated to building strong communities across the country. The 504 program is uniquely crafted to support economic development through a combination of low-cost, long-term financing with fixed rates and meeting a public policy or job creation goal with each loan. The program is primarily used to finance real estate, including new construction, remodeling, and retrofitting existing real estate and equipment. The program also has specific energy reduction goals, which include:

- reducing energy consumption by at least 10 percent;
- increasing the use of sustainable designs that reduce the use of nonrenewable resources and minimize environmental impact; and
- upgrading plant, equipment, and processes involving renewable energy sources.

Like the other public policy and job creation goals, the energy-related goals of the program have an impact. Using Colorado Lending Source as an example, over the past ten years we have partnered with 16 businesses that have utilized the program. In addition to the overall statistics, these goals and the loans they support also have a human impact. For instance, just this year, we approved a project for a pediatric dentist who was able to use the 504 program after building his business over several years. The doctor had used the SBA 7(a) loan program to expand, and with an eye for utilizing renewable energy for his building, he received a 504 for a

new facility. In previous years, we have worked with local restaurateurs to purchase real estate for their multiple operations in the metro area and make improvements using renewable energy.

After considering the components of the program and examples of the program at work, it is prudent to consider the current economic climate and how the 504 program fits into this landscape. The onset of the COVID-19 pandemic immediately and irrevocably changed so much about American life. Public health closures hampered many small businesses across the country and necessitated the passage of programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) to assist struggling businesses. As states across the country have opened back up and resumed business, real estate and construction costs have quickly risen. Even taking the pandemic into consideration, owner-user buildings in the Denver Metro area have increased over the past five years by 9.4 and 8.7 percent for average and median prices per square foot, respectively.¹ Nationally, the same increases are present with 5.9 and 8.6 percent for average and median prices per square foot.² This trend shows continued increases in the cost of real estate, which we see across the industry. Additionally, the post-pandemic push to recovery has also seen increases in construction costs and materials like lumber, which saw a 375 percent increase in price from April 2020 to April 2021. These dynamics will all have an impact on the small business sector and how the 504 program is able to robustly assist small businesses to a successful recovery.

Though CDCs are doing all they can to support small businesses and those seeking to make energy enhancements to new or existing business properties, some policies could be considered to broaden the scope and reach of the 504 program. For example, Congress could consider reducing the required equity injection for green energy project loans from 10 percent to

¹ Data compiled with [CoStar.com](https://www.coStar.com), the industry standard for commercial property research

² Ibid.

five percent. This concept is something the Small Business Committee has already considered and included for manufacturing loans in the bipartisan *504 Modernization and Small Manufacturer Enhancement Act of 2021* (H.R. 1490) introduced by Representative Angie Craig (D-MN-2) and cosponsored by Representatives Young Kim (R-CA-39), Sharice Davids (D-KS-3), Steve Chabot (R-OH-1), Van Taylor (R-TX-3), Brian Fitzpatrick (R-PA-1), Marie Newman (D-IL-3), Claudia Tenney (R-NY-22), and Steve Cohen (D-TN-9). This bill, which the House passed on April 15, 2021, reduces the required equity injection for small manufacturers from 10 percent to five percent, among a number of other enhancements to expand access to small businesses in the manufacturing sector. In particular, a smaller equity injection from the borrower would increase access to smaller borrowers in the loan category under \$500,000. Allowing borrowers to conserve their working capital for business operations has long been a hallmark of the program. As small businesses compete for commercial real estate in today's market, smaller equity requirements would truly benefit those who need loans of \$500,000 or less, while being able to keep funds on hand for staff and other day-to-day costs. As we have seen with the renewable energy policy goals, many borrowers found the long term benefits to be an asset.

Second, Congress could increase the loan size for green energy projects, which is another enhancement provided for manufacturers in H.R. 1490. Like manufacturing, green energy projects and materials are capital intensive, and borrowers often come to us for both real estate, real estate enhancement, and equipment needs. At one time, a CDC could split project costs into two loans for a borrower to finance projects in manufacturing and other capital-intensive fields. SBA is no longer allowing this practice and as real estate and construction costs continue to rise

or even maintain current levels, there will be a greater need for businesses trying to scale and grow.

Finally, Congress could instruct SBA to ensure that each local district office partners with at least one resource partner – a Small Business Development Center, Women’s Business Center, Veteran Business Development Center, etc. – to promote loans to small businesses using alternative energy sources to reduce energy consumption, or to produce renewable energy. With the high profile of the SBA over the last 18 months, there is a real opportunity to engage with and educate business owners about the programs and types of projects that are eligible for SBA financing.

There are also several administrative changes that SBA could make to expand access to 504 for energy-related projects and inform both the industry and Congress about utilization of all public policy goals, not just energy goals. First, SBA should assess and consider adjusting the cap in place for energy-related projects in the 504 program. The SBA instituted a cap of \$16.5 million as the maximum amount of 504 loan funds for a borrower under the existing energy goals for the program. From my own experience, and in conversation with colleagues, one of the most helpful components of the 504 program for borrowers in the energy efficiency space is the ability to come back to the program for additional equipment, retrofits, and expansions. These loans often occur over a period of years, allowing small businesses to plan for the future by ensuring long-term, fixed-rate financing. The impact on communities and job creation is apparent, and sometimes unexpected. Colorado Lending Source has been able to partner twice with the Garden of the Gods Resort located in Colorado Springs, a resort that has been a landmark in the community since 1951. In 2013, they were able to buy the property utilizing the 504 program and have continued to preserve its history while making sure it is still thriving

under local ownership. The resort is woman-owned and has created approximately 95 jobs. Without the energy policy goal Garden of the Gods Resort would not have been able to benefit from the 504 program a second time, which allowed them to renovate and expand.

Finally, the SBA should publish public facing data on the usage of 504 policy goals like they do with the job creation statistics for the program. This information would inform industry and Congress about areas of success, as well as help identify any gaps or areas for improvement. As an industry, we want to do all we can to assist as many small businesses as possible, not only to realize the dream of owning their own business, but also to build roots in communities and generational wealth through real estate and equipment ownership. Again, I appreciate the opportunity to testify this morning and share Colorado Lending Source's experience with energy loans in the 504 program and the impact these businesses have in Colorado. Thank you for your time and I look forward to answering any questions you have.

United States House of Representatives
Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations
“The Small Business Administration’s Role in Climate Solutions”
Wednesday, July 21, 2021
2360 Rayburn House Office Building, Hybrid hearing

Written Testimony for Mr. Rick Chapman
General Manager and Certified Marina Manager, The Port of Sunnyside Club, Inc

Chairman Phillips, Ranking Member Van Duyne, and Members of the Subcommittee:

Thank you for the opportunity to appear before you today to discuss the Small Business Administration’s (SBA) role in Climate Solutions.

