

HOPE ON THE HORIZON: PRIORITIZING SMALL BUSINESS GROWTH IN THE 119TH CONGRESS

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

HEARING HELD
FEBRUARY 5, 2025



Small Business Committee Document Number 119-001
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

58-532

WASHINGTON : 2025

HOUSE COMMITTEE ON SMALL BUSINESS

ROGER WILLIAMS, Texas, *Chairman*
PETE STAUBER, Minnesota
DAN MEUSER, Pennsylvania
BETH VAN DUYNE, Texas
JAKE ELLZEY, Texas
MARK ALFORD, Missouri
NICK LALOTA, New York
BRAD FINSTAD, Minnesota
TONY WIED, Wisconsin
ROB BRESNAHAN, Pennsylvania
BRIAN JACK, Georgia
TROY DOWNING, Montana
KIMBERLYN KING-HINDS, Northern Marina Islands
DEREK SCHMIDT, Kansas
NYDIA VELAZQUEZ, New York, *Ranking Member*
MORGAN MCGARVEY, Kentucky
HILLARY SCHOLTEN, Michigan
LAMONICA MCIVER, New Jersey
GIL CISNEROS, California
KELLY MORRISON, Minnesota
GEORGE LATIMER, New York
DEREK TRAN, California
LATEEFAH SIMON, California
JOHNNY OLSZEWSKI, Maryland
HERB CONWAY, New Jersey
MAGGIE GOODLANDER, New Hampshire

LAUREN HOLMES, *Majority Staff Director*
MELISSA JUNG, *Minority Staff Director*

CONTENTS

OPENING STATEMENTS

Hon. Roger Williams	Page 1
Hon. Nydia Velázquez	2

WITNESSES

Mr. Karl Hutter, Chief Executive Officer, Click Bond, Inc., Carson City, NV	5
Mr. Bill New, President and Owner, New Industries, Morgan City, LA	7
Ms. Alice Frazier, President and Chief Executive Officer, Bank of Charles Town, Charles Town, WV	8
Ms. Molly Moon Neitzel, Founder and Chief Executive Officer, Molly Moon's Homemade Ice Cream, Seattle, WA	10

APPENDIX

Prepared Statements:	
Mr. Karl Hutter, Chief Executive Officer, Click Bond, Inc., Carson City, NV	48
Mr. Bill New, President and Owner, New Industries, Morgan City, LA	58
Ms. Alice Frazier, President and Chief Executive Officer, Bank of Charles Town, Charles Town, WV	61
Ms. Molly Moon Neitzel, Founder and Chief Executive Officer, Molly Moon's Homemade Ice Cream, Seattle, WA	74
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
Associated Builders and Contractors (ABC)	76
Canada Prime Minister Document	78
Defense Credit Union Council (DCUC)	79
PIIE Document	81
Small Business Investor Alliance (SBIA)	96

HOPE ON THE HORIZON: PRIORITIZING SMALL BUSINESS GROWTH IN THE 119TH CONGRESS

WEDNESDAY, FEBRUARY 5, 2025

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

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

Present: Representatives Williams, Stauber, Meuser, Van Duyne, Ellzey, Alford, LaLota, Finstad, Wied, Bresnahan, Jack, Downing, King-Hinds, Velázquez, McGarvey, Scholten, McIver, Cisneros, Morrison, Latimer, Tran, Simon, Olszewski, Conaway, and Goodlander.

Chairman WILLIAMS. Before we get started, I want to recognize Mr. Alford from the great State of Missouri to lead us in the pledge and the prayer.

Mr. ALFORD. Thank you.

Well, God, we are just so thankful to be here today as a Committee to just try to make America better through small business.

I thank you for the witnesses who have come here today, paid their own way to be here, to testify and to take questions.

God, let us operate in a manner of civility and love.

And I just appreciate all the Members of this Committee and the Ranking Member and the Chair for their dedication.

Just bless us, bless our time together, for the betterment for the United States of America.

Through Jesus Christ, I pray.

Amen.

I pledge allegiance to the Flag of the United States of America and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Chairman WILLIAMS. Good morning, everyone, and I want to now call the Committee on Small Business to order.

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

I now recognize myself for my opening statement.

Welcome to the first Committee on Small Business hearing of the 119th Congress.

I want to extend my gratitude to our witnesses for being here also today. And I know many of you traveled to share your experi-

ences with us and your perspectives, and we deeply value your time and your voice.

The Committee on Small Business is proud to represent the hardworking men and women of Main Street America here in Washington. Our mission today and every day is to listen, learn, and better understand the challenges and the opportunities impacting the American people, particularly those who build and sustain small businesses nationwide.

Small-business owners are not just entrepreneurs; they are job creators, community leaders, and the backbone of economic opportunity for millions of Americans. Small-business ownership reflects the very essence of the American Dream—the opportunity for any person, from any background, to take a risk, work hard, and build a better future for themselves and their families.

Our economy depends on small businesses and the workers they employ. From local manufacturers to retail employees, service workers and bankers, they are the heartbeat of our economy, shaping our communities through their dedication, creativity, and resilience.

Over the past 4 years, Main Street America has faced historic challenges—stifling regulations, record-breaking inflation, supply-chain disruptions, high interest rates, and a national labor shortage. Despite these challenges, the men and women of main street have proven time and time again their strength and ability to adapt. These individuals embody the grit, the innovation, and perseverance that make the nation great.

So this Congress, alongside President Trump, will once again prioritize policies that support Main Street America, strengthen economic opportunity, and create an environment where small businesses can grow and create jobs.

Today, we celebrate the critical role each small business plays in building and sustaining their communities. We look forward to hearing from our witnesses on how increased small-business optimism and a promising economic landscape will help Main Street America.

There is hope on the horizon for small businesses, thanks to President Trump's pro-business commitment to lowering taxes and cutting regulations. It is time to turn the page on the past 4 years and focus on the future for Main Street America under President Trump.

I wanted this hearing to be the first of the 119th Congress so we could shine a light on the great contributions and sacrifices of Main Street America—those who dedicate their days, their resources, and lives to make our nation strong.

Before we proceed, I would like to extend a warm welcome to the new Members joining the Committee. We are thrilled to have you as part of our team and look forward to working with you this Congress. As Chairman, I am eager to work alongside all of you as we help shape policies that put the needs of Main Street America first.

Now, with that, I will yield to our distinguished and my friend, the Ranking Member from New York, Ms. Velázquez.

Ms. VELAZQUEZ. Good morning. Thank you, Mr. Chairman. Again, I want to express our condolences to you. We have you and your family in our thoughts and prayers.

Chairman WILLIAMS. Thank you.

Ms. VELAZQUEZ. Good morning. Thank you, Mr. Chairman, for holding this important hearing.

And thank you to the witnesses for being here today.

In just 4 short years, 22 million Americans took the leap of faith and started a small business—a record high for a single Presidential term. Our nation saw an unprecedented small-business boom and economic comeback in the face of an equally unprecedented global pandemic and recession.

Everyday Americans and entrepreneurs receive essential investments from the American Rescue Plan Act, Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act—historic victories that laid a strong foundation for our economic recovery. The data shows that this foundation is fruitful. Annual inflation is at 2.7 percent, and real GDP growth has accelerated to 3.1 percent in the last quarter.

Mr. Chairman, small business is not a Democratic or Republican issue; it is an American issue. While we will work with our Republican counterparts to find common ground and do right by America's main streets, we will never weaken our commitment to make life better for our nation's small-business owners.

From the tech company that started as an idea in a garage to more established main street retailers or the local restaurant, all play an important role in generating employment opportunities for our communities, whether they be in rural or urban America.

That is the beauty of America. Anyone can have a dream and make it a reality and that is what millions of entrepreneurs in this country have done.

Many couldn't have done it without the assistance of one of the SBA's programs. From lending to mentoring to marketing, the SBA has remained a critical resource to those with a good idea and employers hoping to expand.

There is more that this committee can do to continue our efforts to grow the small-business economy, like investing in childcare, healthcare, and developing the next generation of workers.

That is why today's hearing is so timely. It will allow us to gain valuable perspectives on how to best help entrepreneurs continue to do what they do best—invest in themselves, their communities, and their workers.

While we may not always agree with each other on the best path forward, it is my hope that we will work together for the betterment of small employers.

Today, we are joined by a distinguished panel of witnesses. This hearing is an opportunity to listen to their insights into the challenges facing small businesses and, specifically, how Congress can prioritize their needs. I look forward to hearing the witnesses' testimony.

And, with that, Mr. Chairman, I yield back.

Chairman WILLIAMS. The lady yields back.

And now I will introduce our witnesses.

Our first witness here with us today is Mr. Karl Hutter. Mr. Hutter is the CEO of Click Bond, Inc., located in Carson City, Nevada. Mr. Hutter joined Click Bond in 2000 and has held various positions within the company, including the vice president of sales

and marketing, chief operating officer, chief financial officer also. Before leading the sales team, Mr. Hutter directed the company's business development and applications engineering efforts across the Asia-Pacific region.

Mr. Hutter is a certified airline transport pilot and a passionate advocate for general aviation and the aerospace industry as well as for American manufacturing. He also serves several industry associations, such as the Aerospace Industries Association Board of Governors, the National Association of Manufacturers, and the General Aviation Manufacturers Association.

Mr. Hutter holds a Bachelor of Science degree in systems engineering and operations management from the School of Engineering and Applied Science at Wharton Business School of the University of Pennsylvania. He also is a graduate of Penn's Jerome Fisher Management and Technology Program.

So thank you for joining us here today.

Our next witness is Mr. Bill New. Mr. New is the founder, owner, and president of New Industries, LLC, located in Morgan City, Louisiana. Mr. New has led the company since its founding in 1985. Prior to that, he worked as a structural and project engineer for Mobil Exploration and Production and Mobil Research and Development.

Mr. New is an active volunteer, having served as president of the Foundation for the Louisiana School for Math, Science, and the Arts and currently as Co-Chairman of the Capital Campaign. He also has been a Board Member of the Catholic Foundation of South Louisiana and a longtime leader in the Boy Scouts of America, where he earned the rank of Eagle Scout in 1973.

Mr. New currently resides in Louisiana with his family. Mr. New holds a Bachelor of Science in ocean engineering from Florida Atlantic University and completed the Owner/President Management Program at Harvard Business School.

So thank you for being here today, Mr. New.

Our next witness is Ms. Alice Frazier. Ms. Frazier is president and CEO of Potomac Bancshares and Bank of Charles Town, located in Charles Town, West Virginia. Ms. Frazier has more than 32 years of banking experience with Cardinal Financial Corporation, BB&T, and Middleburg Financial Corporation. Prior to that, she worked for 4 years in public accounting with national and regional firms.

Ms. Frazier is currently serving as Vice Chairman of the Independent Community Bankers of America and has previously served as their Executive Committee as secretary. She also serves on the Federal Reserve Bank of Richmond Board and is a past Chairman of the Virginia Association of Community Banks.

Ms. Frazier has a Bachelor of Science degree from Radford University and is a graduate of the Stonier Graduate School of Banking and the USC Graduate School of Bank Investing.

Thank you for joining us today, again. And I look forward to hearing from all of you.

And now I recognize the Ranking Member from New York, Ms. Velázquez, to briefly introduce our last witness appearing before us today.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

I would like to welcome Ms. Molly Moon Neitzel, the founder and CEO of Molly Moon's Homemade Ice Cream, in the Seattle region.

Molly Moon's opened in 2008 when Ms. Neitzel left her career as a political consultant and founder of the nonprofit Music for America to follow her dreams and her sweet tooth as a main street businesswoman. Now, Molly Moon's has nine locations, \$12 million in revenue, accolades in national publications, and a cult following in the Seattle area.

Ms. Neitzel is also a founding Member of Main Street Alliance, a small-business coalition advocating for pro-small-business policies, including healthcare, childcare investment, paid family and medical leave, women's entrepreneurship promotion, and capital access, among others.

Ms. Neitzel holds a bachelor's degree in journalism from the University of Montana.

Welcome, and thank you for testifying today.

Chairman WILLIAMS. Thank you.

And we appreciate all of you being here today, again.

And so, before recognizing the witnesses, I would like to remind them—we have some rules around here—that oral testimony is restricted to 5 minutes in length. If you get over that, you will hear a little of this—[gavel tapping]—and that means that your time is up. And if you see the light turn red in front of you, it means your 5 minutes has concluded and you should wrap up your testimony.

So, with that in mind, I now recognize Mr. Hutter for his 5-minute opening remarks.

STATEMENTS OF KARL HUTTER, CEO, CHIEF EXECUTIVE OFFICER, CLICK BOND, INC., ON BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS; BILL NEW, PRESIDENT AND OWNER, NEW INDUSTRIES, ON BEHALF OF THE NATIONAL OCEAN INDUSTRIES ASSOCIATION; ALICE FRAZIER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BANK OF CHARLES TOWN, ON BEHALF OF THE INDEPENDENT COMMUNITY BANKERS ASSOCIATION; AND MOLLY MOON NEITZEL, FOUNDER AND CEO, MOLLY MOON'S HOMEMADE ICE CREAM, ON BEHALF OF THE MAIN STREET ALLIANCE

STATEMENT OF KARL HUTTER

Mr. HUTTER. Good morning, Chairman Williams, Ranking Member Velázquez, and Members of the Committee. My name is Karl Hutter, and I am the CEO of Click Bond, an engineered products company in Carson City, Nevada.

And Click Bond is a family business and one very much built on innovation. My parents founded the company in 1987, combining my dad's inventive genius with my mom's manufacturing background and business acumen. And today our adhesive-bonded fasteners are used in aviation, marine, defense, industrial settings around the world and even beyond, in space. And like many small and medium manufacturers, we are an integral part of the manufacturing supply chain and, in our case, of the nation's defense industrial base.

However, companies like Click Bond face significant challenges, often stemming from Washington itself. American businesses now

shoulder a staggering \$3 trillion annually in regulatory costs, disproportionately impacting manufacturers.

Unfortunately, small companies get hit twice—first with unworkable regulations that apply to us directly and then, as well, with compliance and reporting requirements that larger firms are forced to pass down.

Well, fortunately, Congress and the Trump administration do have the opportunity to reverse course. You can do that with commonsense reforms such as: unwinding outdated chemicals reporting requirements that force us to look backwards in time and deep into our supply chains; and preventing unnecessary EPA roadblocks in State and local permitting; and in rolling back costly energy and labor mandates. These policies would go a long way toward lifting barriers on manufacturers and their growth.

And, additionally, comprehensive permitting reform must be a priority. A predictable, streamlined permitting process will unlock manufacturing growth and drive new job-creating investments across this country.

So, just as with regulations, our industry is facing significant uncertainty, cost, and burden thanks to expiring tax policies. To say the least, 2017 tax reform was rocket fuel for Click Bond. The new 21-percent corporate tax rate allowed us to raise wages for our production employees, invest in capital equipment, strengthen our employee tuition support program, and accelerate the timeline for constructing a new facility. The new 20-percent pass-through deduction likewise empowered our suppliers and partners to reinvest in their businesses, readying them to support our growth.

But the key tax provisions began expiring in 2022 and 2023, and this is already harming manufacturers. It is now more expensive for Click Bond to conduct R&D, the very lifeblood of both our product and our process innovation. It is more expensive for us to purchase capital equipment, the very tools that will unleash the productivity of our team. And it is more expensive for us to finance job-creating investments, such as that state-of-the-art sustainable manufacturing facility.

And more tax hikes are looming at the end of this year, including the halving of the estate tax exemption, which will force many family businesses to hold back on investments or contemplate selling pieces of their company to satisfy an unjust tax bill.

Recent National Association of Manufacturers research found that failing to extend pro-manufacturing tax policies could cost the U.S. nearly 6 million jobs and \$1 trillion in lost GDP. And that is an outcome, Mr. Chairman, that we can't afford. If Congress wants to preserve American innovation, ingenuity, and competitiveness, inaction is simply not an option.

So, look, despite these challenges, I want to remain very optimistic, as I am, about the future of Click Bond and manufacturing in the United States, particularly for our small businesses. At Click Bond, we are ready to seize this moment, translating the pace of innovation and the strong global demand for aerospace products into job growth and export opportunities. The same story holds true for the small and medium manufacturers across our supply chain.

As a family business, we are ready to invest—and to reinvest—in growth, R&D, and capital equipment to generate excellent ca-

reers that lift our communities, while deploying modern, sustainable manufacturing processes.

And, finally, as a Member of our nation's defense industrial base, we are proud to do this work in service of strengthening our country's security and its readiness.

Congress has a critical opportunity to right-size the regulatory landscape, put an end to permitting delays, and protect manufacturers from devastating tax increases. I encourage you to seize this opportunity, empower manufacturers, and strengthen America. Because when manufacturing wins, America wins.

Thank you, and I look forward to your questions.

Chairman WILLIAMS. Thank you very much, Mr. Hutter. Right on time. Thank you.

And now I recognize Mr. New for your 5-minute opening remarks.

STATEMENT OF BILL NEW

Mr. NEW. Thank you, Mr. Chairman, Ranking Member Velázquez, and Members of the Committee. I appreciate the opportunity to testify today.

This is my first time testifying in front of a congressional committee, so I may stumble a little bit. Public speaking is not one of my strong points.

But I am Bill New. I am the founder and the owner and the president of New Industries. We are a south-Louisiana-based steel fabricator. We build process equipment for the oil and gas industry, subsea equipment for producing in deepwater. We also build pressure vessels and things used in process plants, refineries, petrochemical. And we also build some agricultural processing equipment as well. So, basically, we cut, bend, and weld the steel.

And, you know, I have been at it—I started the company in 1985, quit my job working for an oil company. I was 28 years old. As most of us are when we are 28 years old, we think we are bullet-proof and we know everything. About 2 years later, I figured out I didn't know anything. But, to that point, it was too late, so—so, been at it ever since.

You know, I think a big misconception about the oil and gas industry for most people, the general public certainly, is that, when they think of oil and gas, they think of the Chevrans and the Exxons and the Shells and the BPs, but, for all those great big companies—and they are all customers of mine—you know, there are a whole lot of companies like New Industries, you know, small businesses that fabricate, that build equipment, that provide services both on shore and offshore. And that is really the heart of the oil and gas industry, is those small businesses that make it all happen.

The oil companies, comparatively, don't actually employ that many people. They spend the money, but sometimes they are almost more like bankers than actually operators.

And so it is very important to, you know, encourage oil and gas. You know, we have been through a period over the last 4 years of issues with permitting, with lease sales. And, already, the new administration has already turned some of those things around.

But it just takes time, you know. And the projects typically—a lot of projects we work on have horizons of 5 and 10 years from the time they discover—even before they discover, drill the first well, until it is on production, and spend billions of dollars. And if we don't have consistency in leasing and consistency in regulation, those projects never get started.

Because if you award a lease to one of the major oil companies today in deepwater, it will be at least probably 3 years before they actually drill a well, because there is a lot of preliminary work to be done. And then, once that well is drilled, assuming that it is a discovery, then it will be several more years getting it developed, building the equipment, building the facility. And so that consistency of regulation is so important to the industry and certainly important to New Industries.

Same thing with tax policy, you know. We certainly took advantage of the accelerated depreciation when that was there. We spent a lot of—invested a lot of money in equipment, big equipment—cranes, plate rolls, you know, big pieces of machinery. But it is a lot easier to pay for them when I can deduct the full cost of depreciation in the first year. It certainly helps pay for them.

So I urge you to just continue along this path. And I am looking forward to the next 4 years. Our customers are much more optimistic since the election. Projects that had been on hold, I hear, now suddenly we are talking about moving forward.

And so, you know, we are a project-based business. If our customers are not drilling new wells, developing new facilities, building new process plants, adding on to process plants, there is no work for us. You know, I am not like Walmart; I can't generate incremental sales with price. I can't put welders on sale this week and sell any more. I mean, if my customers need one, you know, they will buy it; if they don't need it, it doesn't matter what my price is.

And so we are looking forward to the next 4 years. I think it is a pretty exciting time to be in our industry.

Thank you.

Chairman WILLIAMS. Thank you very much.

I now recognize Ms. Frazier for her 5-minute opening remarks.

STATEMENT OF ALICE FRAZIER

Ms. FRAZIER. Thank you, Chairman Williams and Ranking Member Velázquez and Members of this Committee.

I am Alice Frazier, CEO of Bank of Charles Town, a 154-year-old community bank with \$877 million in assets, serving markets West Virginia, Maryland, and Virginia.

I testify today on behalf of the Independent Community Bankers of America, where I am Vice Chairman.

This hearing is well-timed for the new Congress and administration, which I can assure you has brought new hope for the communities I serve. The optimism is unmistakable.

Small-business loans are almost 90 percent of our portfolio. And, in aggregate, community banks extend a disproportionate number of small-business loans, especially in smaller markets. We serve small businesses with customized products and personalized services that can only be provided by locally-based, on-the-ground lend-

ers. We lend based on firsthand knowledge of our customers and our communities. That is what sets us apart from larger, out-of-market competitors.

And, importantly, my bank is a small business, as defined by the SBA, and within the jurisdiction of this Committee. We are a small business helping small businesses. The same is true of thousands of community banks, many of which are family-owned just like the local coffee shop on main street.

Many community banks, like my bank, are also SBA lenders, and we share with this Committee a commitment to protecting the integrity of the SBA guaranteed loan programs with stability in its products and services.

Today, I want to talk about the remarkable resilience and the new optimism I am seeing in our markets and focus on a couple of proposals from our agenda for the new Congress, which is attached to my written statement.

You see, the phones are ringing again with small businesses in my footprint eager to expand with community-bank credit. My written statement contains a compelling story of a restaurant-supply company seeking credit to meet demand from new and upgrading restaurants. It is an example of growth based upon business optimism.

And our small-business lending capacity could be further enhanced by regulatory and tax relief. Today's market optimism is based upon an expectation of new policies that will spur economic growth and job creation. It is our job to deliver on that expectation.

Top of mind for community banks and small-business borrowers is the destructive impact of Section 1071 of Dodd-Frank Act, which requires community banks to collect granular and invasive data on small-business loan applicants.

Small-business lending is not and should not be a commodity. Underwriting is based on numerous borrower characteristics and market variables, and loans are typically customized to give borrowers the best chance of success. The data collected under 1071 will not reflect the full scope of underwriting and may suggest discrimination where none exists.

Bank examiners are really best positioned to make this judgment in the application of fair lending and CRA laws. Section 1071 is simply the wrong tool for this job.

Lenders will respond by standardizing loan features to protect themselves from charges of discrimination. But please keep in mind, minority and women borrowers, whom this rule is supposed to help, often benefit from that customized lending.

With the new Congress and administration, you have an opportunity to revisit and this time fully repeal Section 1071. ICBA strongly supports and thanks Chairman Williams for his 1071 Repeal to Protect Small Business Lending Act. We ask Members of this Committee to support this critical bill.

A few other ICBA priorities for this Congress include updating regulatory thresholds so that community banks are not subject to regulations designed for the largest of banks. And doing so will create regulatory relief that will allow us to better serve our customers.

And in the coming tax debate, we urge permanent extension of the deduction for pass-through business income under Section 199A. The loss of this deduction would amount to a steep tax increase for the vast majority of small businesses, including nearly 1,500 Subchapter S community banks.

Thank you for allowing the community-bank perspective, and I am happy to answer any questions you may have.

Chairman WILLIAMS. Thank you very much.

And I now recognize Ms. Moon Neitzel.

And I heard, when the Ranking Member introduced you, “\$12 million worth of ice cream.” That is a lot of ice cream. So I am anxious to hear about that. Okay.

STATEMENT OF MOLLY MOON NEITZEL

Ms. NEITZEL. Thank you, Chairman.

Chairman Williams, Ranking Member Velázquez, and Members of the Committee, I am honored to be here today.

My name is Molly Moon Neitzel, CEO of Molly Moon’s Homemade Ice Cream in Washington State. I am also a founding Member of the Main Street Alliance, which represents over 30,000 small businesses nationwide, and a proud Member of MomsRising.

At Molly Moon’s, we employ about 200 people across 9 ice cream shops, and our products are sold across our region. Next week, we will begin construction on three more locations, in part funded by SBA loans. We are a growing, thriving business.

Today, we have been asked to highlight some of the real challenges facing small businesses and what you all can do to improve the health of the small-business economy.

But the title of this hearing, “Hope on the Horizon,” and this Committee’s statement that President Trump’s policies put America first are at odds with the reality that the President’s current and proposed actions are gutting the engine of the American economy—main street businesses.

His policies have disadvantaged small businesses against our larger competitors in the Tax Code and created instability for the nation’s biggest and best job creators. Small businesses created 65 percent of all new jobs in the past decade. We are the foundation of the U.S. economy.

But there are concrete ways this Committee can support Main Street America.

First, our Tax Code isn’t working for main street businesses. We need to fix the Tax Cuts and Jobs Act to target 199A deduction relief to smaller operators, not just big corporations. And the IRS must be fully funded, not gutted, in order to enforce the law and ensure the giant companies and the wealthy people who run them pay their fair share.

