

**LEVERAGING THE INFRASTRUCTURE INVESTMENT  
AND JOBS ACT: THE ROLE OF THE SBA'S  
BOND GUARANTEE PROGRAM**

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**HEARING**

BEFORE THE

COMMITTEE ON SMALL BUSINESS

UNITED STATES

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

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# CONTENTS

## OPENING STATEMENTS

	Page
Hon. Nydia Velázquez .....	1
Hon. Blaine Luetkemeyer .....	3

## WITNESSES

Mr. Peter Gibbs, President & Former Director of SBA's Office of Surety Guarantees, Foundation Surety & Insurance Company, Bowie, MD, testifying on behalf of the National Association of Surety Bond Producers .....	5
Mr. Ralph Pulver, Regional Underwriting Officer, Traveler's Bond, Hartford, CT, testifying on behalf of the Surety & Fidelity Association of America .....	7
Mr. Alan Gravel, President, Willow Construction, LLC, Powder Springs, GA ..	8
Mr. Joel Griffith, Research Fellow, Financial Regulations, Thomas A. Roe Institute for Economic Policy Studies, The Heritage Foundation, Washington, DC .....	10

## APPENDIX

### Prepared Statements:

Mr. Peter Gibbs, President & Former Director of SBA's Office of Surety Guarantees, Foundation Surety & Insurance Company, Bowie, MD, testifying on behalf of the National Association of Surety Bond Producers .....	25
Mr. Ralph Pulver, Regional Underwriting Officer, Traveler's Bond, Hartford, CT, testifying on behalf of the Surety & Fidelity Association of America .....	28
Mr. Alan Gravel, President, Willow Construction, LLC, Powder Springs, GA .....	31
Mr. Joel Griffith, Research Fellow, Financial Regulations, Thomas A. Roe Institute for Economic Policy Studies, The Heritage Foundation, Washington, DC .....	33
Questions and Answers for the Record:	
Questions from Hon. Flood to Mr. Joel Griffith and Answers from Mr. Joel Griffith .....	41
Additional Material for the Record:	
American Property Casualty Insurance Association .....	43
Glen Rose Veterinary Clinic .....	45
Glenroy .....	46
MO-03 Constituents Statements .....	48
Precision Pattern Co., Inc. ....	50
Significant Labor Shortage Statement .....	51
Statements for the Record from Hon. Williams, Hon. Tenney, Hon. Donalds, and Hon. Kim .....	52



# LEVERAGING THE INFRASTRUCTURE INVESTMENT AND JOBS ACT: THE ROLE OF THE SBA'S BOND GUARANTEE PROGRAM

WEDNESDAY, JULY 27, 2022

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

The committee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia Velázquez [Chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Mfume, Carter, Houlihan, Craig, Peters, Luetkemeyer, Williams, Stauber, Meuser, Tenney, Garbarino, Van Duyne, Fitzgerald, and Flood.

Chairwoman VELAZQUEZ. Good morning. I call this hearing to order.

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

I would like to begin by noting some important requirements. Standing House and Committee rules will continue to apply during hybrid proceedings. All Members are reminded that they are expected to adhere to these rules including decorum.

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

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.

Before I begin, I just want to let the Ranking Member know that our thoughts and prayers are with the people of St. Louis who are affected by the recent historic flooding and I will work with you to make sure that SBA in an expedited way assists the people from St. Louis.

Before we begin, I want to welcome our newest Small Business Committee Member from our side. First, we have Mr. Scott Peters from California. He brings his experience serving on the Committees on Budget, Energy and Commerce and Joint Economic Committee to our efforts to strengthen entrepreneurship and the challenges facing America's small employers. Mr. Peters' understanding of the importance of bipartisanship will be integral to his work on our Committee. Welcome, Mr. Peters.

And I will yield later on to the Ranking Member for the introduction of Mr. Michael Flood from Nebraska.

Last November, President Biden signed the \$1.2 trillion Bipartisan Infrastructure Bill into law. The package culminated years of work to reverse decades of underinvestment and revitalize American infrastructure. This effort represents the most significant investment in America's infrastructure in generations.

The funds outlined in the bill include \$550 billion in new spending, which will help rebuild our nation's roads and bridges, strengthen public transportation, expand broadband to more Americans, and improve drinking water and wastewater infrastructure. Every American stands to benefit from these upgrades. But, crucially, the bill will also boost small businesses as they will play a critical role in rebuilding American infrastructure.

Today, I want to examine one of the key mechanisms that facilitate small business participation in government infrastructure projects, SBA's Surety Bond Guarantee Program.

Surety bonds are three-party agreements with a surety, a contractor, and a project owner. If a contractor cannot complete a project, the surety is responsible for ensuring that the obligation is met. These bonds help reduce risks in the contracting process and protect project owners, subcontractors, and suppliers.

That is why the Miller Act requires all federal construction contracts greater than \$150,000 to have a surety bond. This practice has spread outside the public sector as more and more private projects require surety bonds.

The SBG program guarantees bonds for contracts of up to \$6.5 million, and up to \$10 million for federal contracts if a contracting officer deems such a guarantee necessary. Under the program, SBA guarantees bonds to small entities when a bond is required, the businesses cannot obtain it elsewhere, and there is a reasonable expectation they will be able to complete the project they are competing for.

The SBG program is vital to disadvantaged businesses that typically have a harder time obtaining a bond from traditional sources. In fiscal year 2021 alone, SBA guaranteed 9,633 bonds for a contract value of approximately \$7 billion, which supported more than 34,000 jobs.

As projects related to the bipartisan infrastructure bill continue to develop, demand for surety bond guarantees may increase. Given that, this Committee must look for ways to improve the program to better serve more small businesses. For instance, some experts have promoted raising program limits on individual and federal contracts to keep up with increased investment in infrastructure.

Questions have also been raised as to whether the SBG program has the resources to adapt to the challenges that come with increased demand. In this respect, advocates believe that there is room for improvement in areas like information technology, staffing, and outreach activities, which could be addressed by allowing the Revolving Fund to be used for administrative expenses.

Today, I want to take a close look at how the program is operating and how Congress can ensure it is equipped to meet small businesses' needs as they rebuild America's infrastructure.

I would now like to yield to the Ranking Member, Mr. Luetkemeyer, for his opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chair. And thank you for convening the Committee meeting this morning. I appreciate your kind words with regards to St. Louis. Yes, it took me a lot of extra time to get to the airport yesterday. I live about 2-1/2 hours from the airport. So between me and the airport there was a lot of flooding and I made my flight by 5 minutes. Thankfully, it was delayed. And so I was able to get here at a reasonable time.

Later today, the Federal Reserve will announce its next interest rate hike. The decision to raise rates is directly tied to inflationary pressures our country is facing. As we sit here today, inflation is at a 41-year high of 9.1 percent. This elevated rate did not happen out of the blue. It has been rapidly rising for the last year despite some calling this transitory or temporary.

In addition to a CPI reading of 9.1 percent, wholesale inflation, or the Producer Price Index, is running hot at 11.3 percent. These highs are impacting all Americans and all small businesses. From the pump to the grocery store to the energy bill, it all costs more than it should and you are not going to get more for the money you are spending. For instance, the latest number that I saw yesterday was \$8,600 is what it is costing more for people to live this year than last year. That means \$165 a week more to live to pay the same expenses today as what you were paying last year but getting nothing extra for it. No difference in amounts or quality of what you are getting. That is astounding.

For small business, this means a cycle of price increases that cannot be easily offset. The options or tools that they have at their disposal is limited. They can raise prices on their own, which NFIB has found that 86 percent of small businesses have already done. Or small business owners can decrease the goods and services available, use less expensive products, or resign to the fact that revenues will be down.

All options are disastrous for a small business owner, their employees, and the communities that they serve.

Inflation and the ongoing cost pressures cannot be ignored. In survey after survey, small businesses report that inflation and raising prices are the top challenge facing their company. When I am in district visiting with small businesses, the conversation always begins and ends with inflation.

And it is not just rising costs. Rather, there is a multitude of economic headwinds that are hitting main street businesses. From ongoing and persistent supply chain issues that are leaving shelves bare, to an employment crisis where small businesses cannot find workers, current economic conditions remain forbidding. In fact, NFIB found that small businesses anticipating a more robust and healthy business environment has soured every month this year.

Simply put, we are heading in the wrong direction. Yet, my democratic counterparts are proposing more spending and potential tax increases on all passthrough small business entities. This will be devastating. Higher taxes on the nation's job creators do not result in growth, expansion, and job creation.

In addition to the proposed tax increases, the Biden administration just finished off its first year in office by proposing over \$200

billion in regulatory costs. During a time of economic uncertainty that is hallmarked by inflation running at a 40-year high, it is illogical to propose tax increases in an enhanced regulatory environment.

Plain and simple, this administration is ignoring the plight of small businesses, from the Small Business Administration's quest to become a voter agency, to Treasury Secretary Yellen's refusal to testify before this Committee. Continued refusal, by the way. The Biden administration continues to disregard and overlook the top concerns of small businesses that produce almost half the nation's GDP and create two out of every three new jobs.

While some of my colleagues dismiss these concerns, we will not. I am confident that if we listen and address the needs of our small business owners, including the soaring levels of inflation, our country will grow leaps and bounds. The entrepreneurs, innovators, and startups of our nation can drive our economy forward. In order for this to happen, we need to get out of their way. We need to usher in a pro-growth economy that is focused on less regulation and taxes and do this before we continue to put ourselves in an even deeper recession. Otherwise, this downward cycle will continue.

With that, Madam Chair, I yield back. Thank you.

Chairwoman VELÁZQUEZ. I would like to take a moment to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement and each Committee Member will have 5 minutes for questions. Please ensure that your mic is on when you begin speaking and that you return to mute when finished.

With that, I would like to introduce our witnesses.

Our first witness is Mr. Peter Gibbs, the president of Foundation Surety and Insurance Solutions, an authorized agent for SBA's Surety Bond Guarantee Program. His prior work experience includes working at SBA for over 30 years, most recently as the director and deputy director of the Office of Surety Guarantees where he served for 16 years. Under his leadership, the office established federal partnerships with some of the largest surety companies in the world. Mr. Gibbs is also a lieutenant colonel who served 27 years in the U.S. Army Reserve. Welcome, Mr. Gibbs. We greatly appreciate your service and your expertise on today's topic.

Our next witness is Mr. Ralph Pulver, a regional underwriting officer for construction services of Travelers Bond and Specialty Insurance based in Hartford, Connecticut. Travelers is a participating surety in the SBA Surety Bond Guarantee Program since its inception, and Mr. Pulver is Travelers expert for the program counting with over 20 years of experience. Mr. Pulver serves on the Board of Directors for the Minority Business Development Institute. He also provides technical support for the Surety and Fidelity Association of America with its initiatives involving small, emerging contractor bond readiness. Welcome, sir.

Our third witness is Mr. Alan Gravel, the president of Willow Construction, a small business located in Powder Springs, Georgia. Willow Construction is a heavily civil contractor. The company specializes in the construction of treatment plants and pump stations for local water and sewer authorities. It has also taken on the construction of dams. Mr. Gravel is a civil engineer and Air Force vet-

eran. He founded his company 30 years ago. Welcome, and thank you for your service, Mr. Gravel.

And now I yield to the Ranking Member to introduce our final witness.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Our next witness is Joel Griffith. Mr. Griffith is a research fellow in financial regulations for the Thomas A. Roe Institute for Economic Policy at The Heritage Foundation. With a background in law and financial services, Mr. Griffith's most recent research explores the perils of inflation. Mr. Griffith, I would like to thank you for joining us today and for your continued commitment tracking the top issues and concerns that are confronting the nation's small businesses. Your testimony will certainly be appreciated. I would also like to extend my thanks to all witnesses joining us this morning.

With that, Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. Thank you. The gentleman yields back.

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

**STATEMENTS OF PETER GIBBS, PRESIDENT, FOUNDATION SURETY & INSURANCE SOLUTIONS; RALPH PULVER, REGIONAL UNDERWRITING OFFICER, TRAVELERS BOND & SPECIALTY INSURANCE; ALAN GRAVEL, PRESIDENT, WILLOW CONSTRUCTION, INC.; JOEL GRIFFITH, RESEARCH FELLOW, THE HERITAGE FOUNDATION**

**STATEMENT OF PETER GIBBS**

Mr. GIBBS. Thank you, Chairwoman Velázquez, Ranking Member Luetkemeyer, and Members of the House Small Business Committee, for the opportunity to testify today where I will discuss what I believe is among the most important public-private partnership in government, the U.S. Small Business Administration Office of Surety Guarantees, Treasury listed surety companies, and surety bond producers.

My name is Peter Gibbs. I am a small business owner and the founder and president of Foundation Surety and Insurance Solutions, a licensed insurance agency who assists small businesses to obtain surety bonds.

I started my agency in October of 2021, and I am a Member of the National Association of Surety Bond Producers. Prior to starting my agency, I served as director of Office of Surety Guarantees at the SBA. I retired in 2021 after serving at the agency for over 30 years. I also retired from the U.S. Army Reserves as a lieutenant colonel, and from 2006 through 2010, I served on active duty at the Pentagon, the Defense Intelligence Agency, and in the Middle East.

I strongly believe that today's hearing is vital to make sure that small businesses, especially those that may have difficulties obtaining surety bonds, have everything necessary to better compete for work funded by the Infrastructure Investment and Jobs Act.

For over 50 years, the SBA's Surety Bond Guarantee Program has been successful because of the efforts of the SBA, surety companies, and bond producers who work cooperatively to provide bond

into companies which otherwise cannot qualify for surety credit due to financial or other reasons.

I will first describe the recent changes to the program which over the years have expanded opportunities to small businesses to participate on public and private work projects and have spurred great participation from the surety industry. Recent program enhancements have included the following:

Increasing the contract size bond amount from \$2 million to \$6.5 million and up to \$10 million for federal contracts;

Granting the SBA administrator with statutory discretion to determine the portion of liability assumed by the SBA and the surety company;

Increasing the bond guarantee up to 90 percent for participating surety companies;

Instituting a paperless application process while approving bond applications in less than 2 days;

Raising the streamlined Quick-App Bond application from \$250,000 to \$400,000; and

Reducing the fees charged to sureties and contractors.

There is still work to be done, however, to expand opportunities for small businesses especially in the current economic climate.

I suggest the following additional enhancements to streamline the program.

Ensure that adequate staff levels for the Office of Surety Guarantees, as natural attrition and retirements have reduced staffing levels significantly and position replacements have not been made;

Dedicate resources for the investment in information technology infrastructure to increase program efficiency;

Explore techniques to manage, mitigate, and transfer risk which may attract participation from the reinsurance industry;

Consider adding other surety products to the program, which may be difficult for small businesses to obtain in the marketplace;

Establish parity, internal coordination, and communications between SBA's Bond Guarantee Program and other SBA Small Business programs, such as those relating to loan guarantees and business assistance;

Enhance the marketing resources and budget available to the program;

Provide marketing resources and incentives for federal and state procuring agencies to make small businesses aware of the program;

Consider a temporary suspension of program fees paid by small businesses to access the program; and

Consider raising the current contract guarantee amounts from \$10 million to \$20 million, and on non-federal contracts from \$6.5 million to \$10 million.