My name is Rick Chapman, and I live in Bloomington, Minnesota, the Land of 10,000 Lakes. Like 70 percent of our fellow Minnesotans, I am an outdoors enthusiast and extremely fortunate in that I am also able to further foster the enjoyment and protection of our great outdoors through my role as the General Manager and Certified Marina Manager at Sunnyside Marina, a private marina on the St. Croix River. We are a member-owned professionally managed marina governed by a board of directors. Our vision is to be the premier marina on the Saint Croix River, ensuring maximum enjoyment, safety, and beauty for our members. I also serve as the President of the Midwest Marina Association (MMA), representing 25 marinas on the St. Croix River, Mississippi River, Lake Minnetonka, and Lake Superior, with over 6,000 boaters. MMA works collaboratively with national boating industry groups including the National Marine Manufacturers Association (NMMA), the Association of Marina Industries (AMI), and the Marine Retailers Association of the Americas (MRAA) in pursuit of enacting a healthy policy environment to support and grow the U.S. recreational boating industry.

While our marina strives to provide exemplary, memorable experiences out on the water, I would be remiss not to mention the time, attention, and resources that are dedicated to preserving the environment around us, which is integral to sustaining boating access for generations to come. Being good stewards of the St. Croix River where we do business and recreate is a top priority for Sunnyside Marina and its member-owner boaters. I am proud to say we were the first marina in Minnesota to install a water recycling system to capture, filter, and reuse the water we use to wash and winterize boats at the end of the season, keeping acids and metals out of the water.

Moreover, Sunnyside Marina, along with other marinas on the St. Croix, have been leaders in the state’s Clean Marina Program as part of a national, voluntary, incentive-based program that encourages marina operators and recreational boaters to protect water quality by engaging in

environmentally sound operating and maintenance procedures. From our water recycling program to the many stewardship practices our marina implements, Sunnyside is invested in doing our part to keep the river clean and beautiful while providing better service to our members and the citizens of Minnesota.

Led by the recreational boating industry, the outdoor recreation economy is a major contributor to the U.S. economy, accounting for 2.1% of GDP, \$788 billion in economic output, and 5.2 million American jobs. In Minnesota alone, the boating economy generates \$3.1 billion in economic activity, supporting nearly 11,000 jobs and 700 marine businesses in the state. The Bureau of Economic Analysis (BEA) Outdoor Recreation Satellite Account (ORSA) state-level data identified that outdoor recreation as a whole accounted for 2.4 percent of the state's GDP in 2019.

The role of recreational boating in our economy has grown only more significant as Americans flocked to new outdoor activities amidst the COVID-19 pandemic, with sales of new powerboats in the U.S. increasing last year by an estimated 13 percent compared to 2019, reaching a 13-year high. 415,000 first-time boat buyers entered the market in 2020. On average, these buyers are younger and more diverse—an encouraging aspect of industry growth. The key takeaway is that outdoor recreation was one of the few sectors that held up the American economy over the last year, and it is an economic necessity in my home state of Minnesota and across the nation.

This rise in outdoor recreation has both showcased the popularity of such activities as a safe and fun way to spend time with loved ones and illuminated one of the most pressing issues facing the industry. We need resilient infrastructure that protects recreation access and marine businesses and can adapt to the rapidly changing climate that has become our new reality. Given that a majority of public recreation access infrastructure is already in need of significant maintenance and modernization, our aging access points and facilities are particularly vulnerable to the effects of climate change.

In the boating industry, water is our currency. But rapidly changing climate conditions have shown that too much or too little of it can render unusable our access infrastructure, which serves as the backbone of the boating economy. In the Southeast, hurricanes are worsening. In the Great Lakes, flooding is becoming more frequent and dangerous. In the West, ongoing drought conditions are increasing in severity. The climate is changing for the worse, and marine businesses need bolstered resilience to support the historic growth in demand for recreation opportunities and keep the boating economy churning. With rising construction costs and increasing severity and frequency of natural disasters, small businesses in particular need support so they can invest in cost-saving mitigation activities to fortify themselves against the impacts of climate change.

Small businesses in the outdoor sector depend on robust infrastructure to be able to make their living. Small businesses in rural, vulnerable areas often face the brunt of natural disasters like flooding, wildfires, hurricanes, earthquakes, tornados, and mega droughts, leaving them damaged and unable to operate. When they're unable to operate, the jobs and families they support are at risk. Local economies depend on small businesses like these. According to the Federal

Emergency Management Agency (FEMA), natural disasters have cost the U.S. \$800 billion in the past decade and have been the direct cause of thousands of businesses shutting down. Small businesses are particularly susceptible to these dire economic effects, with 40 to 60 percent never reopening after a natural disaster. Given that 84 percent of the U.S. recreational boating industry is composed of small businesses, this situation poses a significant risk to the \$170 billion boating economy.

I thank the committee for holding today's hearing to discuss how the SBA can better support small businesses in providing climate solutions and for allowing me to shine a light on the significant role small businesses play in driving the outdoor economy. Along with outdoor pastimes enjoyed by the vast majority of Americans, small businesses are in jeopardy without robust investments in climate-resilient recreation infrastructure. With our communities forced to endure stronger and more frequent natural disasters, it is more important than ever to better assist small businesses by investing in mitigation projects before disasters happen.

The time to fortify recreational infrastructure from the impacts of climate change is now, and Congress must act. Fortunately, a bipartisan infrastructure deal is currently being negotiated, and infrastructure resiliency is a priority for both the administration and the bipartisan group of senators leading negotiations. The forthcoming infrastructure package presents a prime opportunity to utilize the Small Business Administration as an essential resource to help small businesses protect themselves from the costly damages inflicted by a rapidly changing climate.

To accomplish this, Congress should include language from the Providing Resources for Emergency Preparedness and Resilient Enterprises (PREPARE) Act (H.R. 3207, S. 1621) in the resiliency title of any infrastructure package that moves forward to allow small businesses to access much-needed capital to invest in disaster-resilient infrastructure. This landmark bipartisan, bicameral legislation would allow the SBA to make low-interest, fixed-rate loans of up to \$500,000 to small businesses to invest in their properties to protect facilities, real estate, and contents from natural disasters. We applaud the leadership of Small Business Committee Members Representatives Sharice Davids and Peter Stauber in working with Representatives Joe Morelle, Jack Bergman, and Julia Brownley and Senators Marco Rubio, Angus King, Joni Ernst, and Ron Wyden in spearheading this proposal that would create an integral tool for building more resilient recreation access, protecting vulnerable communities, and rebuilding local economies.