Second, let’s use the revenue from fair enforcement of the Tax Code to invest in a national childcare system, paid family and medical leave, and affordable healthcare.

At Molly Moon’s, we invest \$1,000 per month toward childcare for each employee’s child, and the returns have been tremendous. Since launching this program, we have seen a rise in parents able to work full-time and apply for promotions into management because they can now afford the childcare to work during our busiest

hours. We have even had babies brought into this world because women who worked for us realized they could afford to grow their families with reduced childcare costs factored in.

The ROI on this workforce stabilization has been huge—and the babies are real cute—but, as much as I love leading on this issue, we do it because Congress has failed to create a childcare infrastructure that supports our nation's workforce.

Third, every small-business owner I know and every business in America is incredibly concerned about a global trade war and the general chaos-creation policies we have seen in the federal government in the last few weeks. Being so worried about what is coming next and trying to safeguard against it has negative impacts on our operations, profits, and communities.

Small businesses depend on each other and many other businesses around the world. We depend on a functional Small Business Administration and sound economic policies.

But any tariffs—and even the threats of them—will increase costs, raising prices even higher for families, raising inflation again. This is the opposite of President Trump's and many Republicans' campaign promises to America.

As just one example, a quarter of all the produce consumed in the U.S. is grown in Mexico, and an ice cream shop, restaurant, or grocery store will be devastated by a 25-percent tax on those fruit and vegetable costs.

Extrapolate that one example over all small businesses, most of whom operate in the global economy for ingredients, parts, or their whole product, and we are driving toward recession.

We don't need a global trade war to destabilize our economy or more tax cuts for the biggest corporations. We need a fair Tax Code, stable economic policies, and a healthy, available workforce so that main street and small businesses can thrive. With your help, I hope a bright future for small business is possible.

Thank you, and I am happy to answer any questions from the Committee.

Chairman WILLIAMS. The lady yields back.

We will now move to the Member questions under the 5-minute rule, and I recognize myself for 5 minutes.

Ms. Frazier, small businesses have faced unprecedented economic challenges, such as inflation and rising interest rates, which threaten their ability to access capital. As you all well know, access to capital is essential to any growing, aspiring business.

Yet, instead of helping Main Street America, under the Biden administration, the CFPB implemented the 1071 rule, which you mentioned, which put an even heavier burden on small financial institutions that were struggling to keep up with rising interest rates.

So I recently introduced the 1071 Repeal to Protect Small Business Lending Act, which would immediately repeal CFPB's small-business-killing rule.

How would an immediate repeal of the 1071 rule ensure that community banks can continue providing affordable lending options to small-business owners?

Ms. FRAZIER. Thank you, Mr. Chairman. I can give you an example of the impact.

There are over 81 different data decision points that we would need to collect and decide upon in evaluating or just taking the application. And when I think about my bank and the number of loans that were small businesses in the past 2 years, it was over 237 loans, for \$140 million. Multiply that, each one, by 81 points that we need to first make a decision upon and collect and then report upon.

And so the only way that that could be possible is to continue to evaluate technology and use of AI, which then doesn't focus us on the conversations or building the relationships or giving the advice and counsel many small businesses need.

So I hope those give you some illustrations of what that impact would do for us.

Chairman WILLIAMS. Absolutely.

Mr. New, in the final days as President, President Biden sought to ban offshore oil and gas leases in vast offshore areas. If not for President Trump issuing several executive orders on his first day in office to repeal these efforts, the ban would have covered more than 625 million acres, representing the largest withdrawal of offshore oil and gas leases in U.S. history.

So how will President Trump's actions help your industry thrive and meet the demands of the offshore oil and gas sector?

Mr. NEW. Thank you, Mr. Chairman.

You know, it is really about having access to lands to drill. Unlike onshore, where a lot of the oil and gas production is on private land, in the federal offshore waters it is all federal lands. So it depends on the federal government to basically be the landowner, the judge, the jury, and the executioner. So, when there are not leases available, my customers don't have opportunities to drill.

And, you know, I say it is a pipeline. So it is not just the lease today. Because if you lease today, it is going to be—you know, it may be 10 years before there is production. But there are a lot of activities that have to go on to get to that stage. And if we are not leasing today, we are not going to have those activities over the next 10 years and that production.

Chairman WILLIAMS. Great.

I have a limited amount of time, so, Mr. Hutter, let me just ask you a short question here. Can you explain how dangerous and overbearing regulations have impacted your business?

Mr. HUTTER. So I think that one of the things to always remember for our smaller businesses particularly is, certainty goes a long, long way. And while, I think, you know, we don't argue against regulations that make the rules clear and, you know, work toward goals of making our people safer and the impacts that we make on our communities only positive ones, I would say, generally, regulations need to be thought of in terms of their clarity, in terms of their workability, and in terms of making sure we don't put in constraints on things that get out over the skies of science.

And let me explain real quickly on that one. When it comes to things like materials—PFAS restrictions, for example, I think is a good one—there are things in our defense supply chain that simply don't have substitutes. In the healthcare sector, it would be similar to the ethylene oxide restrictions that are being considered, right? There is no similar disinfectant gas.

And when you talk about products that have a certification cycle that lasts the better part of a decade, having a sudden need to swap a key component or material in your product and then put the recertification and test requirements on top of that that are necessary to ensure that, well, if you are making something that is going in an aircraft engine to a civil airliner, that we are all safe and secure aboard that airplane, look, there are things that make that nearly impossible.

So I would just really say that it is important to be very clear on what the reality science- and technology-wise is before we go and put forward a regulation demanding the impossible.

Chairman WILLIAMS. Thank you.

My time is up.

I now recognize the Ranking Member for 5 minutes of questions.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Ms. Neitzel, President Trump reentered office on promises to immediately lower egg prices. However, in the past week, the national average warehouse delivery price for conventional large white eggs rose to \$6.70 per dozen from \$5.87 on January 20th when he took office.

Any comments on that?

Ms. NEITZEL. Yes. Egg prices have risen. There is also an egg shortage in America.

The instability in food prices is only going to get worse as we understand more about the trade war. And restaurants and ice cream shops and grocery stores operate on the thinnest margins of most main street businesses. We simply can't afford prices to increase in any of our cost of goods.

Ms. VELÁZQUEZ. Thank you.

On Saturday, President Trump enacted a 25-percent tax on goods from our trade allies Canada and Mexico and a 10-percent tax on goods from China. The nonpartisan Peterson Institute reports that these taxes will spike up our inflation and cut our GDP over the next few years.

Mr. Chairman, I request unanimous consent to enter the report into the record.

Chairman WILLIAMS. So ordered.

Ms. VELÁZQUEZ. Ms. Neitzel, you state that these tariffs will cost you \$100,000 extra on ice cream cups and containers alone. Will you be forced to pass this cost on to consumers?

Ms. NEITZEL. Yes. If these tariff go through, I will have to raise my prices.

Ms. VELÁZQUEZ. And we all know that, 2 business hours into Monday, President Trump paused his tariffs on Mexico.

Was that chaotic for your business? How harmful was that tariff?

Ms. NEITZEL. Yeah, that was very chaotic. We are wondering where fruit and paper products are going to come from and how we will make up the costs.

Ms. VELÁZQUEZ. Ms. Neitzel, President Trump is placing the richest man in the world and the owner of several large tech corporations, Elon Musk, in charge of the federal government without the guardrails of typical federal employment.

Do you think this will make federal agencies pay more attention to the needs of small businesses like yours or bigger, wealthier corporations?

Ms. NEITZEL. It will absolutely make the federal government pay more attention to bigger corporations.

Ms. VELAZQUEZ. Mr. Musk had the highest-ranking civil servant at the Treasury Department removed for their reluctance to give him unrestricted access to a sensitive payment system used to pay out more than \$6 trillion a year in Social Security, Medicare, government contract payments, and tax reforms.

Are you comfortable letting this unelected man have this data on federal payments to you and your fellow Americans?

Ms. NEITZEL. No. Every person I have talked to in the last 2 weeks and especially the last 2 days—every American is scared of Elon Musk being given the keys to our government.

Ms. VELAZQUEZ. Thank you.

The federal government has increasingly used continuing resolutions to fund vital programs, rather than more stable yearly budgets. As a small-business owner who receives services from the SBA, is this approach to public-service funding helpful?

Ms. NEITZEL. No.

Ms. VELAZQUEZ. Why not?

Ms. NEITZEL. I wish that Congress could work together to pass real budgets that are longer-term and intentional, with the priorities of main street businesses at the heart of the concern.

Ms. VELAZQUEZ. So here we are. We always say that certainty is so important for small businesses in order to plan ahead, and yet the federal government cannot provide that certainty.

Regarding the type of immigrants who have work permits, the President issued an executive order to deport those immigrants. What effect will that have on main street small businesses?

Ms. NEITZEL. Losing farmers who have work permits in the United States will devastate the food system in America. We need those workers in order to feed our families and our children.

Ms. VELAZQUEZ. Thank you.

I yield back.

Chairman WILLIAMS. Thank you, Ms. Velázquez.

She yields back.

And now I now recognize Ms. Van Duyne from the great State of Texas for 5 minutes.

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

And I want to thank all of our witnesses for joining us today.

Mr. Chairman, I ask for unanimous consent to submit for the record the Prime Minister of Canada's statement announcing border protections in direct response to President Trump's proposed tariffs.

Chairman WILLIAMS. So ordered.

Ms. VAN DUYNE. We have heard some conversation this morning how bad tariffs are, but the fact is that what we have seen over the last several days is that we have had countries—Canada, Mexico, Colombia—that have actually agreed now to help us, the United States, with a number of different things, from securing our borders to preventing fentanyl deaths. I think those are really im-

portant, as opposed to just looking at how much we are going be able to save on a grapefruit.

You know, I have heard some criticisms this morning on Musk and how he is not running our typical federal government programs. I am going to ask anybody: Have our typical federal programs and how we have typically been running the federal government helped any of your businesses? Or has it gotten us into \$36.22 trillion of debt and a \$2 trillion deficit?

We added \$1.4 trillion of regulations the last 4 years onto our small businesses. And, Ms. Moon, I am assuming that you appreciate the additional \$1.4 trillion of extra money that businesses are having to spend, including and especially small businesses.

I have also heard how dangerous it is that Mr. Musk, who is an advisor to an elected President, how dangerous his regulations are and because he is an unelected person.

Does anybody know how many bureaucrats in our government, in our agencies that are making these decisions, how many of them are elected?

Ms. Moon?

Ms. NEITZEL. He has not been confirmed by Congress.

Ms. VAN DUYNE. He is an advisor to the President. It is not part of the Cabinet, not necessary for confirmation.

But even people who are confirmed are not elected. But what we have seen is, so many of these bureaucrats over and over again are making the decisions. And, a lot of times, we pass laws but the regulations that these agencies are putting out don't even reflect the intent and sometimes are in direct conflict with our laws. And none of them are elected.

And I think what you have seen is the American public is sick of it. They want to have a difference in how government is typically run, for those exact reasons.

I appreciate you being here. Look, I love ice cream, and I am happy that you are contributing, you know, to our economic growth. But I think we also need to get real here. And as we kick off the 119th Congress, we have an incredible opportunity right now to undo many of the harms that have been done to small businesses by the Biden-Harris administration and we can enact meaningful pro-growth reforms.

And, you know, we saw a recent report from the National Association of Manufacturers that revealed that if the Trump tax cuts are not renewed, that in Texas's 24th District alone 27,000 jobs and \$2.6 billion in wages and \$5.3 billion in GDP, just in Texas's 24th District, are at risk.

So, Mr. Hutter, as the CEO of a manufacturing company, what tax policies are most important to small businesses like yours?

Mr. HUTTER. Sure. No, thank you for the opportunity.

I think I would choose to focus first on something that demands immediate attention because it has already expired, and it is the inability to no longer expense—the inability to any longer expense research and development.

It is important for everyone to remember that R&D, while we tend to think about that as being the research behind the amazing new products that America is famous for, it is really also about the amazing new processes that America is famous for. And one of the

things that we are absolutely best at and makes this country the most competitive is our innovation around manufacturing.

And so, at a time when we really are enjoying low unemployment and we have an opportunity to get even greater value deployed for our country through the amazing talent on our teams, what do we need? We need to have the ability to invest in capital equipment that unleashes their capability and puts new productivity in the hands of our people. And we need to have incentive—or, at least, the removal of disincentive—to invest in that very research and development that creates the new processes that will utilize that equipment, those tools, and enable that talent.

The upshot of all of this is not just continuing to preserve and strengthen American competitiveness economically, supporting our defense industrial base—always something I am happy to talk about—but, most importantly of all, it is an opportunity to raise wages, to actually raise the value of the work that great American talent is doing.

Ms. VAN DUYNE. Oh, I love that. And nowhere in there did I hear you say that we needed to have more regulations.

Mr. HUTTER. No.

Ms. VAN DUYNE. In a response to concerns that I have heard from small businesses in north Texas and actually around the country, I reintroduced yesterday the Small Business Regulatory Reduction Act. And I am looking forward to looking at those costs of regulations to small businesses and require that the SBA ensure that the regulations are cost-neutral.

And, with that, I yield back.

Chairman WILLIAMS. The lady yields back.

And I now recognize Mr. McGarvey from the great State of Kentucky for 5 minutes.

Mr. MCGARVEY. Thank you, Mr. Chairman. I appreciate that.

Mr. Chairman, let me also start off by offering my condolences and our prayers to you and everything you are going through. We have been thinking about you a lot. It is good to be back here.

Ms. Moon, appreciate you being here today. In 1942, it was Winston Churchill who wrote to the British Wartime Minister of Food that Americans are, quote, “great addicts of ice cream, which is said to rival alcoholic drinks.” I am born and raised in Kentucky, and I would just say, why can’t we love both?

But I think there has been a lot of really good points brought up here today, and I want to address a few of those. Because, in this particular instance, I do think there is a link between what you are experiencing with your ice cream business and what we are seeing at our distilleries in Kentucky as a result of the Trump tariffs and the chaos that he has thrown the economy into.

There is—in Kentucky right now, we see it—bourbon has to be made in America. Ninety-five percent of the world’s bourbon is made in Kentucky, but it just has to be made in America. We also get 100 percent of the good stuff. But it is not going to incentivize new manufacturing in America to do this.

We saw this in the first round of tariffs. The retaliatory tariffs placed on American products like bourbon cost hundreds of millions of dollars to my State.

These don't just impact a company's bottom line. This is everybody, from the farmers who grow the corn, the coopers who put it in the barrel, the union workers who put it in the bottle, the truck drivers who take it to the store, the stores like yours that sell the product, the consumers who buy it. It is harmful to everyone down the line.

And what we are seeing right now with these tariffs and what they have resulted in, throwing our economy into—it is not over. It is not over. It is just a pause right now. There are people who are going to bed in Kentucky going, what is going to happen to the economy? What is going to happen to our business?

And what do we get for it? All the reports are really modest, not much. Donald Trump has erased billions of dollars in market capitalization, throwing districts like mine into chaos, with these tariffs, but there is not a lot of actual, real new behavior from a place like Canada. Canada seized 43 pounds of fentanyl on the border last year. The Canadian papers and other places are sort of running that we lost the deal on this.

What we want in this Committee and what I have enjoyed about the nature of this Committee is the bipartisan nature of it, that we actually want our small businesses to flourish. What every congressional district here has is an economy that is driven by small businesses. We want those to work.

So, when we talk about these tariffs and the impact that they have on small businesses—you started to hit on this. I know you get a lot of your products locally sourced from the Pacific Northwest, but you can't get it all from there, correct?

Ms. NEITZEL. Correct.

Mr. MCGARVEY. And so do you have to buy coffee or chocolate or other things from other countries?

Ms. NEITZEL. We buy sugar, chocolate, coffee and tea, and paper products from outside of the United States.

Mr. MCGARVEY. And you said this would have a \$100,000 impact on your business alone in selling ice cream.

Ms. NEITZEL. That is just if there were tariffs on our paper products. Yes.

Mr. MCGARVEY. Just on the paper products. Expanding beyond that, it is going to be even more of an impact.

Ms. NEITZEL. Correct.

Mr. MCGARVEY. A question I honestly don't know the answer to: Do you think—you talked about you would have to pass this on to the consumers. What does that actually do to your business? Do the consumers absorb all that cost?

Ms. NEITZEL. Yeah. So, when food prices are higher in America, it makes people go out to eat less often. I am very dependent on people going out to dinner and then walking down to the ice cream shop afterward. The small-business economy is especially intertwined with each other. So vegetable costs at the restaurants down the street matter just as much to me as my own cost of goods. And I am extremely worried about restaurants.

Mr. MCGARVEY. Yeah. And so I think we see the impact, the ripple effect this has and will have on your employees.

And, of course, I love what you are doing with childcare. I truly wish we were doing more with childcare in Congress. We need to.

That is absolutely an economic development tool as well as a crisis that we have in this country, not having enough childcare.

But when this impacts a business like yours, it impacts other businesses, it impacts your employees, it impacts the childcare you are providing, and I think we see the ripple effects. So I appreciate that and hope we can continue to provide some relief for small businesses up here.

Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Ellzey from the great State of Texas for 5 minutes.

Mr. ELLZEY. Thank you, Mr. Chairman. And I send my condolences to you and your family, as well, for the loss of your bride.

Mr. Hutter, welcome to our hearing. As an aviator myself, would you tell me what exactly—let's say, what is your premier part that goes into an aircraft that we would all know?

Mr. HUTTER. Well, we manufacture about 5,000 parts that go into the engine, the cells of every Boeing 737 and Airbus A320, Boeing 787 and A350. Of course it contains and surrounds the engines.

Mr. ELLZEY. And you created this part and are the sole proprietor of it as a small business. Nobody does what you do. Correct?

Mr. HUTTER. You know, we are proud to have quite a few things that have been both IP-protected but also trade-secret-protected. And we maintain those positions by just being the best.

Mr. ELLZEY. Okay.

So what is an example of a regulation that has held back your business from growing? Because aviation is highly regulated, because it is all about safety. We are not going to discuss what has happened in the last week. But that is why the regulations are so high. Are there some that are unnecessary and too cumbersome for you?

Mr. HUTTER. Yeah, no, it is a great question. Of course, you know, thank you for the reference to the tragedies of the last week. It was a reminder of why regulations not only are not all bad, they are really critical for us to deliver the safety record that we have in this country.

But there are some that, as I mentioned earlier, just don't make sense or are pretty unworkable, if not impossible, for small businesses. You know, our businesses are small, but they are great ones, too, if we can be allowed to get to the work that we have been set out to do. And there are a great number of regulations—and I am thinking of some that even are born of SEC regulation—

Mr. ELLZEY. Uh-huh.

Mr. HUTTER.—okay? Previously we had the conflict-minerals source tracing. We have the opportunity to potentially see something similar in some of the greenhouse-gas-emissions regulations. It is the chance to let's, you know, get this stuff right and do it in a way that is workable.

And where I am headed here is, you have got regulations that are targeted at and made the responsibility of publicly traded companies or large companies like our customers, and whether they are right, wrong, or indifferent at that level, here is what happens at my level: The reporting requirements, the data collection re-

quirements that come rolling down through the supply chain—and 60 to 70 percent of the aerospace supply chain, civil and defense, is not at those big names that you see on the stock ticker; they are at companies like ours, small businesses. And just the effort to go get the data and feed it back upstream to serve those compliance needs requires, you know, a team that I don't have.

And the people that would go to do that kind of analytical and research work are the very same talent on my lean, mean team that would otherwise be focusing their efforts on improving our production and scheduling, our reliability, our economy, maybe even our direct impact to our employees around safety or around environmental responsibility. And, instead, they are off on this, you know, research project supporting a regulation that I don't even know that the government knows what it is going to do with the data.

Mr. ELLZEY. And they don't know the second-, third-order effects. If you go out of business, we don't make 737s. It is as simple as that.

Mr. HUTTER. No, sir. And I think that that reaches across some of these things like availability of certain materials, the stability of energy supply.

Mr. ELLZEY. Yeah.

Mr. HUTTER. We had better understand what we are doing before we shut off the tap on something that could bring things to a stop real fast.

Mr. ELLZEY. It sounds a lot like the banking for the community banks. I mean, if you just changed the wording just a little bit, it sounds exactly the same way.

And, Mr. New, we are just about out of time. So it sounds like—I know, in your industry, this same kind of regulations have an effect.

Ms. Neitzel, I want to thank you for being here. I am an addict of ice cream. I can't wait to try the Yeti.

I just want to point out that—you are talking about a shortage of eggs. The Trump administration has been in power for less than 2 weeks. There is no shortage of eggs because of Donald Trump. It is bird flu and the requirement to kill a lot of chickens that has caused a shortage that has been ongoing for several years in the United States now. It has nothing do with tariffs—which, I might add, are not actually in effect. It was a negotiating point.

But I would also like to add: Let's be clear, I mean, I am extremely impressed with your desire to start a business. I wish I could start an ice cream business. But keep in mind, there are consequences for choices that you make. For instance, you know, you don't—do you allow police in your store if they are armed?

Ms. NEITZEL. I do.

Mr. ELLZEY. You do? But you didn't in 2020, correct?

Ms. NEITZEL. Correct.

Mr. ELLZEY. Okay. Well, there are consequences for not allowing cops in the CHOP area, which ended up devastating your business. So I think we ought to keep in mind cause and effect in small businesses, and some of those choices you made prove to harm your own business.

So thank you.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mrs. McIver from New Jersey for 5 minutes.

Mrs. MCIVER. Thank you so much, Chair and Ranking Member.

And thank you to all of the witnesses for being here today.

And, Mr. Chair, I offer my condolences to you and your family as well and my prayers to you all.

We all know that small businesses are the backbone of the American workforce and the driving force behind the American Dream. We have heard many of our witnesses talk about that today and many Members of Congress talk about that. In my district alone, thousands of small businesses thrive, employing tens of thousands of hardworking individuals, many from minority, women, and immigrant communities.

Just 2 weeks ago, one of my small businesses experienced an unjust raid by ICE agents, resulting in the arrest of three employees and the detention and questioning of several others. This raid created widespread fear within the entire community, disrupted business operations, and imposed undue hardship on the establishment and the dedicated workers there.

I spoke to this community this morning, the leader, one of my council members and mayor of this community, and they indicated to me that about a 25-percent to 30-percent drop they have seen in the small business—in the small businesses—you know, folks coming in to support small businesses and shops and the locals there, which speaks to this is a very thriving community on small businesses. It is definitely a hardship. I mean, it has created so much of a fear that people are scared to come outside in this community.

And, Ms. Neitzel, you talked about it when our Ranking Member asked you about what does it mean when, you know, immigrants are not showing up to work on farms and they are not coming to work, and you talked about, you know, the impact it would have on our food systems.

But can you elaborate a little bit more on what the profit margins would be—the impact on the profit margins themselves for small businesses because of such?

Ms. NEITZEL. If farmers can't get their employees to come to work because they are so scared of ICE raids, then restaurants and grocery stores and ice cream shops won't have the produce that we need to make our products. If we don't have what our customers want, like that Yeti ice cream, we are not going to have customers walking in our doors. It will bring the entire small-business economy to a halt.

Mrs. MCIVER. Correct. Thank you for that. And I am sure, like I mentioned about my East Ward community in the city of Newark already experiencing that, when folks are not coming in to shop and support small businesses.

I just want us all to think about this from both sides of the aisle as we begin our work here in this new Congress—that seems like it has already been 25 years in this new Congress already, but only a couple of weeks in—that it is imperative that we prioritize the protection of all businesses and the individuals who contribute to their success.

Safeguarding their well-being is essential to maintaining the strength of our local economies and preserving the opportunities that small businesses provide.

So thank you so much.

And with that, I yield back.

Chairman WILLIAMS. The lady yields back.

I now recognize Mr. Alford from the great State of Missouri for 5 minutes.

Mr. ALFORD. Thank you, Mr. Chair. Again, our sympathies to you and your great family down in Texas, running a great small business there, for the loss of your Patty.

Thank you to our witnesses for being here today. Appreciate that.

This committee stands as a staunch advocate for Main Street America. If we do not champion main street interests, we risk losing the small businesses that are integral, part of the fabric of America.

Small businesses spent the last 4 years under attack from a lethal combination of inflation and overregulation. This committee is here to assure small business owners that these attacks are over. The Trump administration and a unified Republican Congress are here to fight for you, to ensure that everyone can live the American Dream.

Throughout President Biden's term, federal agencies finalized more than 1,000 regulations, costing small businesses more than \$1.7 trillion—\$1.7 trillion. That is the same as the entire federal discretionary budget for fiscal year 2023.

It is unacceptable that federal agencies can put this burden on the taxpayers of this country. And with Elon Musk in charge of the Department of Government Efficiency, we will end the federal government's attack on businesses.

Through a letter dated February 3, and here in this very committee room, Ranking Member Velázquez and committee Democrats have raised concerns about DOGE being granted access to Small Business Administration systems. Well, with all due respect to the Ranking Member, who is now leaving this committee room, this is exactly what Americans voted for last November 5.

