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# Statement of the U.S. Chamber of Commerce

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**ON: "INVESTING IN SMALL BUSINESS: JUMPSTARTING  
THE ENGINES OF OUR ECONOMY"**

**TO: THE SENATE SMALL BUSINESS AND  
ENTREPRENEURSHIP COMMITTEE ROUNDTABLE**

**BY: GIOVANNI CORATOLO, EXECUTIVE DIRECTOR,  
SMALL AND EMERGING MARKET BUSINESS  
COUNCILS, U.S. CHAMBER OF COMMERCE**

**DATE: JANUARY 29, 2009**

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The Chamber's mission is to advance human progress through an economic,  
political and social system based on individual freedom,  
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 112 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

**Statement on**  
**“Investing in Small Business: Jump Starting the Engines of our Economy”**  
**Before the**  
**THE SENATE SMALL BUSINESS AND ENTREPRENEURSHIP**  
**COMMITTEE**  
**By**  
**Giovanni Coratolo**  
**Executive Director, Small and Emerging Market Business Councils**  
**U.S. CHAMBER OF COMMERCE**  
**January 29, 2009**

Chairwoman Landrieu, Ranking Member Snowe and distinguished members of the Committee, the Chamber thanks you for accepting our statement for the record. Chairwoman Landrieu, I also congratulate you on your recent appointment as Chair of this committee. The Chamber looks forward to working with you on issues important to our small business membership. We also commend your efforts in having this important roundtable to further understand the state of small business during the economic downturn and policies that will help promote small businesses as we move forward.

I am Giovanni Coratolo, the executive director for the small and emerging market business councils for the U.S. Chamber of Commerce. These two councils represent the primary policy making bodies for the Chamber’s small and emerging market businesses.

**The State of Small Business**

We are clearly in very trying economic times. With the unwinding of the housing market, a severe liquidity crisis, and the general deleveraging of the financial markets, the economic downturn is severe and widespread. Furthermore, the weakened economy threatens to slow even further, making credit even less accessible to Main Street businesses.

As a result of the recession in this country and the world-wide economic slowdown, many small business owners are reporting to us that they are struggling to stay in business. Not surprisingly, in recent surveys to our members, we are hearing that the economy is the number one issue that is affecting their businesses. We are currently seeing many small businesses in full survival mode, making defensive operational decisions in an attempt to protect assets and weather the economic storm. The following testimonial from Vanessa Baugh is consistent with some of the challenges facing small business in this economic environment:

**Vanessa Baugh**  
**Vanessa Fine Jewelry**  
**Lakewood Ranch, Florida**

“The credit crunch on small business is not new just getting worse. I have had my line of credit reduced to the point that I have no way of cash influx in my business. Should I mention that

my line of credit was through Wachovia. Now my business has been reduced to the point that we are 60% down from last year. The summer months in Florida are always the slowest, however, to be down 70% for the months of July, August and September from the same months last year with no cash influx has made it near impossible to buy inventory to get ready for any sort of Christmas season. People are not spending money because they are scared or have been laid off from their jobs. On top of that, cost of goods have sky rocketed. For the first time in my 10 years in business, I am wondering if we will have to close or file bankruptcy.”

### **Small Business Expectations**

With the economy a high priority, small business owners are looking for Congress and the new administration to take legislative action which is robust, timely, temporary, and properly targeted to jump start the economy, restore liquidity, and preserve and create jobs. Mindful of this, the Chamber has reached out to the business community through many different channels to try to better understand specific policies businesses would like to see enacted that would provide them the tools necessary to increase economic activity.

In a limited survey to the Chamber’s Council on Small Business which comprises one hundred of the Chamber’s most active small business owners, of those that responded, 45.2% indicated that “Access to Capital for Small Business” should be the highest priority for Congress to address for small business in an economic stimulus package. 29% indicated small business tax incentives should be the highest priority.

More persuasive is a comprehensive national online survey that went out to thousands of “Friends of the Chamber,” in which we asked the following question, with the following results to date<sup>1</sup>:

“Which of the following principles do you support most to get our economy moving again?”