At a time when Congress and the Administration are working towards getting more Americans back to work and rebuilding the nation's economy, it is essential that resources are put into place to strengthen already struggling small businesses and communities from the added damages of flooding and other climate change impacts. Providing relief for small businesses that will allow them to invest in resilient infrastructure is an important part of the nation's economic recovery, as well as part of a larger portfolio of proactive investment in climate-resilient roads, bridges, shorelines, and recreation infrastructure to protect our communities from more frequent disaster damage. Studies have shown that investing in resilient infrastructure saves taxpayers \$6 for every dollar spent. Implementing a disaster mitigation loan program will help small businesses lessen the damage, saving millions of dollars in potential losses.

The boating industry looks forward to continuing to work with the members of this subcommittee and other committees of jurisdiction to protect and expand opportunities for recreation through resilient infrastructure investments that will protect small businesses and recreation access, revive local economies, and improve the quality of life across our nation.

Thank you for the opportunity to appear before you today. I look forward to answering your questions.

Testimony of Lynn Abramson, President, Clean Energy Business Network**United States House of Representatives
Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations****Hearing on “SBA’s Role in Climate Solutions”****July 21, 2021**

Chairman Phillips, Ranking Member Van Dyne, and Members of the Subcommittee, thank you for the opportunity to testify today on the topic of SBA’s role in climate solutions. I also want to take a moment to thank the Committee on Small Business for its actions to provide critical lifelines of support for small businesses throughout the COVID-19 pandemic, including through the creation and repeated funding of the Paycheck Protection Program. As you will hear in my testimony, these resources were essential to helping many energy businesses weather this global health and economic crisis.

My name is Lynn Abramson, and I am the President of the Clean Energy Business Network (CEBN). My organization serves as the small business voice for the clean energy economy, with a network of more than 5,000 small and midsize business leaders across all 50 U.S. states and a very broad spectrum of zero- and low-carbon energy technologies. Our mission is to enhance opportunities for clean energy providers through policy support, business development, and market and technology education.¹

CEBN started in 2009 as a project of The Pew Charitable Trusts with the goal of informing and engaging clean energy businesses in policy issues impacting their industry. In 2017, we spun out of Pew to incorporate as a nonprofit, nonpartisan organization in our own right. We became an independent, small business-focused subsidiary of the Business Council for Sustainable Energy (BCSE)—a coalition of the leading sector-specific trade associations and corporations in the energy efficiency, renewable energy, and natural gas sectors. Together, BCSE and CEBN represent a broad scope of the clean energy economy, from Fortune 100 companies to small businesses in nearly every congressional district.

Small businesses comprise more than 99 percent of U.S. companies and employ 47.5 percent of American private-sector workers.² In the energy efficiency, renewable energy, and natural gas sectors, small businesses employ an estimated 70 percent of workers.³ Both as energy consumers and providers, these small firms are a critical player in our nation’s response to climate change.

Policy support is needed across the spectrum of these companies to tackle the problem of climate change, from helping small businesses reduce their energy consumption, to enhancing market opportunities for small solar installers and energy efficiency auditors, to unlocking the bold ideas of startups tackling the climate technologies that have yet to be invented.

¹ <http://www.cebn.org>

² <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

³ <https://www.bcse.org/factbook/>

I would like to share with you my perspective of clean energy as an economic engine, the role of small businesses, the unique challenges small firms have recently faced, and finally, what policies can best support our nation's cleantech entrepreneurs.

A Decade of Growth in the Clean Energy Economy

Clean energy drives a competitive economy.

This is shown in the *2021 Sustainable Energy in America Factbook*—a report produced by the Business Council for Sustainable Energy (CEBN's parent organization) and Bloomberg New Energy Finance—which documents the transformation of the energy economy over the past decade.⁴ A complementary compendium from CEBN entitled *Faces Behind the Facts* highlights some of the business leaders who are helping to drive this transformation.⁵

- The 2010s was a rapid period of change in the energy industry, and particularly for energy efficiency, natural gas and renewable energy. The United States continued to see record wind and solar installations in 2020 despite the economic downturn.
- Other key characteristics of the past decade include the ability of the U.S. economy to do more with less energy and a clear decoupling of GDP growth with energy use.
- Today, over 3 million Americans earn a living in the clean energy economy, and we could support hundreds of thousands of new jobs with federal policy.⁶ In fact, wind and solar now account for the fastest-growing occupations in America.⁷
- The U.S. clean energy industry generated \$240 billion in revenue in 2020 and is poised to expand to continue serving world-wide demand.⁸
- The cleanest energy is increasingly becoming the cheapest. America's clean energy transformation has kept power prices low, supporting prosperity for all.⁹

As businesses reopen and communities reemerge, the growing clean energy industry represents a tremendous opportunity to infuse a much-needed boost to our economy. However, we must ensure the policy and market landscape are conducive to helping the smallest businesses rise, grow, and compete in the evolving energy economy.

The Role of Small Businesses in the New Energy Economy

By making smart federal investments, we can use the power of American ingenuity to create the jobs of today and the future. The people leading the charge towards new energy technologies are right here in America, and they are worth our investment. They are our neighbors, construction workers, manufacturers, doers, fixers, and makers.

⁴ <https://www.bcse.org/factbook/>

⁵ <https://www.cebn.org/faces-behind-the-facts/>

⁶ <https://www.usenergyjobs.org/>; <https://energyinnovation.org/publication/studies-converge-on-the-benefits-of-a-rapid-clean-energy-transition/>

⁷ <https://www.bls.gov/ooh/fastest-growing.htm>

⁸ <https://energyefficiencyalliance.org/advanced-energy-now-2021-market-report/>

⁹ <https://bcse.org/factbook>

They include innovators like Exergi Predictive in Saint Paul, Minnesota, which is developing application programming interface (API) and cloud computing to develop connected energy management systems for electric vehicle (EV) fleet owners. With federal support, the company is working to accurately predict the range of last-mile delivery EVs for a given route and to reduce the need for expensive on-route charging.

And they include UHV Technologies in Fort Worth, Texas, which with federal support, has developed an X-ray technology that can easily sort light metal alloys used in cars to increase fuel efficiency, strength, and economic value. This will enable faster processing of scrap metals for aluminum and other light metals in the turnover of vehicle fleets.

Small businesses are the backbone of American ingenuity and promise. To help them achieve this promise, we must remove obstacles to success.

Small businesses in general struggle with access to opportunity, funding, knowledge, and support—challenges which are even more pronounced in the energy industry than in the general workforce, given the capital-intensive, highly-regulated, and complex nature of the industry. Through numerous surveys, stakeholder roundtables, and interviews with small businesses over the past few years, CEBN has identified several common challenges for small energy businesses:¹⁰

- Lack of customer education, and resistance to adopting new technologies
- Difficulty accessing project finance to upgrade antiquated infrastructure
- The valley of death to commercializing new technologies
- Regulatory or utility barriers to deployment— particularly with respect to on-site or distributed generation
- And an overall environment of policy uncertainty, and lack of coordinated national climate and energy goals

Need for a Swift and Equitable Economic Recovery

The struggle of building an energy business became even more pronounced in the wake of COVID-19 and the economic recession, which exacerbated existing challenges while introducing entirely new ones, such as business closures, supply chain disruptions, and strains on state and local governments, customers, and investors.