The American people are sick and tired of unelected and unaccountable bureaucrats wasting billions of dollars—taxpayer dollars. The PPP and EIDL programs wasted hundreds of billions of dollars in potentially fraudulent COVID loans. Estimates vary, but most agree that over \$200 billion was fraudulent.

The American people elected President Trump to clean up the corruption and waste in Washington. Maybe, just maybe, if committee Democrats joined the majority last Congress in investigating SBA's lax fraud controls and nearly nonexistent efforts to reclaim taxpayer dollars, then DOGE would not need to now go inside the SBA.

I am also enthused that President Trump has ordered federal workers back to their desks in the offices just down the street here. As we saw on our visit to the SBA more than a year ago, employee attendance was meager at best. As Chairman of the Subcommittee on Oversight, I will be working with Ranking Member Tran to ensure maximum efficiency and transparency by the SBA.

With 2 minutes left, Ms. Moon Neitzel, a couple of questions for you.

How much is the price of an ice cream cone in your shop, a small one? Let's just start with a small one.

Ms. NEITZEL. A single scoop is \$6.95.

Mr. ALFORD. \$6.95. If the tariffs go into effect, what is the estimated price increase you will have to make on that product?

Ms. NEITZEL. I have no idea, because I——

Mr. ALFORD. Can you take a guess?

Ms. NEITZEL. Nope.

Mr. ALFORD. \$7.25? Is it going to go up a dollar?

Ms. NEITZEL. Could be.

Mr. ALFORD. A dollar.

Do you know why the tariffs are being used right now as a tool by President Trump? It is to shut down the illegal and illicit fentanyl that is coming to our country from Mexico and Canada that is killing more than 300 of our fellow citizens each and every year.

Ms. NEITZEL. All 43 pounds of it from Canada.

Mr. ALFORD. I would submit to you that the threat of a tariff to stop this illegal drug trade—and, yes, most of it is coming from Mexico—is worth the added cost of an ice cream cone in America.

Ms. Moon Neitzel, do you hire any illegal aliens?

Ms. NEITZEL. I don't know.

Mr. ALFORD. You don't know? You could be hiring illegal aliens?

Ms. NEITZEL. We check the paperwork as per regulation.

Mr. ALFORD. But you think some of them might be illegal, here illegally?

Ms. NEITZEL. I don't know.

Mr. ALFORD. Why should any employee or any illegal alien be working in America to begin with?

Ms. NEITZEL. Every American deserves a job.

Mr. ALFORD. Every U.S. citizen or every person who lives in the Americas?

Ms. NEITZEL. Every American deserves a job, sir.

Mr. ALFORD. I will take that as a U.S. citizen.

Why should anyone who is here with legal status be fearful of any ICE raids?

Ms. NEITZEL. The fear and intimidation of these ICE raids reaches to every American citizen, as well as the folks they are looking for.

Mr. ALFORD. Well, I think, if you are here legally, you have no reason to be fearful. And I do believe that a small increase in the price of ice cream is worth an American life.

So thank you. And I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Cisneros from the great State of California for 5 minutes.

Mr. CISNEROS. Thank you, Mr. Chairman. And I, as well, want to send along my sympathies to you and your family for your loss.

Chairman WILLIAMS. Thank you.

Mr. CISNEROS. January 24 the SBA updated its small business contracting goals for the fiscal year 2025. Under President Trump, SBA requires agencies to award at least 5 percent of all contracts

to small disadvantaged businesses. That is down 15 percent from the Biden administration.

Other Trump administrative targets include 5 percent for all federal prime contracts going to women-owned small businesses and 5 percent to—all federal prime contracts going to service-disabled veteran-owned small businesses, 5 percent of all prime contracts going to a HUBZone, historically underutilized business zones, 3 percent. These HUBzones are in my district, including the cities of El Monte, Covina, Azusa, La Puente, and more.

So, Ms. Frazier, given these decreased targets, what advice would you have for a small business—small disadvantaged business—looking to secure capital, as well as for veteran-owned small businesses and women-owned small businesses?

Ms. FRAZIER. Thank you.

I would like to think that there are opportunities continued beyond maybe just those contracts. We actually are a bank for government contractors. Many of them do take advantage of the 8(a) and are able to use that to grow their revenues. And some also partner up with some that are not 8(a) to be able to deliver their services and their products from that perspective. So while the numbers may be down, I think the opportunities for revenues continue to grow.

Mr. CISNEROS. Well, but the likelihood is, is that if these small disadvantaged businesses are not going to receive as many contracts, then banks are probably going to be less likely to lend to them, right? The same thing as well as our women-owned businesses and veteran-owned businesses, if they are not going to get as much government contract business as they did in the past possibly. There is that possibility as well.

Ms. FRAZIER. I think the loans that they apply for are also relevant to the size of their business at the time. And so sometimes—all government contractors ebb and flow with their revenues and the contracts that they win, and so loan sizes also increase and decrease relative to that.

Mr. CISNEROS. Well, but I think, again, as it goes, the least likely of their business decreasing because, as we said, if they are going to get less business, the chance of them kind of having to downsize means the possibility of less capital for their businesses.

But with that, I will move on.

Ms. Neitzel, I just want to commend you for your commitment to childcare. The investment that you have made with your business to benefit your employees I think should be commended, and it should really be a model for other businesses.

So how could we as a committee, how can we as a Congress help you and other businesses like you that are making this investment? And as you stated in your testimony, I do think we need to invest in childcare across the country.

But how can we help small businesses like you help their employees to make them better businesses?

Ms. NEITZEL. You can help by creating a national childcare program that is cost saving because of scale.

Putting a child in daycare in Seattle costs between \$2,500 and \$3,000 a month. That is far more than most of my employees pay

in rent or mortgage payments. So me investing \$1,000 a month isn't even covering their costs.

But if we had a national childcare system that provided subsidies or a robust childcare facility system like most other developed nations, we could scale the—lower the cost per child, scale the program, and stabilize the entire American workforce, allowing more women, in particular, to fully participate in the American economy.

Mr. CISNEROS. Thank you for that answer. And as you stated also, the tariffs, the negative effect it is going to have on your business, with the raising of prices. And my State of California and my community down in southern California have been devastated by fires.

Many of the businesses—one of the businesses in my district relies on products that they have to come from other countries, one of them being Canada, the other being Mexico. This is going to hurt their business. Lumber, a large amount of lumber that is now going to be needed to rebuild southern California, the cities of Altadena, Pacific Palisades, that is going to hurt the builders.

And with that, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Finstad from the great State of Minnesota for 5 minutes.

Mr. FINSTAD. Thank you, Chairman Williams, for holding this important hearing today.

And thank you to the witnesses for taking time and being here.

I would also like to take a moment, Mr. Chairman, to extend my condolences to you on the loss of Patty, and just I want you to know that I continue to pray for you and your family.

I am honored to serve here on the Small Business Committee for the 119th Congress. As a small business owner myself and one of the very few real farmers that gets to serve in Congress, I know firsthand the impact that heavy-handed, burdensome regulations have on our small business owners.

Over the last 4 years, main street businesses have been fighting to keep their doors open, dealing with the impacts of inflation, misguided regulations, supply chain issues, and an administrative state that does not put their priorities first.

I am looking forward to the opportunity to make lasting changes that will allow our communities in southern Minnesota and across the country to thrive.

With that being said, Mr. Hutter, you talked in your testimony about the regulatory state, permitting reform possibly needed. And last Congress, I was proud to have led the passage of a bipartisan bill called the PROVE IT Act, which gives our small businesses a seat at the table and a voice in the regulatory process.

Do you feel like right now you have a voice in that process? Do you have an opportunity as we pass these well-intended laws in Congress, the administrative state implements their rules and regulations, and they come to you and say here are the hoops and loops you have to jump through and walk through and hide under to comply, do you have a voice in that process? Do you have an opportunity to express your additional cost and the burdensome regulatory state that that puts on your business? Do you have a voice at that table?

Mr. HUTTER. Well, first off, I apologize, I am not familiar with the act, but it sounds like a good one in the sense of giving that input.

We really rely largely on our manufacturers associations, our aerospace industries association to try to be the interlocutor.

We would love to have more of a direct line of sight to that. And I think a good place where that shows up are things where we see that expansion and that rollout of more and more on the regulatory side.

We are keeping a close eye, I should say, on some of the EPA regulations, particularly around the New Source Review. And I just choose that one because as we look to revolutionize and modernize and grow our manufacturing processes, you have a scenario that traditionally was pretty lean and mean where these types of small emitter permitting would happen at the local level, the municipal level.

And now we are seeing potentially the EPA nose under the tent to get involved in things that are only going to add a federal layer to that as well in a scenario that seems completely unwarranted.

So there is an example of something I would raise my hand and say: Is this really a good idea?

Mr. FINSTAD. Yeah. Thank you for that.

And so, as you know, business owners across the country have been tasked to comply with numerous regulations, and it has had a major impact on their bottom line. As has been stated earlier, \$1.7 trillion over the last 4 years affecting small businesses.

With your business specifically, can you give us a rough estimate of how much time and resources have you had to allocate towards compliance efforts in the last 4 years?

Mr. HUTTER. Well, the irony, of course, being that taking even more time to calculate that just puts bad on top of bad. But it is hundreds of thousands of dollars a year.

And I say it is not just the dollars, it is the scarce resources for talent who have to be redeployed to doing these—I call them intern projects, if you will—as opposed to really working on the business. But for a company our size, it actually, we would say, over the last 4 years, ranges into the millions, to be sure.

Mr. FINSTAD. Yeah. So as a small business owner myself, I don't have a stable of lawyers or compliance officers or regulatory experts to help me through that, so it definitely costs our family business money.

So with what you have just stated, what would you do in your small business with those dollars if you were able to deploy them in other ways?

Mr. HUTTER. That is pretty simple. We are heavy believers in reinvestment, and those dollars that weren't going to hiring an outside consultant or distracting our folks to go run the compliance activity would be going into direct impact for either our team and our business actually working on improved safety, working on improved quality, working on improved productivity and efficiency that is going to win tomorrow.

So the dollars would be put as direct lead on target for the things that matter to make us more competitive and more successful in our mission.

Mr. FINSTAD. Yeah. Thank you for that.

And, Ms. Neitzel, I just have to say thank you on behalf of the dairy farmers in southern Minnesota and across this country. Keep selling ice cream.

And, Mr. Chairman, this body was built on ice cream and bad decisions.

So with that, I yield back.

Chairman WILLIAMS. From what I can see, I think you are right.

[Laughter.]

Chairman WILLIAMS. Next, I would now recognize Mr. Tran from the great State of California for 5 minutes.

Mr. TRAN. Thank you, Mr. Chairman. And I, too, would like to share my condolences with you and your family on your loss.

I look forward to working on this committee under your leadership and the Ranking Member's leadership and working with my colleagues here on this committee.

I grew up with a small business background. My parents had their own corner market. So the small business and being part of this committee is very important to me, so important that I believe that small businesses are the heart and soul of our community and the heart and soul of our economy.

I started a pharmacy and my own law practice, a small business, before coming to Congress. So appreciate being on this committee.

So my first question goes to Ms. Neitzel.

Access to health care is still a barrier to entrepreneurship for Americans looking to take a leap of faith and start a small business. How would you expand healthcare through Medicaid and the ACA? How do you think that would help inspire entrepreneurs to join the business community?

Ms. NEITZEL. Thank you for the question.

I do a lot of mentoring of young women and young people in general looking to start their own companies, and a huge barrier to starting innovative and helpful new businesses in our economy is that the entrepreneurs who have the great ideas can't leave their jobs because of healthcare.

If we had a national single-payer system that took care of every American, it would free up that intellectual and inspirational sort of heart of the American Dream.

Mr. TRAN. Thank you.

Ms. Frazier, can you discuss what your financial institution is doing to help close racial and gender disparities in access to small business capital?

Ms. FRAZIER. Oh, I would be happy to. Thank you.

We actually work together with three other financial institutions to start what we called a Banking on Diversity loan program. Well, it actually ended up only being three institutions, not four altogether. One was purchased.

Ultimately, we put out into the marketplace \$1.5 million of zero interest rate loans to help minorities and those that were early stage businesses overall. So revenues were under a million. Most of the businesses were under a year old. And to date, I am really excited at the success of that program and how those businesses have grown.

Mr. TRAN. Thank you for that.

Mr. Hutter, you have previously spoken about the shortage of skilled workers in this country, and your firm has partnered with local community colleges to operate jobs training programs.

Can you discuss the importance of career and technical education in addressing that shortage?

Mr. HUTTER. Sure. Absolutely. And it is part of our story of really being a high-tech manufacturer coming to northern Nevada in the late 1980s and a community that built its economy on gaming and tourism at that time, and we have been proud to be part of that revolution. And part of the key to making that happen has been the partnership with our local educational institutions.

And I will say, as important as it is in our business to have bachelor's degreed and advance degreed folks, particularly in the technical side of things, it is even more fundamental to have folks with the skills to be able to serve at kind of the technician level. And we really turn to those partnerships with our local community colleges for that, and they are essential.

Mr. TRAN. Thank you.

As a follow-up to that, do you think that more investment is needed in trade education, STEM education, to maintain and expand the workforce?

Mr. HUTTER. Yes, I do believe that that is critical, and it can come from a few different directions. But a key aspect of that is really being done in a context of engagement with industry.

So we make sure that the investment in curriculum and the investment in laboratories and whatever it may be actually matches the needs of business, and we have found that to be a really great partnership. But we definitely support them.

Mr. TRAN. Thank you so much.

Mr. Hutter, Mr. New, Ms. Frazier, Ms. Neitzel, thank you so much for being here with us.

And with that, Mr. Chairman, I yield back.

Mr. LALOTA. [Presiding.] The gentleman yields.

I now recognize Mr. Downing from the great State of Montana for 5 minutes.

Mr. DOWNING. Thank you, Mr. Chairman.

And thank you to our witnesses here.

So over the past 4 years, Montanans have watched as the Biden administration did everything it could to put energy producers in our State and around the country out of business.

They almost succeeded. Coal, oil, natural gas producers have been holding on by a thread as radical Green New Deal activists and the EPA and BLM revoked leases for mines and extraction facilities. They closed off vast swaths of federal land to energy production and introduced rules and regulations specifically tailored to shut down these companies.

Now, this anti-energy stance had a negative impact outside of the energy sector. Small businesses, especially in manufacturing, require reliable access to cheap energy to make their products and operate successfully.

Now we are entering into a brave new world as cryptocurrency, blockchain, artificial intelligence integrate further into every sector of the economy. Our energy infrastructure and production capacity

are nowhere near the size they need to be to manage this technological expansion.

Now, unleashing American energy production is a priority for the Trump administration, and I look forward to working with them to do just that.

So my first question to Mr. New—and thank you for being here—over the past 4 years have you seen a decline or a slowing of growth in your business due to the anti-oil-and-gas leasing policies of the Biden administration?

Mr. NEW. Certainly our customers have slow-walked projects, they have canceled some projects because they couldn't get permits. They were uncertain about the future and didn't—wouldn't invest.

And today, just this morning, I read one of our customers, a project that they have been talking about for about 5 years now, they just announced that they are probably not going to go ahead with that project now because it drug out so long that this was an oil export terminal—their main customer bailed out because it was taking so long.

Mr. DOWNING. So would approving more leases for oil and gas production in the Gulf of America, as the Trump administration has promised, improve your potential for growth?

Mr. NEW. Absolutely. Our customers have to have access to leasing.

Mr. DOWNING. Okay. Mr. New, access to capital is a significant issue for many small businesses, especially in the energy sector.

Now, have you seen a decrease in capital access for your business or others in the energy sector due to a lack of regulatory certainty? And, if so, how has this regulatory uncertainty affected your business?

Mr. NEW. Yes, I have seen it directly, particularly in some of the larger banks. Banks that I have done business with for many years basically told me that: Bill, we love you, we love your business, you do a great job, but you are an oil and gas business, we can't lend to you anymore.

Mr. DOWNING. Yeah. Thank you, sir.

Mr. Hutter, thank you for being here.

Joe Biden and Gary Gensler's SEC and woke reinsurance companies have tried to shut down companies through the back door rather than the front door using ESG to restrict access to capital at the expense of small business.

Now, how has this harmed your business? And how can Congress make improvements?

Mr. HUTTER. I am not really in a position to comment on that directly because we haven't experienced the effects of that.

I know that we have small businesses, smaller than us by far, in our supply chain, and I would just broadly say that their access to capital and their access to the things that make them successful are critical to me as well. But no direct experience.

Mr. DOWNING. Well, thank you.

I just, as a former securities and insurance regulator, have seen a lot of this happening, so I appreciate that.

So I just want to thank you all for your testimony.

The past 4 years have been a relentless struggle for American energy producers. But with the Trump administration prioritizing

domestic energy dominance there is a reason for renewed optimism.

And the testimonies today have made it clear: Energy security is economic security. It is national security. And moving forward, we must cut through the regulatory red tape stifling small business, especially those in manufacturing and energy production.

Now, I look forward to working alongside my colleagues in Congress and the Trump administration to get this done.

Thank you. I yield my time.

Mr. LALOTA. The gentleman yields.

I now recognize the gentleman from Maryland, Mr. Olszewski, for 5 minutes.

Mr. OLSZEWSKI. Thank you very much.

I first want to just join this committee and all the Members in sharing my condolences with the Chair and surrounding he and his family in our prayers.

Thank you all for making the time to travel.

Ms. Neitzel, I am looking forward next time for you bringing samples for us to have while we are here, please.

I just want to open, I have had a chance to listen quite a bit, just two quick observations.

I know there has been a lot of back-and-forth about unelected bureaucrats both Democrats and Republicans have leveraged here. I just hope that as we go about our work that we can agree on things like Congress' fundamental power of the purse, our legal authority to establish change and eliminate departments.

And I just hope that as we have those conversations, conversations that I welcome, that we do it through the well-established democratic processes that this country has been founded on for a very long time.

As it relates to tariffs, I just want to remind, especially relative to Canada, we are talking about in fiscal year 2024, 1.5 percent of all apprehensions at the border were on the northern border, just 1.5 percent. The last 3 fiscal years, the amount of fentanyl that came from the northern border was less than 1 percent of all fentanyl seized.

And so if we are willing to exchange a 25 percent increase on goods for that, I guess we should expect those numbers being zero in the upcoming year, but we will see what happens there.

Mr. Hutter, I know on Congressman Tran's question you spoke about and I really appreciate your engagement with community colleges and STEM and job training programs. Clearly, you see the value in those investments.

I really appreciate also your conversation about engagement with industry. Prior to coming to Congress, as Baltimore County executive, we both made our community colleges absolutely free to any family making \$150,000 or less.

We also partnered with the nursing and healthcare industry to create a nursing pipeline program that actually, for Democrats, we would say we knocked down barriers to opportunity, we invested in things like childcare, transportation, and housing. Perhaps from a Republican perspective you can say we helped people pull themselves up by their bootstraps.

But would you say that if we engage in those conversations and find those gaps, those are the kinds of investments that we in Congress might want to continue to make to help make more opportunities for your workforce?

Mr. HUTTER. Yeah. I think yes. And I would want to make sure to capture that this is as much or more also an obligation and responsibility of business itself. And it has been very much that partnership of the investment we put into our own training and development for folks, and I think it is a key piece that differentiates us and makes us a great place to work and attracts the best talent.

But that happens in a context where we want to hire from our community versus draw people in from far and far away. We want to build our community as we go.

And so I do think that it is all in the doing. But from a concept standpoint, of course, having a strong commitment in the community to the education and the training and, I would say, the overall uplift in the tone around the nobility of skilled trades is really critical.

Mr. OLSZEWSKI. That is great. I appreciate that question and hope to bring that forward as my time here in Congress continues.

And then, Ms. Neitzel, I just will conclude with a question for you.

Congratulations on the new shops that are coming. I know that they, as you have testified, are funded in part with SBA loans.

I just wanted to give you a minute, minute and a half here. Any feedback that this committee might have in terms of what your interaction has been like, what we might want to know to help make sure that other businesses who are looking to do similar work can have access to it?

Ms. NEITZEL. This was my first time using this SBA loan program. I started my company with sort of friends and family investors and have just gone through a community bank without the guarantee of the SBA to grow my company for the last 17 years. So this is my first experience, and it has been fine.

I was listening to Ms. Frazier's testimony and thinking there are opportunities, I think, for us to chat about ways that both Main Street Alliance and Ms. Frazier and her banking organization could talk about bipartisan ways to maybe make it a little smoother.

It has been a very complicated process, and I loved her comment about the 81 data points. I have felt each of those 81 questions deeply.

But the access to the capital and a stable SBA have been critical to my business' next phase of growth.

Mr. OLSZEWSKI. That is great.

Well, I welcome the opportunity to work with both of you if we can find those improvements in the years ahead.

With that, I yield. Thank you.

Mr. LALOTA. The gentleman yields.

I now recognize Ms. King-Hinds from the beautiful Northern Mariana Islands for 5 minutes.

Ms. KING-HINDS. Thank you, Mr. Chairman. And I join the Members in expressing my condolences to the Chairman.

Thank you to all the witnesses for your testimony today and for making time to be with us.

Under SBA definitions, all businesses in my district, the Northern Mariana Islands, are small businesses. That is why I am so grateful to serve on this important committee, so I can speak about their challenges here in the 119th Congress.

Businesses in my district operate in one of the most remote parts of our country. This geographic isolation drives up operating costs, limits access to customers and capital. And in recent years, we have seen a growing sense of hopelessness—some would say straight-up despair—because our primary industry, which is tourism, has yet to recover from the impacts of COVID-19.

Testimonies today cited a 2023 study of the National Association of Manufacturers which found that federal regulations cost an estimated \$12,800 per employee across all sectors of the U.S. economy, and this highlights some of our challenges.

To put that figure in perspective, in my district, that would suggest that the cost of regulatory compliance in the Northern Marianas is 38 percent of our total gross domestic product and 25 percent of all business revenue made in the islands.

What makes this so challenging is, despite the many one-size-fits-all regulations, there is no one-size-fits-all application of benefits for small businesses in my district. For example, while SBA has made significant investments in the CNMI in response to natural disasters and the pandemic, in programs like the SBA's Restaurant Revitalization Fund, my district had the lowest approval rate in the nation, with nearly 90 percent of applications denied.

Despite the dire need for capital among entrepreneurs, participation in SBA's flagship 7(a) Loan Guarantee Program is far below national averages.

It is clear that the federal government must do more to recognize and address the realities of businesses in isolated communities like mine. National policies already create challenges for small businesses, but for places like the CNMI these challenges are magnified.

As this committee looks to support President Trump's effort to unleash small businesses in our community, I ask that we take a critical look at how Congress can do more to support the unique needs of these businesses in areas like the CNMI and do our part to break away from one-size-fits-all policies on funding, capital access, labor, and market access.

It is around 2 a.m. now from where the people that I represent live. We are 15 hours ahead of Washington, D.C. And when the sun comes up in the mainland it is nighttime back home.

In many ways, our horizons are different. I have seen the data that many businesses in the United States have rebounded from the pandemic and have grown beyond it. Unfortunately, the same cannot be said for the Northern Marianas.

I do believe, however, that hope is on the horizon, and I ask for this committee's partnership to make sure that despite the distance and the obstacles, when hope does make it over the horizon it is something that we can all celebrate.

So I am here trying to be a better champion for the people in my community, and I guess I am looking to champion policies that address rural, isolated communities like mine. And so this question is to you, Ms. Frazier.

One of the biggest issues for businesses in my district is access to capital. Traditional banking models often struggle to serve high-cost, low-volume markets in sparsely populated areas like the CNMI.

In your experience, how can federal policy better support community banks in small population centers so they can extend capital to businesses that are viable but geographically disadvantaged?

Ms. FRAZIER. Thank you for that question. I am going to answer that with two fronts, if I may.

You spoke about the one-size-fits-all regulation and how it impacts the small businesses, and it impacts us when banking regulations are one-size-fits-all, and it puts us in boxes and makes us have to operate very similar to much more out-of-market, larger competitors.

What you have indicated is your businesses need that personal relationship. They need that ability to have a banker that they can work with and help them with a customized product.

SBA, with a guarantee or not, it is how do those cash flows come into that business, how can the bank help them support it when they need it the most. So the tiered regulation, recognizing thresholds, would be critically important for us.

And I am going to go back to the 1071, because if applied the way it is intended or the way it is now currently written, forget the 81 data points. It says that we have to separate the person from the decision. And so the person that is actually working with the client, understanding their business, is not part of the decision, and that can really impact the ultimate outcome.

Ms. KING-HINDS. Thank you for that.

Going back to these one-size-fits-all regulations, do you see a disproportionate impact with regards to rural banks in your experience?

Ms. FRAZIER. I do. I have the great benefit of visiting several States over the past year and meeting a lot of bankers, and I have met a bank that is running off of seven employees. Imagine trying to implement these regulations with seven employees, but they are serving a tiny, tiny community with all that they need. And so it is unbearable for them to bear that.