- Providing meaningful tax relief for large and small employers and incentives for Americans to invest their hard earned dollars. (38%)
- Reducing borrower and lending fees through the Small Business Administration to open up credit markets and provide immediate relief to our country’s small businesses. (33%)
- Creating new jobs through targeted infrastructure funding. (20%)
- Supplying tax credits to the housing industry to provide immediate assistance to America’s homeowners. (9%)

It is clear from the survey results that access to capital reforms for small business through SBA lending programs coupled with meaningful tax relief for all business should be essential components of any stimulus package.

### **Meaningful Tax Relief for Small Business - Stimulus I**

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<sup>1</sup> See attachment number 1

In February 2008, Congress approved and the President signed the Economic Stimulus Act of 2008, a \$168 billion package to help the flagging U.S. economy. This stimulus bill focused primarily on increasing consumption and investment. The bill provided a tax rebate to individual taxpayers with the goal of increasing consumption; another key component of the legislation was encouraging businesses to make investments through tax incentives. This was achieved by increasing the Section 179 expensing limit to \$250,000 and providing 50 percent bonus depreciation for capital investments made in 2008.

The following stories are from several Chamber members that took advantage of the first stimulus bill and made purchases as a result of the tax incentives provided by the stimulus package in 2008 rather than waiting until a future date. These stories of utilizing the tax incentives provided by the first economic stimulus bill are just a few examples that represent thousands of similar actions taken by small businesses throughout the United States to invest in their companies, expand operations, and create jobs.

### **1. Educational Options, Inc.**

Thomas Sawner, CEO

Arlington, Virginia

Company website: <http://www.edoptions.com/>

**“Small business owner Tom Sawner says the Section 179 expensing benefit of the Economic Stimulus Act of 2008 has prompted him to pull the trigger on purchasing equipment needed to expand his business—purchases he had delayed until now.** ‘Yesterday, we purchased two new servers and two new routers, and we plan to upgrade or replace 20-30 office computers,’ said Sawner. ‘Additionally, we made several major upgrades to our main server array.’ His company, Educational Options, Inc., provides web-based curriculum to more than 1,200 schools and 25,000 students nationwide. “As EdOptions prepares to expand and move to new offices this quarter, this incentive is a big boost to our purchasing power for needed equipment.”

### **2. Modern Technology Solutions, Inc.**

Philip L. Soucy, Co-President and CEO

Alexandria, Virginia

Company website: <http://www.mtsi-va.com/>

“Modern Technology Solutions, Inc. (MTSI), an Alexandria VA based engineering services company, has grown significantly over the past few years, and large growth usually coincides with a need for significant IT upgrades. **Due to the extra deductions allowed for investment costs in the Economic Stimulus Act of 2008, the MTSI Information Technology (IT) Department has been able to effectively increase this year’s budget significantly, allowing for major equipment upgrades. This has provided us the tools to enhance the security and efficiency of the MTSI computer network that would likely have been impossible without the Stimulus Act. In addition, we have been able to make major equipment upgrades at several of our branch office locations, such as our offices in Ohio and Alabama.** Prior to the Stimulus Act, these offices had little to no network security, and their networks were

managed by non-IT personnel due to geographic and budgeting constraints. Due to the Stimulus Act, MTSI now has the ability to tie all branch offices together into one centrally-managed hub. In turn, the time spent by non-IT per personnel has been greatly reduced, and network security and employee productivity have increased. **In short, the Stimulus Act has proven to be one piece of legislation that MTSI is very thankful for.**

### **3. Royal Concrete Concepts, Inc.**

Wallace “Wally” Sanger, President

West Palm Beach, Florida

Company website: [http://www.royalconcreteconcepts.com/a\\_about\\_us.php](http://www.royalconcreteconcepts.com/a_about_us.php)

“Royal Concrete Concepts had a deposit on an additional crane for our manufacturing facility in Okeechobee, Florida, and we were not sure when we would take delivery.

**The Economic Stimulus package passed and the bonus depreciation on this purchase of a \$590,000 IS 70 Shuttlelift Gantry Crane (70 ton crane) helped spur our decision to move forward** and take delivery on this third new crane for our new manufacturing facility.”