Small businesses in the clean energy sectors relied upon the Paycheck Protection Program at double the rate of the national average across industries.¹¹ Nearly three-quarters of clean energy businesses reported negative impacts from the pandemic, and nearly half a million clean energy workers (17 percent of the workforce) remained unemployed at the end of December 2020.¹²

¹⁰ https://www.cebn.org/media_resources/cebn-planning-results-and-2018-dashboard/;

https://www.cebn.org/media_resources/cebn-launches-the-junction-box-clean-energy-stakeholder-dialogues/

¹¹ <https://www.thirdway.org/memo/survey-clean-energy-businesses-need-federal-assistance-now>

¹² <https://e2.org/reports/clean-jobs-covid-economic-crisis-december-2020/>

Anecdotally, the experiences we heard about from small businesses varied tremendously. Some faced substantial disruptions in supply chains, investment, or project construction that jeopardized the survival of their companies. Others actually thrived during the pandemic, pivoting their energy innovations in new directions such as providing cleaner and more efficient air circulation in buildings. All of these companies have a role to play in rebuilding our economy and providing good-paying clean energy jobs.

As I mentioned before, clean energy represented the growth sectors of the U.S. energy economy before this crisis. And for better or worse, COVID-19 has in many ways hastened the decline of incumbent industries and more antiquated infrastructure. As we work to rebuild our economy, we can also rebuild a stronger, healthier, more resilient future for our nation in the process.

The need to accelerate this rebuilding is particularly great within historically marginalized demographics and communities, who have suffered the most from the economic recession.

Women represent only 23-32 percent of the workforce across various energy sectors (as compared to 47 percent economy-wide) and a number of energy sectors are less racially diverse than the national workforce.¹³ Only 7-8 percent of the Department of Energy's Small Business Innovation Research (SBIR) grants in fiscal year 2019 went to woman-owned or socially and economically disadvantaged firms, and only 30 percent of awards from 2014-2018 were to first-time awardees.¹⁴ Moving forward, we must ensure that all communities have access to clean energy economic growth, jobs, and a cleaner, healthier future.

Investing in American Ingenuity

How do we bolster clean energy innovation, economic growth, and solutions to climate change?

1. Supporting Energy Innovation:

First, many of the entrepreneurs we work with have benefitted from federal energy innovation programs such as the Advanced Research Projects Agency-Energy (ARPA-E)—which invests in transformative, early-stage research and development; Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR)—a 3.65 percent set-aside of extramural funds from the federal research agencies to support grants to small businesses; and American-Made Challenges—a series of cash prize competitions to help entrepreneurs rapidly develop and scale new technologies.

These programs are incredibly important sources of non-dilutive capital to help prove out early-stage technologies that will not only mitigate climate change but also create new businesses and jobs in communities across the nation. As a Power Connector for the American-Made Challenges program, CEBN has worked closely alongside these entrepreneurs and witnessed firsthand the value of federal energy innovation programs in helping new ideas get off the ground. We urge Congress to provide robust funding for energy innovation programs in FY 2022.

¹³ <https://www.usenergyjobs.org/>

¹⁴ <https://www.cebn.org/wp-content/uploads/The-Junction-Box-2-SBIR-Reform-3.4.21-1.pdf>

2. **Strengthening America's Seed Fund:**

Dubbed "America's Seed Fund," SBIR/STTR are incredibly impactful programs but have room for improvement. CEBN has convened a number of stakeholder conversations on ways to make SBIR/STTR even more impactful and accessible to small businesses.

Our recommendations for Congress and the Administration are detailed in a letter signed by 115 small business and nonprofit leaders, and we hope the Committee will advance these provisions in the Small Business Administration reauthorization bill during the 117th Congress.¹⁵ These recommendations include expanding technical assistance to teams, making permanent certain pilot programs to improve administrative excellence and promote commercialization, providing more flexibility on how technical and business development funds can be spent, and authorizing direct-to-Phase II authority across all agencies.

Addressing our recommendations will be helpful to all applicants but may be particularly important for entrepreneurs from underrepresented demographics with limited access to resources.

3. **Building an Ecosystem of Entrepreneurial Support:**

To help entrepreneurs turn promising technology ideas into thriving businesses, it is important to build an ecosystem of entrepreneurial support across the nation through regional support centers such as National Laboratories, incubators and accelerators, and small manufacturers. Congress and the Executive Branch should continue to invest in programs such as Lab-Embedded Entrepreneurships, i-Corps, and Small Business Vouchers to help entrepreneurs plug into the expertise and testing capabilities at our nation's laboratories and universities.¹⁶

4. **Expanding Capital for Technology Demonstration:**

SBIR/STTR bring technology to a point where it is near-ready for commercialization, but then entrepreneurs often face a final valley of death in financing demonstration/proof of concept projects and iterative research and development with early customers.

Entrepreneurs must typically rely on venture capital (VC) at this stage, but VC financing is competitive, and investors aren't always interested in technologies that will take a long time to achieve a return on investment (ROI). Additionally, VC financing dilutes equity in the company and creates pressure to achieve a quick ROI, which can influence management decisions and hinder the freedom to test out different market pathways/types of customers and further iterate their technologies.

¹⁵ <https://www.cebn.org/wp-content/uploads/CEBN-SBIR-STTR-Letter-SBC-and-Science-117th-Congress.pdf>

¹⁶ <https://www.cebn.org/wp-content/uploads/CEBN-Letter-to-HSST-on-COVID-19-Reponse-04.13.20.pdf>,
https://www.cebn.org/media_resources/us-supply-chain-review

Small Business Administration loans are not a viable source of working capital for energy companies; the timeframes for repayment and collateral requirements are simply not a good fit for technology-intensive companies with a long horizon to profitability.

The Department of Energy's Loan Programs Office (LPO) has served as a successful model for providing access to debt capital for first-of-a-kind projects and other high-impact energy-related ventures in a way that private lenders often can't or won't. Unfortunately, due to the complex and rigorous application, due diligence, and legal process associated with these loans, LPO does not currently serve as a useful source of funding for small businesses or smaller-scale demonstration projects. In fact, the smallest LPO loan issued to date has been for \$43 million.¹⁷

Through stakeholder dialogues, we have developed a proposal to facilitate smaller loan amounts (up to \$50 million) to support demonstration or manufacturing projects by small businesses. We also recommend funding the newly-created Milestone-Based Demonstration Program within the Office of Technology Transitions, which was authorized in the Energy Act of 2020 as a grant program for demonstration projects.¹⁸

Addressing gaps in working capital and demonstration project finance would fuel a critical economic engine for small businesses, bolster the nation's innovation ecosystem, and enhance our global competitiveness. Additionally, it would ensure a greater taxpayer return on investment by ensuring that technologies that have been developed with federal grants eventually reach the market and create high-paying jobs and tax revenues.