Ms. KING-HINDS. All right. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. LALOTA. The gentlelady's time has expired.

I now recognize the gentleman from New Jersey, Dr. Conaway, for 5 minutes.

Mr. CONAWAY. Thank you, Mr. Chairman.

And thank you, witnesses, for presenting yourself to us today.

As I have listened to the comments today, I have to say I am a little bit surprised about the criticisms of the prior administration with respect to job growth. We have 21 million businesses that were created, the largest number in any single Presidential term, 440,000 establishments per month, 90 percent faster than during the pre-pandemic era.

We have growth—I know this is of concern to some in the administration—but business ownership among Black households doubled, a 30-year high business ownership for Latinos, a 30-year high in business ownership for Asian Americans as well.

And we have seen that, while certainly inflation was a challenge, it is—well, you have to except food and energy now—we are getting down to more normalized inflation in this country as well.

So things are pretty strong. When you compare us to Europe, we are well ahead of them. Our economy is the envy of the world when you compare it to other people. In fact, China is experiencing deflation now.

And so I think certainly we want to make sure that our small businesses continue to thrive. Ninety percent of the jobs are created by small businesses in this country; they are, and we hear it all the time, the backbone of our economy. Forty-six percent of all employees are employed by small business, probably more than that. And certainly a great contribution to new job growth.

So small business is rightly the concern of the American people and certainly, rightly, the concern of the Congress.

I wanted to make a comment. We have heard about tariffs this morning as well. And tariffs, whether they have gone into effect fully yet or not, we have already seen that businesses have taken steps. Some have raised prices because of the instability caused by the back-and-forth over tariffs, and those prices of course drive inflation.

We have heard already from our witnesses today and others who have spoken from the dais about the costs of inputs that will go up.

California needs to be rebuilt. We heard that from the Vice Ranking Member about the need to rebuild California, and the wood and the materials that are going to be needed to get that job accomplished under a system of the tariffs that are proposed, if they go through, are going to raise the cost of housing once again. Of course, housing inflation was a huge issue for Americans in this last issue.

In my own State alone, when you look at our relationship, trading relationship with Canada, Canada is responsible for \$17.5 billion to our economy in New Jersey. It is a huge—through the bilateral trade agreements and interaction with Canada each year in New Jersey alone.

So a tariff on Canada, which will certainly impact our economy in the State of New Jersey, and we certainly don't want to see that.

And, indeed, we have not quite as much with Mexico, but we know tariffs are little more than a tax on the American people, will raise costs at a time when they are very concerned about costs, they want to see costs down.

This is a promise, I think—I don't want to talk about what people voted on this last election. They voted on the promise of the government taking on inflation. I don't know how you do that exactly in an economy that is not controlled.

But anyway, that is the promise that was made. People voted on that. And let's just hope that we, as we move forward in these next 4 years, keep the job growth going and get inflation under control.

Ms. Neitzel, can you speak to us—and you have probably done some of this already, and I am sorry if I am repetitive here—but you run a small business. You get inputs from in country and overseas. Can you perhaps elaborate more or reemphasize the impact of tariffs on your own business and the cost of your inputs?

Ms. NEITZEL. Yes. I have spoken a little bit about that. But as I said, our paper products all come from overseas, as do sugar, coffee, chocolate.

Another concern that I have is the dairy farm where I buy all of our milk and cream is a fantastic family-owned farm that is so far north that when I go visit those cows my cell phone connects to the Canadian cell towers.

They grow some of their feed for those dairy cows, and they trade constantly with Canada. Our farmers in the Pacific Northwest have wonderful long-lasting relationships, trade relationships, with our friends and allies to the north.

Mr. CONAWAY. Thank you, Mr. Chairman.

Mr. LALOTA. Thank you. The gentleman's time has expired.

I now recognize Mr. Bresnahan from the great State of Pennsylvania for 5 minutes.

Mr. BRESNAHAN. Thank you, Mr. Chairman, and to Ranking Member Velázquez, who I am so elated to see that finally cares about egg pricing in the United States on day 16.

But my first question actually is a little bit off of the cuff and is for Ms. Moon.

Ms. Moon, you made reference earlier about the amount of fentanyl that was seized at the southern border. What was that number again? The northern border.

Ms. NEITZEL. Forty-three pounds from Canada, sir.

Mr. BRESNAHAN. Are you aware of how many people would be killed if they consumed 43 pounds of fentanyl?

Ms. NEITZEL. This isn't about fentanyl with Canada; it is about bullying and chaos creation.

Mr. BRESNAHAN. Well, to me, it is about the 12 million people that 43 pounds of fentanyl would kill, which is more than the population of the State of Ohio, specifically coming from someone who lost a 16-year-old cousin because of a fentanyl-related situation. So——

Ms. NEITZEL. I am sorry for your loss.

Mr. BRESNAHAN. Thank you. And I think when you are talking and make comments that it is only 43 pounds, I find that incredibly disheartening.

My next comment would be on the community banking side. I come from a small business background. My family was very involved in a community bank, and something that really allowed our small business to grow was because of our relationships with small community banks, having the lending officer, the person who truly understands your business, what you are going through during the good and the bad.

What are the biggest risks to community banks right now that you would see?

Ms. FRAZIER. The ongoing regulation. And a couple of the points I have talked about is just the impact of not recognizing the differences between the banks and the ones that you just mentioned that were so important, that tiered regulation is critically important, that 1071.

While I have touched on the data points, I have touched on the separation of the decision, it just forces those loans to be put much more into more of a database, an AI decision, and commoditizing,

which I think is really, really impactful and hurtful to small businesses, because we do spend quite a bit of time coaching, counseling, and helping many of them grow from the infancy of an idea all the way through to something much larger.

Mr. BRESNAHAN. Well, I definitely appreciate the role community banks play in the entrepreneurship ecosystem. It is something that I struggle with and advocated for through various different nonprofits that I was involved in through tecBridge, which is an entrepreneurship-based board in Junior Achievement. And it is those new businesses that are starting don't have access to capital.

And I have had so many entrepreneurs come to me in my last life—33 days ago—saying: How do I get a line of credit? If they don't have a history of credit they are financing their small businesses on top of credit cards.

What can Congress do to improve the accessibility of capital to that startup entrepreneur, truly the American Dream?

Ms. FRAZIER. We really need to stabilize the impact of changing minds and thought processes around the SBA as well for those startup businesses, and to also consider through that process that the best people, the best way to get those dollars implemented are through the community banks, where the relationships can be formed, and not through an online business that can fulfill the need to get capital but they are not helping them grow their business, et cetera. I would say that is one way.

Another way is also improving community banks' access to capital, because anytime we raise a dollar, that is ten times we can put out, \$10 we can put out into the community. So any opportunities to impact our access to capital, whether it is changing the accredited investor regulations and allowing it to be a million dollars, including the house, or in a Sub S, where 1,500 banks are Sub S, allowing more investors into those.

Mr. BRESNAHAN. Thank you for that. I think that is going to be something that I would like to focus on and inspiring the next generation of entrepreneur, but that barrier to enter into those markets and grow and expand, just like I am sure Ms. Moon had gone through when you were first starting your first ice cream shop.

But that is the American Dream, and it should be incentivized. And the burden, the red tape to create your own destiny is a very challenging and scary concept sometimes.

Mr. Hutter, I also come from the highway infrastructure background. How have you been able to adapt to tool up with the next generation of workforce? And are you seeing a pipeline of qualified individuals to offset your growth and operation?

Mr. HUTTER. Well, the top talent in the world is always going to be hard to come by, and we need to make more of it in the States. And I think, more directly, we need to unlock it more readily.

Every American talented worker who is in my plant needs to benefit from immediate permitting reform, immediate regulatory rollback, so that we can actually get their talents out there on the shop floor in larger, more capable facilities that can allow them to do more for our economy and for their families.

Mr. BRESNAHAN. Thank you. I yield back.

Mr. LALOTA. The gentleman's time has expired.

I now recognize Ms. Goodlander from the great State of New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you, Mr. Chairman. I am so thrilled to be a part of this committee.

I am grateful to you all for being here today. I am grateful to be part of this committee and excited because I really do believe that small businesses are one of the most hopeful expressions of the American Dream.

And I say that as the great granddaughter of a family farmer, the granddaughter of a serial entrepreneur who started out selling airplane rides at the Nashua Airport right down the road from where I grew up, and the daughter of a small business entrepreneur.

I have just come back from 9 days all around the great State of New Hampshire. And thank you for recognizing it is a great State. My district spans from my hometown Nashua all the way up to what we call the North Country, the Canadian border, nine counties that stretch across my district.

I spent a lot of time talking to small businesses. And one of the throughlines in this hearing so far has been the need for certainty for small businesses.

You said it well, Mr. Hutter, that certainty, it goes a long way, and it is mission critical for so many small businesses in my State and across this country.

From the last 2 weeks, one of the big sources of uncertainty for small businesses has been the threats of federal funding freezes, including following last week's memorandum from the Office of Management and Budget to other executive actions that have been taken that have really called into question the availability of lawfully enacted federal funding that reaches our communities.

This hasn't been abstract. I am hearing from small businesses and nonprofit organizations, from mayors, from police chiefs, from fire chiefs all across our communities who continue to face uncertainty in accessing the federal funding that is promised to the people of New Hampshire.

And so one of the questions I want to ask each of our witnesses is, you all rely on and work closely with the Small Business Administration and with other federal agencies.

Starting with you, Ms. Neitzel, could you just tell us what communication, if any, or guidance you received from the Small Business Administration, or any other federal agency for that matter, that helped you navigate questions around the availability of federal funding and federal programs?

Ms. NEITZEL. We work with a small community bank called Peoples Bank in Washington State, and all of our communication has been with them. We had a really productive conversation with the regional small business administrators at the beginning of our loan process who were very informative.

One of the things I want to address about the federal funding freeze is that many childcare providers in our community are extremely worried about the federal funding freeze and worried about being able to pay childcare providers. If workers in Seattle and

across Washington State can't send their kids to those childcare centers, the economy stops.

Ms. GOODLANDER. I heard from many childcare providers who were facing enormous uncertainty from small businesses across my district.

Another source of uncertainty is the threat of a trade war. And you have spoken to the real cost of that uncertainty for small businesses.

Look, I believe tariffs are an important tool that can create competition in our economy and can do a lot of good, but the uncertainty that this has caused for small businesses across New Hampshire is just unacceptable.

I want to turn to something where I think we can all agree on. And I was really grateful for your written testimony, in particular you, Ms. Frazier, what you wrote about the importance of competition in the American economy.

I spent a good deal of time serving in the Antitrust Division of the Department of Justice, and I am very hopeful that this is going to be an area where we can agree across the ideological spectrum on the need for competition in the American economy.

In your written testimony, you spoke a bit about the impacts of consolidation, the impacts on community banks. Could you say a bit more about the importance of competition and what it does for the bottom line for the American people?

Ms. FRAZIER. Well, the competition between the banks, I think what you find in community banks is that we are all working together to better the communities. And if regulation continues to persist and grow and grow, it makes it harder and harder for community banks to survive and thrive. And oftentimes there does continue to be consolidation, and that is where I believe communities are really impacted.

Ms. GOODLANDER. I think it is true across the board, from our defense industrial base to, I am sure, the market for ice cream in the United States. I see monopolies everywhere, and I think this is an area where this committee can do a lot of good for small businesses and the American people.

So with that, I yield back, Mr. Chairman.

Chairman WILLIAMS. [Presiding.] The lady yields back.

I now recognize Mr. Meuser from the great State of Pennsylvania for 5 minutes.

Mr. MEUSER. Thank you, Mr. Chairman.

Thank you very much to our witnesses. Appreciate you being here.

So I think it was you, Mr. Hutter, that said there is a renewed sense of optimism, thankfully. Over the last 4 years, we dealt with inflation in excess of 20 percent, gasoline prices through the roof, literally bringing people to tears. An overall energy crisis. Prohibitions, some in Pennsylvania, on the exporting of LNG for no particular reason.

Meanwhile, we had a President that thought he only asked for a survey to be taken as opposed to a complete prohibition.

A border crisis that is an absolutely unmitigated disaster that includes human trafficking, rape, all kinds of horrible things—I have been to the border four times—drugs, death. Hundreds of thou-

sands of young people in particular lost their lives. Human trafficking even throughout my rural district. Wars. Thousands and thousands, tens of thousands of Ukrainians and Russians dying. Unrest in the Middle East to no end.

Small businesses—bringing it back home—small businesses having some of the worst times ever, from uncertainty, loss of tax relief, the uncertainty of losing the 199A.

Certainly, if there would have been a different President there, it would have been gone. No question about it. Let's face it. That is what they stated.

Manufacturing is on the decline in the United States. It is on the upswing in China and other places.

So all of this going on, and it just can't help but be startling to hear my good friends on the other side of the aisle talk about how wonderful things used to be and how horrible they are going to be, and yet these tariffs haven't even gone into effect yet. And yet there is chaos and everything else taking place.

I will tell you what has gone into effect: responses from Trudeau and Sheinbaum in Mexico as to correcting some of those horrible problems that have occurred. So that has taken place.

And you know what is also startling to me? And I was in international business. I was in business over 20 years. How somehow taxing those small companies that became big companies—and that makes them evil, by the way—is okay, but put a tariff on a small or large business overseas, that is awful. That is going to create all kinds of worldwide instability and global unrest.

I think most of us will pay a little more for ice cream and guacamole if we have less human trafficking and overdose deaths in the United States of America. I think that was resounding in the most recent election.

So let's focus on common sense rather than nonsense political posturing that we are hearing here: the importance of keeping the Tax Cuts and Jobs Act.

You, Mr. Hutter, mentioned right at the very beginning bonus depreciation is on its way out, it is on the decline. 199A is gone at the end of this year. And we probably won't get Democrat support there. That is why we need to do it in reconciliation, which is an outrage.

The R&D tax credit is on its way—it is gone, completely gone. And by the way, China has re-upped their R&D tax credit, which you are nodding, you are aware of. They call it a super deduction of 200 percent.

So America first doesn't mean America alone. America first means: Why don't we start looking after our American businesses as opposed to being this global charity which only weakens our United States of America.

So, Mr. New, we are talking taxes, regulations, and we are talking banking. Tell me how important the 199A is, how important taxes relief is to you.

And, Ms. Frazier, I would like you to either tell me as soon as we are done here how much of a problem the CFPB has been to you—or were they wonderful and they showed up in your bank.

I will start with you, if you don't mind, Ms. Frazier.

Ms. FRAZIER. Given the size of my bank, they didn't show up in my bank. We are under \$10 billion. But their new regulations, their laws have been quite discerning and quite costly to us, as we look at everything. Our compliance department overall—we looked at a budget—is over a million dollars a year.

Mr. MEUSER. Great.

Ms. FRAZIER. Can't pass that along.

Mr. MEUSER. Do you think the plan moving forward is going to help your businesses, gentlemen, or be detrimental?

Mr. NEW. Well, certainly the lower tax rates and—

Chairman WILLIAMS. The gentleman's time is up.

Mr. MEUSER. I yield back, Mr. Chairman.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Morrison from the great State of Minnesota for 5 minutes.

Ms. MORRISON. Thank you, Mr. Chair. And, Mr. Chair, I would also like to offer my condolences and deep sympathy for your loss.

Thank you to all the testifiers for being here today. And congratulations to all of you for your successful small businesses and the important addition that they are making to the success of the American economy.

You know, I am excited to be on this Committee because it is known as one of the less partisan committees and more focused on problem-solving. And that is why I came to Congress, because I want to solve problems. And I hope that, going forward, we continue to have a future-oriented problem-solving lens as we proceed.

Mr. Hutter, sincere gratitude to you for helping secure our nation's safety through much of the work that your business does.

I hear and appreciate the frustration that comes with regulations and administrative burden. I am a physician by trade, and I am very familiar, the pain of administrative burden that is heaped on physicians, frankly, primarily from the private sector.

So, as we look to streamline the regulatory burden on small business, I hope we can agree that a balance has to be struck between keeping our people safe by protecting and doing what we can to keep our air, land, and water clean.

You know, Mr. Hutter, you mentioned PFAS, which I think is a great example. Because, as we learn new things, we have to adapt, we have to be nimble, sometimes we have to change the way we do things. And I think most of us agree that we want to minimize the amount of PFAS that we continue to pour into our water and our land and, by extension, our bodies.

You mentioned that there aren't good current substitutions for some of the PFAS chemicals, some of the properties that they have. So, in the short term, I think we need targeted exceptions to some of the bans that certain States have been enacting—and there is legislation at the federal level as well—that gives, you know, time for our innovative research universities and entrepreneurs to develop alternatives.

And I don't expect you to define the specifics around PFAS, but I was wondering if you could comment on that balance between regulations that protect public health while allowing and encouraging businesses to thrive.

Mr. HUTTER. Sure. And I like the way you framed that.

I think the key thing that I could say here is: predictability, clarity, and workability. And we need to have that renovation—revolution, if necessary—to our regulatory scheme right now.

You know, the gentleman, the doctor, mentioned, you know, we have had a great recovery—in job growth; manufacturing has enjoyed that. Let's not trip ourselves at the starting line here, because what comes next is going to define the next 50 years.

So we have to—and I call upon all of you, let's really auger in on this and find the balance between—I mean, it is not a balance. I don't think it is a compromise. We all want the same outcomes here. In fact, let's make sure that industry is best enabled to invest into the solutions. Let's trust our companies to actually put money and talent and innovation behind the problems and help us solve them together.

So I think that if we can agree on some clear, actionable regulations, in place of a meandering, ever-growing kind of miasma of unclear, unpredictable, "I don't know if I can invest into this cloud or not," we are going to see a lot more progress a lot faster.

Ms. MORRISON. Thank you, Mr. Hutter.

Mr. Chair, I yield back.

Chairman WILLIAMS. The lady yields back.

I now recognize Mr. Jack from the great State of Georgia for 5 minutes.

Mr. JACK. Well, thank you very much, Mr. Chairman.

And I want to thank the witnesses for testifying today.

I am a freshman, and during my last campaign, or, rather, my first campaign for office, deregulation was by far and away one of the most important things that I heard over and over across my district.

And I have a unique background. From the first day to the last day of President Trump's first administration, I worked in his White House. And one of the things that he tasked me with doing was working across his administration to achieve the two-for-one deregulatory cuts that he pledged during his campaign. And, of course, he superseded that; he had eight for one. And as you may have seen, he signed an executive order, I think last week, noting that he wants to do 10-for-1 cuts. For every regulation on the books, he wants to cut 10 existing regulations.

So I want to applaud you for walking us through some of the areas in which we can focus our deregulatory agenda to achieve the economic success that we had in the first administration.

I want to start, if I could, to Mr. Hutter.

In your testimony, you referred to the 2017 Tax Cuts and Jobs Act. And I know my distinguished colleague from Pennsylvania, Mr. Meuser, touched on it just a moment, but you mentioned specifically that it was rocket fuel for manufacturers like Click Bond. And you also mentioned that the pro-manufacturing incentives in the TCJA were key to innovation and capital investment.

And thanks to Chairman Williams for appointing me the Chairman of our Subcommittee on Innovation, Entrepreneurship, and Workforce Development, I want to highlight that innovation component. And I just want to know, could you reiterate the importance of the TCJA incentives for small businesses like Click Bond in investing in next-generation manufacturing and workforce training?

Mr. HUTTER. Sure.

Well, the TCJA—like I said, rocket fuel. And we need to focus on getting those extensions enacted immediately where they did incentivize the very investments in our companies and in our capital equipment that puts, really, those effective tools in the hands of our talent.

But I want to go beyond TCJA to say, you know, the R&D expensability expiration is an aspect of TCJA, okay? It was something we enjoyed for 70 years. And when it comes—prior to TCJA.

So it is not just really the effort to ensure that we extend and keep in place those amazing investment incentives and the predictability that allowed us to make those investments into the long term; we need to bring back the expired provisions that have already gone out, especially around R&D expensing.

And if we can do this in a way that, again, delivers that in a consistent, reliable way without a bunch of sunsets, we are actually going to get to the place where people can invest with confidence not just over a couple quarters or a couple years but at generational level. And that is what is really going to carry this country and our manufacturers forward.

But we have to get on it right now. Let's not trip at the start line, like I said.

Mr. JACK. I completely agree.

And if I could, in my remaining time, turn to Mr. New.

I was encouraged by your opening testimony talking about permitting. Again, I recall very fondly working on trying to accelerate our permitting process. And I took great delight when I saw the previous administration take credit for many of the permitting leases that we pushed forward during President Trump's administration from 2017 to 2021. To your point, it takes 3 to 4 years sometimes for some of these projects to come on line. We want to accelerate that as much as we can.

So, with what time I have left, I am curious, how can Congress legislate safeguards to prevent future regulation efforts in your industry specifically?

Mr. NEW. Well, certainly, you know, executive orders are fine, but, you know, we see that, you know, one administration comes in and they write a bunch of executive orders, the next administration comes in and immediately reverses all those, and so it is kind of whipsawed back and forth.

But if you can enshrine some of those changes—like changes in the Outer Continental Shelf Lands Act, this withdrawal of areas for leasing—if you can enshrine some of that, where it is not subject to executive order, then we don't have that whipsaw back and forth, constantly changing every 4 years when there is a change in administration.

Mr. JACK. And I also took note, during your opening testimony, you talked about how it is challenging, if you are running a business, when you have this ever-shifting regulatory landscape, it is really challenging to project your growth.

I am just curious. In all of your years in your industry, which administration have you seen as the most successful at moving forth on deregulatory efforts?

Mr. NEW. Well, certainly, the previous Trump administration, I would say, is probably the most successful in the deregulatory area.

You know, and I am—I would think like a lot of small businesses, I am not looking for a handout. I am just looking for a level playing field, and then get out of my way. I will do the work, I will invest the money, I will push it forward, but just get out of my way. Don't stifle me every time I turn around.

Mr. JACK. Well, I appreciate that, sir.

Thank you to each and every one of our witnesses for testifying today.

And I yield back to our distinguished Chairman, Mr. Williams. Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Scholten from the great State of Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you so much, Mr. Chairman.

And thank you so much to our witnesses for joining us here today.

I want to revisit an important conversation that we have been having here about the tariffs. And I know that, you know, we have covered a lot of it today, but one thing I really wanted to focus in on is this 30-day pause.

And, you know, while it has given businesses a little bit of reprieve, to me and what I have heard from small-business owners back home: That is not much time to plan, when who knows what is at the other end of those 30 days. You know, so many of our small businesses and entrepreneurs are trying to compete in an increasingly unstable marketplace, and these tariffs could really throw them into a tailspin.

Ms. Neitzel, I wonder, can you speak to how this impending change impacts your business operations and how you are navigating through this on such short notice and, you know, particularly to the 30-day piece?

Ms. NEITZEL. Sure. Yeah, the uncertainty has, you know, put myself and my CFO in a pinch to figure out, if we did have to pay, say, \$112,000 more for our cost of goods because of these tariffs, we don't have a plan for how to sell, you know, a million dollars more of ice cream to make up that profit. That is not something that I can do [snaps fingers] like that.

It is incredibly difficult, and it is unnecessary. It is fearmongering. It is bullying. It is playing with the hearts of small-business owners across America who do not need this. We have been doing well and growing for the last 4 years.

Ms. SCHOLTEN. Thank you so much for sharing that.

My district covers much of west Michigan. Kent County, the most populated county in my district, is home to almost 60,000 immigrants. That is almost 9 percent of the county's population. Suffice it to say, these folks are a real source of influence in our community. They contribute culturally, socially, and certainly have a significant economic impact, a strong presence in our local workforce.

Many of our constituents are worried about the potential for mass deportations having a ripple effect on a lot of industries. I believe that such actions could cause a real strain on our workforce. We know that mass deportations that don't necessarily target only a specific individual can cause individuals to even not show up to

work if they themselves even have status but happen to be married to someone who doesn't or have someone in their family who doesn't.

Would mass deportations make it more difficult for businesses like yours to find workers or to navigate or the impact that it—speak about the impact that that would have.

Ms. NEITZEL. I am extremely fearful for mass deportations' effect on farms in Washington State.

I think that, yes, it creates so much fear, not just for adults, not just for people who do have legal status, but also for children and for schools. I have received many emails from folks in Washington State about planned and threatened and rumored ICE raids in our public schools in suburbs outside of Seattle.

And kids just need to go to school. Kids are going to grow up and start businesses. And we need to stop threatening all of these families with the fear tactics.

Ms. SCHOLTEN. Thank you. As a mom of two school-aged kids and someone who has heard just awful stories from around our district, I share those concerns, and we hear it.

I want to use just the last few minutes here to get into, staying on the topic of kids and childcare, institutions like Head Start, which provide educational support services to young children and families. Over 12 locations in Kent County in my district, as I mentioned. Due to the federal funding freeze last week, they are struggling to draw down payments that they need to continue their critical services. Even after the memorandum has been rescinded, we are still seeing roadblocks.

As an employer who helps their workers access childcare—and kudos to you—would your businesses be impacted if those childcare providers had to discontinue their services?