In the last 50 years, the Surety Bond Guarantee program supported over 55,000 small businesses, 750 surety bond guarantees, and an estimated \$150 billion estimated contract value. As impressive as that sounds, I believe that more can be done for the benefit of small businesses with the right enhancements.

Thank you again for your consideration and the opportunity to testify before the Committee. I am happy to address your questions.

Chairwoman VELÁZQUEZ. Thank you, Mr. Gibbs.

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

**STATEMENT OF RALPH PULVER**

Mr. PULVER. Good morning. My name is Ralph Pulver. I am employed by Travelers Bond and Specialty Insurance in Hartford, Connecticut, where for the past 20 years I have served as regional underwriting officer in our Construction Services business unit. My day-to-day responsibilities include underwriting contract surety bonds for our construction clients. This includes underwriting support for a dedicated team that services our small contractor clients, including those that are underwritten through the SBA Bond Guarantee Program.

I am here today on behalf of the Surety and Fidelity Association of America, otherwise known as SFAA, a nonprofit organization based right here in Washington, D.C., whose Members are primarily insurance companies that provide over 98 percent of the surety bonds written in the United States.

Today, I will be addressing three topics. The background on surety bonding and the operation of the SBA Bond Guarantee Program. Secondly, discuss how the SBA program helps small and emerging contractors grow their companies and contribute to the economic strength of their communities. And lastly, the positive improvements to the SBA program.

Firstly, Mr. Gibbs and Madam Chair Velázquez, did a very good job of talking about the background of the program and the parameters and so forth, so I will not be redundant there and adding anything onto there. I will tell you that the SBA Bond Guarantee Program currently consist of a Plan A, which is known as the Prior Approval Program, and Plan B, which is otherwise known as the Preferred Surety Bond Program. Travelers participates in the Plan B program. This means that the SBA has reviewed our underwriting and administrative practices and our financial strength and made a determination as to the aggregate limit of bonds that Travelers can underwrite. Under the Plan B program, Travelers does not have to submit individual bonds to the SBA for approval, which streamlines the process. The SBA has given us the authority to underwrite and issue the bonds on behalf of SBA. As a preferred surety, Travelers must also agree to periodic review and audit of those SBA bonds.

As of the most recent update from SBA, Travelers is the third largest writer in the Plan B program, averaging about 262 bonds annually and impacting about 85 to 100 contractors each year annually.

It should be noted that this ranking is determined by the number of bonds written, not by the amount of the surety bond premium.

Under the Plan A and Plan B programs, the emerging contractor must qualify as a small business as classified under the U.S. Office of Size Standards. The size standard is determined by the gross revenues of the company and their affiliates averaged over the last 5 years, as well as the company's industry or class of work. The SBA's regulations provide that a bond must be required in the contract in order for it to be eligible for the guarantee. And, the contractor must certify that they have been unsuccessful in finding surety bond credit in the standard marketplace.

The Surety Bond Guarantee Program provides an effective tool for surety companies to favorably underwrite small and emerging contractors that would otherwise not qualify for surety support. Although these emerging contractors may not have the balance sheets that reflect financial strength of larger companies, the surety will still undertake a very rigorous prequalification process focused on the contractor's ability to complete the obligation.

Providing an initial opportunity for small and emerging contractors to participate in public bid market is critical for their future success. While there is no time restriction for a contractor regarding how long the SBA supports them, most growth-oriented contractors aim to meet the underwriting standard requirements or traditional surety markets and in effect, graduate from the SBA program.

This is what I often refer to as the "groom and grow" period, where the small and emerging contractor receives coaching and advice from their surety bond professionals on how to best position their company to obtain surety bond support in the traditional surety marketplace. Undoubtedly, the Infrastructure Investment and Jobs Act will provide increased opportunities for small and emerging contractors, including minority- and women-owned businesses. For some contractors new to the surety bond market, the SBA Surety Bond Guarantee Program helps make that opportunity a reality.

Under the leadership of Peter Gibbs and currently, Jennifer Vigil, significant, positive operational and program improvements have been made to the SBA program, including the size enhancements that Peter mentioned earlier. The enhancements to the Mentor-Protégé Program, including the size for eligible projects that has been referred to earlier, increasing the guarantee percentage, permanently decreasing fees for the contractors and increasing the quick application, again, that Mr. Gibbs referred to earlier. All these improvements have increased the number of participating small and emerging contractors, surety bond producers, and surety companies, now the largest number of sureties ever participating in the program.

I commend the SBA for making these improvements to the program and would like to thank the Committee for your support and leadership on this issue.

And thank you for the opportunity to appear before you today.

Chairwoman VELAZQUEZ. Thank you, Mr. Pulver.

Now, Mr. Gravel, you are recognized for 5 minutes.

#### **STATEMENT OF ALAN GRAVEL**

Mr. GRAVEL. I am Alan Gravel, Chairman of the Board of Willow Construction. I grew up in Louisiana, earned a B.S. in Civil Engineering at Louisiana Tech, and an MS in Environmental Health Engineering at the University of Texas. I joined the Air Force and flew the C-7 Caribou in country in Vietnam and then the KC-135 in Vietnam after that. In 1974, I left the Air Force and moved to Atlanta to work for a civil engineering consulting firm. In 1981, I left that firm to work for a utility contractor. When that company went out of business in 1992, I started Willow with the employees who had worked for me at the old company. Of the 28

or so employees, we now have about six or seven of them who have been with me over 35 years. Willow itself has completed 600-plus jobs worth about \$170 million in our 30 year history. We just celebrated our 30th anniversary.

In the beginning, we were, like many startups, undercapitalized but we established modest banking and bonding relationships and steadily built our business. In 1997, we bought a tract of heavy industrial property and built a shop and an office, you can see it behind me, and moved from the office where we had been renting. By 2000, we reached our target volume of work and were on reasonably sound footing. In these early days, almost all our work was public bid work that required payment and performance bonds.

Between 2000 and 2008, we gradually picked up some private and subcontract work which did not require bonding, but we were still actively bidding bonded work. Our bonding agent at the time was an experienced professional who recognized us as a minimal risk to the bonding company. We had always been able to provide the financial documentation that he needed because of the experience we had had in the previous company.

The financial crisis of 2008-2012 ended our steady progress toward financial security. My late wife, Sheri, said to me, "So let me understand. We are giving up our retirement savings to ensure that all Willow employees have a steady paycheck through the recession?" And my answer was, yes, that is exactly what we are doing, but if Willow survives then all problems can eventually be solved.

Willow lost significant amounts of money in 2009-2012 and essentially broke even in 2013. I depleted most of my retirement savings, and in 2011, we had to sell some of our construction equipment. All salaried employees took pay cuts. We did not have raises for 7 years. We survived and throughout that time, our experienced bond agent, who knew us well, was able to provide bonds at the reduced level of business that we were able to maintain.

Things improved starting in 2014 but we had dug a pretty deep hole for ourselves. Our private and subcontract work picked up significantly but when public bid opportunities came along, we had to do some serious negotiation to get our bid bonds. Then, our long-term professional bond agent fell ill and had to retire. His company replaced him with a young man with no experience and things quickly went downhill from there.

Howard Cowan and I were friends in college. We had maintained that friendship through all of the years since. When he left the Air Force, he became a surety underwriter and eventually a surety agent. When I left the Air Force, I worked for a consulting engineering company and then a utility contractor. We have always found it amusing that I studied civil engineering and he studied philosophy and somehow we ended up in two parts of the same business. Particularly since Willow had started, I had relied heavily on Howard's advice about bonding and many other things.

When bonding became very difficult for Willow, I called Howard. After some discussion he said, "I have resisted doing this for 30 years, but I think it may be time for me to become your bonding agent." He recognized that Willow had a proven track record but

for circumstances that were somewhat beyond our control, we did not meet the normal commercial standards for bonding.

Howard had a long-term relationship with the underwriters at SureTec. They studied our situation and concluded that Willow was a good candidate for SBA's Preferred Surety Bond Program. Early in the relationship, Howard and the SureTec underwriters visited our office in Atlanta to meet our key people and to get a better understanding of our capabilities. Through SureTec's comprehensive understanding of Willow's operations and their strong partnership with the SBA, we were able to continue bidding bonded work.

Through lots of hard work, some good luck, and the SBA-backed bonding program, Willow has recovered our financial stability, and in 2020, we were able to re-enter the commercial bond market. Since then, we have had our third and fourth best years in our 30-year history. We are steadily reducing our debt, upgrading our equipment fleet, and hiring young employees to carry the company into the future.

In those dark days of 2010 and 2011, we could have chosen to declare bankruptcy. Instead, we chose to never give up. Had the SBA program not been available, we might have eventually recovered but it would have taken much, much longer and it would have been a lot more painful. With it, we returned to financial health, providing good incomes to our employees, paying taxes, and completing quality projects for our community and the environment. Thank you.

Chairwoman VELÁZQUEZ. Thank you, Mr. Gravel.  
And now we recognize Mr. Griffith for 5 minutes.

#### **STATEMENT OF JOEL GRIFFITH**

Mr. GRIFFITH. Chair Velázquez, Ranking Member Luetkemeyer, Members of the House Small Business Committee, thank you for the opportunity to testify.

My name is Joel Griffith. I am a research fellow at The Heritage Foundation. The views I express today are my own.

Businesses of every size, especially smaller businesses, are struggling with supply chain issues, rising prices, and a shortage of people willing to work. The Biden administration insists that these problems are transitory, and the administration continues to blame the pandemic and the war in Ukraine for these economic woes.

Meanwhile, this presidential administration refuses to acknowledge the primary culprit behind our economic turmoil. Senseless COVID restrictions throttle production. Ill-targeted transfer payments that shrink the workforce. The opposition by organized labor to common sense port operations. New environmental regulations that target diesel semi-trucks in California, and record government spending financed by the Federal Reserve. In short, the federal government reduced supply while stoking demand. This is a recipe for the shortages and higher prices that we are facing today.

Far too many here in Washington, D.C. continue to blame the pandemic for our economic woes. But it is important to keep in mind that the pandemic itself did not shut down the world. To the contrary, governments across the world shut us down with lockdowns and oppressive restrictions. These erratic, unpredictable, arbitrary trappings of human freedom made planning by busi-

nesses even for the short term nearly impossible. Politicians across the world pushed millions of families and businesses off an economic cliff all the while misleadingly blaming the pandemic.

Government policies also created the unprecedented labor shortage that we are experiencing today in the United States, a shortage caused by millions of workers leaving the workforce. Generous federal unemployment bonuses in terms of payout and duration acted as a powerful disincentive to returning to work even as the economy reopened, especially when combined with multiple federal stimulus checks. Many individuals delayed their return to the workforce even after benefits ended, instead choosing to live off the stockpiled cash.

Private vaccine mandates and a threatened federal vaccine mandate pushed many others out of the workforce. Now, businesses across nearly every industry are desperate for workers and have expanded their benefit packages. Of course, those failed to keep up with the rise in prices. Nearly half of small businesses are unable to fill open positions. This is more than double the national average, or the historical average.

Small businesses, too, are suffering from the supply chain disarray. California, specifically, matters on this because it receives nearly half of all containers coming into the U.S. Yet, in the midst of this supply chain crisis, what did California do? Well, California ordered a continued phaseout of older diesel trucks and organized labor in California continues to resist modernization of their ports in favor of inefficient modes of operation.

Labor costs and bottlenecks on the supply chain side could increase even further if the Teamsters Union convinces the Biden administration to change the definition of employee so that businesses can no longer hire independent truckers to transport their goods.

Lastly, while governments hampered the supply of goods and services, the federal government has used the Federal Reserve as a piggybank, selling trillions of dollars in debt for newly printed cash, nearly \$80,000 per family of four that has flooded into the economy. Our Federal Reserve has doubled its balance sheet from just \$4 trillion in March 2020 to nearly \$90 trillion just months ago.

Unfortunately, today's proposals to expand the Small Business Administration's Lending and Bond Guarantee Programs do nothing to counteract these destructive policies. Broadly speaking, calls to expand the role of the SBA and the credit markets also ignore this reality, that small businesses are being serviced by private credit markets. Only 3 percent of respondents to the January 2022 NFIB Survey reported that their borrowing needs were not satisfied. Only 1 percent of small businesses reported financing as their top business problem.

In conclusion, misguided COVID-19 restrictions, combined with Federal Reserve financed government borrowing and spending set in motion the current economic turmoil, the skyrocketing inflation, and the supply chain havoc that are crippling businesses and families. Proposals for yet more government spending, more labor regulations, more attacks on energy production, and massive tax hikes on businesses risk further pain. Thank you.

Chairwoman VELÁZQUEZ. Thank you.

And now I will recognize myself for 5 minutes.

Mr. Gibbs, considering the bipartisan Infrastructure Investment and Jobs Act that Congress passed last year, \$1.2 trillion, it was great to see in the social media every Member praising the projects that have been funded in their district thanks to the infrastructure legislation. Why is the Surety Bond Guarantee program more important than ever?

Mr. GIBBS. I think it is important because it is going to allow small businesses who are having difficulties to get bonded and to take advantage of opportunities because of the infrastructure bill. They will be in a better position to get into the game. They will be able to bid on projects. I mean, there are companies who cannot even, if they cannot get a bid bond, they cannot even bid on a project. So they are left out of the process. So I think small businesses having the opportunity to bid on projects puts them in the game and gives them a fairly equal opportunity to get awarded a project.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Pulver, many small businesses across the country are unaware of the existence of the SBA Surety Bond Program. Based on your knowledge of the program, what can we do to spread the word?

Mr. PULVER. Yes. Program awareness, increasing the number of agents and producers that are involved in security the bond aids for contractors, making more sureties aware and making more contractors aware of the program, it could use that to help to your question.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Gravel, your company was able to recover financially with the help of the SBG program. What does the SBG program mean for you, your business, and the personnel you employ?

Mr. Gravel, you are muted. You need to unmute yourself.

Mr. GRAVEL. We were able to more quickly return to a position where we could give raises, our employees can send their kids to college. We were able to focus on safety and quality issues instead of feeling like we have to cut corners to get by. It means that we can afford to provide healthcare, Section 125 flexible spending programs, a 401(k) retirement plan. It means that the sacrifices that you expect to make when you start a business do not have to last forever. And we are back up on our feet financially in a time period that we could not have accomplished without SBA assistance.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Gibbs, I understand that there are concerns with the capital access financial system which is the IT system SBA uses for the SBG program. Could you please expand on those concerns and what needs to be done to improve that situation?

Mr. GIBBS. Yes. So as stated earlier, I spent 18 years in that program. And that system needs a total overhaul. I think it would assist not only the external users but also the internal users of the program. The system is antiquated and it needs to be upgraded.

Chairwoman VELÁZQUEZ. Thank you.

And Mr. Pulver, there have been efforts to increase the bond guarantee thresholds to \$20 million for federal contracts and \$10

million for all other contracts. And these thresholds have not been increased in more than a decade. Would it make sense to increase those now, and why?