5. Accelerating Deployment of Clean, Efficient, Resilient Infrastructure:

And finally, we applaud the significant funding for clean energy demonstration projects and infrastructure deployment included in the Senate's bipartisan Energy Infrastructure Act and the House's Leading Infrastructure for Tomorrow's America (LIFT America) Act and urge Congress to move forward on these provisions.

Last year, we submitted letters to Congress signed by more than 200 business leaders urging actions to help put communities back to work in the wake of COVID-19. These included extensions and modifications of various energy tax incentives, the addition of direct pay for these incentives, funding for research and development, and investments in infrastructure resilience.¹⁹ Our parent organization, BCSE, recently submitted a letter to the Senate Energy and Natural Resources Committee supporting the broad range of programs and demonstration funding included in the Energy Infrastructure Act currently pending in the Senate.²⁰

¹⁷ <https://www.energy.gov/lpo/portfolio>

¹⁸ <https://www.cebn.org/wp-content/uploads/CEBN-Comments-on-the-DOE-Loan-Programs-Revitalization-Act.pdf>, <https://www.cebn.org/wp-content/uploads/CEBN-FY2022-Appropriations-Letter-House.pdf>

¹⁹ <https://www.cebn.org/wp-content/uploads/Cleantech-in-Economic-Stimulus-08.10.2020-House.pdf>

²⁰ <https://bcse.org/images/2021%20Comms/Summer%20Campaign/Energy%20Infrastructure%20Act%20Letter/BCSE%20Energy%20Infrastructure%20Act%20Letter%207.08.2021%20Final.pdf?t=1625685079>

We urge Congress to act swiftly on an infrastructure package that includes funding for clean and resilient infrastructure. Additionally, in implementation of the package, we hope to work alongside Congress and the Administration to ensure this infrastructure funding is accessible for small firms.

Role of the Small Business Administration

Finally, as this hearing is focused on the Small Business Administration's (SBA's) role in climate solutions, I wanted to close with a few thoughts on ways to engage the SBA in addressing the policy recommendations I have outlined.

1. SBIR/STTR Reform:

First, the SBA is due for reauthorization by next year, and we hope to work with the Committee to address our recommendations for SBIR reform in the process.

One of the challenges we've identified is that each federal agency differs significantly in its administration of SBIR/STTR, including the extent of technical assistance provided, cost share requirements, application procedures, and opportunities for follow-on/demonstration funding. For example, the Department of Energy and Department of Health and Human Services offer particularly robust technical support for first-time applicants. The National Science Foundation offers comparatively open/less prescriptive funding solicitations and more dedicated program manager support compared to other agencies—and this may be part of the reason why NSF has a more diverse portfolio of awardees and more first-time awardees compared to some other agencies.²¹ The Department of Defense's strength is in making follow-on awards to support demonstration and commercialization of new technologies through federal procurement opportunities.

The SBA can help play a coordinating role in working with the various agencies to exchange data and best practices about what is working well, what is not, and ways to apply the most effective approaches more uniformly across the board.

2. Inter-Agency Coordination and Communication to Small Business Stakeholders:

There are innumerate programs across the federal government to support entrepreneurs—from the Small Business Administration to the Department of Commerce to the Department of Energy—yet it is nearly impossible for small businesses to navigate the breadth of available resources let alone the rules and requirements to access them. Larger companies can spend thousands of dollars on lobbyists and consultants to assist with securing funds and contracts, but most small businesses cannot—leaving good ideas and opportunities for economic development on the table. Better coordination among agencies is needed to catalogue and promote federal resources to entrepreneurs. SBA can help by curating and promoting information about available federal resources and how to access them.

²¹ <https://www.thirdway.org/memo/survey-clean-energy-businesses-need-federal-assistance-now>

SBA's Small Business Development Centers (SBDCs) do provide support to local entrepreneurs. However, the needs of a small coffee shop and a small fuel cell manufacturer are radically different. It's unrealistic to expect SBDCs to be experts in every federal, state, and local program available to every small business.

This speaks again to the importance of enhancing coordination and information exchange among federal agencies and developing channels to communicate opportunities down to local SBDCs and other community support centers.

Also, some communities simply don't have a local SBDC or other source of support. For example, one of CEBN's members recently testified before this Committee about her experience with SBIR, and noted that she had to travel regularly from Albany to New York City to access an i-Corps program to support her work. Ideally, the silver lining of the pandemic is that the transition to virtual business will help promote more connectivity for businesses from rural or underserved communities that have historically not enjoyed much access to local support systems.

3. Developing New Sources of Capital:

Finally, I spoke earlier about the importance of providing access to working capital for demonstration of new technologies. While a nail salon or clothing shop might be able to access SBA-backed loans from a local bank, the structure of these loans is unworkable for a high-tech company. We've had many stakeholder discussions about the right home for commercialization funding and our general thought is that the technology agencies (such as DOE) might be the most suitable place for this financing. However, the SBA should also explore ways to engage private lenders in adapting financing to the unique needs of technology companies.

In closing, SBA must be adequately resourced to provide the various inter-agency coordination and technical support functions that are needed to support entrepreneurs building the technologies of the future. Also, SBA cannot accomplish these recommendations alone; a concerted effort and bold leadership is required among all the federal agencies to improve coordination and communication.

Conclusion

As we rebuild our economy, investing in new clean energy technologies is one of the best things we can do to create good jobs for regular people right now while reaping long-term benefits for decades to come.

Investing in American technology has a history of paying off. From landing a man on the moon, to putting computers in our pockets, to developing COVID vaccines, government investment has been a key to America's success.

By empowering America's small clean energy businesses, we can help unlock their most brilliant ideas for tackling climate change while building the energy economy of the future.



MARK GLENN

CEO/OWNER, FASTSIGNS DALLAS

TESTIMONY BEFORE THE U.S. HOUSE COMMITTEE ON SMALL
BUSINESS SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND
REGULATIONS

HEARING ENTITLED "SBA'S ROLE IN CLIMATE SOLUTIONS"

JULY 21, 2021

Introduction

Good morning Chairman Phillips, Ranking Member Van Duyne, and distinguished members of the Subcommittee. My name is Mark Glenn, and I'm the Chief Executive Officer and multi-unit owner of four FASTSIGNS locations in Texas. I am appearing before you today on behalf of both my company and the International Franchise Association (IFA), which is the world's oldest and largest organization representing franchising worldwide. I am honored to join you at today's hearing on "The SBA's Role in Climate Solutions".