Ms. NEITZEL. Yes. A threat to the childcare system in our region and everywhere is a threat to workers being able to show up and do their jobs, and it is a threat to us being able to be open.

Chairman WILLIAMS. The lady's time is up.

Ms. SCHOLTEN. Thank you.

I yield back. Thank you, Mr. Chairman.

Chairman WILLIAMS. The lady yields back.

I now recognize Mr. Stauber from the great State of Minnesota for 5 minutes.

Mr. STAUBER. Thank you, Mr. Chair, for holding this important hearing today.

You know, during the past 4 difficult years under the Biden administration, over 1,100 regulations were added—I will repeat that: over 1,100 regulations were added—putting an enormous pressure on our small businesses, costing nearly \$1.8 trillion, adding more than 356 million hours of paperwork.

You know, as we look forward to the future, we have to support policies that support small businesses and the growth of our small businesses. It is important to understand the hurdles that still remain.

Mr. New, what are some of the most challenging regulations that you have faced when servicing the offshore oil and gas industries?

Mr. NEW. There is a number of regulations that apply directly—not directly to us but to our customers that increase their costs of

doing business, doesn't permit them to do projects because the permitting timeline is drawn out. And that directly impacts us in the fact that our business is totally dependent on our customers developing facilities and building new equipment, and if they are not doing that, then there is no work for us. And that certainly—you know, obviously, it makes it a struggle to maintain our employment.

And, you know, on the tax side, you know, particularly the accelerated depreciation allows me to invest in new equipment. What that does in the long run—I mean, that makes us more productive, but what that does is that allows our employees to be more productive.

Mr. STAUBER. Yeah.

Mr. NEW. And that is the one area where you have lasting wage growth, is, if my employees are more productive, I can pay more.

Mr. STAUBER. Yeah.

Mr. NEW. And that is really—when you look from an economic side, that is the only place that can come from.

Mr. STAUBER. Right.

Mr. NEW. It has to come from enhanced productivity.

Mr. STAUBER. Mr. Hutter, same question. What are some of the most challenging regulations that you have faced in your industry?

Mr. HUTTER. Well said, Mr. New.

I would like to really focus that on permitting, if I may, because I think that we are in a scenario right now where, to secure the strategic materials that we need, especially in—I look at that through the defense supply chain—we need to have sensible mining permitting, right? We need to keep moving on this to secure the materials we need for our power supply. Now, we are not extremely energy-intensive ourselves, but we use input materials that need to be made here in the United States that require reliable and sizable energy inputs too create them—alloyed metals, thermoplastics, coming from Bill's side of the world.

And I just would highlight, on that permitting side, that really we are talking about infrastructure of all sorts here, whether it is minerals extraction or whether it is power plants or whether it is distribution and other infrastructure.

And so, when I think about the opportunities for power sources of the future, okay—modern advanced nuclear, windmills, solar panels—all of these things have to be connected to the grid using infrastructure that has to be permitted. We have to seize this moment here for this country, and we have to make that sensible and get going on it.

And one of the things that I really look forward to, that I get to see in my slice of the world, are the opportunities for advanced aerial mobility, okay? Electrified or hydrogen-enabled clean transportation for the future. Well, how are we going to distribute that electricity to airports and rooftops where they have never been before? How are we going to develop that hydrogen infrastructure?

All of this is only going to move at the speed of permitting. And so we need to clean that up now.

Mr. STAUBER. I really appreciate that, the permitting and the NEPA regulations, what are stifling growth. I mean, you look at an average mine opening in the United States of America is 29 years?

Mr. HUTTER. Sure.

Mr. STAUBER. The only country that is longer is the country of Zambia. Give me a break, right? We need these minerals. And we know right now China is using that against us. They are stopping their exporting of antimony and other critical minerals that we need.

Okay. With a simple “yes” or “no,” would you agree that extending the Tax Cuts and Jobs Act tax provisions would have a positive impact on your ability to reinvest in your workforce?

Mr. Hutter?

Mr. HUTTER. Absolutely.

Mr. STAUBER. Mr. New?

Mr. NEW. Absolutely.

Mr. STAUBER. Ms. Frazier?

Ms. FRAZIER. Absolutely.

Mr. STAUBER. We have heard loud and clear that these tax credits are a lifeline for small businesses. My colleagues on the other side of the aisle should remember this when they vote, because standing in the way of these policies means standing in the way of Main Street America.

Small businesses, we have always said, are the engine of our economy. We have to protect them and allow them to grow and prosper on the streets of this great nation.

Mr. Chair, I yield back.

Chairman WILLIAMS. The gentleman yields back.

And I now recognize Ms. Simon from the great State of California for 5 minutes.

Ms. SIMON. Thank you so much.

And, Mr. Chair, like others on this Committee, I offer my condolences from a very deep place, also having lost my husband. I am hoping that Members in this building continue to shed love and prayers on you forever. And thank you for leading today.

I also want to thank you, Mr. Chair, for working with my office to submit a bill that would protect small-business owners from the waste and abuse of criminals who did the wrong thing during the pandemic and took advantage of this Committee and of our federal government.

There are small businesses around the country that know that they serve as the lifeblood of their communities, and they deserve ongoing support. In fact, you know, last week, during my first workweek, I was able to meet with the field representatives in the Small Business Administration’s field office in the Bay Area. Wonderful folks, who literally that morning learned that all of the resources that they had for the thousands of small businesses in my community, they were on freeze.

Nevertheless, they were willing to work with my office and my newly hired, very excited staff to go door to door in the seven cities that I represent to ensure that we were still going to work and that we cared that employment rates would continue to rise. We wanted to make sure that our small businesses were paying taxes to support our police and fire.

And yet, only hours later—only hours later—we got a call from the young woman that I was talking to who worked at the Small

Business Administration saying that she got a letter asking for her resignation.

We are in trouble.

So I have one quick question—and thank you for opening up an ice cream store. As a widow and a single mom, sometimes one of the small luxuries that I had in the darkest days was going to a small business and just being able to sit and talk to a small-business owner. I can't wait to taste your product at some point.

I know I missed a lot of this hearing, because I am outside trying to defend this democracy as it continues to fall down. I am curious: In your speaking with other small-business owners, what has been some of the fallout and anxiety over this chaos, over this freeze?

One day we are hearing one thing, and the other day we are hearing another. The portals are closed. Phones aren't being answered. Folks are trying to employ real people in communities and pay their rents.

Can you give me a number of examples, in the 2 minutes that I have left, about what this fallout really means for real communities in terms of public safety and employment?

Ms. NEITZEL. Well, many of the people that we have heard from at Main Street Alliance run childcare centers who are very scared of the funding freeze. So those are big examples. And one childcare center may take care of 45 or even 100 children. That is 100 or 200 parents who now can't go participate in the economy. So that has been a pretty huge one.

Another thing—

Ms. SIMON. May I ask a question?

Ms. NEITZEL. Yes.

Ms. SIMON. When a student, particularly a community college student, a poor single mother, let's say, like a teen mom, like I was, who went to community college and who used the neighborhood daycare center that got federal funds—now I have a master's degree—what happens when a single mother doesn't have childcare?

Ms. NEITZEL. Well, if she can't go to work, she may lose her job.

Ms. SIMON. And what happens when she loses her job?

Ms. NEITZEL. If women and parents are losing their jobs because of a lack of childcare, it is sending them into a spiral to poverty quickly. If they can't feed their children because they can't work and they can't pay their rent—we have an endemic of homelessness in this country, many of which are children, and things like this only push us closer to more of that.

Ms. SIMON. Ma'am, so are you alluding to what may in fact be—could be fact, that the EOs and that this very disillusioned communication from our administration about freezes and payouts could in fact cause our communities to be less safe, cause our single mothers to be less employed, folks may in fact have to drop out of college? Is that what you are implying, ma'am?

Ms. NEITZEL. Yeah. The federal funding freeze is going to cause people to lose their jobs and push us toward recession.

Ms. SIMON. But, ma'am, in my last 15 seconds, the administration says that the freeze is only—it may only be for a few seconds, a few days, a few weeks. What are the implications? And after your answer, I will yield.

Ms. NEITZEL. The chaos is deafening for the small-business community in every way.

Ms. SIMON. Thank you.

I will yield back.

Chairman WILLIAMS. The gentlelady yields back.

And I would like to say something just real quick that I should have said, I failed to talk about when we started the hearing, is that you will periodically see many of us—you have seen it today—leave, come in, go back, go forth. You have seen Ranking Member do it; you have seen me do it. We are going to other committee hearings that we have. We are not mad at you or whatever. But I do want to make that—because that sometimes confuses people, that we all come and go and so forth. So that is what you saw there today.

I want to say thank you to the witnesses for their testimony and for appearing before us today.

Without objection, Members have 5 legislative days to submit additional materials and written questions for the witnesses to the Chair, which will be forwarded to the witnesses.

I ask the witnesses to please respond promptly.

And if there is no further business, without objection, the Committee is adjourned.

[Whereupon, at 12:26 p.m., the Committee was adjourned.]

A P P E N D I X**TESTIMONY OF KARL HUTTER****CHIEF EXECUTIVE OFFICER, CLICK BOND****U.S. HOUSE OF REPRESENTATIVES****COMMITTEE ON SMALL BUSINESS****“HOPE ON THE HORIZON: PRIORITIZING SMALL BUSINESS GROWTH IN THE 119TH CONGRESS”****FEBRUARY 5, 2025**

Good morning Chairman Williams, Ranking Member Velázquez, and members of the Small Business Committee. My name is Karl Hutter, and I am the Chief Executive Officer of Click Bond, a family-owned manufacturer based in Carson City, Nevada, and with an additional manufacturing site in Watertown, Connecticut.

At Click Bond, we design, manufacture and support adhesive-bonded fasteners and related assembly technology. Our products are used around the world—and even in space—in aviation, aerospace, vehicle, marine, industrial and offshore energy settings. We supply both civil and defense original equipment manufacturers and operators, and we are proud of the role we play in ensuring America’s national defense in the air, on land and at sea.

Click Bond is a family business, built on innovation. My parents founded the company in 1987, combining my father’s inventive genius—with more than 80 patents to his name before starting Click Bond—with my mother’s technical and business acumen and experience from her own family background in manufacturing. Their vision was simple but powerful: adhesive-bonded fasteners and brackets could displace traditional vehicle assembly processes involving hole drilling and installation of bolts and rivets to improve performance, design flexibility, structural integrity and corrosion and fatigue properties. This approach would not only increase efficiency, but also eliminate opportunities for error and scrap throughout the manufacturing process.

For 38 years, we have built on that vision, pioneering technologies that extend the life of critical systems, improve performance, reduce costs, enable safe and sustainable global air transport, help America’s warfighters execute their missions successfully, and expand the horizon of human knowledge in space.

Click Bond’s story is unique, but it also parallels the story of countless small and medium-sized manufacturers in the United States:

- We lead from the middle through relentless innovation;
- We are a vital link in the manufacturing supply chain, working with companies far larger and far smaller than our own;
- We provide family-sustaining careers, offering competitive wages, benefits and top-tier workforce development; and
- We are committed to investing in the future of manufacturing in the United States.

We know that when manufacturers like Click Bond thrive, America's economy, workforce and national security thrive.

Like many small and medium-sized companies, however, we face significant challenges. As the Committee convenes for today's hearing on how the 119th Congress can prioritize business growth for companies like mine, I would submit that some of the biggest obstacles come from Washington itself: expiring tax policies increase both costs and uncertainty, and they make it incredibly difficult to plan and commit to long-term investments. A broken permitting system slows down projects and delays economic growth. Overreaching and unpredictable regulations impose tremendous, disproportionate burdens on small manufacturers. Rules that, on their face, only apply to the largest companies, but that nonetheless create regulatory burdens throughout the entire supply chain.

But there is hope on the horizon. Manufacturers are ready to invest, expand and hire—if Congress delivers policies that reduce taxes, ease regulatory burdens and unlock growth for small businesses across the country.

After hitting its lowest point since the pandemic, manufacturers' optimism surged in late 2024—a direct reflection of the opportunities before this Congress. In the NAM's latest Manufacturers' Outlook Survey, 98.5% of manufacturers said it is important for Congress to work with President Trump to prevent devastating tax increases scheduled for the end of this year. More than 99% of manufacturers said that policymakers should reduce our industry's regulatory burden. And nearly 70% of manufacturers with permittable projects in their pipeline said that they would be able to expand more quickly if Congress can streamline federal permitting.¹

This is a defining moment. Congress has the chance to prevent record tax hikes, curb excessive regulations, and unlock manufacturing's full economic potential. And small and medium-sized manufacturers, which make up more than 98% of our industry, stand ready to partner with you to make it happen.

I. Preserving Pro-Manufacturing Tax Policies

The 2017 Tax Cuts and Jobs Act was rocket fuel for manufacturers, including Click Bond. Those tax reforms enabled us to make vital investments such as reviewing and pushing hourly and supervisory employee pay scales upward to meet the market and then meet the burden of post-pandemic inflation; investing in next-generation production equipment; scaling our engineering and development workforce and capability; delivering our employee academic assistance program that grants 100% tuition and materials payment for college and trade school; and countless more improvements.

Stories like Click Bond's were widespread throughout the manufacturing industry following tax reform's passage. In fact, industry-wide, 2018 was the best year for job creation in more than two decades. Further, manufacturing capital spending grew by 4.5% that year, and by 5.7% in 2019. Manufacturers of all sizes were able to use their tax savings to grow their businesses, create jobs,

¹ 2024 Fourth Quarter Manufacturers' Outlook Survey, December 17, 2024, https://nam.org/wp-content/uploads/securepdfs/2024/12/Outlook_Q4_2024_Write_Up.pdf.

raise wages, add new benefits for employees, fund R&D, purchase new equipment, expand their facilities and invest in their communities.

But now, that progress is at risk. The pro-growth, pro-manufacturing tax policies that Congress passed in 2017 began to expire in 2022 and 2023, and more expirations are on the way. Vital incentives for innovation and capital investment—the twin pillars of manufacturing success—lapsed, with Click Bond experiencing higher operating costs as a direct result of the loss of immediate R&D expensing, interest deductibility and full expensing for capital equipment purchases. The aircraft manufacturers that Click Bond supports are transforming their production systems to remain globally competitive. Suppliers like us must heavily invest in product and process development and the associated capital equipment required to deliver on that development if they are to remain competitive and relevant. Manufacturers recognize that America’s global competitiveness stems from our outsized investment in production process innovation. These investments strengthen America’s national defense posture as well as our nation’s ability to contribute to delivering sustainability in the products and services we supply. Today’s competitive economic and geopolitical landscape makes these investments critical and necessitates a tax code that supports manufacturers that are advancing American innovation and strengthening its industrial base.

Now, our industry is on the precipice of additional tax increases. At the end of this year, key pro-growth tax reform provisions are scheduled to expire, ranging from small business priorities, such as the pass-through deduction and the estate tax exemption threshold, to provisions that impact larger businesses, including the TCJA’s international tax reforms. The interconnected nature of the manufacturing supply chain means that all manufacturers will be impacted by these expirations.

A study recently released by the National Association of Manufacturers makes clear that a failure to extend tax reform would be devastating to the American economy. **Nearly 6 million American jobs will be at risk if Congress does not preserve tax reform’s pro-manufacturing provisions.** In addition to these devastating job losses, more than \$500 billion in employee compensation and more than \$1 trillion in U.S. GDP are on the line. Manufacturing will bear the brunt of this economic damage. Our industry is facing a loss of more than 1 million jobs, \$126 billion in employee compensation and \$284 billion in manufacturing output if Congress fails to protect pro-growth tax policies. In short, inaction is not an option.²

Manufacturers like Click Bond need Congress to preserve tax reform in its entirety. Specifically, Congress must:

- **Restore expired incentives for innovation and investment**, including immediate R&D expensing, a pro-growth interest deductibility standard and full expensing for capital equipment purchases;

² Economic Impacts of the Expiration of Tax policies that Encourage Manufacturing in the United States, January 14, 2025. https://nam.org/wp-content/uploads/securepdfs/2025/01/NAM_EY_TCJA_Mfg_Provisions_Analysis.pdf.

- **Protect small businesses from tax increases** by preserving the pass-through deduction, the increased estate tax exemption threshold and tax reform's individual tax rates and brackets; and
- **Maintain tax reform's international tax system** by avoiding damaging changes to the FDII deduction, the GILTI regime or the BEAT.

Additionally, Congress must preserve the 21% corporate tax rate enacted by tax reform.

Click Bond directly benefited from Congress reducing the U.S. corporate tax rate from 35%—which had been the highest in the developed world—down to 21%. A large share of our cost savings associated with tax reform were attributable to the new, more competitive corporate rate, and those savings allowed us to strengthen investments in our company and its future. With the confidence afforded to us by the TCJA, we began planning 150,000 square feet of new facilities that. These facilities will provide the scale and efficiency in our production necessary to achieve our bold goal of 150 percent growth in output by the end of the decade. Investments like this will increase the number of manufacturing jobs and upskill our current team into higher-paying roles created by our R&D investments into automation and process enhancement technologies. This step change in our productivity will enable us to be ready to support the efficient and capable production of America's next generation of commercial and military air vehicles. Manufacturers simply cannot afford a damaging increase in the corporate rate that will stunt such investments.

For Click Bond and thousands of other family-owned manufacturers, TCJA's doubling of the estate tax exemption gave us the assurance needed to make large investments with confidence and assuaged the fear of sudden forced liquidity caused by generational change in a company. Operating on a long-term timescale measured in generations and reinvesting substantial amounts of their profits is what gives family businesses the "patient capital" driving their unique value to the U.S. economy and the communities they serve. The estate tax undercuts this value, creating a severe burden on family businesses that often find themselves illiquid after reinvesting their profits back into their employees, communities, products, equipment and facilities—especially in the capital-intensive manufacturing sector. To pay off the tax bill that comes with generational change, family businesses often sell the business, sell capital assets, take on private equity or curb the investments necessary to sustain growth. Speaking from our perspective in the aerospace and defense industries, a substantial number of small family manufacturers make up the fabric of the defense industrial base; preserving TCJA's doubled lifetime estate tax exemption or eliminating the estate tax altogether would be crucial steps toward supporting them.

Tax hikes are not just a cost problem—they are a *certainty* problem. We need predictable, stable and reliable tax policies to make the long-term, job-creating investment decisions that drive manufacturing growth. Large manufacturing investments, like the one described, take years to execute and even longer to bear fruit. If manufacturers do not have confidence that the tax code will remain stable throughout the life of a project, it can be difficult to commit to the project in the first place. This is particularly true for smaller manufacturers. Our smaller option set for capital access and increased sensitivity to cash flow results in less flexibility to simply trust that policy changes will not undermine our investments over time. The TCJA was a massive step toward putting an end to seesawing tax policy by instituting a pro-growth tax code for American manufacturing. Now, Congress has the opportunity to finish the job by making permanent the

remaining pro-manufacturing TCJA provisions and powering even more manufacturing job creation, capital investment and growth.

II. Rolling Back the Regulatory Onslaught

Manufacturers have faced a regulatory onslaught in recent years—but the new Congress and the new administration can right-size the regulatory burdens on our industry.

Manufacturers need smart, workable rules of the road. And manufacturers believe in protecting workers, consumers and the environment—in fact, companies in our industry are often at the innovative forefront of developing new products and processes to meet these goals. At Click Bond, we know safety and sustainability are not good outcomes to strive for, they are natural enablers of business success. A record number of our employees have completed the OSHA 10- and 30-hour training, leading to extraordinary safety performance at both of our campuses. Commercial aviation can only progress if fuel burn and emissions are reduced, a noble mission to which the use of our products contributes by delivering reduced aircraft weight and enhanced efficiency. We have been disheartened by the recent spate of unbalanced regulations over the past several years, however. They harm manufacturers' ability to focus on innovation, growth and job creation.

Across the economy, companies spend more than \$3 trillion every year to comply with federal regulations. Manufacturers bear a disproportionate share of this burden, shouldering \$350 billion in regulatory costs annually. The situation is particularly acute for small manufacturers, which spend more than \$50,000 per employee per year on federal regulations. In our industry, these funds are diverted from more productive uses, such as hiring additional personnel, expanding production lines or investing in R&D.³ In addition to being costly, in many instances the rules in question are also ineffective or infeasible. Regulations that do not reflect business realities, incorporate appropriate science or allow for reasonable implementation can *only* increase costs—with minimal benefit for society. Regulatory overreach forces Click Bond to divert funds away from production- and employee-enhancing investments to address variable, costly and ineffective regulatory compliance.

Our experience with these rules is emblematic of the impact that overreaching and unworkable federal regulations are having on small and medium-sized manufacturers across the country. Not only do small manufacturers experience disproportionate regulatory burdens from the federal government directly, but we also often face regulatory costs from rules that are not supposed to apply to us at all. Reporting and disclosure rules for larger companies, for instance, sometimes exempt smaller businesses—but a reporting requirement for one of our customers more often than not becomes a reporting requirement for Click Bond. Recent proposals from the SEC and the DOD at the federal level, from the California Air Resources Board at the state level and from the European Union related to large companies' greenhouse gas emissions are illustrative of this dynamic. As an important part of many large companies' supply chains, Click Bond is likely to incur significant compliance costs necessary for tracking emissions and reporting the data to our larger customers—even though these rules do not technically apply to us. The regulatory

³ The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business, October 1, 2023, <https://nam.org/wp-content/uploads/2023/11/NAM-3731-Crains-Study-R3-V2-FIN.pdf>.

onslaught's impact on business growth is often unavoidable, even when exemptions are written for small and medium-sized businesses.

Fortunately, Congress and the Trump administration have an opportunity for course correction. The NAM sent a letter to President Trump shortly after the election identifying more than three dozen regulatory actions the administration can take to ease the regulatory burden on manufacturers—important first steps toward a more balanced regulatory environment for our industry.⁴ Congress has a critical role to play as well, whether by overriding unworkable standards from the Biden administration, working with the Trump administration on new rules or providing oversight of federal regulators to ensure they keep small business concerns top of mind when promulgating new regulations.

Outlined below are just a few specific examples of where and how regulatory overreach has had a profoundly negative impact on small and medium-sized manufacturers in America.

A. Chemicals Regulations, Small Businesses and Manufacturing Supply Chains

As small businesses continue to recover from pandemic-induced supply chain disruptions, recent regulations have made this task even more difficult. Specifically, reporting requirements imposed by the EPA on various chemicals have created mountains of red tape and wasted man hours. Click Bond is no stranger to these types of requirements, having lived through the poorly considered conflict minerals reporting requirement imposed by Dodd-Frank. Then, as now, companies of all sizes were required to interrogate their supply chain for evidence of certain inputs, despite the inquiry being difficult and extremely costly at best and impossible at worst. Indeed, we are once again experiencing with the EPA's chemicals mandates that, for many small companies, it is often impossible to procure and supply the required information, harming our relationships with our customers and driving business away from American supply chains.

A telling example of this approach to chemicals regulation is the Biden administration's implementation of an amendment made to the Toxic Substances Control Act by the National Defense Authorization Act for FY 2020. This new section, Section 8(a)(7), requires reporting and recordkeeping of PFAS going back to 2011. Rather than taking a measured approach to promulgate a pragmatic rule that is workable while meeting congressional intent, the EPA chose to take a heavy-handed approach. The regulation provides no *de minimis* threshold nor exemptions for small businesses who simply do not have the capacity to comply with reporting on thousands of potentially covered substances going back more than a decade.

In practice, the small and medium-sized companies that are key to many manufacturing industry supply chains have been unable to meet the requirements of this rule when reporting requests come in from multiple larger customer companies. For smaller companies, the burdens of addressing these information provision regimes pile up quickly and become strangling due to the lean staffing available. Immediately, critical resources are diverted from actually operating and growing the business to address these requests. The EPA itself has had to delay the start date for reporting under the rule because it lacks the ability and capacity to catalogue, process and

⁴ https://nam.org/wp-content/uploads/2024/12/Manufacturers-Regulatory-Letter-to-President-Elect-Trump_12.5.24.pdf.

analyze the enormous amount of data the rule will produce. Not only are small businesses suffering under this paperwork burden, but useful data that could inform science-based regulatory approaches is being drowned out.

I would urge the members of this Committee to use your oversight powers to more closely examine the burden this rule and others like it have placed on small businesses that are integral to supply chains in the national security and energy spaces.

B. Imbalanced Environmental Regulations

As I mentioned earlier, manufacturers are committed to improving the sustainability of our operations, protecting the environment and ensuring clean air and water. The commercial airliner industry has sustainability “built in”: as a general rule, each successive aircraft model must reduce fuel burn and improve other efficiency factors by at least 20 percent in order to justify the airlines’ economic investment in the new equipment. Additionally, the industry has set the voluntary goal of net-zero emissions by 2050. Click Bond must deliver its own contributions to sustainability in the products and production processes that we use if we are to earn our way onto future aircraft; our customers in the United States and globally are demanding it. This work and the meaningful related investment are undertaken without any mandate from the federal government. Despite this, unworkable and overreaching environmental rules – like those recently generated during the Biden administration – continued to pour forth, imposing unworkable standards on small and medium-sized manufacturers while also dramatically expanding the EPA’s authority.