Mr. PULVER. It is the position of SFA and their Members that the program works very well at the current levels and that further dialogue around increasing them is something that SFA would like to be a part of.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Gravel, it seems you were not able to access the standard market for bonds due to economic losses experienced following the 2007 recession. So what options would you have had to have to save your company had it not been for SBA's Surety Program Guarantee Program? Would your company—

Chairwoman VELÁZQUEZ. Yeah, go ahead. Go ahead.

Mr. GRAVEL. Without bonding, without SBA backed bonding we would have had to cut way, way back, more or less start over. I mentioned in my testimony that I have multiple employees who have worked for me for 35, 38 years, like that. Most of those people would probably have had to go to other employers and we would have lost that experience. And that would have slowed our recovery even more. We had just built the building that you see behind me in 1998. We might have been in a position where we would not have been able to maintain those buildings and that property which helps us to function very, very well.

Chairwoman VELÁZQUEZ. Thank you, Mr. Gravel. My time has—

Mr. GRAVEL. At the very least it would have delayed our recovery.

Chairwoman VELÁZQUEZ. Thank you.

And now we recognize the Ranking Member.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Mr. Griffith, as you can imagine when I am back home visiting small businesses, the topic of inflation comes up every single conversation. It is at the top of everyone's mind. And with that I would like to submit statements for the record with regards to two of my constituents with regards to the comments that they made, Madam Chair.

Chairwoman VELÁZQUEZ. Without objection.

Mr. LUETKEMEYER. Thank you very much.

We are now running at a 41-year high with inflation. Wholesale inflation is double digits. Mr. Griffith, you have written about this extensively over the last year. Where do you see inflation going in this country short term and long term?

Mr. GRIFFITH. Well, longer term, so long as we continue to empower the Federal Reserve to print the resources to fund our government, we can expect inflation to continue to be exacerbated. And I think it is important to keep in mind that even if the inflation rate comes down from the 9 and 10 percent rate that we are at today to say a more typical 2 or 3 percent, that does nothing to mitigate the fact that families have lost thousands of dollars over the past year. The income does not just recover once inflation returns to normal. All of the families that benefitted from the stimulus checks from all the benefits, they benefitted from that but now

they have lost income in excess of what they received. And I am really hoping that these families are able to connect those dots.

Mr. LUETKEMEYER. You make a great point there from the standpoint that a figure I just got last week is now \$8,600 more to live in this country than it was a year ago, which is about \$165 a week that you get nothing extra for, which I mentioned in my opening remarks and follows along with your conversation there.

When you talk about the Fed, yesterday in Politico, there was an article with regards to Fed Relies on Dubious Data to Chart the Economy's Course. And then the byline was officials are preparing another huge rate hike likely to convulse economy markets which is kind of like it blows your mind. If they do not have the right economic information that they are going to try to make a move here, it is like what in the world are we doing?

One of the things that is in there is that it talks about going in the wrong direction here. So, we actually had, again, since mid-November, this is the highest level of unemployment claims that we have had, 251,000. We are in a recession and nobody seems to on the administration side to want to admit it.

So Mr. Griffith, how would you define recession?

Mr. GRIFFITH. Well, historically, once you have 2 quarters of negative economic growth, a recession has been declared. That has been the norm. We had negative economic growth in the first 3 months of this year. We are going to know very shortly if we saw the economy contract in the second quarter. Typically, that has been a recession. And the administration can deny the recession all they want but the bottom line is that American families are feeling the impact right now of this economic misery.

Mr. LUETKEMEYER. It is interesting that they are trying to redefine recession before the numbers come out which tells you they know where the numbers are going to be. They know it is going to be bad. It is going to be recessionary numbers. And so they are trying to redefine this. And this is not something new. I sit on the Financial Services Committee and I see this every day, especially with the Consumer Financial Protection Bureau. Not only do they reinterpret laws, redefine words, make up words, they also issued press release one time saying it is a problem so suddenly they can go back and say, you know what? We saw on the news that this was going on so all of a sudden then they can go out and have authorization to go after somebody when they created the problem themselves. When you go in and redefine what is going on in the world, I think the American people are not going to be hoodwinked by this. They know things are going in the wrong direction. It is interesting that the administration keeps touting all the jobs they created. If you look at the numbers, we are still 520 some thousand people short than we were prior to the pandemic. So I know your labor participation continues to be low. How does this all factor into inflation, Mr. Griffith?

Mr. GRIFFITH. Well, on the job side you are exactly right. We have actually more than a million people that just disappeared out of the labor force. You mentioned rightfully that our total number of people employed is about 500,000 lower than it was a few years ago and that is despite the fact that our population has grown in the meantime. And this is feeding into inflation because companies

now are having to increase those labor costs, and those labor costs as they increase are not keeping up with the cost of living. So it really feeds in as a cycle.

Mr. LUETKEMEYER. Thank you.

Mr. Gravel, thank you for being here. You are an entrepreneur. You are a businessman, and we certainly appreciate you are willing to share some experiences. I congratulate you on being a survivor. I hope that you were able to participate in the PPP program. I hope that was able to be helpful to you.

Just one quick question for you. Whenever you are bidding these projects now, with inflation the way it is, how do you continue to protect yourself against the rising inflation when you are bidding a project that may take several months or years to do?

Mr. GRAVEL. We basically bid hard dollar projects where we have a hard quote from our suppliers on the major things. Things like pumps and generators and things like that, we will have a hard quote, and some quotes like electrical subcontracts will be hard dollar. So, once we commit our pricing, the supplier is committed to us.

Mr. LUETKEMEYER. So the bond process is helpful to you in case something goes wrong you would be able to have a backstop; would that be a fair assessment?

Mr. GRAVEL. Well, the costs that we have are fixed, basically, for all of the major part of the cost. Now, there are costs that can go up like fuel, and to some extent our labor costs and that is our risk. They are going to go up during the course of the contract. We just have to build that into our markup and make sure that we are prepared.

Mr. LUETKEMEYER. Thank you. I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentlelady from Pennsylvania, Ms. Houlahan, is recognized for 5 minutes.

Ms. HOULAHAN. Thank you, Madam Chair.

Just confirming that you all can hear me okay.

Chairwoman VELÁZQUEZ. Yes, we can hear you.

Ms. HOULAHAN. Excellent. And I have a series of questions but I actually have a follow up to Mr. Luetkemeyer's question really quickly for Mr. Griffith.

You mentioned that there are a million people that still have not returned to our economy inexplicably. Really briefly, what is your hypothesis? Who are those people? Could it be childcare issues? What kinds of things are keeping a million people from coming back to our economy?

Mr. GRIFFITH. Part of the situation is that much of the childcare providers have not returned and that is being an impact on parents. But a big part of this, too, is the fact that families, a lot of people were able to earn more off the job than on the job. A lot of those resources were stockpiled.

Ms. HOULAHAN. Yes, sir. But right now that is not the case any longer. So a million people are still not back in the economy and part of your hypothesis is childcare might be an issue. Is there anything else right now that might be the issue that we could be doing to be helpful to bring those people back?

Mr. GRIFFITH. What we do know is that people are still actually drawing down on their savings. The savings rate has declined but families are still working through that surplus. That has been a drag. And then also if you look at the fact that wages have not come up with the cost of living, that is also a deterrent to those returning to the workforce.

Ms. HOULAHAN. Well, it would seem to me that if you do not have any money that you would return to the workforce if you had the ability to return to the workforce. And thank you very much for that. I really, really appreciate that insight. That is a thing that I am also trying to unwrap.

If it is okay, I am going to turn my questions over to Mr. Gravel and to Mr. Pulver as well. And again, thank you very much for joining us today.

There is definitely no doubt that the passage of the bipartisan Infrastructure Investment and Jobs Act was historic, not just for the larger industry but also for smaller enterprises that we are focusing on today. Since its passage, the project has helped 342 new Pennsylvanian roadway, bridges, and projects this year, and infrastructure development with many more projects to follow during the remainder of this year it is anticipated. So it is clear that the IIJA is an economic engine that is supporting good paying, local jobs. Businesses and communities across our country offer manufacturing to construction across all other industries. And as our panelists, you guys included, have mentioned, the SBA plays a very key role in assisting our smaller businesses and enterprises in accessing these important opportunities.

Mr. Gravel, first, thank you very much for your service and for being an entrepreneur. You and I have those things in common. And for sharing your story with us. Would you talk a little bit more about how the increased contract opportunities made available from legislation like the IIJA will benefit small firms like you?

Mr. GRAVEL. Right now, virtually all of our work, 90 percent of our work is private. So I do not know to what extent these funding programs might affect that indirectly or not but they are not affecting it directly.

Ms. HOULAHAN. And that actually pivots to my next question which is I feel as though there is a little bit of a gap in terms of small business owners being aware of what sort of resources and opportunities are available to them through the IIJA program and through the SBAA.

Mr. Pulver, you recommended in your testimony that the SBG program provide marketing resources and incentives. Where is the disconnect, Mr. Gravel and Mr. Pulver, where we could be able to be more forthcoming and people could be able to understand more what is available through IIJA and SBC for smaller businesses like yours. And Mr. Gravel, maybe I could start with you.

Mr. GRAVEL. In our particular case, our connection with the SBA was through our agent. And I would support more robust sort of a relationship between SBA and some of the agents. And any way you could enhance that relationship would be good. If we go for bonding, we are going to go to an agent first. That is where we have to go first. We cannot go directly to the SBA. And so the relationship between the agents and the sureties is the most important

thing and that is why in our case it worked out so well because our guy, our agent was very much involved in the SBA and knew a lot about it, and through NASB he had become very aware of it. And that is why it worked so well for us. But I think the small companies and, of course, we have been in business a long time now, so we do not really represent new companies anymore, I guess. But there are lots of opportunities out there. There are plenty of people who are advertising all the jobs that are out for bids and things like that. There is no shortage or anything of that sort.

Ms. HOULAHAN. Thank you.

Mr. GRAVEL. But these people need to know that they can find bonding if they find the right agent and get to know the right agent and develop his faith in them as far as their ability to perform.

Ms. HOULAHAN. Thank you, Mr. Gravel.

I am afraid I have run out of time. And I yield back, Madam Chair.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

And now we recognize the gentlelady from Texas, Ranking Member of the Subcommittee on Oversight, Investigations, and Regulations, Ms. Van Duyne, for 5 minutes.

Ms. VAN DUYNÉ. Thank you very much, Madam Chair Velázquez and Ranking Member Luetkemeyer for holding this hearing.

For over a year, Members of this Committee have called on Treasury Secretary Yellen to meet her legal and statutory obligation to appear before this Committee and speak on matters related to COVID-19 relief loans. While some may view this requirement to be pointless so much time later, I can assure you that the small businesses around this country who have watched their margins shrink in this volatile economy care. What small businesses understand, which this administration apparently does not, is that amidst record high inflation and rising costs of capital, every fraudulent dollar that went to a criminal pocket was a dollar taken away from a deserving small business. For the lifeblood of our economy, this is just another signal from this administration of their indifference to the economic standing of our smallest employers.

While President Biden may look the other way of regarding this inflation-ridden economy, we simply cannot. Tomorrow, we will likely see the second quarter GDP report indicate that we have just recorded another quarter of negative growth in the economy, which is typically an indicator of a technical recession. And as if they were anticipating an abysmal report, the White House released a blog post Monday arguing that 2 straight quarters of negative growth no longer indicates a recession. And while Secretary Yellen may not have time to follow the rule of law, she stated in her interview on Sunday that our economy was not in a recession but in a period of transition in which growth is slowing.

While this administration would rather debate semantics than admit that their policies have devastated our economy, small businesses are struggling. And even if every major news outlet may hold the water for this administration's economic misdealings, let us set the record straight. As Michael Strain of AEI has pointed out, 10 recessions were declared the last 10 times we have experi-

enced a consecutive quarterly decline. That fact seems straightforward to most people.

And if you needed another sign times are getting tougher, retail giant Walmart lowered its profit outlook Monday due to consumers having to redirect money usually spent on leisure goods to afford highly inflated food and fuel costs. Every administration official and Member of this Congress has seen the evidence that this economy is in a rough spot. Hopefully, they are in touch with the communities and constituents they represent to understand the perils consumers have faced over the last year. But unfortunately, based on the actions Democrats are planning to take, I fear they have not.

I want to be very clear. Republicans will continue to combat the Democrats' plan to spend hundreds of billions on the new reconciliation package and they will continue to fight their planned increases on the small businesses which they claim to support.

I appreciate all the witnesses being here today. And Mr. Griffith, I know you wanted to respond to the last question. In addition to potentially childcare not being available, what impact do you think forcing kids to stay home from school, forcing people to get vaccinated against their will or lose their job, and ridiculously high gas prices have affected these million people who have not been able to get back to work?

Mr. GRIFFITH. Thank you for that question.

In relation to families with children, a lot of the new data are actually showing that those are the individuals most likely to have returned to work. They need to supply resources to their families. They found a way to get back to work. What we see is that the real drawbacks now over unemployment has been, like I said, the families that are still drawing down on all the resources the federal government provided, well intentioned, maybe, but still, families are drawing down on those resources.

And second of all, the fact that working pays less than before. A middle-class family right now, they are earning \$3,000 less per year in real terms because of this inflation that was caused by these shutdowns and by all the money printing that we undertook in order to pretend that shutdowns do not have economic consequences.

Ms. VAN DUYNE. How much do you think that reckless spending by this administration has contributed to the inflation that the country is experiencing today?

Mr. GRIFFITH. Oh, it has definitely exacerbated it. Remember, this started several years ago when Democrats and some Republicans teamed up together to paper over the impact of the shutdowns. But this administration has doubled down on those mistakes. We knew this was going to be a problem. We had left wing and right wing economists that were saying if you print money to pay for massive expansion government spending, there will be inflationary results, and this administration chose to double down on those mistakes.

Ms. VAN DUYNE. I have been talking a lot about how much regulations cost. Can you share with the Committee the impact that regulatory costs have had on small businesses, especially in our current economic climate?

Mr. GRIFFITH. Regulations in general, and a lot of these regulations are related to the energy sector. We know that over the years the Green New Deal has not been able to be passed by Congress, and prior administrations, including the Obama administration and the Biden administration, they are trying to implement the regulatory package. They are trying to do that through Executive Order and through the rules making process. And that is driving up costs. And on the energy front, that has indirect cost, too, on the manufacturing sector because we are driving up energy costs on a lot of these smaller factories.

Ms. VAN DUYNE. I appreciate that. Thank you very much. I yield back.

Chairwoman VELÁZQUEZ. Time has expired.

And now we recognize the gentleman from Louisiana, Mr. Carter, for 5 minutes.

Mr. Carter, you are muted.

Mr. CARTER, you continue to be muted.

Mr. CARTER. Can you hear me now?

Chairwoman VELÁZQUEZ. Yes, we can hear you now.

Mr. CARTER. Okay. Okay. Thank you very much.