My wife, Shawn, and I became local business owners in 2011 after having spent fifteen years working in the corporate headquarters of FASTSIGNS International, Inc. Sales tripled at our first location in Carrollton after three years, so we bought three additional FASTSIGNS centers in the Dallas area. If you are unfamiliar with FASTSIGNS, it is a sign and visual graphics company founded in 1985 and is the sign industry's leading franchise system. The system is 100% franchised by approximately 550 owners, like me. We chose the FASTSIGNS franchise model because of an entrepreneurial dream to not only own our own business, but to make our own business decisions and to create jobs to provide opportunities for others in our community.

I want to first express my utmost gratitude to this Subcommittee and the full Committee for your bipartisan efforts to provide relief for small business franchises throughout the COVID-19 pandemic. As a result of these efforts, we were recipients of the PPP loans. These loans were impactful and made a difference by saving jobs and by keeping the business running as normally as possible during some very uncertain times.

I do believe that all stakeholders, including small businesses, have a role to play in the responsible, sustainable stewardship of our planet for our future generations. However, as a small business owner still recovering from the pandemic, my main focus right now is on rebuilding our employee team and navigating policy uncertainties that may have real world, bottom line impacts on our balance sheet.

Labor Shortages

First, I'd like to share my experience with the critical labor shortage issue. It is both real and crippling. At my four locations, I generally have 28-30 staff, so with 4 open positions currently, that is roughly 10% of my workforce that is unfilled.

I strive to be an employer of choice through competitive wages and career building opportunities. These are good paying jobs in a strong industry that a career can be built upon.

We have made extraordinary efforts to recruit and hire talented candidates. Not only have we posted job openings on traditional online job platforms and on social media, but we are offering the existing staff referral incentives for quality candidates that are payable if the candidate is hired. Most recently, we also exhibited last week as an employer at a local job fair orchestrated by Ranking Member Van Duyne.

The primary challenge we as small business owners face with staffing has come from the expanded unemployment benefits which has become a small business owner's biggest hurdle to recruiting and hiring quality candidates.

This critical staffing shortage is preventing me from full recovery, but also impacting my ability to provide quality service to my customers – and we pride ourselves on the highest level of service to our clients. While Governor Abbot has rejected the additional expanded unemployment insurance, more can still be done. Tax credits, like a back to work bonus credit for employers or a temporary expansion of the Work Opportunity Tax Credit, can provide additional flexibility for me to gain a market advantage and boost wages.

Policy Uncertainty

The uncertainty regarding tax increases, but also major existential business model threats to the franchising sector, are also of utmost concern.

For those of us outside of Washington, DC, we often hear about potential tax increases associated with infrastructure spending or budget debates. I want to emphasize that increasing taxes on small businesses can take the lifeblood needed to help with this recovery. This forces us to take cash and allocate to taxes rather than increasing pay for staff or creating promotional opportunities for employees. As you know, small businesses' income appears on their personal tax return. There is a real difference between a hedge fund manager's tax return showing over \$1 million in income where zero jobs are created and a small business owner that shows a profit that is essential to take risk and create jobs.

Secondly, my business, and indeed the franchise business model, may not survive if the *Protect the Right to Organize Act* (H.R. 842) becomes law. There are two provisions in the legislation which will encourage franchise brands to exert more control, not less, over franchise owners, like myself. These provisions include changes to the definitions of independent contractor and joint employment.

As one consequence, these changes would mean hiring numerous attorneys at the franchisor level to oversee employment issues and claims over which the franchisor has no control. Ultimately, the additional costs to the franchisor would translate into additional costs to the independent owners like me, that would make the franchise business model untenable. These changes would take away the equity and independence of franchise small business owners and would put their success and livelihoods, including mine, in jeopardy.

Ironically, these changes would encourage concentration of business into one big corporation at the franchisor level. As franchise contracts come up for renewal, franchise brands will be encouraged to convert locations into corporate locations. Rather than assume the risk, they will grow using a corporate model instead.

Without a doubt, these seismic shifts in employment policy would hurt small businesses and provide less opportunities for women and People of Color, in particular. Growing a business through the corporate model does not provide ownership or wealth building opportunities. We

need policy and regulatory changes that will drive wealth creation and new ownership opportunities for the most underserved communities, not hinder it.

Relatedly, I encourage you to review the enclosed results of a multi-disciplinary study commissioned by the International Franchise Association and Oxford Economics that analyzes payroll data for franchise and non-franchise businesses. The research included a survey of over 4,000 franchise owners, which found that benefits were also roughly on par at franchisees.

The survey showed that franchisees generally value being part of a brand. 32% of respondents said they wouldn't be business owners without franchising, which translates to about 60,000 small business across the economy. That percentage was even higher for women-owned and first-time business owners. Franchisees also have materially higher sales on average than independent small businesses, including among women and People of Color.

Conclusion

Chairman Phillips and Ranking Member Van Duyne, thank you again for allowing me to share my views on today's hearing and the current economic climate. I welcome the opportunity to further discuss how we can work together to create a policy environment that provides the certainty needed for a robust recovery.

I would be happy to answer any questions you may have.

THE VALUE OF FRANCHISING

Franchises represent an alternative to traditional forms of business operations. Through a legal agreement, the franchisee sells a product or service using the brand name or operating system (or both) of the franchisor, typically in return for a lump sum payment and annual royalty fee. Most people immediately associate franchising with fast food restaurants. Interestingly, however, quick service restaurants are just a fraction of the entire sector, making up only a fourth of all franchised establishments, less than half of the workers, and just over a third of the economic output.