One specific, concerning regulatory effort from the past four years was an attempt by the EPA to revise regulations covering the Clean Air Act’s New Source Review preconstruction permitting program. Specifically, the EPA proposed revising the definition of “project,” mandating that decreases in emissions included in the first step of a project’s accounting process be “enforceable.” The proposed rule would also broaden monitoring, recordkeeping and reporting requirements.

If this regulation were to go into effect, it would expand the EPA’s powers over all air pollution control agencies at the state, local and tribal levels responsible for issuing preconstruction permits pursuant to the major NSR programs. Many of these pre-construction permits are non-controversial, and the states have proven to be capable of reviewing and processing them in a timely manner so as to not disrupt business planning and operations. Involving the EPA in these permitting decisions would slow the process considerably, delaying job-creating investments across our industry.

Thankfully, the Trump administration has the opportunity to right-size the EPA’s regulatory approach to small businesses and streamline the environmental permitting process, rather than add more roadblocks that limit manufacturing growth, innovation and job creation.

C. Energy Costs and Permitting Reform

Like all manufacturers, Click Bond's business depends on access to affordable and reliable energy. While Click Bond's direct power consumption is modest, it must be stable and reliable. The metallic, thermoplastic and composite input materials integral to our manufacturing processes are energy intensive and not substitutable. Unfortunately, the Biden administration's EPA issued a final rule that would cause the early retirement of certain power plants that are essential to keeping manufacturing lines running. The EPA's Clean Power Plan 2.0 is based on deploying new emissions-capturing technologies at scale within a timeframe that is simply unachievable in the near term, especially given the lengthy permitting process that is typical for investments of the size needed. If the power plants identified under the rule are not able to achieve the emissions standards set by EPA using carbon capture technologies, they would be forced to shut down.

Shutting down critical sources of energy for manufacturers would be devastating for our industry. Manufacturers are and have been investing in new technologies and strategies to bring down emissions—but the EPA's infeasible energy regulations threaten our ability to continue to grow and power the American economy. If these rules limit energy production and thus manufacturing output, both manufacturers and customers will shoulder the burden of increased costs.

In addition to rolling back EPA regulations that are increasing energy costs, Congress and the Trump administration can and should empower growth throughout the manufacturing industry by enacting comprehensive permitting reform. Making it easier to produce all forms of energy and getting new energy projects on-line would have substantial, positive impacts on costs and reliability. Unfortunately, our permitting processes are significantly hampered by bureaucratic red tape, frivolous lawsuits and resource inadequacies that cause delays. These delays are making it more difficult to modernize our infrastructure and to compete on the global stage. For smaller manufacturers like ourselves the effects of this challenge predominantly appears in the cost of input materials like metals and plastics, sourced from larger suppliers who pass along the elevated costs of both extracting raw materials (ore and petroleum, respectively) and the energy-intensive processes of refining and converting them into the compounds and alloys needed for manufacturing. The elevated cost of these inputs, in turn, erodes the margins of manufacturers employing these essential materials.

Manufacturers need certainty in the permitting process to inform investment decisions. President Trump has taken several early executive actions to ease permitting restrictions, a promising first step toward unlocking manufacturing's full growth potential. Manufacturers need Congress and the administration to build on these early steps by enacting permanent reforms that require enforceable deadlines, expedited judicial review, increased use of categorical exclusions under the National Environmental Policy Act and reforms to the Clean Water Act and the Endangered Species Act. As we execute the construction and commissioning of a new production facility, there is a parallel and complex transfer of work process that must be executed in lockstep to ensure continuity of supply to our customers and rapid realization of benefit from our investment, through increased productivity and output. A surprise delay of long or indefinite duration resulting from the application of these regulatory processes would generate massive costs and cause a failure to perform that would impact businesses across our entire supply chain. Having clarity on the interpretation of the relevant regulations and confidence in the timelines

will make investment decisions around such major projects far easier to approve, stimulating growth in the manufacturing sector.

By enacting comprehensive, permanent permitting reform, Congress can ensure that manufacturers, especially small and medium-sized companies like ours, have the certainty we need to make job-creating business decisions without fear of costly bureaucratic delays or dramatic policy changes that impede investment and growth.

D. Overreaching Labor Regulations

Labor policy is another area where the pendulum has swung against small and medium-sized manufacturers. Recent federal labor regulations and changes to long-standing collective bargaining precedents impose significant burdens on employers and, in some cases, infringe on their constitutional rights.

Over the past four years, the Department of Labor has issued several final or proposed rules that increase costs and create red tape for small businesses. For instance, DOL's overtime rule significantly raises the salary threshold for overtime pay eligibility and cuts small businesses out of the rulemaking process in the future by imposing automatic increases. Meanwhile, the Occupational Safety and Health Administration's proposed rule establishing a heat standard will require employers with as few as 10 employees to write detailed prevention plans, as well as monitor and record their employees' movements down to the minute.

Recent agency actions also threaten employers' rights and their relationships with employees. Click Bond is currently a non-union facility, and we invest strongly and intentionally to earn a healthy relationship between our employees and the company. Unfortunately, a number of recent regulatory actions are impeding this healthy relationship and dialogue. For example, the walkaround rule promulgated by OSHA would allow self-serving and potentially antagonistic third parties to access an employer's workplace under the pretense of safety inspections, based on tangential qualifications not rooted in statute. Furthermore, the National Labor Relations Board, through several decisions, has upended long-standing collective bargaining precedents, curtailing employers' ability to speak with their employees about the implications of organizing in the workplace and undermining the secret-ballot election.

Much like a family, Click Bond engages its employees with a healthy, nurturing mindset. These labor regulations undermine the trust bonds we work to develop with our teams—trust that increases retention, develops employees and delivers productivity. Congress and the Trump administration have the opportunity to review, revise or rescind these unprecedented and damaging standards, and manufacturers are counting on you to put a stop to overreaching labor requirements.

III. Powering Manufacturing Growth in America

Manufacturing holds tremendous promise for the American economy and Americans' way of life. Our industry is at the forefront of innovation and every next-generation technological advancement means more well-paying jobs right here in the U.S. What's more, small and

medium-sized manufacturers are the backbone of this success, with more than 98% of manufacturers employing fewer than 500 people.

At Click Bond, we take great pride in the role we play in America's industrial base. Our adhesive-bonded fasteners as well as a new generation of advanced assembly technologies continue to improve the performance and extend the life of aircraft, ships, wheeled vehicles, weapons systems and more. And, most importantly, we are strengthening our communities by providing stable, family supporting careers to our team members.

You have an opportunity in the 119th Congress to be part of this story by enacting commonsense policies that support manufacturing growth. Extending pro-manufacturing tax reforms will save nearly 6 million American jobs. Reducing our regulatory burden can free up some of the \$3 trillion in capital currently devoted to regulatory compliance. Minimizing permitting delays means more shovels in the ground and larger investments in local communities across the country.

I encourage you to seize this opportunity to empower manufacturing and strengthen America—when manufacturing wins, America wins.

TESTIMONY OF BILL NEW
HEARING OF THE HOUSE SMALL BUSINESS COMMITTEE
“HOPE ON THE HORIZON: PRIORITIZING SMALL BUSINESS GROWTH IN THE
119TH CONGRESS”
OWNER, PRESIDENT, AND FOUNDER, NEW INDUSTRIES
FEBRUARY 5, 2025

Chairman Williams, Ranking Member Velázquez, and Members of the Committee, thank you for the opportunity to testify today. My name is Bill New, and I am the President, Owner, and Founder of New Industries, a Louisiana-based company that has been serving the offshore energy sectors for over 40 years. We are a small business that designs, fabricates, and delivers high-quality, specialized structures for critical industries including offshore energy, marine services, and agricultural equipment. Our company employs skilled American workers, who are the backbone of our community and our nation's industrial base.

The invitation to testify today comes at a crucial time for small businesses in the manufacturing and energy services sectors. With President Trump’s re-election, we have seen a resurgence of optimism among small businesses like ours, fueled by the hope of more lease sales, regulatory consistency, and a tax and policy environment that supports our growth. However, there are still significant challenges that must be addressed to ensure that we can grow, create jobs, and compete in an increasingly complex global marketplace.

One of the most pressing issues we face is regulatory uncertainty. Investment thrives on predictability, yet we've navigated through a labyrinth of regulations that often disproportionately burden small businesses. President Trump’s commitment to reducing red tape and fostering a pro-business environment is encouraging, but there is still work to be done.

Specifically, we urge the Administration and Congress to:

1. **Ensure regulatory consistency and predictability:** Sudden policy shifts can make long-term planning and investment difficult for small businesses. We need a stable regulatory environment that allows businesses to plan and invest with confidence.
2. **Reduce permitting delays:** Infrastructure and energy projects, which are critical to our small business, often experience long delays due to slow permitting processes. Streamlining federal and state permitting with an “All of the Above” approach will help businesses like ours remain competitive, and diversify across multiple sectors of energy production.
3. **Support domestic manufacturing and workforce development:** We rely on a skilled workforce to manufacture highly specialized components. Continued investment in workforce training programs and policies that encourage domestic production will strengthen the industrial base and ensure the availability of good-paying jobs.

The offshore energy sector, where New Industries has made significant contributions, is a major driver of economic activity and employment in the Gulf of America region. Our company has long been a partner in supporting energy infrastructure, including offshore oil and gas and

emerging sectors like offshore wind. As the Administration prioritizes American energy dominance, policies that promote a responsive and forward-thinking approach to energy production—one that leverages both traditional and renewable resources—will be key to economic growth and energy security.

The National Ocean Industries Association (NOIA), of which I am a proud member, has conducted extensive research into the greenhouse gas (GHG) intensity of offshore energy production. NOIA's research, through ICF International, has shown that oil produced in the U.S. Gulf has a carbon intensity 46% lower than the global average outside of the U.S. and Canada. This is due to advancements in deepwater production technology and stringent environmental standards. Thousands of companies, of all sizes, work in concert to produce a massive amount of energy with a small footprint.

Policies that support offshore production ensure not only that the U.S. remains energy independent but also that we are sourcing energy from cleaner, more efficient production areas rather than relying on higher-emission imports. The Gulf of America stands as a model for how responsible energy production can contribute to a cleaner environment while maintaining economic and national security.

Our commitment to the Gulf of America is personal; our employees live, work, and enjoy the region. This connection drives our dedication to protect and enhance this environment, understanding our livelihood depends on its health.

While the Trump Administration's commitment to energy dominance is clear, Congress must also take proactive steps to legislate effectively in furtherance of this agenda. Ensuring a stable and predictable energy policy will require legislative action that:

- Guarantees long-term access to federal offshore and onshore leasing opportunities.
- Streamlines permitting processes to encourage quicker energy project development.
- Protects U.S. energy producers from regulatory overreach that threatens investment and job creation.

A robust and forward-thinking legislative approach will provide small businesses like mine with the certainty needed to plan for the future, invest in new technologies, and continue to grow our workforce.

The Biden Administration's energy policies over the past four years have had a detrimental impact on businesses like mine. Delays in offshore leasing, increased regulatory burdens, and an inconsistent approach to permitting have created uncertainty in the energy sector, discouraging investment in the U.S. and limiting job growth. While the Trump Administration is actively working to reverse these policies, it is crucial for Congress to legislate safeguards that prevent future administrations from imposing familiar constraints, ensuring the health of American energy producers, the small businesses they depend on, and the consumers who rely on stable energy supplies.

In conclusion, I appreciate the efforts of this Committee and the Administration in prioritizing small business growth. Small businesses like New Industries play a vital role in the economy,

providing jobs, innovation, and essential services across multiple industries. With the right policies in place—ones that promote regulatory certainty, streamline permitting, support workforce development, and encourage investment—we can ensure that small businesses thrive and continue to drive American economic strength.

Thank you for the opportunity to testify today. I look forward to answering any questions the Committee may have.



Testimony of

Alice P. Frazier

President and Chief Executive Officer

Bank of Charles Town

On behalf of the

Independent Community Bankers of America

Before the

U.S. House of Representatives

Committee on Small Business

Hearing on

“Hope on the Horizon: Prioritizing Small Business Growth in the 119th Congress”

February 5, 2025

Washington, D.C.

866-843-4222
icba.org

1615 L Street NW
Suite 900
Washington, DC 20036

518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

Opening

Chairman Williams, Ranking Member Velázquez, and members of the Committee, I am Alice P. Frazier, President and CEO of the Bank of Charles Town, headquartered in Charles Town, West Virginia. I currently serve as Vice Chairman of the Independent Community Bankers of America and testify today on behalf of that association and thousands of community banks across the country. Thank you for convening today's hearing on "Hope on the Horizon: Prioritizing Small Business Growth in the 119th Congress." This hearing is well timed for the beginning of the new Congress and Administration, which I can assure you has brought new hope to the communities I serve. The optimism is palpable.

Our Story

The Bank of Charles Town, or BCT, was founded in 1871 in Jefferson County, West Virginia by a group of 38 farmers, orchardists, and business leaders who believed a locally based bank would create an economic and stabilizing influence in Jefferson County. Thousands of community banks around the country were founded on that same vision. Today, BCT is a \$877 million asset community bank with 135 employees serving the Eastern Panhandle of West Virginia as well as Hagerstown, Maryland and Loudoun County, Virginia.

Our small business portfolio contains 808 loans, totaling \$434.9 million, or 89 percent of our portfolio. Our small business focus is typical of a community bank. In aggregate, community banks are responsible for a disproportionate number of small business loans, especially in smaller markets.

BCT has been an SBA lender for over 40 years. We share with this committee a commitment to preserving and protecting the integrity of SBA guaranteed loan program and continue to make prudent loans to smaller and underserved businesses.

In addition, BCT is itself a small business, under the SBA's definition, as are thousands of community banks. Many of these are family-owned small businesses, just like the coffee shop on the corner of Main Street. Nearly 1,500 community banks are Subchapter S. It is not helpful to group banks of all sizes together when crafting public policy.

Small Business Optimism

The phones are ringing again, with small businesses in my footprint eager to expand and hire with the help of community bank credit. I hear the same from the many community bankers from across the country I talk to in my role at ICBA. Below is a recent example.

A restaurant-supply company client came to us for help with financing growth that has occurred in recent months as existing restaurants are upgrading their bar areas, and new restaurants are opening. The six-year-old company, first conceived as a college business school project, has bootstrapped its business since inception and, in 2024, has grown revenues to \$4 million without the use of debt. A typical project for this company has grown from a \$25,000 to \$50,000 upgrade to a \$300,000 to \$500,000 upgrade today. We are working on a line of credit to finance this strong growth based on a surge of business

optimism. I talked with this client just last week, and he like others is decidedly more upbeat about the future.

Community banks stand ready to meet small-business loan demand with the customized products and personalized services that can only be provided by locally based, on-the-ground community banks. We specialize in relationship lending based on first-hand knowledge of the customers, communities, and local economic conditions that are invisible to those outside the community. This is what sets us apart from larger, out-of-market lenders.

The Small Business Administration, with the oversight of this committee, plays an important role in allowing community banks such as mine to lend to borrowers that do not yet qualify for conventional credit. They may only need a dedicated partner who can provide business counseling based on decades of experience – a service we are proud to offer – to shore up their credit standing.

My bank's 7(a) loan portfolio is \$56 million, or approximately 12 percent of our total commercial portfolio. Both types of credit are critical to the success of the local economies we serve. We expect that former Senator Kelly Loeffler, whose nomination as SBA Administrator we fully support, will understand the agency's mission and, above all, create needed stability in the products and services it offers. SBA lenders and borrowers must be confident that program rules will not change midstream so that they can focus on succeeding in business and providing stable employment.

SBA programs such as 7(a), 504, and others are examples of a successful public-private partnership in support of small business. While conventional bank credit should always be the first choice, SBA-guaranteed bank lending is effectively a "lender of last resort" for those small businesses that are not yet ready to qualify for conventional credit. Fully funded by loan fees, it comes at zero cost to the taxpayer.

Nonbank Fintech Lending is no Substitute for Community Bank Lending

The community bank model is distinct from that of other lenders. We live and work in the communities we serve and stand by our customers in good times and bad. We partner with our small business borrowers and are vested in their long-term growth and success. The reality is that once the loan is funded the relationship is only just beginning. We provide practical, real world business counseling and networking opportunities, particularly for startups, in a way that can never be matched by an online-only lender.

As this committee considers ways of deploying credit to small businesses, I would like to clarify that online-only lending can never be a substitute for on-the-ground community bank lending. The business model of a nonbank fintech – snap approval or rejection of loan and quick disbursement of funds – is often not in the borrower's best interest. Small businesses need more than quick credit decisions. They need bankers focused on their best interest.

Regulatory Horizon

The new Congress and Administration present an opportunity to transform the regulatory environment for community banks, sparking economic growth in rural, suburban, and urban markets.

While we are ready to lend today to all qualified borrowers, our capacity could be yet further enhanced by regulatory and tax relief that would allow us to direct more resources toward helping our customers. The market optimism I have noted stems from an expectation of new policies that will spur economic growth and job creation. We look forward to working with this committee to deliver on that expectation.

ICBA has developed a broad legislative agenda for the new Congress, “**Transforming Regulation for Growth: The Community Bank Legislative Agenda**,” which has been endorsed by all 44 of our affiliate state associations. We believe that our recommendations, if enacted, will reinvigorate America’s community banks in the service of their customers and communities. Our agenda is attached to this testimony.

I will focus this statement on the proposals from our agenda that are most relevant to this hearing.

Relief from Intrusive Small Business Data Collection Rule

Top of mind for community bankers and small business borrowers is the destructive impact of the CFPB’s final rule under Section 1071 of the Dodd-Frank Act. The rule has not yet been implemented but is already having an adverse impact.

The CFPB’s rule requires community banks and other financial institutions to collect and report 81 pieces of data on every small business loan application, well beyond what is required by statute. Intrusive data collection will compromise the privacy of small business applicants, effectively “commoditize” small business lending, and increase the cost of credit.

ICBA thanks Chairman Williams for sponsoring in the last Congress legislation under the Congressional Review Act to repeal the 1071 rule. Many of you supported that legislation, which passed the House and Senate with bipartisan support but was unfortunately vetoed by President Biden.

With the new Congress and Administration, you have the opportunity to fully repeal Section 1071, completing and expanding on the work you started last Congress under the Congressional Review Act.

Just this week, Chairman Williams introduced the “1071 Repeal to Support Small Business Lending Act.” Statutory repeal of mandated data collection, embodied in this legislation, is the best solution. ICBA thanks the Chairman for his straightforward approach, and we ask for the committee’s support for this bill.

Regulatory Thresholds Must Be Updated

Looking beyond 1071, there is a host of existing regulation from which community banks should be exempt or otherwise accommodated.

Inefficient and prescriptive regulations continue to encumber community bank small business lending, drive industry consolidation, and inhibit local economic growth.

Regulatory thresholds create tiered regulation for an industry that ranges the spectrum from multi-trillion-dollar institutions to locally based community banks. Simple common sense, which is making a comeback, tells us that regulatory mandates designed for systemically risky, high volume, transaction-based institutions are a poor fit for, and indeed destructive to, community banks.

I urge this committee to support a thorough review of existing thresholds and update them where it can be safely done, without sacrificing fundamental consumer protections or safety and soundness. Doing so is the simplest way to provide needed regulatory relief and promote small business lending without rewriting statutes. Updated thresholds should reflect the growth in average asset size of community banks over the decades as the industry consolidates.

Preserve and Expand a Pro-Growth Tax Environment

Small businesses and households prosper under pro-growth tax policies. Expiring provisions of the Tax Cuts and Jobs Act should be permanently extended to provide long-term certainty for business planning.

Among the threats facing small businesses this year is the pending expiration of tax code Section 199A, enacted in the Tax Cuts and Jobs Act, which provides for a 20 percent deduction of business income for pass-through businesses, such as those organized under Subchapter S of the tax code, which include the vast majority of all small businesses. The loss of this deduction would amount to a punitive and destructive tax increase and, together with the loss of full expensing, a disincentive for business investment in equipment. We ask the support of this committee for H.R. 703, sponsored by Representative Lloyd Smucker, which would permanently extend Section 199A. We thank the Chairman and the many other members of this committee who have already cosponsored this important legislation.

199A is just one of a host of expiring tax provisions that are critical to small business. Others include:

- The structure of individual rates and brackets that allows Americans to keep more of their hard-earned dollars.
- An estate tax exemption that does not force sales of family-owned businesses.
- Full expensing for equipment purchases.
- The full deductibility of business interest.

Further, we urge Congress to build on the success of the TCJA by an additional reduction in corporate rate. The 21 percent corporate has proven one of the most impactful components of that legislation,

increasing corporate investments and job creation. Additional relief would accelerate American economic growth.

These tax policies are important to creating economic growth and jobs for American workers.

New Sources of Community Bank Capital Needed to Support Small Business Lending

Ready sources of capital are critical to community bank small business lending. The public capital markets are currently unavailable or unattractive to many community banks. They have to rely on existing shareholders, directors and insiders for capital raises and less on new investors.

About 1,500 community banks – or a third of all banks – are organized under Subchapter S of the tax code. Subchapter S banks are “pass through” entities, taxed at the shareholder level. Shareholders are responsible for paying taxes on their pro-rata of the bank’s net income, whether that income is distributed or not.

ICBA recommends changes to Subchapter S that would facilitate capital raising. Under current law, a Subchapter S bank may have no more than 100 shareholders. Increasing the shareholder limit would allow these banks to raise more capital and bank shares would become more liquid by increasing the pool of available investors at each bank. Higher and more liquid capital translates into more small business lending.

In addition, individual retirement accounts (IRAs) are not permitted to purchase or hold shares in Subchapter S companies. I know many bankers who would like to use their personal IRAs to inject capital into their banks and solicit capital from IRAs held by others.

Further, Subchapter S banks should be allowed to issue preferred shares, which they currently are not. Preferred shares allow a bank or other business to raise capital without diluting ownership (preferred shares are non-voting) so that the bank may retain its character as a closely held institution focused on its community.

These changes to tax code Subchapter S would strengthen banks in the service of their small business customers.

Need for More Bank Charters to Offset Community Bank Consolidation

The banking industry has consolidated rapidly since the financial crisis of 2009, driven in large part by increasing regulatory compliance costs. The cost of complying with the complexity and volume of new regulation is a strong disincentive for de novo bank charters.

Consolidation fundamentally reduces competition in the market for financial products and services, increasing loan interest costs and driving down interest paid on deposits. Community bank consolidation, coupled with the dearth of new charters, will leave many communities – particularly rural communities – without a local bank or access to local small business credit.

This country needs more de novo charters to offset the impact of consolidation. Before passage of the Dodd-Frank Act, de novo banks were created at a rate of 170 new charters per year on average. Since that time, we have averaged only a handful of new charters per year.

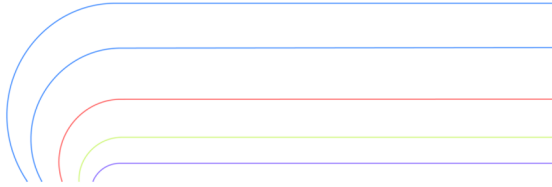
ICBA thanks Representative Andy Barr for reintroducing the Promoting New Bank Formation Act (H.R. 478), which would promote the creation of de novo community banks, especially in America's rural areas. H.R. 478 would provide more regulatory, capital and lending flexibility for newly chartered banks, facilitating their creation and promoting their viability.

Conclusion

Thank you again for the opportunity to offer my perspective. Together, we can justify the wide-spread optimism in the small business community.

I'm happy to answer any questions you may have.

Attached: ICBA's "Transforming Regulation for Growth: The Community Bank Legislative Agenda"



Transforming Regulation for Growth: The Community Bank Agenda

ICBA's legislative agenda would create a framework of streamlined regulation and low taxation for community banks and their customers. Community bank credit fuels local economic growth in thousands of communities across America.

ICBA and community bankers look forward to working with policymakers to advance this agenda.

Fix Destructive Regulatory Burden

Overly prescriptive regulations continue to encumber community bank lending and inhibit economic growth. Excessive regulation of community banks drives industry consolidation that will directly harm consumers and small businesses. Community bank regulatory relief will promote the flow of credit and economic opportunity for households and small businesses.

Simple, transparent, and streamlined regulations can be administered more efficiently and reduce government cost, saving taxpayer dollars.

ICBA recommendations include:

Update Regulatory Thresholds for Community Banks Congress and the regulatory agencies should comprehensively review and update the many thresholds used to tier bank regulation and supervision. Tiered regulation recognizes the significant differences between community banks and large, complex institutions in terms of the risks they pose to consumers and to the financial system. To work as originally intended and remain aligned with an evolving financial services landscape, thresholds for regulatory accommodations and exemptions based on asset size, risk profile, and transaction volume should be continually reviewed and adjusted upward as community banks consolidate and the average asset size of banks increases.