My question is for Mr. Pulver. What private or public resources would you recommend to small businesses for them to gain a better understanding of how the SBG program works?

Mr. PULVER. Yes, thank you for the question. It refers back to what we were speaking earlier about with regards to the small business more than often does not have a board of directors. It has a circle of influence, be it their banker, their CPA, their bond professional, their insurance advisor. So looking to those trusted advisors, and particularly the surety bond professional to help them identify opportunities that exist within the Jobs Act or elsewhere is critical, and finding access to the SBA Bond Guarantee Program as well.

Mr. CARTER. Part of the problem, I appreciate it, is small businesses have historically had a difficult time in getting bonding, period. And learning of these programs, having technical assistance to get ready for them continues to be a barrier. Any advice or suggestions you would give to a small business person, particularly a DVE or women-owned enterprise that may be watching today on how do they break through these barriers of, someone mentioned a while ago about not even having the bonding to do a basic bid. We know that that continues to be a problem. And as we talk to contractors, having the ability to contract and never getting a contract is two different things.

Mr. PULVER. Yes. Again, I am going to refer back to the surety bond professional that understands SBA and the SBA Bond Guarantee Program. Those are few and far between. And getting that guidance from that individual to help make the appropriate investments into their business to prepare it to be bondable and perhaps using SBA as the foundation to getting there.

Mr. CARTER. Based on your company's profile, what percentage of SBA guarantee bonds are for these business?

Mr. PULVER. I am going to decline that question. I do not have that data.

Mr. CARTER. You are going to decline into r you do not have it? Those are two different answers.

Mr. PULVER. I do not have it.

Mr. CARTER. If you had it, would you share it? I am not sure. You said decline, so I am wondering, does that mean you would have shared or you just do not have access today?

Mr. PULVER. Well, I will rephrase that. Earlier I said on an average we have, at Travelers, I am taking the question to be at Travelers, we have between 85 and 100 contractors annually that are benefitting from the program. Some of those contractors move up, graduate, and become ready for bond credit elsewhere. Does that answer your question?

Mr. CARTER. A little bit more. But I will draw down. I have your information. I will send something more specific to you that will get at that.

This is a question for anyone. What changes do you think could be made for this program to expand bonding capacities for DBEs? Again, I will mention that we know that that is a major barrier. If you had a magic wand and you had this Committee being able to advance any issues that it might be able to make it clear and more available, what suggestion or advice would you give us?

Mr. GIBBS. This is Peter Gibbs. My suggestion is the Office of Surety Guarantees needs the resources so they can market the program. A question earlier, you know, not too many people, as the former director of this program, we had three marketing personnel to market a \$6 billion program. Right now I believe there is one marketing person to speak to organizations and small businesses, so I think the response is—

Mr. CARTER. Are you saying, I am sorry, you say one marketing person within SBA to promote this SBG program?

Mr. GIBBS. The Office of Surety Guarantees. Yes. We have one marketing person. They need the resources so that they can go to all these organizations, conferences, to small businesses, to agents, to surety companies. They just do not have the resources to spread the word of this program.

Mr. CARTER. Under your leadership when you worked for the organization, you may or may not remember this, but tell me if you just had to guess, the percentage of small, disadvantaged enterprises being able to fully take advantage of SBG and bonding capacity. Is that number 20 percent, 30 percent, roughly?

Mr. GIBBS. I do not know what that percentage is. I am sorry.

Mr. CARTER. I mean, and I will not hold you to any science, but it is short. Is that a fair assumption?

Mr. GIBBS. Yes.

Mr. CARTER. Okay. And what changes do you think the program—

Chairwoman VELÁZQUEZ. Time has expired. Mr. Carter, time has expired.

Mr. CARTER. My time has expired?

Chairwoman VELAZQUEZ. Yes.

Mr. CARTER. I am sorry. Thank you, Ma'am. I yield back.

Chairwoman VELAZQUEZ. Now we recognize the gentleman from Texas, Mr. Williams, Vice Ranking Member of the Committee.

Mr. WILLIAMS. Thank you, Madam Chair.

There is no question that small businesses across the country are hurting as they try to manage the various economic headwinds during the Biden administration.

I am a small business owner. I employ about 300 people back in Texas. I am a car dealer. I have been in business 51 years. I remember 1971. I remember 1981. I remember 1988. I remember 2008. And this president is really putting it on us compared to what we saw in the past.

And I recently received a letter from a constituent in my district, Mr. Michael Jones, who is the owner of Glen Rose Veterinary Clinic that I would like to share with you all today. Mr. Jones wrote, he said, "The past few months have been particularly challenging as I have been struggling to keep up with the rapid price increases as a result of supply chain disruptions and increased gas prices." And on top of this he is having trouble keeping up his employees' wages since inflation is eating away at all of their hourly rates. The economic realities have left him with no choice but to pass these costs along to his customers in order to keep his business running.

So before I get on with my questions, I would like to submit this letter, Madam Chair, for the record.

Chairwoman VELAZQUEZ. Without objection.

Mr. WILLIAMS. Thank you. Thank you for that.

And unfortunately, Mr. Jones's experience in Glen Rose is becoming all too common for small businesses across the country. There again, I am a small business. I get it. I know what he is going through. I know it is hard to hire people. Supply chain is a disaster. Try that in the automobile business right now. So I know what he is going through and what small businesses have happening.

We have an administration that has no small business experience, no business, making rules they have actually no reference to go from.

So Mr. Griffith, what specific actions can the administration and Congress take to combat these economic challenges small businesses are facing right now?

Mr. GRIFFITH. Well, I think one of the things Congress could do would be to take a second look at what has been proposed in the Pro Act. The Pro Act would actually apply basic California labor standards to the rest of the country and would make it very difficult for independent truckers, for instance, to work. And that is something that Congress right now is actively considering imposing. This would really put small businesses in a bad situation and harm a lot of independent workers.

Mr. WILLIAMS. Well, and you know, 75 percent of the workforce, 75 percent of the payroll is small business but, yet, we have one party that wants to help. We have another party that wants to hurt.

So it has been over 4 years since the 2017 Tax Cuts and Jobs Act passed Congress and was signed into law by President Trump. This historic tax reform ensured that American small businesses and workers were provided opportunities to grow and compete. Unfortunately, many of the important provisions in this bill will expire in the next few years, and rather than working to extend these

important provisions and make it easy for small business and easy for main street that prove successful in jumpstarting main street, the Democrats continue to discuss new taxes on passthrough entities and S corps. What a time to be raising taxes; right? It is unbelievable.

So Mr. Griffith, can you discuss how the additional 3.8 percent tax that the Democrats keep reviving would hurt small business?

Mr. GRIFFITH. Well, it is going to discourage these business owners from actually saving and reinvesting that capital. Instead, they are going to be incentivized to consume that capital. It is going to harm not just the business owners but it is going to harm those people who rely on those businesses to create new jobs.

Mr. WILLIAMS. Well, they are going to have to raise prices; right? They are going to get in defense mode. Instead of spending, they are going to have to hold for taxes. So it is a disastrous, backwards economy. And Americans are seeing Help Wanted signs everywhere in the windows of businesses across the country. A recent survey by the NFIB found that 50 percent of all business owners reported job openings it could not fill. These overwhelming staffing shortages are hindering business operations and limiting owners' abilities to keep up with current demand while preventing business growth. We have talked about this.

Why do you believe, Mr. Griffith, that there are so many open jobs across the country right now, and how should the administration encourage Americans to return to work? Before you answer that, we have talked a little bit about it, but they might be able to encourage workers to go to work if we cut taxes. Let people make more money. Let people understand that there are jobs out there and employers like me, let's hire people, put them back to work because we have got a generation of kids that think a career is a \$15 minimum wage or it is an unemployment check. We need to fix that. So what would be your advice?

Mr. GRIFFITH. Well, two of the leading factors right now of people not going back to work, (1) People are still drawing down on the savings that they accumulated with all the generous government benefits. But also, work pays less today because of all this government spending and money printing. The typical person is earning around 10 percent less today in real terms than they were just 1-1/2 years ago. Work pays less.

Mr. WILLIAMS. Right. And they want more money because they are trying to stay up with inflation and small business cannot afford to do it. So it creates a problem.

So I guess at the end of the day I would certainly have less government and I would cut taxes again because it works and put money in the hands of these people so they can start spending again.

With that in mind, Madam Chair, I yield my time back.

Chairwoman VELAZQUEZ. The gentleman yields back.

And now we recognize the gentleman from Pennsylvania, Mr. Meuser, Ranking Member on the Subcommittee on Economic Growth, Tax, and Capital Access.

Mr. MEUSER. Well, thank you very much, Madam Chairwoman. I thank the Ranking Member Luetkemeyer as well. Thank you very much to our witnesses. And I am also pleased to say that I have

a number of small business owners from Pennsylvania's District 9 here attending. So thank you all as well.

So, Mr. Griffith, you know, facts are stubborn things. I am appreciating the fact that you are bringing out the facts. And, you know, there is a saying, "In God we Trust but everybody else bring their data." So why do we not stick to the data and priorities?

Small businesses are clearly under great pressure. This topic of access to capital is very important but it is simply not the priority right now. Inflation is. And there is also a saying that goes, "When you are in a ditch, the first thing you do is stop digging." But I am not so sure the Biden administration understands this because the things that got us here are part of the plan moving forward, such as continued spending, a continued assault on our domestic energy, continued regulations. The CBO puts it over \$200 billion just in the last 18 months. And no pro-growth or pro-production proposals. You know, pro-production would increase supply to meet demand as opposed to trying to diminish demand with higher taxes, which incredulously is being considered by the Biden administration and our friends in the left.

So right now inflation is at 9.1 percent. In laymen's term, 9.1 percent is about 1/12th of your income or revenue for a year; right? So, in other words, 1 month of every year, 1 month of this year, income and revenue will be evaporated for every business and every family because of inflation. That robs people of a lot. And it is not looking much better moving forward. I mean, right now we have as much as 46 percent of families struggling to pay bills. One year ago, according to surveys, it was 60 million people struggling to pay bills as they would denote. Now it is 90 million, right, again, with no end in sight.

We are also about to be informed that we are in a recession, regardless of whether or not the administration wants to admit it or how they want to redefine it after the historical definition that has existed. And inflation as we all know plays no favorites; right? It affects construction. It affects farmers. It affects manufacturers, service, families, everyone in the U.S.

So some of my small business constituents stated that their focus right now is on fighting headwinds rather than growing their business. Another stated that, a family farm owner, fertilizer is up 300 percent. It should be no wonder why food prices are through the roof as they are. Others state how they cannot hire. Projects are being delayed, construction projects and other, and one of my constituents informed us that the infrastructure bill that was passed will now provide 30 percent less projects because of the level of inflation that has taken place. So we really have some serious issues to address.

And Mr. Griffith, let me ask you this. Will continued regulations, continued excessive spending, continued assault on our domestic energy industry, keeping gasoline prices near \$4.80, and new taxes, again, remarkably, they are considering new taxes on small business, is that going to help us turn the corner and provide small businesses relief? Or are there better solutions than that?

Mr. GRIFFITH. No, this war on production right now that you see with this administration will make matters far worse. And you mentioned something very important. Fertilizer costs. Well, what

goes into fertilizer? It takes a lot of energy to actually produce that fertilizer. So when you see our administration declaring war on fossil fuels, declaring war on affordable natural gas, we are remaking ourselves in Europe's image and Europe is even in a far worse situation than we are in terms of energy costs and in terms of agricultural production. So if we continue down this road, declaring war on production at the same time that we are going to continue spending trillions of dollars that we do not have, we are promising to make matters worse. And there is an alternative, and the alternative is to actually incentivize production and get government spending under control. That will make it possible for American families to have a higher standard of living once again.

Mr. MEUSER. All right. I would love to ask the other witnesses the same question but I am out of time.

Madam Chair, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

And let me take this opportunity to thank the witnesses on this very important topic that is the Surety Bond Guarantee. Maybe next time when there is a bill to cut taxes we should all be committed to make sure that small businesses are not an afterthought, sunseting those taxes while corporate American runs away with the biggest cut in the history of this country.

For small businesses to benefit as much as possible from this once in a lifetime infrastructure investment, they must be well-equipped to engage in the federal contracting process. By finding ways to improve and modernize the Surety Bond Guarantee Program, we can help more small businesses take part in this historic effort. I look forward to taking the insights we have heard today and working with my colleagues to ensure this program meets the needs of small firms, especially the disadvantaged businesses that need it the most.

Without objection, Members have 5 legislative days to submit statements and supporting materials for the record.

And if there is no further business to come before the Committee, without objection, we are adjourned. Thank you.

[Whereupon, at 11:15 a.m., the committee was adjourned.]

**A P P E N D I X**

Testimony of Peter C. Gibbs  
Before the U.S. House Small Business Committee  
On  
“Leveraging the Infrastructure Investment and Jobs  
Act: The Role of the SBA’s Bond Guarantee  
Program”  
July 27, 2022

On behalf of National Association of Surety Bond  
Producers (NASBP)<sup>1</sup>



7735 Old Georgetown Road, Suite 900  
Bethesda, MD 20814  
<https://www.nasbp.org/home>

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<sup>1</sup> NASBP is a national trade association whose membership includes firms employing licensed surety bond producers placing bid, performance, and payment bonds throughout the United States and its territories.

**Opening Remarks**

I wish to extend sincere appreciation to Chairwoman Velazquez, Ranking Member Luetkemeyer, and the members of the Committee for the opportunity to provide written and oral testimony on issues of importance concerning the U.S. Small Business Administration's (SBA) Surety Bond Guarantee Program (Program).

My name is Peter C. Gibbs. I am a small business owner and the founder and President of [Foundation Surety and Insurance Solutions](#), a licensed insurance agency which positions small construction companies to qualify for surety bonding. My agency is a member of NASBP. Prior to starting my agency, I served as the Director of the Office of Surety Guarantees of the U.S. Small Business Administration. I retired in August 2021 after service at the agency for over 30 years. I also am retired from the U.S. Army Reserves, having attained the rank of Lieutenant Colonel, and, from 2006 through 2010, I served on active military duty in the Middle East.

I believe without question that the SBA Surety Bond Guarantee Program is a valuable resource to small and emerging contractors which, for various reasons, otherwise may fail to qualify for surety credit in the standard market. I commend the SBA Surety Bond Guarantee Program for initiating a number of meaningful changes in recent years that have expanded business opportunities for many small businesses with contracts that require surety bonds with reasonable terms.

**Recent Program Enhancements**

While working collaboratively with the surety industry, the Program has gone through a dramatic transformation. These transformative enhancements have greatly bolstered the Program's participation among small and emerging contractors, surety bond producers, and surety companies, which in turn has created greater opportunities for small and emerging contractors in obtaining bonding to bid on public and private projects and to grow their respective businesses. Such enhancements include:

- Increasing the contract size bond amount from \$2 million to \$6.5 million, and up to \$10 million for federal contracts with the contracting officer's certification,
- Granting the SBA Administrator with statutory discretion to determine the portion of liability assumed by the SBA and the surety;
- Increasing the guarantee up to 90% for participating surety companies,
- Instituting a paper-less application process while approving bond applications in less than two days;
- Raising the streamlined Quick Bond Application from \$250,000 to \$400,000; and
- Reducing the fees charged to sureties and contractors which secure surety bonds through the Program to create greater opportunities for small and emerging contractors to grow their businesses and stimulate greater corporate surety and surety bond producer participation in the Program.