### **4. Signal Metal Industries, Inc.**

Ryan Robinson, CEO

Irving, Texas

Company website: <http://www.signalmetal.com/HIST/history.html>

“**We are huge fans of the President’s new stimulus package.** I’m most excited about the increase for Section 179 deductions for purchases up to \$800K starting immediately in 2008. Since the early 2000’s, when we were first allowed increased depreciation and bonus depreciation, our company has made specific decisions to buy new instead of continuing to repair our older capital equipment. Being a large manufacturer, we found that the tax savings finally made a difficult purchase decision a “no-brainer”. Over the last two years, we have purchased various heavy equipment including welding machines, two 18-wheelers, a farm tractor, two large CNC horizontal boring machines, a CNC drilling machine, a paint booth, 10 or more overhead cranes, and much more. **Not only do we get the tax savings, but just as importantly, we also get the benefits of better, more production, more reliable equipment which absolutely helps us compete with the likes of Mexico, China, and India.**

During the years when it was pegged at only \$400K or so we wanted to do more but didn’t because it would have eroded our tax savings. Now we can do more and will. **In 2008, since the stimulus package was announced, we have already spent over \$500K and will definitely take our capital purchases right up to the \$800K mark so we can maximize our bottom line savings.** Section 179 works – it makes companies want to spend money. I just hope that enough people know about it – no just so they can get the tax deduction after the fact but rather so they can use the information to make purchase decisions.

**By the end of 2008, our relatively small company will have easily spent two million dollars directly into the US economy that I certainly believe would not have happened had there never been the added 179 deduction.”**

#### **5. Tyler Construction Group, Inc.**

Charles Tyler, President

Columbia, South Carolina

Company website: <http://www.tyler-construction.com/index.shtml>

“My brother, our partner, and I are in the process of trying to buy out the retiring founder of Tyler Construction so capital is real tight. Our single dump truck is one of our most critical assets that we keep on the road constantly. **We jumped at the chance to replace our older truck mainly because of the stimulus package.** As a small business owner this has been a real help in growing our company in these challenging times.”

#### **6. Wall-to-Wall Studios, Inc.**

James Nesbitt, President

Pittsburgh, Pennsylvania

Company website: <http://www.walltowall.com/flash.html>

“In early 2008 W|W faced a dilemma: Renew their existing office lease or find a new location. They were close to outgrowing their current office but it would suffice in a pinch. Due to poor economic conditions back in 2001 they took over their current space which was located in the same building because they had outgrown their previous office. Unfortunately it never fully suited the needs of their growing company both in terms of space and layout.

The prospect of a new office would provide the first opportunity in 14 years to actually design an office around the way the company works which would improve the workflow and provide necessary room for growth down the road. However, the thought of investing significant resources in building out a new space at a point where the expanding economy was once again showing signs of slowing down seemed less than prudent. Regardless, they decided to explore all the options.

After visiting many potential sites they came across a very promising location in a growing section of their city. The lease terms were in line with their lease extension rate but the out of pocket costs, as with any office relocation, were still going to be significant.

“As we were working with the landlord on the design and cost sharing aspects of the project, the Economic Stimulus Act was being actively debated in Washington. Our build out posed a unique challenge in terms of striking a balance between providing a work environment that matched both our creativity and workflow needs with the budgetary constraints,” said Brian Kaiser, CFO and Partner of the firm.

**“The Bonus Depreciation provision of the Stimulus Act certainly helped both Wall-to-Wall Studios and our landlord, Northern Light Tower, overcome the economic side of the equation,”** added James Nesbitt, President and a Founding Partner.

“I was excited when Wall-to-Wall Studios approached me with their concept but I was quite certain it would have been difficult for both of us to achieve the end result within the budgets agreed to without the assistance of the Stimulus package,” offered Jim Genstein of Northern Light Tower.

**For Wall-to-Wall Studios this Stimulus package couldn’t have happened at a better time.”**

#### **7. 48HourPrint.com**

Raymond E. Pinard, President/CEO

Boston, Massachusetts

Company website: <http://www.48hourprint.com/>

“48HourPrint.com is the leading commercial web to print commercial printer in the country. Our customers fulfill their commercial printing needs through internet technology in a seamless environment from the comfort of their home or office. All orders are taken over the internet, processed at our headquarters in Boston and printed at our own printing plants in Cleveland and Phoenix. We employ about 85 people among the three facilities. Our sales for this year are approximately \$25 million.

Our company mission is summarized as Excellence, First Class, First Place. We emphasize a 100% Customer Satisfaction environment. With this in mind we cannot pass up the opportunities presented in President Bush’s Economic Stimulus Package.