Relief from Intrusive Small Business Data Collection Rule The CFPB's rule under Dodd-Frank Section 1071 requires community banks and other financial institutions to collect and report 81 pieces of data on every small business loan application, well beyond what is required by statute. Intrusive data collection will compromise the privacy of small business applicants, effectively "commoditize" small business lending, and increase the cost of credit.

The 118th Congress demonstrated its staunch opposition to the CFPB rule by passing bipartisan House and Senate legislation to repeal it, only to be vetoed. In addition, legislative fixes were advanced that would exempt more community banks and more small business borrowers.

ICBA urges the 119th Congress to promptly repeal or substantially revise Section 1071 to limit the implementation of a destructive rule.

The Supreme Court’s Chevron Reversal Should Lead Policymakers to Reconsider More Harmful and Inefficient Rules. In June 2024, a Supreme Court ruling effectively curbed *Chevron* deference, which gave agencies discretion to interpret ambiguous laws through rulemaking. This ruling creates an opportunity for a comprehensive review of regulations with the goal of cost cutting and more efficient government.

Modernizing the Bank Secrecy Act. ICBA recommends raising the currency transaction report (CTR) threshold from \$10,000 to \$30,000 and indexing future increases on an annual basis. The current threshold, set in 1970, is significantly outdated and captures far more transactions than originally intended. A higher threshold would produce more targeted, useful information for law enforcement. ICBA calls for the implementation of Section 6204 of the Anti-Money Laundering Act of 2020, which requires the Treasury secretary to review the efficacy of the current BSA-reporting thresholds.

Strengthening Accountability in Bank Exams: A Workable Appeals Process. An independent body should be created to receive, investigate, and resolve material exam complaints from banks in a timely and confidential manner. This would create much-needed checks and balances in the current system, which grants examiners almost unfettered and unassailable authority. A workable appeals process would hold examiners accountable and prevent retribution against banks that file complaints.

Relief from Internal Control Mandates. An exemption from SEC-mandated internal control audit requirements should be created for publicly traded banks with a market capitalization of at least \$350 million or less regardless of revenue. This should be paired with an equivalent exemption from FDIC-mandated internal control audit (Part 363) for banks with assets of less than \$5 billion. Under current law, any company with market capitalization of \$75 million or less or a company with less than \$700 million in market capitalization with annual revenue less than \$100 million is exempt from the SEC mandate. Any bank with assets of less than \$1 billion is exempt from the FDIC mandate. Because community bank internal control systems are monitored continually by bank examiners, they should not have to sustain the unnecessary annual expense of paying an outside audit firm. This provision would substantially lower unnecessary accounting costs for small banks without creating more risk for investors or the deposit insurance fund. It would allow these banks to redirect resources toward community lending.

Facilitate New Capital Investment Through Private Offerings. SEC Regulation D should be reformed so that anyone with a net worth of more than \$1 million, including the value of their primary residence, would qualify as an “accredited investor.” The number of non-accredited investors permitted to purchase stock under a private offering should be increased from 35 to 70.

Ensuring a Competitive Financial Landscape

The separation of banking and commerce is a longstanding principle of American financial policy and has been critical to our nation’s economic success. Community banks embrace innovation in financial technology, which offers the promise of reaching more consumers and expanding products and services.

As Congress continues to review and reform the legal and regulatory framework of financial services, we urge them to ensure that it promotes community bank innovation. Congress should create a level playing field and ensure frameworks do not harm consumers, distort competition, or provide regulatory advantages to new entrants in the marketplace over current providers, such as community banks.

The competitive advantages enjoyed by tax-exempt credit unions and Farm Credit System lenders warrant special scrutiny.

Preserve and Enhance a Competitive Tax Environment.

ICBA advocates for pro-growth tax relief for America’s small businesses, families, and community banks. Expiring provisions of the Tax Cuts and Jobs Act should be permanently extended to provide long-term certainty for business planning, including:

- The 20-percent deduction for pass-through income (Section 199A).
- The structure of individual rates and brackets that allows Americans to keep more of their hard-earned dollars.
- The higher deduction under the alternative minimum tax (AMT).
- An estate tax exemption that does not force sales of family-owned businesses.

Full expensing for equipment purchases and the deductibility of business interest are pro-growth policies and must be restored. Further, we urge Congress to build on the success of the TCJA by an additional reduction in corporate rate. The 21 percent corporate has proven one of the most impactful components of that legislation, increasing corporate investments and job creation. Additional relief would accelerate American economic growth.

Comprehensive tax legislation must include the Access to Credit for Rural Economies (ACRE) Act to promote rural economic development. The ACRE Act would create a tax exclusion for

interest received on qualifying loans to farmers, ranchers, and rural homeowners and thereby reduce interest rates for these borrowers.

Tax reform should include a review of the tax exemption enjoyed by today's multi-billion-dollar credit unions. These institutions have outstripped their public mission and tax-exempt purpose and are now leveraging their tax exemption to purchase tax-paying community banks. The pace of these acquisitions in recent years is driving the consolidation of financial services across all markets, to the harm of consumers and small businesses.

These tax policies are important to creating economic growth and jobs for American workers.

Close ILC Loophole to Limit Big Tech Overreach. Industrial loan companies (ILCs) are the functional equivalent of full-service banks without regulation by the Bank Holding Company Act. This exemption invites risk into the financial system. ILCs owned by non-financial companies, including Big Tech, violate the longstanding separation of banking and commerce by allowing commercial entities to own banks. New ILC charters controlled by dominant social media and e-commerce conglomerates would give these companies yet more economic power and reach into the lives of Americans. ICBA supports statutory closure of the ILC loophole.

Promoting De Novo Community Banks. De novo community bank formation is needed to offset the loss of smaller community banks through consolidation and help ensure a robust community bank landscape serving small businesses and households. ICBA supports a flexible and tailored supervisory policy for de novo banking applicants.

Ensuring Effective Digital Assets Regulation. Effective and comprehensive regulation is needed to recognize and balance the risks and benefits of emerging technologies. ICBA strongly opposes efforts to grant nonbank stablecoin issuers access to the Federal Reserve master account or payment rails and special-purpose charters that do not subject nonbank stablecoin issuers to the standards of safety, soundness, and fairness that apply to insured depository institutions.

Credit Card Routing Mandates. ICBA will continue to strongly oppose controversial legislation that would create complex new credit card routing mandates. Such mandates would force an overhaul of the payments landscape at significant systemic cost. This cost would ultimately be borne by consumers and the community banks that serve them. Credit card routing mandates would only benefit the largest "big-box" merchants including Amazon, Walmart, and others at the expense of consumers.

Curb or Eliminate Tax Subsidies for Rapid-Growth, Bank-Like Credit Unions. The outmoded subsidization of credit unions is an inefficient use of taxpayer dollars and ripe for repeal. Today's multi-billion-dollar credit unions are leveraging their tax subsidy to purchase tax-paying community banks. This trend is reducing consumer choice and eroding the tax base of states, localities, and the federal government. ICBA urges Congress to restore balance to the

American financial services marketplace and help close the growing budget deficit by re-examining the 100-year-old credit union tax subsidy.

Revitalize Rural America

The recent elections reaffirmed the critical voice of rural Americans, who have earned a place at the center of our policy agenda. The vital interests of rural economies must be prioritized in the 119th Congress. Rural communities are poised for growth and prosperity with the right combination of thoughtful policies. Community banks, funding nearly 80 percent of bank-originated agricultural loans, play a critical role in creating and sustaining rural economic prosperity. The following provisions will help rural America and strengthen community banks.

Farm Bill. ICBA advocates for a robust Farm Bill in 2025 that raises USDA guaranteed loan limits in addition to providing a strong farm safety net that includes robust commodity price supports and enhanced crop insurance options for producers.

Farm Credit System Crowding Out Rural Community Bank Lending. The Farm Credit System (FCS) is a government-sponsored enterprise (GSE), and FSC lenders enjoy unfair tax and funding advantages over rural community banks. These advantages allow FCS to cherry-pick the best customers and loans from taxpaying community banks by underpricing local markets. In recent years, the FCS has sought expansive non-farm lending powers in an effort to compete directly with commercial banks for non-farm customers. Congress should hold hearings on the FCS given their rapid consolidation and questionable non-farm lending pursuits.

Tax Incentives for Community Bank Agriculture and Home Loans. ICBA strongly supports the Access to Credit for Rural Economies (ACRE) Act, which has enjoyed broad bipartisan support. ACRE would create lower interest rates for farmers, ranchers, and rural homeowners by creating a tax exclusion for interest income on loans secured by agricultural land and residential mortgages in rural communities. The ACRE Act should be included in any comprehensive tax legislation in the 119th Congress.

Strengthening Financial Consumers

As the financial landscape evolves, new threats emerge to America's financial consumers. Policy changes are needed to keep pace with technological developments and more sophisticated fraud.

End "Trigger Leads" Harassment. Legislation is needed that would restrict credit reporting agencies from the sale of consumers' contact information when they apply for a residential mortgage. These "trigger leads" compromise consumer privacy and create a flood of unwanted solicitations and confusion for community bank customers. ICBA urges Congress to resume work on the Homebuyers Privacy Protection Act, bipartisan legislation advanced in the 118th Congress.

Eliminate Check Fraud. The administrative agencies must play a stronger role in combatting the alarming rise in check fraud, which has surged by 385% since the pandemic and costs Americans and small businesses billions of dollars every year. A coordinated effort is needed by the federal banking agencies, the National Credit Union Administration, the U.S. Postal Service, the Financial Crimes Enforcement Network, and other agencies. Congressional oversight of this critical effort will ensure it is effective.

Protecting Customer Data. The CFPB recently finalized a rule under Section 1033 of the Dodd-Frank Act that requires banks to create and maintain an API-enabled “developer portal” which non-bank fintechs and other third parties could use to access customer data. The rule creates a threat to consumer data security and privacy. Banks cannot ensure the security protocols of potentially thousands of fintechs seeking access to their customers’ data. In addition, banks must be permitted to charge reasonable fees to third parties – who will financially benefit from access to customer data – in order to offset the significant costs of compliance with this rule.



molly moon's homemade ice cream
 1122 E. Pine Street.
 #1448
 Seattle, WA 98122
 mollymoon.com

Chairman Williams, Ranking Member Velazquez and members of the House Committee on Small Business, I am honored to be here today to share my perspective with you. My name is Molly Moon Neitzel and I am the CEO of Molly Moon's Homemade Ice Cream in Washington state. I am also a founding member of the Main Street Alliance, an organization that champions the voices of small business owners to create a thriving economy, with over 30,000 small businesses in every corner of the country, and a proud member of MomsRising.

At Molly Moon's, we employ about 200 people in nine ice cream shops in Western Washington. Our small batch, homemade ice cream is also sold in grocery stores across our state. Next week, we'll start construction on three more ice cream shops – funded in part with SBA loans. We are a growing, thriving business. Over the past decade, small businesses created 65% of all new jobs created in the United States, and account for 99% of all businesses. We are the foundation of the US economy.

We've been asked to speak today about the real challenges facing our businesses and what you all can do to improve the health of small business in America.

First, I am incredibly concerned about the impact that President Trump's new tariffs will have on my business. As one example, we purchase all of our ice cream cups and pint containers from Canadian and Chinese manufacturers. We spend \$450,000 per year on paper products. A 10 to 25% tariff on those products would cost us over \$100,000, decimating our profits. *My* business model includes sourcing 90% of my ingredients locally, but a quarter of the fruits and vegetables consumed in the U.S. are grown in Mexico and most restaurants and grocery stores will be devastated by 25% increases in their costs.

Now extrapolate these impacts across all U.S. small businesses. We've made steady progress in bringing inflation down. But these tariffs will be a huge setback and will require passing the costs on to our customers, raising prices even higher for families. President Trump and many Republicans ran on bringing costs down, but these tariffs will do the opposite. They will hurt customers and their families, driving demand down and pushing us toward recession. Americans were promised a decrease in inflation. We implore you and President Trump: end this unnecessary trade war now.





molly moon's homemade ice cream
 1122 E. Pine Street.
 #1448
 Seattle, WA 98122
 mollymoon.com

Second, our tax code is not working for small businesses. Instead of *extending* the Tax Cuts and Jobs Act of 2017, major changes need to be made to ensure it works for all businesses, including the 20 million new small businesses that have formed since 2020. We should reform the 199A tax deduction to be much better targeted to smaller operators, helping to spur growth in rural communities, towns and cities. Big corporations don't need more tax deductions. Main Street businesses do. And the IRS needs to be fully funded to enforce the tax law, and make the wealthy pay.

Third and finally, let's then use the revenue from enforcing our tax code to invest in a national childcare system, paid family & medical leave plan, and ensure that every American has access to quality, affordable healthcare.

At Molly Moon's we're proving that investments in care have huge economic returns. We pay \$1,000 per month toward childcare for every child of a Molly Moon's employee who is under kindergarten age, and \$4,000/ year for school age kids.

Since launching our childcare program, we've seen a huge jump in parents able to work full time and parents able to apply for promotions into management because they can now afford consistent, reliable and safe childcare. Parents are excellent employees and leaders and the ROI has been huge.

But the load shouldn't be on small businesses alone. We need a publicly-funded childcare system so that every employee of a Main Street business can have access to affordable, consistent childcare and so our workforce can fuel our economy. As much I love leading on these issues, we do it because Congress has failed to make child care affordable for working parents.

We don't need to continue to allow tax cuts and giant tax loopholes for the wealthy and big corporations – or chaotic tariffs on our goods. We need a stable economy, a fair tax code, and a healthy, available workforce so Main Street businesses across America can thrive. With your help, I hope a bright future for small business is possible. Thank you, and with that I am happy to answer any questions from the Committee.

#





February 5, 2025

The Honorable Roger Williams
Chair
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Williams, Ranking Member Velázquez and Members of the House Committee on Small Business:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 67 chapters representing more than 23,000 members, I appreciate the opportunity to comment on the committee's hearing, "[Hope on the Horizon: Prioritizing Small Business Growth in the 119th Congress](#)." The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. The industry consistently has one of the highest concentrations of small business participation, and its members play an integral role in building America's infrastructure.

Throughout the last four years, small business contractors around the country have faced severe economic uncertainty. The Biden-Harris administration advanced numerous regulations that imposed substantial burdens on Main Street, picking winners and losers along the way. What's worse, federal agencies utilized loopholes in the Regulatory Flexibility Act to implement these regulations at the expense of America's small business community. Now, with a business-friendly administration and like-minded Congress, businesses can expect some much-needed relief.

ABC's [Construction Confidence Index](#), based on an ABC member survey conducted between Dec. 20 and Jan. 6, details a growing sense of positivity in the construction industry. The readings for sales, staffing levels and profit margins remain above the threshold of 50, indicating expectations for growth over the next six months. Specifically, the share of contractors that expect their sales to increase during this time is now at the highest level since early 2022. These statistics are welcome grounds for optimism for an industry that has been bogged down with overly burdensome regulations.

In the 118th Congress, this committee released an RFA [report](#) detailing a concerning lack of compliance in the federal rulemaking process. The report revealed that, in less than four years, 891 final rules had been issued, crushing small businesses with \$1.47 trillion in costs and over 232 million hours in paperwork. Moreover, federal agencies' continued use of loopholes in the RFA allow them to circumvent the proper analysis needed to accurately consider the costs and number of affected small businesses.

For this reason, ABC was proud to [support](#) the Prove It Act of 2024 in the 118th Congress ([H.R. 7198](#)), which strengthens the RFA and increases small business input in the regulatory process, ensuring federal agencies fully account for the impact of regulations on small businesses. ABC appreciates the committee's attention to federal overreach and looks forward to supporting legislative solutions in the 119th Congress to ensure agencies have a check on their rulemaking power.

In addition to necessary improvements to the rulemaking process, ABC supports the permanent 20% deduction of qualified income for pass-through businesses through Section 199A of the 2017 Tax Cuts and Jobs Act. ABC joined over 235 trade associations in a [letter](#) supporting the Main Street Tax Certainty Act, which will help Main Street compete with large public corporations, lead to higher

economic growth and more employment and help prevent a significant tax hike on the very businesses we rely on to drive our economy.

America's small businesses are the backbone of our nation's economy. ABC remains committed to working together to ensure that these critical entities succeed and looks forward to being a resource to the committee for issues affecting our membership and the industry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kristen Swearingen', written in a cursive style.

Kristen Swearingen
Vice President, Legislative & Political Affairs



Justin Trudeau 
@JustinTrudeau



I just had a good call with President Trump. Canada is implementing our \$1.3 billion border plan — reinforcing the border with new choppers, technology and personnel, enhanced coordination with our American partners, and increased resources to stop the flow of fentanyl. Nearly 10,000 frontline personnel are and will be working on protecting the border.

In addition, Canada is making new commitments to appoint a Fentanyl Czar, we will list cartels as terrorists, ensure 24/7 eyes on the border, launch a Canada- U.S. Joint Strike Force to combat organized crime, fentanyl and money laundering. I have also signed a new intelligence directive on organized crime and fentanyl and we will be backing it with \$200 million.

Proposed tariffs will be paused for at least 30 days while we work together.

4:36 PM · Feb 3, 2025 · **35.9M** Views



Jason Stverak
Chief Advocacy Officer

1627 Eye St, NW
Suite 935
Washington, DC 20006
202.734.5007
www.d cuc.org

February 3, 2025

The Honorable Roger Williams
Chairman
Small Business Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Nydia Velázquez
Ranking Member
Small Business Committee
United States House of Representatives
Washington, DC 20515

Supporting Small Business Growth Through Credit Unions Urging Passage of the Veterans Member Business Loan Act

Dear Chairman Williams and Ranking Member Velázquez,

On behalf of the Defense Credit Union Council (DCUC), I write to express our strong support for policies that enhance small business growth, particularly for our nation's veterans and military communities. As your committee convenes the hearing, *Hope on the Horizon: Prioritizing Small Business Growth in the 119th Congress*, we urge you to recognize the critical role credit unions play in serving small business owners and to support the Veterans Member Business Loan Act, spearheaded by Representative Vicente Gonzalez (D-TX) and Representative Brian Fitzpatrick (R-PA).

DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing over 40 million members and having over \$525 billion in assets.

Challenges Faced by Credit Unions in Serving Small Businesses

Under current regulations, credit unions are subject to a member business lending (MBL) cap set at 12.25% of their total assets, as established by the Credit Union Membership Access Act of 1998. This cap limits the ability of credit unions to extend business loans, particularly affecting veteran-owned small businesses seeking capital. Despite the strong desire to support their members, credit unions often find themselves constrained by this arbitrary limit, hindering their capacity to meet the financial needs of small business owners within their communities.

Impact of the Veterans Member Business Loan Act

The Veterans Member Business Loan Act seeks to amend the Federal Credit Union Act to exclude loans made to veterans from the definition of a member business loan, thereby exempting these loans from the current cap. This legislative change would have several significant impacts:

- **Enhanced Access to Capital for Veteran Entrepreneurs:** Veterans often face substantial hurdles in accessing capital. A report titled *Financing Their Future: Veteran Entrepreneurs and Capital Access*, published by the Small Business Administration and the Federal Reserve Bank of New York, found that veteran business owners applied for more funding and submitted more loan applications per business, yet were denied loans at a much higher rate than non-veteran business owners. By exempting veteran business loans from the MBL cap, credit unions would be better positioned to provide the necessary funding, fostering growth and innovation within the veteran business community.

Serving Those Who Serve Our Country

- **Strengthening Local Economies:** Facilitating access to capital for veteran entrepreneurs has broader economic implications. Veteran-owned businesses contribute significantly to the economy, employing millions and generating substantial revenue. By enabling credit unions to offer more business loans to veterans, the Act would stimulate job creation, enhance competition, and drive economic growth at both local and national levels.
- **Aligning with Existing Exemptions:** The Act aligns with current exemptions already in place for loans made to agriculture-related businesses, creating a more equitable lending environment and recognizing the unique contributions of veteran entrepreneurs.

Benefits of Lifting the Cap

Removing the MBL cap for veteran loans would provide several key benefits:

- **Increased Lending Capacity:** Credit unions would have greater flexibility to support small business growth without the constraints of an arbitrary cap, allowing them to meet the specific needs of their members more effectively.
- **Promotion of Financial Inclusion:** By enabling more loans to veteran-owned businesses, credit unions can promote financial inclusion and support underserved communities, aligning with their mission-driven focus.
- **Economic Stimulus Without Taxpayer Cost:** This legislative change would stimulate economic activity and support small business development without requiring additional taxpayer funding, leveraging the existing infrastructure and community focus of credit unions.

America's veterans have served our country honorably, and they deserve every opportunity to succeed in their post-service careers. Credit unions stand ready to assist them, but regulatory limitations hinder our ability to provide full support. As you discuss priorities for the 119th Congress, we urge you to prioritize the passage of the Veterans Member Business Loan Act to remove these barriers and ensure veterans have fair access to capital. DCUC and its member credit unions remain committed to serving those who have served our nation. We welcome the opportunity to work with you on legislative efforts that promote small business growth and financial security for veterans and military families.

Should you or your team have any questions or desire additional information, please do not hesitate to contact me at 202.557.8528 or by email at jstverak@dcuc.org.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: House Small Business Committee Members

REALTIME ECONOMICS

Trump's threatened tariffs projected to damage economies of US, Canada, Mexico, and China

Warwick J. McKibbin (PIIE; Australian National University) and Marcus Noland (PIIE)

January 17, 2025 2:15 PM

President-elect Donald J. Trump has made unusual threats to impose tariffs against Mexico, Canada, and China, not in response to economic disputes but rather to conflicts over illegal immigration and flow of drugs, especially fentanyl. Our analysis finds that these tariffs would damage all the economies involved, including the US. But history suggests that Trump may not act on his threats.

Writing on Truth Social after the election, on November 25, 2024, Trump made unfounded assertions about drugs and immigrants illegally entering the US and stated, "On January 20th, as one of my many first Executive Orders, I will sign all necessary documents to charge Mexico and Canada a 25% Tariff on ALL products coming into the United States, and its ridiculous Open Borders." Later that day he again referenced drug trafficking and made a similar threat against China, "Until such time as they stop [exporting fentanyl], we will be charging China an additional 10% Tariff, above any additional Tariffs, on all of their many products coming into the United States of America." Since then, he has pointedly repeated the threats.

Meanwhile, in stark contrast to Trump's threats, the European Union concluded negotiations to update its Global Agreement with Mexico, aiming to deepen and widen EU-Mexico political dialogue and cooperation, as well as create economic opportunities for both sides, including for EU agrifood exports to Mexico.

MODELING THE ECONOMIC DAMAGE FROM TRUMP'S TARIFF THREATS

We examine what President-elect Trump's threats, if carried through, might mean for the economies of the US, China, Mexico, and Canada using G-Cubed, a multi-country, multi-sector hybrid dynamic stochastic general equilibrium-computable general equilibrium model (McKibbin and Wilcoxon 1999, 2013).[1]

We begin with the threat to impose a 25 percent tariff on all goods from Mexico and Canada. Figure 1 shows that the imposition of the tariff would slow growth and accelerate inflation in all three countries. (Click on the tabs in the figures to filter by "Real GDP" and "Inflation.") For the duration of the second Trump administration, US GDP would be around \$200 billion lower than it would have been without the tariffs. Canada would lose \$100 billion off a much smaller economy, and at its peak, the tariff would reduce the size of the Mexican economy by 2 percent relative to its baseline forecast.

2/2/25, 12:34 PM

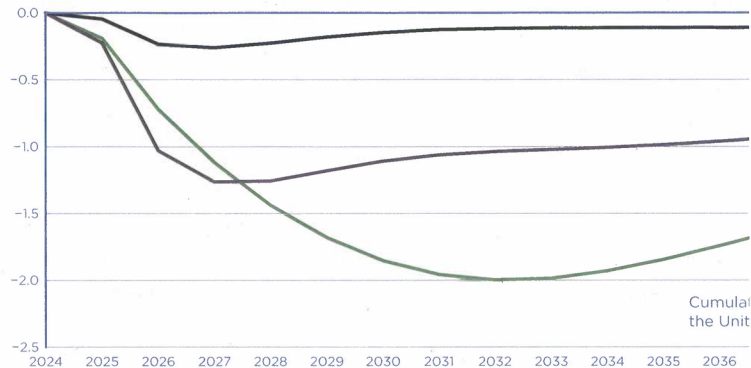
Trump's threatened tariffs projected to damage economies of US, Canada, Mexico, and China | PIIE

Figure 1

25 percent tariffs on Canada and Mexico would cause lower GDP and higher inflation than otherwise

Projected percent change from baseline forecast for each country, 2024–40

Click to filter by: Real GDP Inflation



Source: Warwick McKibbin, Megan Hogan, and Marcus Noland, *The international economic implications of a second Trump presidency*, PIIE Working Paper 24-20.