**Results from Program changes**

These changes are the direct result of an increase in surety company partnerships, which rose from 23 to 42 companies. For Fiscal Year 2021, the SBA guaranteed bid and final bonds totaled more than \$6.8 billion in overall contract value. With the work of the SBA's top-performing surety partners and bond agencies, over 1,600 small businesses were assisted, and over 34,000 jobs were supported [according to the SBA OSG](#).

But more can be done. I believe that further beneficial changes can be made to the Program to better position it for the likelihood of increased Program usage resulting from the passage of the Infrastructure Investment Jobs Act (IIJA).

**Additional Enhancements**

For your consideration, I suggest the following Program enhancements:

- Ensure adequate staffing levels for the OSG Program, as natural attrition and retirements have reduced staffing levels significantly and position replacements have not been made;
- Dedicate resources for the investment in information technology infrastructure to increase program efficiency;
- Explore techniques to manage, mitigate, and transfer risk which may attract participation from the reinsurance industry;
- Consider adding other surety bond products to the Program, which may be difficult for small businesses to obtain in the marketplace;
- Establish parity with and internal coordination and communications between the SBA Bond Guarantee Program and other SBA Small Business programs, such as those relating to loan guarantees and business assistance;
- Enhance the marketing resources and budget available to the Program;
- Provide marketing resources to and incentives for federal and state procuring agencies to make small construction businesses aware of the Program;
- Consider a temporary suspension of Program fees paid by small businesses to access the Program; and
- Consider raising the current contract guarantee amounts (as proposed in Section 100102 in the Build Back Better Plan) from \$10 million (with the contracting officer certifying that guarantee is necessary) to \$20 million, and on non-federal contracts from \$6.5 million to \$10 million.

To better fulfill its mandate to help more small businesses, especially in the current economic period, the Program cannot be viewed as a “well-kept secret” and impediments to access, such as adequate staffing levels, available marketing resources, and fee reductions, must be thoroughly examined.

**Surety Industry Resources of Note**

It is worth noting a recent surety industry resource that now is in place. In January 2022, NASBP and The Surety & Fidelity Association of America (SFAA) launched a free online course, consisting of interactive educational modules, to educate small construction businesses on the means by which to achieve surety bonding. [The Contractor Bonding Education & Mentoring Program](#) guides such businesses on the exact steps that can be taken to qualify for construction surety bonds. The online course includes two components: 1) a set of eLearning modules available online 24/7, which can be taken on demand at the learner’s pace, and 2) an optional mentor program with industry professionals (bond producers and surety underwriters) who provide practical advice and recommendations for mentees to follow in their efforts to achieve bonding. This educational resource is an important compliment to the many resources offered by the U.S. SBA to small construction businesses.

On behalf of NASBP, I appreciate the opportunity to address the House Small Business Committee to raise awareness about the importance of the SBA Surety Bond Guarantee Program and of the need for further Program enhancements to maximize the opportunities of small construction businesses afforded by the IIJA. I hope this testimony is informative, and I welcome any questions or inquiries the Committee may have of me concerning my testimony or on matters pertinent to small businesses and surety bonding.



**Testimony of Mr. Ralph Pulver**  
 Regional Underwriting Officer  
 Travelers Bond & Specialty Insurance  
 Hartford, Connecticut

**The House Committee on Small Business**

**“Leveraging the Infrastructure Investment and Jobs Act: The Role of the SBA’s Bond Guarantee Program”**

**July 26, 2022**

Good afternoon. My name is Ralph Pulver, and I am employed by Travelers Bond & Specialty Insurance in Hartford, Connecticut, where for the past 20 years, I have served as a Regional Underwriting Officer in our Construction Services business unit. My day-to-day responsibilities include underwriting contract surety bonds for our construction clients. This includes management of the department at Travelers that services our small contractor clients, including those that are underwritten through the SBA Bond Guarantee Program.

I am here today on behalf of the Surety and Fidelity Association of America, or SFAA, a non-profit organization based right here in Washington D.C., whose members are primarily insurance companies that provide over 98% of the surety bonds in the United States.

Today, I will be addressing **three main topics**:

- **Background on surety bonding and operation of the SBA bond guarantee program**
- **How the SBA program helps small and emerging contractors grow their companies and contribute to the economic strength of their communities**
- **Positive improvements to the program**

1) Background on Surety Bonding and Operation of the SBA Bond Guarantee Program

As you may already know, contract surety bonds are generally required by federal statute since 1935 and laws in every state to guarantee the completion of federal, state, and municipal construction projects. My role is to prequalify the project contractors, which includes reviewing their ability to perform the project and ensuring the suppliers, subcontractors, and laborers are paid.

The U.S. Small Business Administration, or SBA, established the Surety Bond Guarantee Program in the early 1970s to assist small and emerging contractors who are unable to obtain bonding in the traditional surety market. The program guarantees individual contracts of up to \$6.5 million for state and municipal projects. For federal projects, contracts of up to \$10 million may be considered if a federal contracting officer certifies that such a guarantee is necessary.

The SBA Surety Bond Guarantee Program currently consists of the Plan A (or Prior Approval) program and Plan B (or the Preferred Surety Bond) program. Travelers



participates in the Plan B program. This means the SBA has reviewed our underwriting and administrative practices and financial strength and made a determination as to the aggregate limit of bonds that Travelers can write. Under the Plan B program, Travelers does not have to submit individual bonds to the SBA for approval, which streamlines the process. The SBA has given us the authority to underwrite and issue the bonds on the SBA's behalf. As a "Preferred Surety," Travelers must also agree to periodic review and audit of SBA bonds.

As of the most recent update from the SBA, Travelers is the third largest writer of bonds in the Plan B program, averaging 262 bonds annually for an average of 86 small businesses since 2019. It should be noted that this ranking is determined by the number of bonds written rather than by the amount of surety premium.

Under the Plan A and Plan B programs, the emerging contractor must qualify as a small business as classified under the SBA's Office of Size Standards. The size standard is determined by the gross revenues of the company and all affiliates, averaged over the last five years, as well as the company's industry or class of work.

The SBA's regulations provide that a bond must be required in the contract to be eligible for a guarantee. Also, the contractor must certify that they have tried and failed to obtain bonding in the standard market.

The SBA Bond Guarantee Program provides an effective tool for surety companies to favorably underwrite small and emerging contractors that otherwise would not qualify for surety support. Although these emerging contractors may not have balance sheets that reflect the financial strength of larger contractors, the surety will still undertake a rigorous pre-qualification process focused on the contractor's ability to complete the obligation.

2) How the SBA program helps Small and Emerging Contractors Grow their Companies and Contribute to the Economic Strength of their Communities

Providing an initial opportunity for small and emerging contractors to participate in the public bid market is critical to their future success. While there is no time restriction for a contractor regarding how long the SBA supports them, most growth-oriented contractors aim to meet the underwriting requirements of a traditional surety market and graduate from the SBA program.

During what I refer to as the "groom and grow" period, the small and emerging contractor receives coaching and advice from their surety bond professionals on how to position their company better to obtain surety bond credit support in the traditional surety marketplace. Undoubtedly, the Infrastructure Investment and Jobs Act will increase opportunities for small and emerging contractors, including minority- and women-owned businesses. For some contractors new to the surety bond market, the SBA Surety Bond Guarantee Program will help make that opportunity a reality.

3) Positive reforms to the program

Under the leadership of Peter Gibbs and currently, Jennifer Vigil, significant, positive operational and programmatic improvements have been made in the SBA Program, including enhancements to the Mentor-Protégé Program, increasing the contract size for



eligible projects, increasing the guarantee percentage, permanently decreasing fees for contractors and sureties and increasing the quick application contract limit to reflect market practices. All these improvements have increased the number of participating small and emerging contractors, surety bond producers, and surety companies, now the largest number of sureties ever participating in the program.

I commend the SBA for making these improvements to the program and would like to thank the Committee for your support and leadership on this issue.

Thank you for the opportunity to appear before you today.

### Testimony of Alan C Gravel

I am Alan Gravel, Chairman of the Board of Willow Construction, Inc. Willow is a small heavy civil contractor based in the Atlanta area. We work principally in North Georgia. We build and repair earthen dams, build water & sewer pump stations and treatment plants, and complete other heavy civil projects such as sinkhole repair and similar work.

I grew up in Louisiana, earned a BS in Civil Engineering at Louisiana Tech, and an MS in Environmental Health Engineering at the University of Texas. I then joined the Air Force and flew C-7 Caribous and then KC-135 tankers in Vietnam. In 1974 I left the Air Force and moved to Atlanta to work for a Civil Engineering consulting firm. In 1981, I left that firm to go to work for a utility contractor. When that company went out of business in 1992, I started Willow with employees who had worked for me. Of the 28 or so employees we have now, at least six have been with me over 35 years. Willow itself just celebrated our 30<sup>th</sup> anniversary.

In the beginning we were, like many start-ups, under-capitalized but we established modest banking and bonding relationships and steadily built our business. In 1997 we bought a tract of Heavy Industrial property, built our office & shop facilities, and moved from the office we had been renting. By 2000 we had reached our target volume of work and were on reasonably sound footing. In these early days, almost all of our work was public bid work that required Payment and Performance Bonds.

Between 2000 and 2008 we gradually picked up some private and subcontract work which did not require bonding but were still actively bidding bonded work. Our bonding agent at the time was an experienced professional who recognized us as a minimal risk to the bonding company. Because we brought financial systems with us from the previous company, we had always been able to provide financial documentation that met the bonding underwriters needs.

The financial crisis of 2008 – 2012 ended our steady progress toward financial security. My late wife, Sheri, said to me "So let me understand. We are giving up our retirement savings to ensure that Willow employees have a steady paycheck through the recession, right?" My answer was, yes, that is exactly what we are doing but if Willow survives then all problems can eventually be solved.

Around this time, due to my health status and my exposure to Agent Orange in Vietnam, we were verified by the Veterans Administration as a Service-Disabled Veteran Owned Small Business. We made a significant effort to pursue work set aside for SDVOSB's but did not find that to be a fruitful market, due mostly to the large size of the jobs and the relatively specialized nature of our capabilities.

Willow lost significant amounts of money in 2009 – 2012 and essentially broke even in 2013. I depleted most of my retirement savings and in 2011 we had to sell some of our construction equipment. All salaried employees took pay cuts, and we did not have raises for about 7 years. We survived and throughout this time, our experienced bond agent who knew us well was able to provide bonds for the reduced level of business that we were able to maintain.

Things improved starting in 2014 but we had dug a pretty deep hole for ourselves. Our private and subcontract work picked up significantly but when public bid opportunities came along, we had to do some serious negotiation to obtain our bid bonds. Then our long-term, professional bond agent fell ill and had to retire. His company replaced him with a young man with no experience and things quickly went downhill.

Howard Cowan and I were friends in college. We had maintained that friendship through all of the years since. When he left the Air Force, he became a Surety Underwriter and then eventually a Surety Agent. When I left the Air Force, I worked for a consulting engineering company and then a utility contractor. We have always found it amusing that I studied Civil Engineering and he studied Philosophy and somehow, we ended up involved in the same business. Particularly since starting Willow I had relied on Howard's advice about bonding and many other things.

When bonding became very difficult for Willow, I called Howard. After some discussion he said, "I have resisted doing this for 30 years, but I think it might be time for me to become your Bonding Agent." He recognized that Willow had a proven track record but for circumstances that were somewhat beyond our control, we did not meet the normal commercial standards for bonding.

Howard had a long-term relationship with the Underwriters at Suretec. They studied our situation and concluded Willow was a good candidate for SBA's Preferred Surety Bond Program. Early in the relationship, Howard and the Suretec Underwriters visited our office in Atlanta to meet our key people and get a better understanding of our capabilities. Through Suretec's comprehensive understanding of Willow's operations and their strong partnership with the SBA, we were able to continue bidding bonded work.

Through lots of hard work, some good luck, and the SBA-backed bonding program, Willow has recovered our financial stability and in 2020 were able to re-enter the commercial bond market. Since then, we have had the 3<sup>rd</sup> and 4<sup>th</sup> best years in our 30-year history and are steadily reducing our debt, upgrading our equipment fleet, and hiring young employees who will carry the Company into the future.

In those dark days in 2010 and 2011, we could have chosen to declare bankruptcy. Instead, we chose to never give up. Had the SBA bond program not been available, we might have eventually recovered but it would have taken much longer. With it, we returned to financial health, providing good incomes to our employees, paying taxes, and completing quality projects for our community and the environment.




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## CONGRESSIONAL TESTIMONY

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### Leveraging the Infrastructure Investment and Jobs Act

Testimony before

#### The House Small Business Committee

United States House of Representatives

July 27, 2022

Joel Griffith

Research Fellow, Financial Regulations  
The Heritage Foundation

Chair Velázquez, Ranking Member Luetkemeyer, Members of the House Small Business Committee. Thank you for the opportunity to testify on the Infrastructure and Jobs Act. My name is Joel Griffith. I am a Research Fellow in Financial Regulations at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

#### **Introduction**

Businesses of every size—especially smaller businesses—are struggling with supply chain issues, rising prices, and a shortage of people willing to work. The Biden administration

insists these problems are transitory, scapegoating the businesses and blaming the pandemic and the war in Ukraine for our economic woes.<sup>1</sup>

The mismatch between supply and deficit-driven demand contributes to the steepest rise in prices in 40 years-- from the grocery store, to housing, to the gas pump. The supply chain crisis has been exacerbated by this administration's "war on energy," including shuttering pipelines,<sup>2</sup> closing off swaths of

<sup>1</sup> The Heritage Foundation, Fact-Checking the Media's False and Misleading Claims Blaming Americans for Rising Prices, Supply Chain Crisis, November 18, 2021, <https://www.heritage.org/press/fact-checking-the-medias-false-and-misleading-claims-blaming-americans-rising-prices-supply> (accessed March 29, 2022).

<sup>2</sup> David Blackmon, "Why Biden's Killing Of Keystone XL Was An Energy Security Blunder," *Forbes*, March 10, 2022, <https://www.forbes.com/sites/davidblackmon/2022/03/10/why-bidens-killing-of-keystone-xl-was-a-big-energy-blunder/?sh=13b0b4f13fd> (accessed March 29, 2022).

the nation to drilling,<sup>3</sup> and even threatening oil executives with prison for providing the gasoline American business and families depend on.<sup>4</sup>

In recent months, prominent media commentators and various media outlets have taken up this false attack on the very people suffering from the bad decisions being made in Washington. Meanwhile, the administration refuses to acknowledge the primary culprits: ill-advised COVID restrictions here and across the world that throttled production and shipping, record government spending financed by the Federal Reserve that stoked demand, and labor force suppression from poorly targeted government transfer payments, shuttered schools, and diminished childcare options. Exacerbating the problem—particularly in California—are organized labor groups refusing to embrace common sense port operations adjustments and a continued slew of environmental regulations slashing the number of available trucks.