**At this time, due to the cash flow benefits of the bonus depreciation, we will be replacing two 28 inch presses in Cleveland with a new Komori USA 40 inch press. This will also include a new Kodak 40 inch plate maker and assorted miscellaneous equipment and fit-up. The cost of this project is about \$2.250 million.** We have already placed a deposit on the press and expect it to be fully operational in three months. This purchase will significantly improve productivity, efficiency and capacity in Cleveland, thus making us more responsive to the needs of our customers and allowing us to expand our business.

**In addition, the incentive provided by the bonus depreciation will accelerate our plans to enter into variable data printing, a new service for our company. We will be purchasing two digital presses, at a total cost of about \$1,000,000.** At this time we are looking to purchase these machines from Hewlett-Packard. Moving into digital variable data printing will allow us to move into new areas of printing and entirely new markets.”

#### **8. Permac Industries**

Darlene Miller, President/CEO



14401 Ewing Avenue South  
Burnsville, Minnesota 55306  
Company website: <http://www.permacindustries.com/>

“2007 was a year of many changes for Permac Industries. We added an additional 16,500 sq. ft. of climate controlled manufacturing space for a total of 34,000 square feet including a shipping area that warehouses in-house inventory, an assembly area, offices for engineering, a climate controlled Quality Lab and administration offices.

Permac Industries is a “job shop” in that we do not have our own product, but custom manufacture parts to our customer’s blueprints and/or specifications. Permac services a wide range of customers including companies in the industries of hydraulics, avionics, food and beverage, Department of Defense, automotive, medical and computers.

**Cell development and robotic technology that we have only analyzed in the past (due to the initial startup equipment costs) will now be ordered and added to our equipment lineup to optimize efficiency and productivity. We will also start the negotiations for purchasing an additional mill due to this stimulus package which will allow for expanded capacity. In addition, we are reviewing an analysis for the purchase of a CNC Multi-Spindle Machining Center in 2008. This technology is new to Permac. The additional capability will allow Permac Industries to expand our market base and help with customer demand.**

As our customer’s demand faster, less expensive manufacturing, and with tighter profit margins due to increased competition, the need to evaluate and purchase new equipment technology is essential for our survival. For instance, we can create efficiencies by combining different manufacturing processes (turning and milling) on a single piece of equipment, rather than routing to different work stations and equipment.

**With our present plan for growth, the stimulus bill just passed by Congress was a welcome boost to our plan. And, what purchases might have been pushed off to 2009, are now being actively considered for 2008 in view of the accelerated write off of new equipment.”**

### **Meaningful Tax Relief for Small Business - The Current Stimulus Package**

Despite these bipartisan efforts to revive the economy, more needs to be done. Congress again faces very difficult decisions on what to include in a second stimulus package in order to revive our economy. Most of the job creation in America is done by small and mid-size businesses – 60 to 80 percent of net new jobs are created by businesses with less than 500 employees. These businesses truly are the backbone of our nation’s economy and, therefore, must be a top priority for lawmakers. It is imperative that Congress incorporate measures into any legislation that will further incentivize business owners to expand and invest in their companies and their employees while also recognizing challenges to their long-term competitiveness.

## **Federal Individual Income Tax Rates**

Many small businesses are organized as a Subchapter S Corporations, Limited Liability Partnerships, or Limited Liability Corporations for federal income tax purposes. This means that the profits are not taxed at the corporate level, but instead are passed through to shareholders who must then report the income (or loss) on their own individual income tax returns. While small business owners pay personal income taxes on the profits, the reality is that only a portion of the income generated by their businesses actually makes its way back to their personal bank accounts. Much of the income small business owners are being taxed on is actually reinvested in their companies in the form of expansion and new equipment.

Raising or lowering the individual federal income tax rates directly impacts the cost of capital for small and mid-size business formed as “pass through” entities. If Congress were to raise the individual income tax rates, capital would cost more and small business owners would have less money to invest in their companies. In contrast, by keeping taxes low, small and mid-size businesses can invest and grow and have greater ability to create jobs and help expand the economy.