In commissioning this study, the International Franchise Association asked Oxford Economics to examine the value of the franchising model along a range of dimensions. We had three goals for this research:

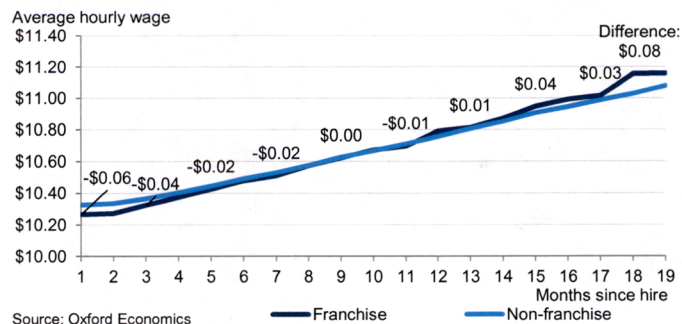
- 1 **Analyze pay, benefits, and training** at franchised firms and compare these attributes with similar non-franchise employers where possible
- 2 **Assess franchising as a path to entrepreneurship** and uncover areas where the business model provides vital support to prospective business owners
- 3 **Understand how franchisees are embedded in their local communities** by examining their supply chains and charitable giving

FRANCHISES OFFER PAY, BENEFITS, AND TRAINING ON PAR WITH COMPARABLE NON-FRANCHISE SMALL BUSINESSES

To see how wages at franchise firms stack up, we explore wage data from a sample of 3,700 franchise and 137,000 non-franchise small businesses, drawn from a payroll database. An econometric analysis of workers' wages controlling for a variety of factors finds that workers at franchise firms earn slightly more than workers at non-franchise firms, although the difference is statistically insignificant. This is consistent with existing academic research, including Cappelli and Hamori (2008) and Kruger (1991). Franchise firms in our dataset are somewhat larger on average (13.6 versus 9.6 distinct workers per month), in line with results from the 2016 Annual Survey of Entrepreneurs.

An analysis of newly hired workers also finds that starting wages, wage growth, and worker turnover are extremely close between franchises and non-franchises (Fig. 1), while franchise workers were somewhat more likely to be promoted to manager (14% of remaining workers after 19 months vs. 11% at non-franchises).

Fig. 1. Average hourly wage progression since hiring date, franchise vs. non-franchise



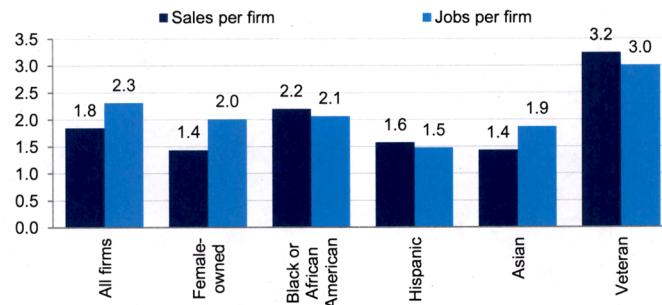
In addition to the payroll database, we look at the non-wage component of employee compensation using a survey of franchisees completed by over 4,000 respondents (hereafter referred to as the Franchise census). We find that the share of workers that is offered various types of benefits at small franchised firms is roughly on a par with the share of employees with access to those benefits at small US establishments.

Franchises also appear to offer training to a very similar extent to the average US business. According to the Association for Talent Development, in 2019 each US employee used 34.7 hours of formal learning on average. The Franchise census suggests franchisees offer an average of 33.4 hours of formal training per employee, with 11% of respondents offering 50 hours or more per worker.

FRANCHISING OFFERS A PATH TO ENTREPRENEURSHIP TO ALL AMERICANS, BUT ESPECIALLY TO NEW ENTREPRENEURS AND WOMEN

The 2016 Annual Survey of Entrepreneurs (ASE) suggests that franchise businesses tend to be larger than non-franchise businesses. We find that, on average, franchises report sales 1.8 times as large as non-franchise businesses and provide 2.3 times as many jobs as non-franchise businesses. Sales and jobs in franchised businesses exceed non-franchised businesses across all demographic cuts, including gender and race. For example, Black-owned franchise firms earn 2.2 times as much in sales compared to Black-owned non-franchise businesses, on average (Fig. 2).

Fig. 2. Ratio of average sales per firm and jobs per firm, franchise vs. non franchise business



Source: ASE (2016)

What factors enable franchised businesses to reach a larger scale? The Franchise census asks franchisees to describe the areas where franchisor support was received and proved most useful. Results suggest the most important areas are franchisee training, meetings and events, and technology platforms. Even in areas where franchisor support is less widespread, such as access to capital support (received by 42% of respondents), the positive effects of the business model are striking. Some 21% of respondents report being capital constrained when starting their first franchise business and that being a franchisee provided them with access to capital.

In addition, 32% of all respondents report they would not own a business if they were not franchisees. This proportion is even greater among both female owners and owners for whom a franchise was their first business (39%). When applied to the total number of franchise firms from the 2016 ASE, this would be equivalent to a loss of 60,000 businesses (or nearly 223,000 establishments, employing some 1.8 million workers) if franchising was not an option.

FRANCHISES ARE LOCALLY OWNED AND THIS KEEPS RESOURCES IN THE LOCAL COMMUNITY

Unlike the multi-unit company-owned business model, franchises allow franchisees to buy and own the units they operate. By doing so, franchisees essentially become small business owners, who live and work in their communities. The brands they represent do not ship workers in from other parts of the country, but rather franchisees recruit and train local residents. The franchise model therefore encourages local employment and wealth-sharing with local communities.

The Franchise census suggests franchisees purchase 21% of their inputs from local suppliers, indirectly contributing to their local economies through their supply chains. Over a third of respondents (36%) purchase at least 25% of their intermediate goods locally.

In addition, some 65% of franchisees give to local charities according to the Franchise census. This is in line with findings that suggest 66% of small businesses do so. Among donors, franchisees donate an average of 6% of their profits (also in line with small businesses' data). We estimate that US-based companies operating as franchises jointly donated a total of \$1.5 billion to charity in the year before the pandemic and raised over \$900 million over the same period. Some 18 million hours of volunteering were sponsored by franchised businesses in 2019, which are worth hundreds of thousands of dollars to society more broadly.

In conclusion, this study finds that franchises offer wages, benefits, and training on par with similar non-franchise small companies. We also show that franchising offers a path to entrepreneurship to all Americans, but particularly to first-time owners and women. Lastly, we highlight how franchisees are embedded in their local communities through their local supply chains and charitable giving.

For questions regarding this work, please contact:

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Letter for the Record from
Jeffrey Maguire, Managing Partner, Clearly Clean Products, LCC

U.S. Congressional Committee on Small Business -- Oversight,
Investigations, and Regulations

Hearing Title:
SBA's Role in Climate Solutions

July 21, 2021



Chairman Phillips, Ranking Member Van Duyne, and members of the Committee, I am honored to have the opportunity to submit written testimony on "SBA's Role in Climate Solutions."

My name is Jeffrey Maguire, and I am a managing partner at Clearly Clean Products, LLC, which is based in Schuylkill County, Pennsylvania, and has nine locations. Our company designs and manufactures 100% recyclable food trays -- most notably, the Roll-Over Wrap™ tray. This patented tray is made from recyclable PET plastic, and its rolled edge does not tear the overwrap film on packaging for meat, poultry, produce, and seafood. Our goal is to provide a sustainable option to foamed polystyrene, more commonly known as Styrofoam.

We firmly believe that small businesses can go beyond playing a role in addressing climate solutions; they can actually take the lead in it. In fact, Clearly Clean will soon be launching a new company called Eco Standard, which we believe will help revolutionize plastic recycling in the U.S. and beyond.