Proposals for even more government spending, labor regulations such as the PRO Act, harsh environmental regulations on energy production, and massive tax hikes on businesses risk further shocks. Artificially stoking demand while crippling production is a recipe for both shortages and higher prices.

**Calls to Expand the Role of the Small Business Administration Ignore the Reality:**

<sup>3</sup> Lisa Friedman, “Biden Administration Halts New Drilling in Legal Fight Over Climate Costs,” *The New York Times*, February 22, 2022, <https://www.nytimes.com/2022/02/20/climate/carbon-biden-drilling-climate.html> (accessed March 29, 2022).

<sup>4</sup> Katelyn Caralle, “We should put them in jail! Joe Biden wants to prosecute fossil fuel executives for environmental damage—but doesn’t mention son Hunter who helped run Ukrainian natural gas giant,” *Daily Mail*, December 30, 2019, <https://www.dailymail.co.uk/news/article-7837265/We-jail-Biden-wants-prosecute-fossil-fuel-executives-environment-damage.html> (accessed March 29, 2022).

**Small Businesses are Being Serviced by the Credit Markets.**

It’s a misnomer that credit markets are not providing funds to small businesses. Most small businesses are saying they are generally not looking for more credit.<sup>5</sup> Only three percent of respondents in a January 2022 National Federation of Independent Business (NFIB) survey reported their borrowing needs were not satisfied. Only 1 percent reported financing as their top business problem. The survey also reported, “Only a net 2 percent reported their last loan was harder to get than in previous attempts (up 1 point).”<sup>6</sup> In past economic crises, 37 percent have reported financing and interest rates as a top concern.

Proposals to expand the SBA’s lending or bond guarantee programs do nothing to counteract these destructive policies and only serve to benefit politicians from the appearance of providing assistance to businesses.

**The primary factor behind the enormous economic disruptions are the ill-advised COVID restrictions here and abroad.**

Contrary to conventional wisdom, the pandemic itself did not ‘shut down the world.’ Government lockdowns shut down large parts of the world. Companies were forced by governments to abide by oppressive

<sup>5</sup> William C. Dunkelberg and Holly Wade, NFIB Small Business Economic Trends, NFIB Research Center, January 2022, <https://assets.nfib.com/nfibcom/SBET-Jan-2022-Final.pdf> (accessed February 8, 2022).

<sup>6</sup> Ibid.

<sup>7</sup> Peter St. Onge, “Blame Government, Not COVID-19, for Supply Chain Collapse,” The Heritage Foundation, October 18, 2021, <https://www.heritage.org/transportation/commentary/blame-government-not-covid-19-supply-chain-collapse> (accessed March 29, 2022).

restrictions, driving many out of business. Erratic, unpredictable, arbitrary decisions by government bureaucrats made planning even for the short-term nearly impossible. Onerous distancing and capacity restrictions on processing plants crippled production.

Bad government policy set in motion the economic turmoil, skyrocketing inflation, and supply chain havoc Americans are experiencing, and new government policies continue to worsen the crisis.

As evidenced by the disparate economic performance in states, those that reopened society quickly or refused to impose shutdowns from the start enjoyed a much better economic environment. The Federal Reserve State Coincident Indexes—an approximation of state GDP—vividly illustrates how variant the economic recovery is based on states.<sup>8</sup> This index suggests economic output at the end of 2020 was actually greater than pre-pandemic in eight states which did not endure crushing, long-lasting shutdowns, such as Florida and South Dakota. This contrasts starkly with states such as Hawaii, Michigan, Rhode Island, and Massachusetts which remain more than 10% smaller than pre-pandemic. Overall, by the end of 2020, the 10 states with the fewest restrictions in place<sup>9</sup> averaged 4.7 percent unemployment—while the 10 states with the most restrictions averaged 7.1 percent unemployment.<sup>10</sup> Los Angeles suffered from 11.1% unemployment and NYC 8.6%—cities where draconian restrictions and an army of

compliance officers continued to push tens of thousands of businesses out of business.<sup>11</sup> Meanwhile, unemployment in numerous communities in Alabama, Idaho, Iowa, Nebraska, South Dakota, and Utah was close to 3% or less by the end of 2020.

Politicians who advocated for shutdowns and pervasive economic restrictions pushed millions of those who are unemployed or financially underwater off an economic cliff, while blaming the pandemic for the millions slipping “through the cracks.”

**Record amounts of government spending financed by the Federal Reserve also contribute to the problem.**

While governments hampered the supply of goods and services, a tsunami of government spending contributed to the rise in demand—including future demand as households stockpiled income from both wages and government COVID-19 relief checks. Without a doubt, Federal Reserve policy is contributing to the very large burst of inflation. The federal government has used the Fed as a piggy-back, “selling” trillions in debt for newly ‘printed’ money that then floods into the economy, driving inflation while bribing resources and workers away from businesses that desperately needed them.

**The unprecedented labor shortage in the United States—with an employment gap of**

<sup>8</sup> Federal Reserve Bank of Philadelphia, State Coincident Indexes, <https://www.philadelphiafed.org/-/media/frbp/assets/surveys-and-data/coincident/coincident-revised.xls> (accessed March 29, 2022).

<sup>9</sup> Adam McCann, “States with the Fewest Coronavirus Restrictions,” WalletHub, January 26, 2021, <https://wallethub.com/edu/states-coronavirus-restrictions/73818> (accessed March 29, 2022).

<sup>10</sup> U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Data Series, December 2020,

<https://www.bls.gov/web/laus/laumstrk.htm> (accessed March 29, 2022).

<sup>11</sup> U.S. Bureau of Labor Statistics, Unemployment Rate in Los Angeles-Long Beach-Anaheim, CA (MSA) [LOSA106URN], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LOSA106URN>, (accessed March 29, 2022). U.S. Bureau of Labor Statistics, Unemployment Rate in New York-Newark-Jersey City, NY-NJ-PA (MSA) [NEWY636URN], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/NEWY636URN>, (accessed March 29, 2022).

**about 4.7 million workers—is contributing to supply-chain issues and rising prices.**<sup>12 13</sup>

Early in the pandemic, governments forced many businesses to shutter completely or dramatically reduce operations. Many of these employees hardly ‘elected’ to stop working. Instead, their jobs disappeared due to governments criminalizing their employment. Meanwhile, schools in many parts of the nation closed their doors for much—if not all—of the academic year or imposed spontaneous, unpredictable interruptions. This made employment difficult for many parents. In addition, many of those formerly working in the childcare industry left. Generous federal unemployment bonuses<sup>14</sup> combined with state unemployment benefits resulted in the majority of unemployed Americans earning more off the job than on the job—acting as a powerful disincentive to returning to work, especially when combined with multiple federal stimulus checks. This specifically impacted warehouse,

retail, and the hospitality sectors. Private vaccine mandates and a threatened federal mandate pushed others out of the labor force. In short, misguided government policies shrank the number of people willing or able to work.<sup>15 16 17</sup>

As a result of so many dropping out of the labor market, the availability of workers is incredibly tight. Businesses across nearly every industry in the United States are desperate for workers and have expanded their pay and benefit packages.<sup>18</sup> The number of unfilled jobs remains at record levels, with 11.3 million unfilled jobs in May 2022—more than 1.9 jobs available for each of the 5.95 million unemployed workers.<sup>19</sup>

The National Federation of Independent Business (NFIB) reported that 50 percent of business owners were unable to fill open positions in June—more than double the 22 percent historical average.<sup>20</sup> Accordingly,

<sup>12</sup> Rachel Greszler, “What Is Happening in This Unprecedented U.S. Labor Market,” Heritage Foundation Backgrounder No. 3677, December 8, 2021, <https://www.heritage.org/jobs-and-labor/report/what-happening-unprecedented-us-labor-market>.

<sup>13</sup> Rachel Greszler, Joel Griffith, Elizabeth Hanke, Tori Smith, and Katie Tubb, “Inflation: Policymakers Should Stop Driving It and Start Fighting It,” Special Report No. 252, The Heritage Foundation, January 20, 2022, <https://www.heritage.org/sites/default/files/2022-02/SR252.pdf> (accessed March 29, 2022).

<sup>14</sup> Rachel Greszler “9 Reasons Why Federal Unemployment Bonus Subsidies Need to Go,” The Heritage Foundation, June 10, 2021, <https://www.heritage.org/jobs-and-labor/commentary/9-reasons-why-federal-unemployment-bonus-subsidies-need-go> (accessed March 29, 2022).

<sup>15</sup> Rachel Greszler, “More Bad Policies and Government Spending Will Worsen Labor Shortage,” The Heritage Foundation, October 13, 2021 <https://www.heritage.org/jobs-and-labor/commentary/more-bad-policies-and-government-spending-will-worsen-labor-shortage> (accessed March 29, 2022).

<sup>16</sup> Rachel Greszler, “Why has employment been so slow to recover?,” *The Washington Times*, March 9, 2022, .

<https://www.washingtontimes.com/news/2022/mar/9/why-has-employment-been-so-slow-recover/> (accessed March 29, 2022).

<sup>17</sup> 5 percent of unvaccinated adults surveyed said they would leave their jobs if their employers required them to get a vaccine or get tested weekly. Considering that the unauthorized Occupational Safety and Health Administration (OSHA) mandate would apply to an estimated 84 million workers, this could require employers to fire—and attempt to replace—up to 4.2 million workers. Liz Hamel et al., “KFF COVID-19 Vaccine Monitor: October 2021,” Kaiser Family Foundation, October 28, 2021, <https://www.kff.org/coronavirus-covid-19/poll-finding/kff-covid-19-vaccine-monitor-october-2021/> (accessed March 29, 2022).

<sup>18</sup> Rachel Greszler, “An Unprecedented Labor Shortage,” The Heritage Foundation, June 22, 2022, <https://www.heritage.org/jobs-and-labor/commentary/unprecedented-labor-shortage> (accessed July 26, 2022).

<sup>19</sup> News release, “Job Openings and Labor Turnover Summary,” BLS, July 6, 2022, <https://www.bls.gov/news.release/jolts.nr0.htm> (accessed July 26, 2022).

<sup>20</sup> NFIB Jobs Report, June survey through June 3, 2022, <https://assets.nfib.com/nfibcom/2022-June-Jobs-Report-FINAL-003.pdf> (accessed July 27, 2022).

businesses are increasing compensation, and therefore their costs. According to NFIB, 48 percent of business owners reported raising compensation in June (near the 50 percent record high of just a few months ago), and 28 percent plan to raise compensation in the next three months (near a record high).<sup>21</sup> Ultimately having to raise compensation from government-induced inflation rather than from productivity gains may force some to go out of business.

**Federal and state policies, especially in California, compounded problems.**<sup>22</sup>

Despite being in the midst of the pandemic, labor, and supply chain crisis, states [continued to enact or allow policies that exacerbate the economic pain. For example, California](#) continued a phase-out of older diesel trucks. Organized labor in California continued to resist modernization in favor of inefficient modes of operation while refusing to fully expand their hours to alleviate the backlog. With such high labor costs (roughly three times the national average for port workers) and the union's unwillingness to operate on a 24/7 schedule similar to all other major ports in the world, it would make sense to increase automation, but the union has fought hard against that—including securing a provision in the bipartisan infrastructure package to prevent any funds from going toward automation.<sup>23</sup>

<sup>21</sup> Ibid.

<sup>22</sup> Rachel Greszler, Joel Griffith, Elizabeth Hanke, Tori Smith, and Katie Tubb, "Inflation: Policymakers Should Stop Driving It and Start Fighting It," Special Report No. 252, The Heritage Foundation, January 20, 2022, <https://www.heritage.org/sites/default/files/2022-02/SR252.pdf> (accessed March 29, 2022).

<sup>23</sup> Eric Boehm, "America's Ports Need More Robots, but the \$1 Trillion Infrastructure Bill Won't Fund Automation," Reason, November 9, 2021, <https://reason.com/2021/11/09/americas-ports-need-more-robots-but-the-1-trillion-infrastructure-bill-wont-fund-port-automation/> (accessed March 29, 2022).

After sitting up to weeks on boats, containers of goods can wait weeks longer for the select few trucks and truckers that California's environmental and labor laws allow into the state, only to be transported to California's border where the remaining 70 percent of trucks in the United States are free to come and transfer the goods across the rest of the country. All this adds time and hassle, backing up the supply chain further, and raising the costs of the goods themselves.<sup>24</sup>

Labor costs and bottlenecks could increase further if the Teamsters' Union convinces the Biden Administration to change the definition of employee so that businesses cannot hire independent truckers to transport their goods but must instead make do with the much smaller supply of expensive unionized truckers.

Long-standing government policies that limit how goods can be transported have exacerbated port delays, largely occurring at the adjacent Ports of Los Angeles and Long Beach. In particular, the Merchant Marine Act of 1920, commonly referred to as the Jones Act, mandates that any goods shipped by water between two points in the United States must be transported on a U.S.-built, U.S.-flagged vessel with a crew that is at least 75 percent American.<sup>25</sup> This law drives up shipping

<sup>24</sup> Rachel Greszler, "California's 'Pro-Worker' Law Is Killing Jobs Left and Right," The Daily Signal, January 8, 2020, <https://www.heritage.org/jobs-and-labor/commentary/californias-pro-worker-law-killing-jobs-left-and-right>.

<sup>25</sup> Nicolas Loris, Brian Slattery, and Bryan Riley, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation Background No. 2886, May 22, 2014, <https://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>.

costs<sup>26</sup> on average by 270 percent<sup>27</sup> as this regulation excludes 99.8 percent of the world's shipping capacity from transport between states.<sup>28,29</sup> The sheer cost of interstate water transport due to the Jones Act often makes it more affordable to ship goods from Asia than between states. For example, in October 2021, millions of pounds of Alaskan seafood were being blocked from coming into the United States via Canada due to the Jones Act.<sup>30</sup>

**What can be done:**

Congress and the Biden administration should get the federal government out of the way by cutting red tape, by stepping away from massive tax-and-spending legislation that seeks to micromanage the economy, and by saying “no” to unions and activists who want to cripple our economy.<sup>31</sup>

26 Federal Reserve Bank of New York, “Report on the Competitiveness of Puerto Rico’s Economy,” June 29, 2012, <https://www.newyorkfed.org/medialibrary/media/regional/PuertoRico/report.pdf> (accessed December 9, 2021). For example, according to a Federal Reserve Bank of New York report, the cost of shipping a 20-foot container from the East Coast to Puerto Rico is about double the cost of shipping to nearby islands that are not subject to the Jones Act

27 U.S. Department of Transportation, Maritime Administration, Comparison of U.S. and Foreign-Flag Operating Costs, September 2011, <https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/3651/comparisonofusandforeignflagoperatingcosts.pdf> (accessed January 10, 2022), quoted in John Frittelli, “Shipping Under the Jones Act: Legislative and Regulatory Background,” Congressional Research Service Report for Congress, updated November 21, 2019, <https://crsreports.congress.gov/product/pdf/R/R45725> (accessed December 9, 2021). According to the Congressional Research Service, “A 2011 study by the U.S. Maritime Administration (MARAD) found that in 2010, the average operating cost of a U.S.-flag ship was 2.7 times greater than a foreign-flag ship, but MARAD estimates that this cost differential has since increased.”