As you look to addressing tax rates in the 111<sup>th</sup> Congress, the Chamber recommends that Congress lower all marginal tax rates, or, alternatively, at very least, keep those rates at present levels. By lowering or keeping rates at present levels Congress would enable small business owners to invest more in their businesses. Allowing these rates to increase would increase the cost of capital, diminish investment opportunities, and ultimately make small businesses less competitive, thus hampering job creation and leaving our nation less prosperous.

## **Short-Term Recommendations**

In the short-term, the Chamber recommends that Congress consider including in any stimulus legislation provisions such as the following, which we believe would have an immediate positive impact on the economy:

- Issuing rebate checks would infuse cash into the economy, putting money in workers’ pockets and stimulating consumption.
- Extending the carry back period from two years to five years would enhance the liquidity of businesses with current losses.
- Extending bonus depreciation and increased Section 179 expensing provisions, and adopting a temporary investment tax credit would promote investment during the current economic downturn and stretch scarce capital by lowering the cost of undertaking new investment.
- Providing temporary tax relief over one or two years for companies that purchase their own or related party debt at a discount would allow companies to withstand the economic downturn. Temporary suspension of this tax would create and preserve jobs, facilitate the deleveraging of the U.S. economy, and strengthen financial institutions’ balance sheets. Congress has already passed similar legislation to help reduce mortgage debt and

now should provide the same relief for companies that want to preserve jobs through reducing the company's debt burden.

- Reducing the corporate capital gains rate which would unlock appreciated assets held by companies, generating substantial tax revenues and at the same time providing much needed capital that could be redeployed more efficiently into the economy.
- Extending the reduced tax rate on dividends and capital gains will give taxpayers greater incentives to save and invest, which will add to our capital stock and increase productivity.
- Provide for a payroll tax holiday, which would put money in the hands of small business owners to invest in their business and would increase economic activity by allowing workers to take home more of their own paychecks.

### **Other Provisions**

#### **Pension Plan Recommendations**

The Chamber appreciates the work of Congress in passing the Worker, Retiree, and Employer Recovery Act of 2008; however, additional pension provisions are crucial for employers and are directly related to the current financial crisis – the expansion of the funding corridor and automatic approval of funding method election changes. Current funding rules allow unexpected gains and losses to be smoothed out to a very limited extent, so that the smoothed value stays within 10% of fair market value and affect many small businesses. Given that the equity markets have fallen by half or more, the 10% limit on smoothing is extremely restrictive. Therefore, it is critical that asset smoothing apply without percentage limitations in 2009 and 2010.

In addition, broader flexibility in the election of funding methods is very much needed, and would go a long way toward helping companies weather this pension storm. Generally, IRS approval is required to change funding methods. Given the enormous changes over the past several months, companies need to reassess their funding methods to find those best suited to maintaining their plans going forward. For 2009 and 2010, the Chamber recommends allowing funding methods to be changed without IRS approval.

#### **Repeal of the 3% Withholding Tax**

Section 511 of P.L. 109-222 requires a 3% tax withholding on all government payments, which affects all government contracts as well as other payments, such as Medicare, grants, and farm payments. While this requirement is not set to go into effect until January 1, 2011, companies, as well as federal, state, and local governments are already expending funds to prepare for implementation. These are needless preparation expenses, particularly during rough economic times, for a requirement that most believe should never have been enacted and should be repealed. The Department of Defense estimated that the costs to comply with the 3% withholding requirement will be in excess of \$17 billion over the first five years, which is far more than any estimated revenue gains. While \$17 billion is substantial, it is only a portion of the additional costs with which governments and the private sector will be burdened. Accordingly,

the Chamber supports including a repeal of the 3% tax withholding law in any upcoming stimulus package.

### **Access to Capital Provisions**

Small businesses are the backbone of the economy providing 60 to 80 percent of net new jobs. Access to capital is a critical component for small enterprises if they are to fully unleash the job creating engine that will be vital in igniting an economic turnaround for the country. Regrettably, due to the turmoil in the financial markets, small business owners have reported to us that traditional avenues entrepreneurs use to finance their operations and grow businesses have been disrupted, limiting their ability to expand and in some cases even survive. Therefore, reestablishing the availability of capital as quickly as possible to small business owners should be an important element of any attempt by Congress to stimulate the economy.