The world understands the need for eco-friendly packaging, and -- in the case of moist products especially -- recyclable plastic is often the best option.

"The EPA reports that using recycled materials reduces energy and emissions, even when accounting for the transportation of materials. Using recycled glass and certain plastics instead of virgin materials can reduce environmental impacts more than 50 percent."¹

But boosting recycling and the use of recycled material content will require uniform policies and frameworks to ensure governance and accountability.

The Issues

- Recycling rates for PET plastic hover around 30 percent, and other countries are leading the way in this area. And, while that still means that 30 percent of PET plastic is being saved from the landfills, we can do better.
- Single stream recycling has resulted in "wish-cycling," where people put anything and everything into the bin and hope (or "wish") that it gets recycled -- not realizing that what they put in the bin may actually contaminate the stream and reduce recycling.
- Several state and local governments are enacting (or considering) extended producer responsibility (EPR) laws that will put the onus for end-of-life costs for disposing or recycling products on the producers of the products, which will ultimately put a strain on small businesses. Those businesses will soon be looking for inexpensive and easy



options to comply with these new policies.

- Many companies have sustainability goals, which require the use of a percentage of post-consumer recycled (PCR) content; however, there currently is not enough PCR content available to allow them to meet their goals.
- The "Resin Identification Codes" (RIC) system for marking the plastic content of articles is archaic and needs revamping, and there is no oversight of the current system.

About Eco Standard

Eco Standard will address these issues and help close the loop on PET recycling by enabling a clean stream of PCR to be produced. Key to the company's success will be our Eco Clean™ machines, which will include patent-pending processes and technologies that will **differentiate** these machines from those found in the rest of the recycling world. They can be placed at grocery stores, schools, etc. There, you simply take select PET plastic, insert it into the machine, and receive rewards in return. Without going into technical detail, the Eco Clean™ machines are able to recognize the items that you put into them and begin the recycling process immediately.

But we, like all small companies (and all companies for that matter), need your help.

How can Congress help companies to innovate and enable small businesses to provide climate solutions?

Protecting Intellectual Property and Updating the Resin Identification Codes (RIC) System

Protecting Intellectual Property

America was built on patents, but no longer can small companies count on the strength of a patent to build a company because the patentee can have their patents challenged at the U.S. Patent and Trademark Office via an IPR (inter partes review). This is often done by large companies with deep pockets that have already imitated the product and were sued, so they are now seeking to invalidate those patents so that they can quickly and easily capitalize on the time and money the patentee expended developing the product. Clearly Clean is undergoing just such a battle right now, and we suspect Eco Standard will as well. We are confident in our numerous patents and will continue to fight the good fight, but not all small businesses can. What would be helpful is a policy that requires a company challenging the validity of a patent via an IPR to pay for the patent owner's legal fees if that challenge fails. Who knows what climate solutions could be developed if a small company isn't forced to battle a behemoth on patents they were already granted?



Updating the Resin Identification Codes (RIC) System

Recycling needs to be revamped at its very core: the "Resin Identification Codes" (RIC) system for plastic materials. This system is not only archaic, but it is also central to all successful plastic-recycling efforts going forward. What might have been helpful decades ago is now actually detrimental to the recycling process, creating confusion, contamination, and chaos.

Congress can simultaneously benefit the U.S. economy and facilitate recycling nationwide by directing a federal agency to generate a uniform standard system for identifying the material content and/or characteristics of packaging materials.

Here's why this is necessary, especially for plastic waste:

PET plastic, marked with the number 1 resin code, is the most easily recyclable plastic. However, plastics vary widely in their chemical structure, and many plastics that have different chemical structures cannot be recycled together. Thus, unlike paper products and metal products (for which the precise content is relatively unimportant), plastic products must be strictly sorted by their composition during the recycling process.

Moreover, a very wide variety of plastic materials are currently produced, and those materials are sometimes combined in a single packaging product (e.g., thermoformers that mix polymers in their food trays). The wide variety of plastics that are made and the frequent combination of multiple plastics in single products greatly complicate plastic recycling. Single-stream recycling has only exacerbated this. It's called "wish-cycling" for a reason. Consumers throw everything into the bin, and "wish" it gets recycled.

Currently, only the crudest of systems exist for associating identifying marks with plastic articles. More than 30 years ago, the "Resin Identification Codes" (RIC) system^[2] was devised as a first step toward facilitating post-consumer recycling of plastics. However good the intentions behind the RIC system might have been, the system has proven to be of limited value in facilitating plastics recycling. As an initial matter, the RIC system includes only seven categories of material (one of which is "other"), while the number of plastics that are incompatible for recycling purposes is now in the thousands. Each of the six more-consequential RIC codes encompasses wide varieties of plastic materials, many of which often cannot be recycled together or which yield near-worthless material and contaminate the stream if they are recycled together. Moreover, there is no policing of the RIC system, and many products are mismarked even when RIC codes are used.

^[1] <https://www.greenamerica.org/blog/does-recycling-help-climate-crisis>

^[2] https://en.wikipedia.org/wiki/Resin_identification_code



The recycling industry needs an updated uniform material-identification standard that is enforced – a system that will sit at the very heart of a recycling renaissance in the U.S. and beyond. The federal government is in an ideal position to implement a sensible, information-rich material identification system that includes a combination of numbers and letters to uniquely and reliably identify the material(s) content and characteristics of an article. For example:

- 1: 100% virgin PET content
- 1A: 100% PCR (post-consumer recyclable) PET content
- 1B: 100% PET content, including 75% PCR content
- 1C: 100% PET content, including 50% PCR content
- 1D: 100% PET content, including 25% PCR content
- Similar sub-categories for other RICs than #1

Such a system would enable MRFs (materials recycling facilities), manufacturers, and consumers not only to be able to identify the type of material, but they can also instantly know how pure it is. The purity level is important as it helps determine the product it produces as well as allows companies to quantify their PCR content to meet their own goals and/or government mandates. This coding system would also help manufacturers communicate to consumers how best to recycle the marked articles.

The federal government could also police (or define legal liability for) mismarking of products contrary to the federally defined system. Going back to the food tray example, the code may be marked a number 5 today, when it truly is a number 7. The existence of a workable, information-rich, product-marking system will permit industry groups, retailers, consumers, or local/state/federal governments to insist upon use of such a system.

Given strong consumer demand for environmentally friendly packaging and industry desire to satisfy such demand, we predict that mere creation of a workable material-identification system will lead to its widespread uptake and use. This would make it easier for the consumers to do their part, protect the planet by increasing the recycling rate, and restore billions of dollars of value to the U.S. economy that is currently being lost as discarded trash.