28 InfoMaritime, “World Merchant Fleet and Top 15 Shipowning Countries (2021\*) Data,” August, 22, 2021, <http://infomaritime.eu/index.php/2021/08/22/top-15-shipowning-countries/> (accessed December 13, 2021).

- Acknowledge the misguided nature of the COVID-19 restrictions enacted by national, state, and local governments against people freely creating, working, shopping, and engaging.
- Repeal the Jones Act which drives up shipping costs, makes it more difficult to transport goods that are important to the food sector, and impedes access to affordable domestic energy. This is particularly noticeable in states such as California, where very limited pipeline infrastructure means California’s gasoline must be transported from refineries to demand centers by way of expensive and artificially scarce ships and crews.<sup>32</sup>
- Do not force workers into unions. Enable more flexible contract work by using a common law basis for

29 Colin Grabow, “The Progressive Case for Jones Act Reform,” Cato Institute, September 7, 2021, <https://www.cato.org/study/progressive-case-jones-act-reform#failed-law> (accessed December 10, 2021). The cost of a U.S.-built ship is “four to five times more costly than those constructed abroad,” according to Colin Grabow, policy analyst at the Cato Institute, and “the shipyards that build these vessels are so uncompetitive that few commercial ships are actually built.”

30 Editorial, “A Jones Act Fish Story, Chapter 2,” *Wall Street Journal*, October 3, 2021, <https://www.wsj.com/articles/a-jones-act-fish-story-chapter-two-alaska-shipping-bayside-canada-11633030744> (accessed December 7, 2021).

31 Peter St. Onge, “Why Biden’s Infrastructure Bill Will Likely Only Worsen Supply Chain Crisis,” The Heritage Foundation, November 17, 2021, <https://www.heritage.org/budget-and-spending/commentary/why-bidens-infrastructure-bill-will-likely-only-worsen-supply-chain> (accessed March 29, 2022).

32 Patrick Terrell, “Permanent Repeal of the Jones Act Would Be a Winning Response to COVID-19,” The Heritage Foundation, April 7, 2020, <https://www.heritage.org/trade/commentary/permanent-repeal-the-jones-act-would-be-winning-response-covid-19> (accessed July 26, 2022).

independent contractor status. Abandon legislation and regulations that restrict work such as California's AB5 law and the similar federal PRO Act.

- Remove welfare work disincentives such as monthly child payments detached from work. End COVID-19 benefits policies that discourage work by the able-bodied.
- Eliminate Section 232 tariffs on steel and aluminum imports. Eliminate tariffs on manufactured goods imports including cars, trucks, and parts. Eliminate Section 301 tariffs and antidumping and countervailing duties on chassis so truckers can raise capacity.
- Repeal Davis-Bacon. This law forces contractors and subcontractors for federally funded construction projects to provide their workers with government-determined hourly pay and benefits.) Many federal infrastructure projects are tied to Davis-Bacon wages, which are about 22 percent higher than market wages.<sup>33</sup>

### **Conclusion**

Broadly available tax cuts benefit all Americans, especially the most vulnerable, through a strong economy that generates demand for workers and raises their wages through productivity gains. Institutional and local reforms are needed to enable residents of impoverished communities to seize

the opportunities created by a strong national economy.

State and local governments share a responsibility to eliminate artificial barriers to economic growth and affordable housing. Minimum wages, occupational licensing, and unreasonable zoning restrictions are three examples of policies to review. Regulations are costly to businesses and individuals, lower real incomes, reduce entrepreneurship, exacerbate income inequality, and increase the price of consumer goods.<sup>34</sup>

Lastly, failing public schools contribute to a relative lack of education, marketable skills, and other forms of human capital. This directly impacts earnings capacity. To better equip the next generation to prosper, parents should be enabled to select educational alternatives for their children. Many of the underperforming public schools are located in economically deprived areas with a disproportionately large minority population.<sup>35</sup> Elevated numbers of students drop out before graduation; many graduates lack proficiency in basic reading, writing, math and specialized skills.<sup>36</sup>

The government granted education monopoly fails millions of students who are subsequently unable to effectively compete in the labor market. Education choice options that allow students and parents to choose the best school for them, have been shown to help the poorest students attain better outcomes over

<sup>33</sup> Rachel Greszler, "Why Congress Must 'Cancel' the Davis-Bacon Act," Washington Times, April 5, 2021, <https://www.washingtontimes.com/news/2021/apr/5/why-congress-must-cancel-the-davis-bacon-act/> (accessed January 10, 2022).

<sup>34</sup> Dustin Chambers, Patrick A. McLaughlin, and Laura Stanley, "Regulation and Poverty: An Empirical Examination of the Relationship between the Incidence of Federal Regulation and the Occurrence of Poverty across the States," Mercatus *Working Paper*, April 2018, <https://www.mercatus.org/system/files/chambers-regulation-poverty-mercatus-working-paper-v1.pdf>.

<sup>35</sup> Duncombe, Chris. "Unequal Opportunities: Fewer Resources, Worse Outcomes for Students in Schools with Concentrated Poverty," Commonwealth Institute, October 26, 2017,

<https://www.thecommonwealthinstitute.org/2017/10/26/unequal-opportunities-fewer-resources-worse-outcomes-for-students-in-schools-with-concentrated-poverty/>.

<sup>36</sup> *The Condition of Education 2018*, National Center for Education Statistics, U.S. Department of Education, 2018, p. 4, [https://nces.ed.gov/programs/coe/pdf/coe\\_cnb.pdf](https://nces.ed.gov/programs/coe/pdf/coe_cnb.pdf).

government assigned schools.<sup>37</sup> Over time, the opportunity gap between minorities and the rest of the nation will close due to enhanced educational quality. This will translate into greater income and wealth accumulation.

A full recovery requires a full reopening across the world and an unleashing of our fossil fuel energy resources here at home—a stark

contrast to printing more fiat currency, government borrowing, and government spending programs.

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<sup>37</sup> Jason Bedrick and Lindsey M. Burke, “The Next Step in School Choice,” National Affairs, Winter 2015,

<https://www.nationalaffairs.com/publications/detail/the-next-step-in-school-choice>.

**Committee on Small Business**  
**“Leveraging the Infrastructure Investment and Jobs Act: The Role**  
**of the SBA’s Bond Guarantee Program”**  
**Wednesday, July 27, 2022 10:00 A.M.**

Statement for the Record from Rep. Flood:

Mr. Griffith, you’ve written at-length on inflation and the dire consequences it’s having on America’s small businesses.

Your work is valuable and important, but the truth is you don’t need to read a 100-page study or think-tank piece to understand the effects of inflation on Americans’.

I hear the same stories over and over again from people every day. Americans’ are getting crushed by inflation from Lincoln, Nebraska to Los Angeles, California and everywhere in-between.

One such story from my district was that of a woman from David City, Nebraska.

With the increase in prices, she had to make the tough decision, like so many, of where to cut her budget. The only place she could do so was for dance classes for her daughter. Her daughter is now losing out on the opportunity to dance every week, which she’d enjoyed for years. This is a prime example of the opportunity cost of inflation.

Inflation’s true cost is about more than dollars and cents. Opportunities, experiences and even dreams are all a casualty of today’s historic runaway prices.

The latest Chamber of Commerce Small Business Index found that forty-four percent of small businesses surveyed listed inflation as the biggest challenge facing their business.

This made inflation the number one small business concern listed in the survey. Yet, the Biden Administration’s priorities, sadly remain entirely out of touch with the core problem here.

After having dumped trillions of new spending into the economy over the last year and a half, the President is interested in spending and taxing as much as Senator Manchin from West Virginia will allow him to, and he has no qualms with raising those taxes on small businesses.

We need to start taking the threat of inflation, and its effects on small businesses, seriously. We cannot ignore the warning signs that are flashing across our economy, and back home in our districts.

Questions for the Record for Mr. Griffith from Rep Flood:

- 1. Mr. Griffith, in January you wrote about the possibility of a return to 1970s era “stagflation.” Do you think the risk of stagflation has increased, decreased or stayed the same since then?**

The risk of stagflation has increased since January 2022. For most Americans, the cost of living is rising faster than wages—resulting in a very real decline in the standard of living for tens of millions of families. Consumers are expending their savings and increasingly relying on credit card debt in order to purchase raw essentials. Real average weekly earnings are down more than \$2,500 year since Biden took office. For the average family with two working adults, that’s more than \$5,000 per year per family in lost real income. Although according to Biden, this jobs market is the “strongest since the post-World War II era.” Millions refuse to even look for a job—resulting in a labor force participation lagging substantially below the already low pre-COVID-19 levels and forcing under-staffed businesses to hobble along while facing soaring costs. The drop in participation relative to pre-pandemic represents more than 3 million people absent from the workforce. In fact, the economy actually shrank during the first six months of this year. Economic growth didn’t just slow—it disappeared.

- 2. Mr. Griffith, with inflation already here, and the threat of stagflation looming, the Biden Administration thinks it is a good time to increase taxes on so-called pass-through businesses. At a moment when small businesses are bearing the brunt of the burden caused by increasing costs, do you think it is wise to increase taxes on pass-throughs?**

Increasing taxes on pass-through entities and other businesses will deter future investment, penalize business owners, and result in less capital available for hiring more employees or purchasing new equipment. Especially in the midst of a recession, such a tax hike could further retard growth.

- 3. There are also rumors that the Administration plans to forgive hundreds of billions of dollars in student loan debts. Mr. Griffith, how would broad student loan forgiveness affect inflation?**

Student loan forgiveness will impact inflation by stimulating demand as borrowers divert resources earmarked for principal and interest payments into purchases of goods and services. Additionally, the federal government will likely resort to borrowing dollars to replace the stream of repayments as this represents a reduction in revenue at a time when spending already exceeds receipts. If the Federal Reserve purchases some of the government bonds with newly created dollars to replace these repayments, this will be inflationary.



July 27, 2022

**Leveraging the Infrastructure Investment and Jobs Act: The Role of the SBA's Bond Guarantee Program**  
**American Property Casualty Insurance Association Statement**

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to submit a statement for the record for the House Committee on Small Business' hearing on the role of the Small Business Administration's (SBA) Bond Guarantee Program. APCIA is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

APCIA appreciates the Committee's willingness to highlight the important role of the SBA's Surety Bond Guarantee Program. The Surety Bond Guarantee Program increases access to public and private contracting opportunities for small businesses who are otherwise unable to obtain bonding. The Surety Bond Guarantee Program makes this possible by guaranteeing bid, performance, and payment bonds for small businesses.

A surety bond is a contract among at least three parties: (1) the project owner (known as the "obligee") who initiates, manages, or finances a project and is the recipient of the bond's obligation; (2) the contractor performing the obligation (the "principal"); and (3) the surety (the "obligor"), which is usually an insurance company. A surety must cover any losses incurred by the obligee if the principal (i.e., contractor) defaults or otherwise cannot complete a contract as promised.

Surety bond products are an important tool for infrastructure projects because bonds help ensure projects are delivered within budget and on time. For example, performance bonds protect taxpayers and investors by guaranteeing projects will be completed if the contractor fails to perform its responsibilities. In the event of a default, the surety will step in to complete the contract or provide funding to allow the owner to complete the contract. Before writing these bonds, a surety will conduct an extensive prequalification process to ensure contractors have the character and capacity needed for the project, which adds an important element of quality assurance.

In addition, payment bonds provide vital protection for subcontractors, suppliers, and workers by guaranteeing payment for work performed on a construction project. These protections play an important role in ensuring there is a sufficient number of qualified subcontractors, suppliers, and workers available because, without bonds, subcontractors and suppliers would either have to risk substantial losses from nonpayment or choose not to work on the infrastructure projects.

The ability to obtain bonding is critical for many contractors. The Miller Act requires general contractors for federal public works projects exceeding \$150,000 to obtain the protections of

performance and payment bonds, and the Infrastructure Investment and Jobs Act extended these bonding requirements to public-private partnerships financed by the Transportation Infrastructure Finance and Innovation Act (TIFIA). States, municipalities, and private project owners often impose similar bonding requirements on contractors.

By expanding access to bonding, the SBA's Surety Bond Guarantee Program helps smaller and more recently established contractors undertake construction projects while growing their business. The Infrastructure Investment and Jobs Act's historic investment in infrastructure projects will make the impact of the Surety Bond Guarantee Program as important as ever, so we appreciate the Committee drawing attention to this critical program.

Submit to record

Congressman Roger Williams Small Business Statements

**1. Name of Business:** Glen Rose Veterinary Clinic

**Business Owner Name:** Michael R. Jones

**Member Organization:** Texas Veterinary Medical association and American Veterinary Medical Association.

**City/State:** Glen Rose, TX

**\*Permission to Share Statement:** Yes.

**Statement on Inflation/Economic Headwinds:**

The current economy has had its deleterious effects on the veterinary industry and my small town in general. There are several areas I'll try to elaborate on, but the primary issue is the energy policy of the current administration, government induced inflation, and all the "trickle down" effects that come with these policies.

I have owned my own veterinary practice in Glen Rose, Texas for 38 years. Each year we have thankfully enjoyed a robust growth in numbers. But there is a catch. We've seen the skyrocketing gas prices, which affect not only me but all of my staff members, from the kennel help to skilled technicians. The increase in food costs has affected all of my crew. One of the big reasons our "numbers" look better is that we have increased our prices to our customer to ensure profit margins stay even. It's inflation that brought us here, and inflation that has increased the cost of veterinary medical care to pets. Just a note, pets are cheaper than Prozac, but it seems everyone is needing relief.

The veterinary profession overall has seen a relative explosion in numbers of pets at the start of Covid. That sounds good, but as inflation has set in, the costs of our furry friends have exceeded some budgets of the lower end of the economic scale. Solve the inflation issue, please.

Our business has been hit hard by lack of "supplies", including American made dog food. This American product is home grown and manufactured domestically, yet somehow our supply chain of proteins (beef, chicken, corn) has been disrupted. This could be a result of \$5 diesel or Chinese ownership of protein processors. Not to mention that medical supplies are also in short supply. There is no question that our economy is struggling to keep up.

Glen Rose, Texas is a small rural town. It's been easy to hire 18-20-year-olds for a starting job, but even our Dairy Queen starting wage is hitting \$12 an hour. The only way you can pay for that starting wage is to raise prices. Inflation is hurting us. They can't afford to drive to work unless their wage covers the basics. My friends that have clinics in the Dallas Fort Worth area are struggling to keep staff, much less to hire new staff. I'm not sure if it's inadequate wages or an impossible margin to justify more employees. With the gas prices nearly doubling, and food costs up 9%, our employees that make \$15 an hour cannot afford the gas, food, or basic necessities to make it under this catastrophe. It's costing them \$200 a month more than last year. From my compassion, I must pay them more to be able to keep them around, but then I'm contributing to the inflation cycle to keep up by raising my prices.