One source of funding, the Small Business Administration's (SBA) 7(a) and 504 government guaranteed loan programs, plays an important and essential role in providing an alternative means of obtaining capital for many small business owners where funding has not been available through conventional lending methods. These programs provide forty percent of all long-term funding for small businesses. Unfortunately, at a time when SBA lending programs are needed the most, lending volume has dramatically declined and is still at depressed levels.

In order to increase access to capital for small businesses so they can create jobs and help us revive the economy, the Chamber strongly supports the following legislative efforts:

**Dramatically reduce the borrower and lender fees for the SBA 7(a) and 504 programs.** Significant fee reductions will incentivize the existing infrastructure of financial institutions to lend and will make funds more affordable for small businesses to borrow for their enterprises. Many small business owners cannot wait for new untested programs and processes to be developed as contained in the House-passed stimulus bill, no matter how well-intentioned, in order to access funds to run their businesses.

Additionally, short term programs may have the unintended consequence of further emaciating traditional channels of distribution. When the temporary program expires, resources from traditional avenues of credit may be depleted. Additional incentives may have to be injected into the 7(a) and 504 programs in order to enable the private sector to fully come back on line. During the transition, small businesses may find only a weak market available for small business lending.

**Make program changes that will increase the government guaranteed percentage portion of SBA 7(a) loans.** Appropriate increases in the federal government guaranteed portion of the loan would reduce risk to financial institutions and provide additional incentives for the

industry to underwrite small business lending during a time when increased business default risk exists.

**Address Secondary Market Issues.** Program changes to the SBA 7(a) and 504 lending program that will provide more liquidity for these loans to be sold on the secondary market, further incentivizing banks to participate in this program. Additionally, many of the 7(a) and 504 loan packages that have been purchased on the secondary market, even though they are guaranteed by the government, remain illiquid. Measures should be taken to free up these assets either by repurchasing them as envisioned by the Treasury's Term Asset-Backed Securities Loan Facility program (TALF) or through another strategy that will incentivize a competitive after-market for pooled loans.

### **Additional Comments on Small Business Administration Programs**

#### **Small Business Development Centers (SBDC)**

SBDCs help small business owners and aspiring entrepreneurs to start and grow their small businesses by teaching them the skills they need to succeed in the modern marketplace. In the process, SBDCs promote small business ownership, entrepreneurial activity, job creation and economic prosperity.

Federal SBDC funding is an investment that leverages even greater non-Federal resources, and returns more to the Federal Treasury as a result of economic growth than it costs Federal taxpayers to fund the SBDC program. However, the effects of inflation over the years and the increased demand for services as a result of the economic downturn have severely limited the SBDC network's ability to serve small business owners and aspiring entrepreneurs throughout the nation. For this reason the U.S. Chamber requests additional funding over last year.

#### **SCORE**

Government policies that foster and encourage robust entrepreneurial activity and small business ownership provide the basis for economic prosperity important to the long-term vitality and success of our nation. One such policy is our investment in SCORE.

SCORE volunteers assist more than 468,000 entrepreneurs annually in starting, growing, and expanding their businesses. It is vital to have a well-funded SCORE infrastructure in place so that its 11,000 volunteers can provide a cost-effective way to help these small business owners develop the skills they need to manage cash flow, restore markets, bolster revenue streams and increase sales -- while creating new jobs and increasing state and federal revenues.

Regrettably, in recent years, the impact of inflation combined with flat funding appropriation levels from Congress has eroded the ability of this program to be fully effective. Moreover, the recent gravity of natural disasters and the economic downturn have put additional

strains on centers attempting to help small businesses recover, further encumbering the economic vitality of those regions affected.

The U.S. Chamber of Commerce supports increasing the appropriations for SCORE to \$10 million in order to help educate and advise displaced workers looking to start a small business as an alternative for looking for employment.

### **Veterans Programs**

As the new administration implements policies involving troop withdrawals, many of America's heroes will be coming back to a less than robust economy seeking employment. Many veterans will seek the avenue of business ownership as a viable alternative to finding a job. Mindful of this the SBA's Office of Veterans Business Development must be prepared with the adequate resources to play an important role in this effort.

### **The Office of Advocacy**

Small businesses bear a disproportionate regulatory burden. According to a report by the Small Business Administration, the total cost of federal regulations exceeds \$1.1 trillion; the cost per employee for firms with fewer than 20 employees is \$7,647 which is 45 percent more per employee than their larger counterparts.