However, these figures likely underestimate the real damage to the three economies, which are highly integrated—but asymmetrically, with Mexico and Canada being much more dependent on trade with the US than the other way around. Intermediate goods—especially in motor vehicles—cross the borders multiple times before final assembly. The imposition of tariffs at each stage of fabrication would be disastrous.

In the case of Mexico, exports account for roughly 40 percent of its GDP, and roughly 80 percent go to the US. Approximately 16 percent of national value-added is sent to the US in the form of exports, the most of any major trading partner. In essence, Mexico ships one-sixth of its annual economic output to the US in the form of exports.

Many of those exports originate in maquiladoras within 30 miles of the border. This economic activity is geared to serve the US market, making Mexico far more vulnerable than say a large industrial country like Germany that operates globally and could more easily reorient its exports. For Mexico, a 25 percent tariff would be catastrophic. Moreover, the economic decline caused by the tariff could increase the incentives for Mexican immigrants to cross the border illegally into the US—directly contradicting another Trump administration priority.

But there are reasons to believe that Trump will not carry out his threats. During his 2016 presidential campaign, Trump repeatedly threatened to impose a 30 percent tariff on Mexico. Once in office, however, he did not impose the tariff but rather demanded—and received—a renegotiation of the North American Free Trade Agreement (NAFTA). The renegotiation produced a new agreement, with a new name—the US-Mexico-Canada Agreement (USMCA)—which modernized the agreement but also by tightening rules of origin and lengthening schedules for tariff removal, moving the agreement away from free trade, and earning the new agreement the mocking sobriquet NAFTA 0.7.

Subsequently, in 2019, Trump threatened Mexico with a 5 percent tariff that would gradually increase to 25 percent unless Mexico stopped illegal immigration across the border, but he did not follow through.

USMCA is scheduled for review in 2026, but if the review is expedited to 2025, the tariffs could be avoided by making concessions in the agreement to placate the Americans. If Trump were to impose those tariffs, in effect he would be blowing up (albeit for noneconomic reasons) the agreement that his first administration negotiated. And indeed, a telephone call on November 27 with Mexican president Claudia Sheinbaum, which Trump characterized as a “very productive conversation,” seemed to lower the heat. However, Trump’s public musings about using economic

coercion to make Canada the “51st state” contributed to Canadian prime minister Justin Trudeau’s resignation, and the upheaval in Canadian politics may make resolution via USMCA more difficult.

For unclear reasons, Trump threatened China with a lower 10 percent additional tariff. (How this tariff relates to the 60 percent tariff he threatened against China in the presidential campaign, and the 100 percent tariff on the BRICS countries of which China is a member, is unknown.)

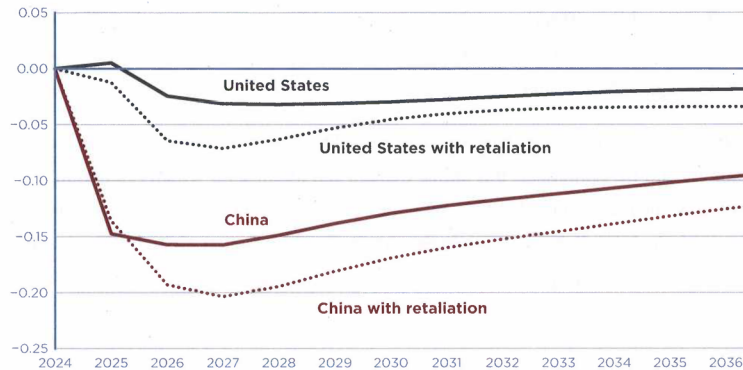
Figure 2 shows the damage that an additional 10 percent tariff could inflict on the Chinese and US economies. But unlike Canada and Mexico, for which retaliation would be inconceivable, China has retaliated in the past and would likely do so again. For analytical simplicity, we assume that retaliation is tit-for-tat, though China would obviously have other options. Figure 2 also shows the results of a retaliation scenario (dotted lines).

Figure 2

An additional 10 percent tariff on China would damage both the US and Chinese economies

Projected percent change from baseline forecast with and without retaliation by China, 2024–40

Click to filter by: Real GDP Inflation



Source: Warwick McKibbin, Megan Hogan, and Marcus Noland, *The international economic implications of a second Trump presidency*, PIIE Working Paper 24-20.

If the US imposed an additional 10 percent tariff on China and China responded in kind, US GDP would be \$55 billion less over the four years of the second Trump administration, and \$128 billion less in China. Inflation would increase 20 basis points in the US, and after an initial dip, 30 basis points in China. The initial fall in inflation in China is caused by a temporary tightening of Chinese monetary policy aimed at offsetting the depreciation of the Chinese currency.

The result of combining the threats—a 25 percent tariff on Canada and Mexico and an additional 10 percent tariff on China (which retaliates)—is shown in figure 3. The damage is worse for the US than any of the previous scenarios, basically because the

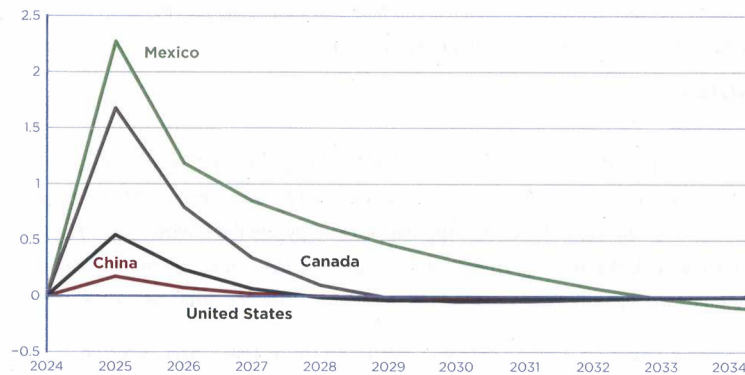
possibilities for substituting trade between Mexico and China are reduced, generating larger GDP losses and higher inflation. The results for the three partners are similar to the previous scenario.

Figure 3

25 percent tariffs on Canada and Mexico with an added 10 percent tariff on China would cause lower GDP and higher inflation than otherwise

Projected percentage point change from baseline forecast for each country, 2024-40

Click to filter by: Real GDP Inflation



Notes: Scenario assumes that China retaliates.

To conclude, all the countries involved suffer damages from Trump's threatened tariffs, particularly Mexico. Renegotiating USMCA would be preferable instead. While Trump's positive response to his call with Sheinbaum was encouraging, the political uncertainty in Canada tempers hope of finding a resolution.

The situation with China is even cloudier. During his first term, Trump launched a trade war with China (Bown 2023),^[2] demonstrating the credibility of his current threats. He also appears to have an unduly negative appraisal of the effectiveness of his first administration's negotiations with China over fentanyl trade (Noland, Contreras, and Rengifo-Keller, forthcoming).^[3] For the US and China, collision may be even more difficult to avoid.

CORRECTION: We project that imposing a 25 percent tariff on all goods imported to the US from Mexico and Canada would reduce Mexico's GDP by 2 percent relative to its baseline forecast. A previous version of this blog post incorrectly said the tariff would reduce Mexico's economic growth rate by 2 percent.

NOTES

1. For details on the model, see Warwick J. McKibbin and Peter J. Wilcoxon, The Theoretical and Empirical Structure of the G-Cubed Model, *Economic Modelling* 16, no. 1 (1999): 123–48; and A Global Approach to Energy and the Environment: The G-Cubed Model, chapter 15 in *Handbook of Computable General Equilibrium Modeling*, volume 1, ed. Peter B. Dixon and Dale W. Jorgenson (Elsevier, 2013): 995-1068.
2. Chad P. Bown, US-China Trade War Tariffs: An Up-to-Date Chart, Peterson Institute for International Economics, April 6, 2023.
3. Marcus Noland, Julieta Contreras, and Lucas Rengifo-Keller, *Illicit Drug Prices and Policy: Fentanyl, China, and Overdose Deaths*, PIIE Working Paper, Peterson Institute for International Economics (forthcoming, 2025).

DATA DISCLOSURE

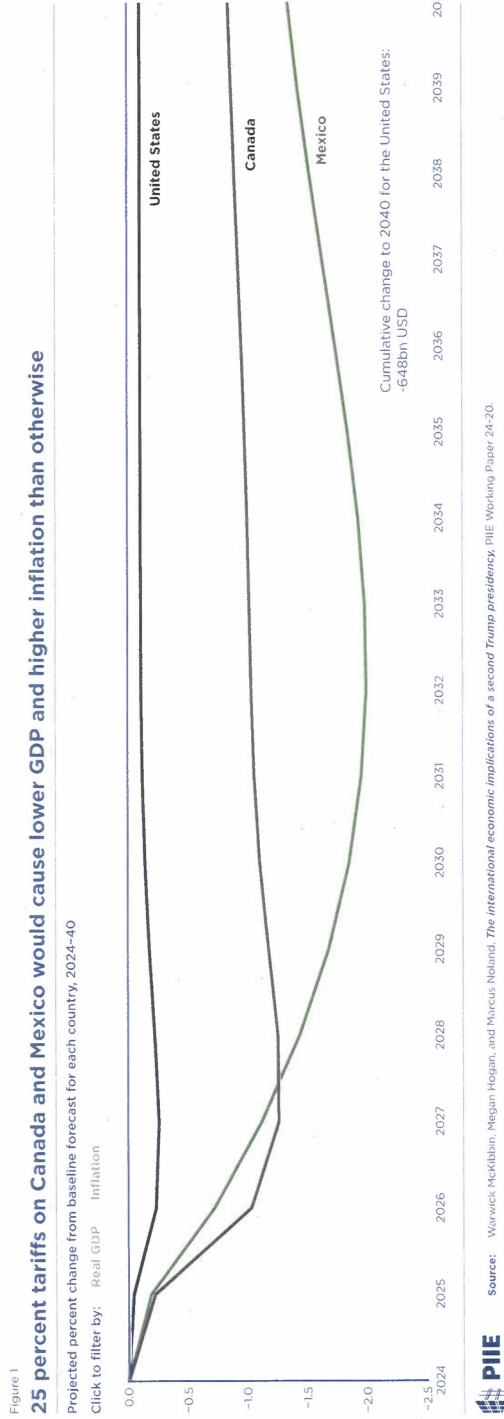
The data underlying this analysis can be downloaded [here](#) [zip].

2/2/25, 12:34 PM

Trump's threatened tariffs projected to damage economies of US, Canada, Mexico, and China | PIIIE

RELATED DOCUMENTS

20250117-mckibbin-noland.zip (571.1 KB)



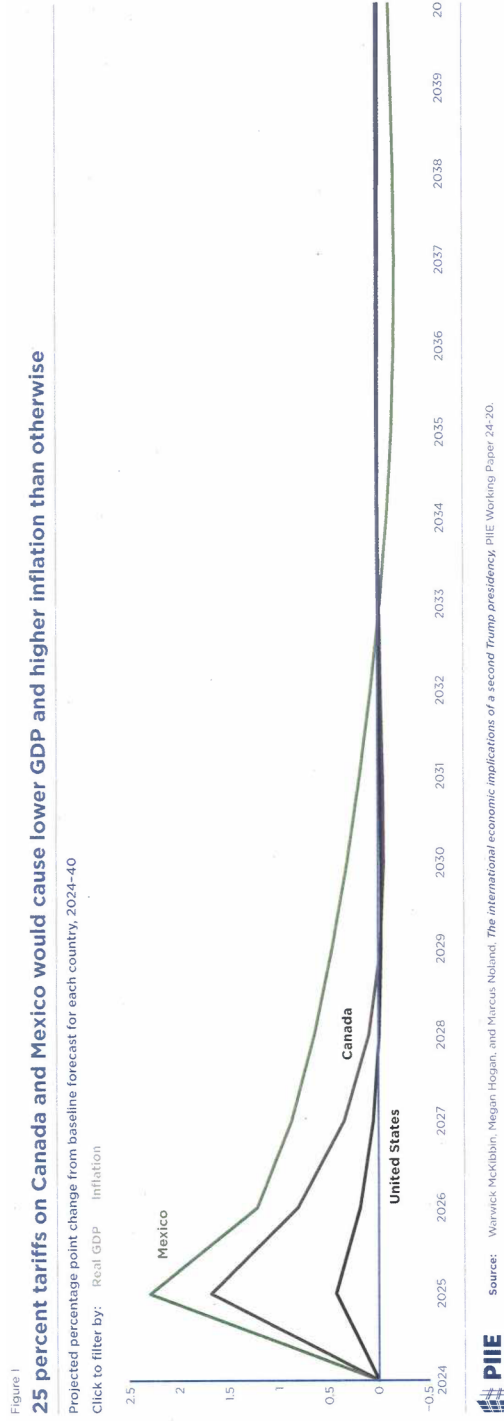
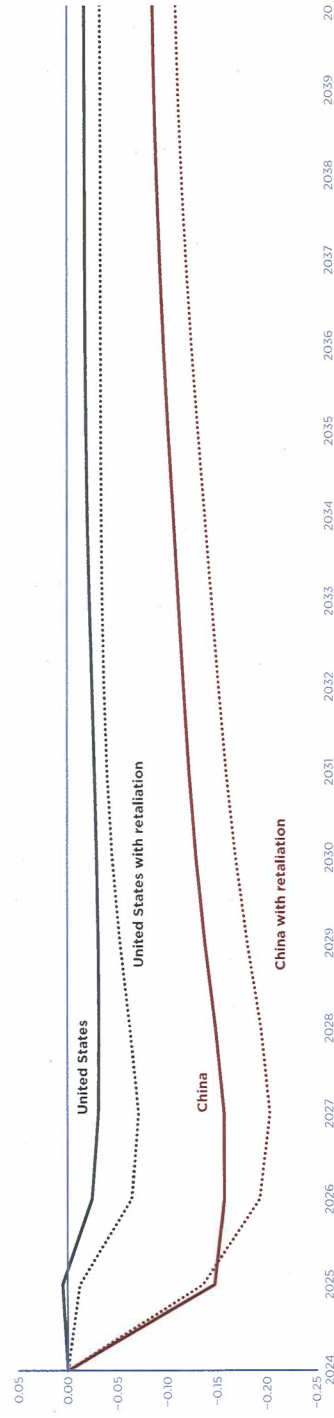


Figure 2

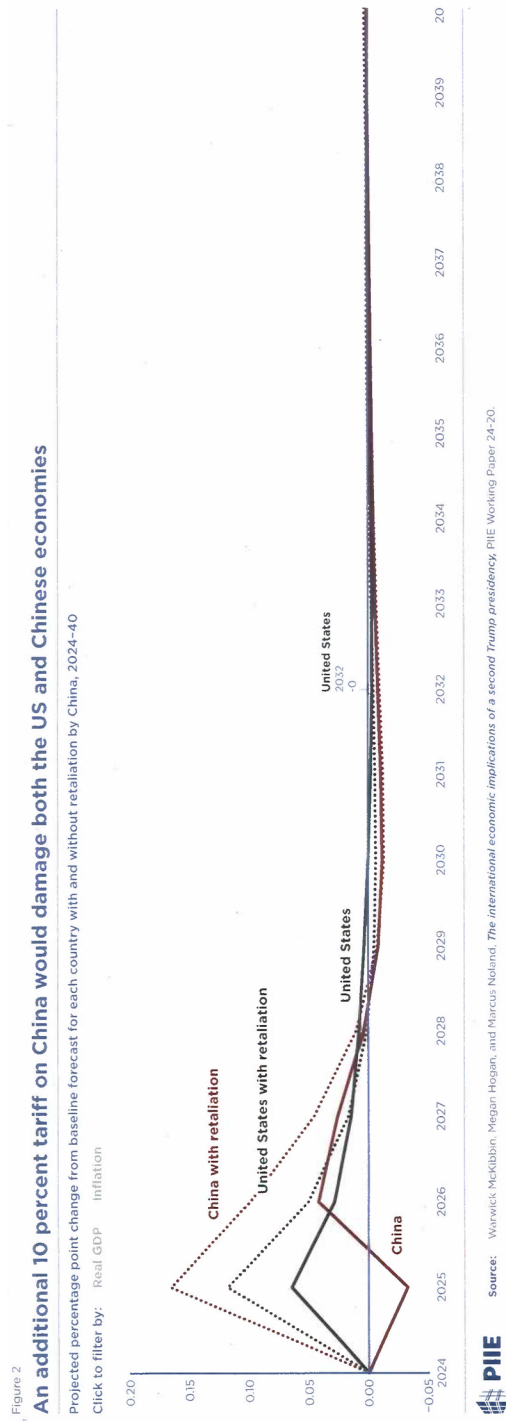
An additional 10 percent tariff on China would damage both the US and Chinese economies

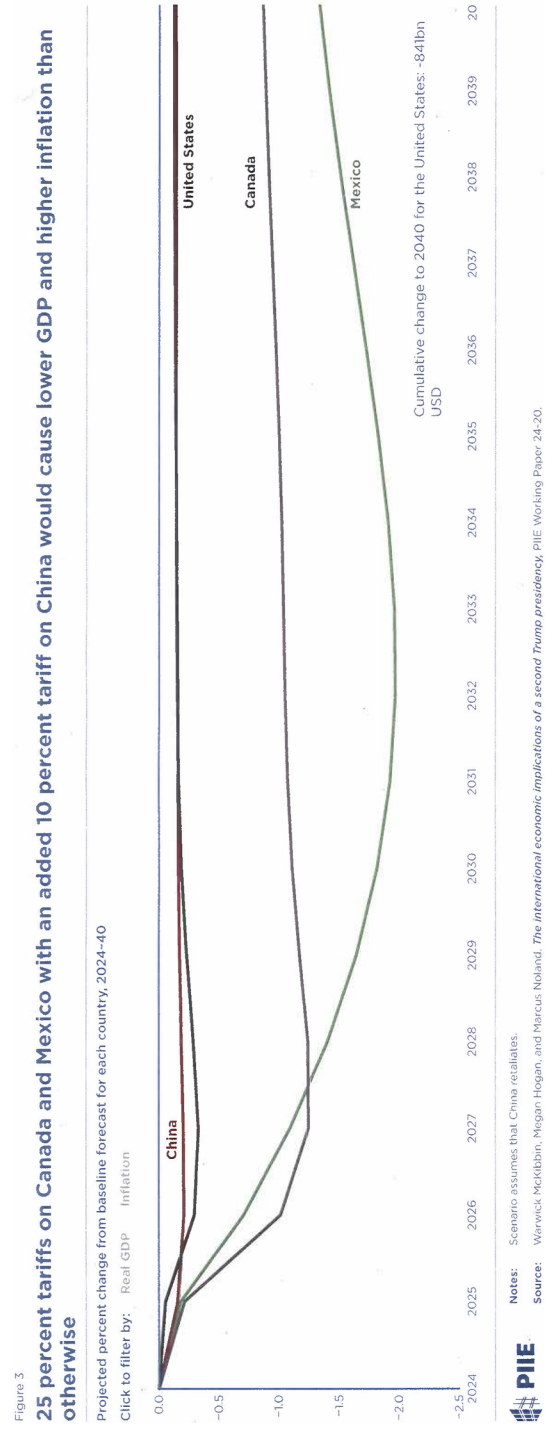
Projected percent change from baseline forecast with and without retaliation by China, 2024–40

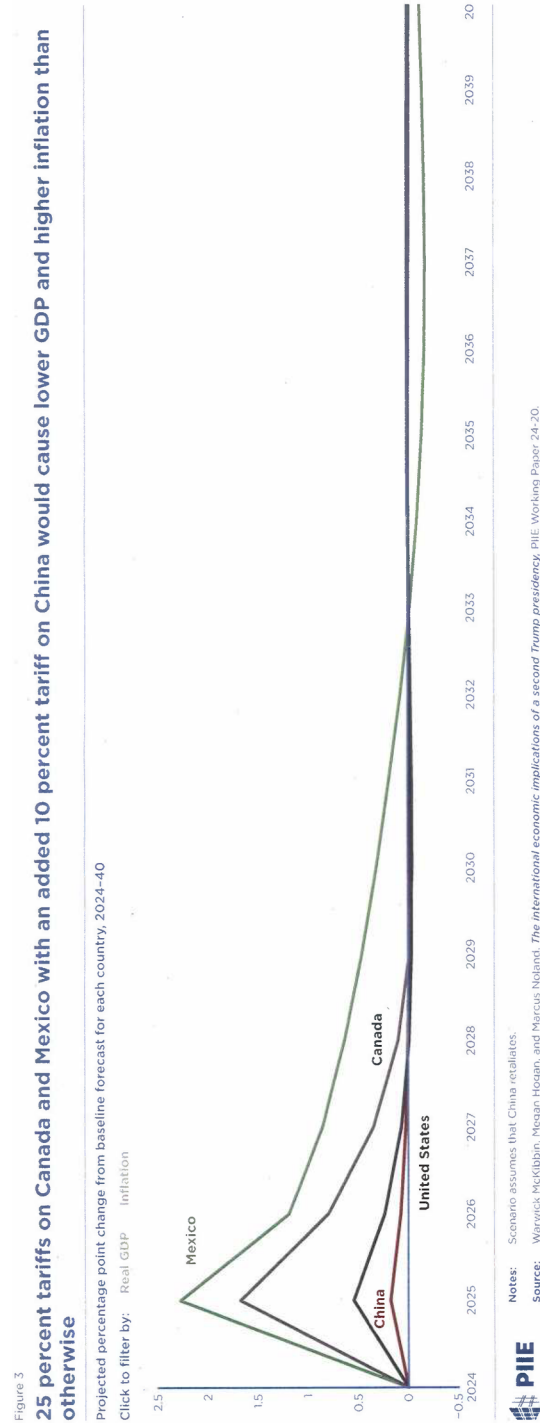
Click to filter by: Real GDP Inflation



Source: Warwick McKibbin, Megan Hogan, and Marcus Noland. *The international economic implications of a second Trump presidency*, PIIE Working Paper 24-20.









February 5, 2025

The Honorable Roger Williams
Chair
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Williams and Ranking Member Velázquez:

Since 1958, the Small Business Investor Alliance (SBIA) has been the voice of America's small business investors. We thank the Committee for holding today's hearing entitled "Hope on the Horizon: Prioritizing Small Business Growth in the 119th Congress" and write to express strong support for this committee's commitment to supporting pro-small business policies.

On February 4th, Elon Musk with the Department of Government Efficiency (DOGE) called SBA the "Shady Business Administration" where "only 8% of loans get paid back!"¹ We do not know what part of SBA he is talking about, but it is not the Small Business Investment Companies (SBICs). SBICs are an American success story and example of a successful federal public policy that aligns the power of private markets with the public interest of job creation and economic growth. SBICs are private investment funds licensed and regulated by the SBA that invest exclusively in U.S. small businesses. SBICs have consistently paid SBA back in full and have actually overpaid fees to the SBA by well over a billion dollars over the past 20+ years.²

Small businesses need their government to prioritize them with the same focus and intensity that hostile foreign governments have shown in displacing the United States as the world's economic engine. Companies that in their early stages received SBIC investments and have subsequently grown into icons of American industry include Federal Express, Apple, Intel, and Callaway Golf. These companies not only grew but also transformed industries and continue to drive innovation that shapes the global economy. While these companies are recognized globally, many more small businesses backed by SBICs have grown from smaller businesses into robust, sustainable mid-sized businesses. We don't know who the next great American companies will be, but there is a good chance they will have been backed by an SBIC when they were a small business.

SBICs are vital in channeling much-needed investment to all of America, especially the rural and underserved areas outside of major private equity and venture capital hubs. They also invest in industries that are critical to American workers and the nation's prosperity, like manufacturing. In fact, small businesses regularly add more than 100 new, permanent employees after SBIC capital infusions.

¹ Elon Musk tweet at <https://x.com/elonmusk/status/1886697613644218435>

² SBIC Program Portfolio Investment Report as of June 30, 2024, available at [SBIC Portfolio June 30 2024 Investment Performance Report_Final Jan 16 2025.pdf](#) | Powered by Box

Since SBIC investments cannot be used to offshore operations or contribute to unemployment, these jobs are right here in America. SBICs are financing the American renaissance with reshoring and reinvestment.

There is a lot of partisan disagreement in Washington, but not about the need to support more small business investment. Last year the House unanimously passed the Investing in All of America Act to modernize the SBIC program and increase investments in rural, low-income, and national security investments. The House also unanimously passed the Investing in Main Street Act to fix an accidental restriction on the amount of small business investing due to a conflict in banking and SBA law. The overwhelming bipartisan support for the legislation sets a marker as the new Congress and administration look for ways to modernize government, advance private sector led solutions to economic challenges, and serve taxpayers effectively.

With continued bipartisan support from Congress and the Trump administration, SBICs can further fuel the economy and create jobs nationwide. Currently, SBICs represent over \$48 billion in American small business investments, with the potential to increase that amount by an additional \$30 billion in the next 12-18 months.

While SBA's outdated technology should be updated, DOGE should look at the SBICs as the model of effective government in service to all of America. SBIA looks forward to working with Members of the Committee to support bipartisan legislation that will increase investment in America's small businesses.

Sincerely,



Brett Palmer
President
Small Business Investor Alliance