Is there a solution? Stop out of control government spending and don't spend money we don't have. Cut regulations and simplify taxes. The costs have all gone up and it all gets passed to the consumer. I have no choice but to increase prices to try and stay afloat during this inflationary environment. The federal government must control inflation at the national level and get our economy back on track.

**GLENROY**

July 25, 2022

Congressman Scott Fitzgerald (WI-05)  
 Washington, DC  
 Via email

Dear Congressman Fitzgerald,

I am writing to you today to express our deep concern regarding the current business climate in Wisconsin and throughout the United States. Glenroy is a family-owned manufacturer of packaging materials founded in 1965. We employ just under 240 people with most of our employees living in and around our manufacturing facility located in Menomonee Falls, Wisconsin. The family ownership of Glenroy has invested significantly in the community and the business, most recently completing a 130,000sqf expansion of our manufacturing plant along with the purchase of state-of-the-art equipment to better compete with the many large multi-national manufacturing that dominate this industry. Despite these significant investments and a very loyal customer base, Glenroy is struggling to achieve our growth goals due to the record inflationary environment, historic supply chain challenges, extreme labor shortages and increased regulatory involvement. Please note the following:

- In the past eighteen months, we have seen our raw material costs increase by almost 20%. While we have been able to pass much of this increase on to our customers, there is an implementation gap that has impacted our margins in each of the last four quarters.
- Perhaps an even greater challenge than the price of materials has been simply receiving the materials needed for us to meet our demand. Many of our largest suppliers have initiated "allocation" order fulfillment policies based on their lack of capacity and in some cases have declared "Force Majeure" for critical materials. In addition, many of our critical raw materials are only available from countries in the pacific rim and container shortages and long lead-times have dramatically increased the cost on availability of these materials.
- In addition, we have been short-staffed by anywhere from 10-20 people during this same period due to the extremely tight labor market. This labor shortage has continued despite us implementing an across the board 6% compensation increase last year and much higher increases for high-demand roles.
- Finally, the Department of Commerce recently "self-initiated" an investigation into foil produced in South Korea and Taiwan that could impact our ability to source this critical material. This foil material is critical to the production of barrier packaging material used in the food, healthcare and pharmaceutical industries is not produced in sufficient quantities in North America to meet even a small fraction of demand. The fact that the Department of Commerce would "self-initiate" (no manufacturer in the US filed a complaint) this type of regulatory investigation during the most difficult supply chain environment in the history of the industry is disappointing to say the least.

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**GLENROY**

This is just a brief synopsis of the many challenges facing Glenroy. I'm sure many small and medium-sized manufacturers in Wisconsin share these challenges and concerns. While I understand that there are few short-term solutions to these issues and the cause of these challenges is a result of poor decisions made over the past several years, any assistance that you may be able to provide to help us maintain our competitiveness and mitigate some of these challenges would be greatly appreciated.

Sincerely,



Thomas M. Danneker  
President & CEO  
Glenroy, Inc.

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**Statements for the Record from MO-03 Constituents  
Submitted by Ranking Member Luetkemeyer  
July 27, 2022**

*"Here are my comments in regard to inflation this year:*

*1. The initial effect was wage inflation which started early last year. In order to keep our employees, much less hire new ones, we have had to increase our hourly wage rates by a minimum of 20%, along with increasing benefits, such as health insurance.*

*2. Beginning last year, our cost for anything wood related, such as corrugated boxes, has gone up a minimum of 50%. The cost of the wood shanks on our corn cob pipes has tripled.*

*3. The cost of growing our special hybrid corn to make our pipes has gone up considerably. The input costs, such as fertilizer, have doubled. While the price for selling grain has gone up, it is not near enough to cover the increased cost of growing, especially since we plant at a low density.*

*These are just a few examples of how inflation has impacted our company. We raised our prices early this year by about 8% to help cover the inflated costs, but will probably need to raise them again later this year. We intend to keep our 30 employees working and to continue making our corn cob pipes, which are a Missouri original." - Phil Morgan, Financial Manager, Missouri Meerschaum Company*

*"For the retail and hospitality side of my businesses, the rise in food and staffing costs cannot always be passed on to the consumer. Consumers are limited on what they can pay so there has to be some financial compromise. The cost of food for our café has doubled if not tripled in some cases. The cost of labor for our kitchen and wait staff increased on average of \$3 per hour which for us equates to an increase of \$40,000 annually. We can't make all of this up by raising our food prices or our boutique product prices. Fortunately I am diversified in several businesses and can realize some economies of scale by sharing labor costs across companies which allows me some flexibility but we all have our limits. I have invested over a million dollars in downtown business renovation so to close my doors over decreasing profits is not something I can decide lightly. If I close my businesses I still have a mortgage payment tied to an empty building.*

*For the affordable housing consultation, development and property management business, the cost of fuel reimbursement to send staff across the state to supervise rental properties along with the rise in salaries to maintain staffing in this highly competitive employment market has increased costs to this company nearly \$80,000 annually. We have no way to recoup these increases when our service fee income is regulated by the state. We have been forced to downsize our staffing to compensate for the increased salaries of core staff. These drastic steps are being taken to realign to smaller staff in an environment where our reporting requirements have increased due to COVID relief programs such as SAFHR, our technology is being upgraded at an increased cost to allow for virtual supervision of a statewide housing portfolio to reduce fuel reimbursement costs, technology upgrades are also necessary to offset the compliance reporting that regulatory agencies are requiring now that their staff is working remotely, we are seeing substantial increases in health insurance costs, not to mention the cost of everyday toiletries and cleaning supplies and their shipping costs. I am slowly starting to see small neighbor businesses shut their doors. Downtown districts are a challenge to stabilize in a good economy but to add inflation to small retiree owned shops we can only expect to see more and more vacancies.*

*Regarding SAFHR, the continuation of these funds is teaching our tenants to rely on assistance and not pay their own housing costs. Early on when this program required a tenant to prove their loss of income*

*was COVID-related we saw the majority of our tenants pay rent without government assistance. Now that the program has reverted to assistance for all, regardless of the circumstance, the majority of our tenants rely on government assistance. When this assistance eventually ends the court systems are going to be overloaded with evictions if we don't start preparing our tenants for the end. We either need to force tenants to begin paying a portion of their rent through in-house graduated assistance programs or we need regulatory oversight to create a phasing out approach. Reduce assistance to 70%, 50%, 30%, whatever the number needs to be, so a tenant can begin to show good faith effort to return to stable employment and share in the housing cost burden." - Deb Giffin, The Nest Boutique and Café and HRM Services – LIHTC affordable housing consulting, development, and property management*



## Precision Pattern Co., Inc.

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Telephone: 414-541-5911 ■ Fax: 414-541-6770 ■ [www.precisionpattern.net](http://www.precisionpattern.net)

July 25, 2022

The Honorable Scott Fitzgerald  
Congressman from WI-05  
U.S. House of Representatives  
Washington, D.C

Dear Congressman Fitzgerald:

My name is Matthew C. Burdick. I am the President and owner of Precision Pattern Co., Inc. in West Allis Wisconsin.

At the request of the Wisconsin Manufacturers and Commerce, of which my firm is a member, I am providing the following statement regarding the challenges presented by the current economic environment.

Precision Pattern is a manufacturer of tooling for the foundry industry. We also design and build custom machinery for a number of major manufacturers in south eastern Wisconsin. We have been in business for 75 years and currently have 15 employees. Our employees are either professionals, such as Engineers, or are skilled trades people.

The current economic environment has presented several challenges:

- 1) Supply chain issues have caused months long delays in shipping certain machinery. We have encountered significant delays in obtaining purchased components for these machines that were once readily available.
- 2) Raw materials, such as steel plate and aluminum plate, have significantly increased in price and take longer to get.
- 3) Precision Pattern was operating at close to capacity prior to, during and after the COVID pandemic. We have always taken a long term approach to employee recruitment and, as such, have not encountered any problems due to labor shortages. Finding skilled trades people has been a challenge for years. However, many of our suppliers have not been as fortunate and lead times from these suppliers have increased significantly, thus negatively impacting our ability to ship product on time.
- 4) Finally, providers of services to Precision Pattern have increased prices significantly. We have to either pass those increases on or absorb them ourselves.

You have my permission to share this letter.

Sincerely,

Matthew C. Burdick, President

A handwritten signature in black ink that reads "Matthew C. Burdick". The signature is written in a cursive style.

The labor shortage has been an ongoing struggle for Signicast and continues to create downstream negative business impact both internally and for our customers. Like many other US manufacturers, Signicast has done everything possible to attract labor including increased starting wages, paid transportation to and from work, and sign-on bonuses to no avail.

We continue to experience post pandemic demand increase while simultaneously experiencing chronic labor shortages to support the demand - we simply cannot keep up. This has caused longer lead times and supply chain disruption for customers, and internal plant capacity limitations - all leading to a direct negative margin impact for the company.

Our most recent attempt to combat the labor shortage was opening a brand-new finishing center in downtown Milwaukee to be in a more accessible location in proximity to available labor. We have seen success since opening the facility (Milwaukee Finishing Center) but it comes with a cost besides the obvious overhead investment - we must have "runners" to bring the parts from the manufacturing facilities an hour away to be finished and inspected at the Finishing Center.

As the labor shortage persists, not only will Signicast continue to be negatively impacted but our customers will as well. Customers that are making essential components to products the world uses every day. Longer lead times and pass through of increased cost will disrupt the complete supply chain and continue to contribute to inflation.

**Statements for the Record**  
**July 27, 2022**

**From Rep. Williams:**

“Stop out of control government spending and don’t spend money we don’t have. Cut regulations and simplify taxes. The costs have all gone up and it all gets passed to the consumer. I have no choice but to increase prices to try and stay afloat during this inflationary environment. The federal government must control inflation at the national level and get our economy back on track.” - Michael R. Jones, Glen Rose Veterinary Clinic

**From Rep. Tenney:**

"Farmers like myself have continued to face increased costs for vital farm inputs like diesel fuel, fertilizer, seeds, and everyday products that we utilize on our dairy farm. Diesel fuel prices doubled, and fertilizer tripled, just as farms needs peaked. In addition, we continue to face supply chain delays in getting the necessary pieces of the puzzle to ensure our farms are able to work efficiently, this includes equipment parts for our tractors, farm equipment, and milk system. On our farm a key tractor sat idle for 10 weeks waiting for a spare part, while necessities like electric motors, pumps and livestock ID tags have 4-10-month lead times. Farm machinery that used to be on the dealer's sales lot now have a 1-year lead time. These things are required for food production and food safety. As these costs have increased, farm gate prices have not kept pace with inflation. Even though milk prices in 2022 have increased, any increases have been offset by inflationary costs, said Bruce Gibson, a dairy farmer in Oswego County, New York." - Bruce Gibson, President, Locust Hill Farm LLC

“We are a manufacturing company; we convert raw materials into product and sell that product. With the Supply Chain the way that it is, when we find raw materials, we must increase our inventory significantly to cover all the supply chain disruptions to make sure we don’t run out. With the high inflationary cost of raw materials, we run into danger of being stuck with a lot of high-cost raw materials. So when prices eventually begin to come down, we risk being the joker sitting on all these high price raw materials that we then must try to turn into finished product at a loss.

Again, we are a manufacturer, and we take raw materials and turn it into a finished product. Without that, we have nothing to sell. We consume a lot of steel and a lot of wire; we are buying that at 3x, maybe 3.2x, what we were paying for it 18 months ago.

The way we’ve dealt with the shrinking labor pool is simply paying more. Our wages have grown 35-45%, depending on the position, over the past 2 years. We have had to do that to get people in the doors so we can keep them here.

Not only are we competing with people in our industry like we always did, but we are also competing with other local manufacturers for workforce. This forces us to focus way too much time on these types on these items and concerns rather than on Manufacturing and Sales,

which is what we should be focusing on.” - Fintan Fleming, CEO, Samscreen, Inc. in Conklin, NY

**From Rep. Donalds:**

“Gasoline is the single largest expense in my business and this expense has shot through the roof! I go to people’s homes to help the owner’s train their dog. I service Lee County, Florida. I average about 22K miles per year on my car and while the wear and tear on my car is one thing, a doubling of gas is quite another! 22K Miles at \$2.00 a gallon is \$44,000.00 versus 22K miles at \$4.00 a gallon is \$88,000.00. That is \$44,000.00 I cannot use to expand and grow my business or to provide to my family.

What solutions are being proposed by this administration? Transportation Secretary who takes a Chevy Suburban to a garage to then ride a bike to work says I should buy an electric car. Well, I don’t know if I can take my family vacation with two dogs, two kids a wife and luggage in a Tesla and even if I could it would add an extra day on for charging and that is assuming there is no line to charge the car. Of course, the power to charge these cars comes from fossil fuels meaning the price to charge the car goes up and up along with the price of energy and inflation.

These people in charge are incompetent or want the destruction of the country and complete collapse of the middle class. Both are inexcusable and the latter is horrifying.

The government shut down small business, kept them closed, and by doing so essentially knee capped every small business owner in the country now they want us to rebuild the country with our legs broken while crushing us with inflation and high gas and energy prices. This madness must stop.” - Patrick Logue, Owner/Operator, Bark Busters Home Dog Training of Southwest Florida

“We began to believe that our business was booming, and in the process of exceeding sales and performance goals... that is until the cost to fuel our vehicles soared well above 4\$ per gallon. Inflation, and energy for transportation costs have shot up our product cost over 35% beginning to cut into our ability to operate at previous market prices. This also added unexpected fuel costs to our fleet as a service industry forcing us to raise price on customers to continue operation. We are beginning to see a loss in customer base, pushback due to price increases, and even commercial accounts / restaurants that delaying their bill pay to keep themselves in operation. From the mind-set of a local business we strongly believe the best way to counter a lack of supply, would be to increase production of the lacked resource. We believe it is necessary to begin drilling on US SOIL once again to bring down operation costs for family business that are just trying to put food on their table.” - Alex Runco, Client Relations Manager, Accurate Pest Solutions

**From Rep. Kim:**

“The current economic conditions and inflation have negatively impacted the Senior Care industry and the elders we serve. Higher costs for seniors and their families pushes them to cut back on care costs which makes them more vulnerable to falls, neglect and malnutrition which in-turn causes more hospital visits and deteriorating health conditions leading to higher overall Medicare costs. Many of the elderly are dependent on caregivers (both professional and friends

or family) to keep them safe. These conditions have also impacted the families, nurses and aides required for caregiving as gas costs have impaired their ability to visit loved ones, take shifts and work with those in need. Our employees are hourly wage workers and mostly women of color. Our customers are mostly elderly, frail and those recovering from a hospital stay, which was the result of an injury or degenerative condition. Both our employees and are clients are our most vulnerable and these conditions are significantly hurting their ability to thrive, support their families and stay out of the hospital.” - Nick Payzant, Founder and CEO, CERNA Healthcare in Irvine CA