The Office of Advocacy plays a vital role for small businesses in the regulatory process. The effectiveness of this office is achieved by their ability to advocate as an independent voice on behalf of small businesses within the administration. However, the Office of Advocacy is currently funded as part of the total Small Business Administration's budget, rather than with its own budgetary independence. Requiring the transparency of a line-item within the federal budget will provide further assurances that the Office of Advocacy is not subjected to partisan pressures that may undermine its mission and effectiveness on behalf of small businesses.

Additionally, with a new administration now in place and elected with the mantra of change, a new regulatory agenda has already begun to emerge. While well intentioned, many regulatory efforts may have unintended consequences on the small business community. It is important to have a strong nonpartisan Chief Counsel appointed expeditiously that will be able to advocate on behalf of the small business community within the administration. The Office of Advocacy has had a long tradition of nonpartisan support since its inception in 1976.

### **The Office of the National Ombudsman**

Small businesses are faced with the daily challenges of complying with the thousands of pages of regulations that are generated by almost forty government agencies on a yearly basis – and that's just what is produced at the federal level. If you measure the cumulative effect of all federal, state and local regulations on the small business owner, the prodigious task of compliance becomes overwhelming.

Typically the small business owner is the human resources director, the maintenance engineer, the industrial hygienist, as well as serving in many other positions that demand in-depth understanding and meticulous implementation of a plethora of rules and regulations. The small business owner is faced with the presumption of knowledge of an array of confusing and sometimes conflicting mandates from regulators with heavy penalties for non-compliance.

Now twelve years old, the regulatory fairness program, RegFair, offers an incentive for agencies to change their culture and treat small businesses as partners. The primary mission of the program is to encourage a regulatory enforcement environment that is fair to small business. It is the current intent of the National Ombudsman to engender greater compliance by more consultation, communication, partnerships, accountability and feedback on behalf of small business and Federal agency enforcement communities.

In order to encourage agencies to make changes, the RegFair program requires the National Ombudsman to file an annual report to Congress on an agency evaluation of enforcement and compliance activities. The annual report provides information and a rating system that praises those agencies that have successfully implemented cultural change. Agencies that resisted structural change that would have allowed greater sensitivity to regulatory enforcement concerns of small business are singled out in the report for criticism.

The strength of the Office of the National Ombudsman's program in the future will depend directly on its ability to work in concert with the Office of Advocacy, trade associations, Federal agencies and Congress to promote and ensure a regulatory environment that is friendlier to small business. With the current administration's emphasis on increased compliance and enforcement, it will be imperative to have strong leadership in place as soon as possible in order to maintain safeguards for the small business community.

### **The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs**

Congress established the Small Business Innovation Research program in 1982 to use innovative talents of small businesses to help meet the government's research and development needs at a time when there was significant concern that the United States was falling behind its global competitors in developing innovative technologies. Our technological supremacy is again being challenged, yet SBIR and STTR currently do not enjoy a long-term reauthorization. In order to make sure that small businesses are fully involved in advancing the nation's innovation and technology we need to expeditiously pass a comprehensive reauthorization of these two programs.

Additionally, the Congress, the new administration and the American public are looking toward innovation and technology as the solution to secure our energy future and address issues involving climate change. Small businesses must be positioned to have the resources necessary to unleash their creative abilities and play an effective role in this effort.

The U.S. Chamber of Commerce calls upon this committee to take a compromise approach to passing SBIR/STTR reauthorization similar to what was unanimously passed by this committee last year.

### **CONCLUSION**

I appreciate the opportunity to submit these comments for the record on proposals that will be helpful to small businesses. I look forward to working with you and the Committee to champion and put in place policies that unleash the innovative ability and entrepreneurial spirit of America's job creators – our small and mid-size businesses.



## Attachment 1

### U.S. Chamber of Commerce “Friends of the Chamber” Survey January 28, 2009

**Which of the following principles do you support most to get our economy moving again?**

Providing meaningful tax relief for large and small employers and incentives for Americans to invest their hard-earned dollars. (38%)



Reducing borrower and lending fees through the Small Business Administration to open up credit markets and provide immediate relief to our country's small businesses. (33%)



Creating new jobs through targeted infrastructure funding. (20%)



Supplying tax credits to the housing industry to provide immediate assistance to America's homeowners. (9%)

