



Statement of the U.S. Chamber of Commerce

ON: "Putting Americans Back to Work: The State of the Small Business Economy"

TO: THE HOUSE COMMITTEE ON SMALL BUSINESS

DATE: February 16, 2011

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 the interests of 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. In addition to the U.S. Chamber of Commerce's 115 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
“Putting Americans Back to Work: The State of the Small Business Economy”
Submitted to
THE HOUSE COMMITTEE ON SMALL BUSINESS
on behalf of the
U.S. CHAMBER OF COMMERCE
By
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Fort Lauderdale, Florida
February 16, 2011

Chairman Graves, Ranking Member Velázquez and distinguished members of the Committee, thank you for asking me to testify before you today on the state of the small business in our nation with a specific focus on the issue of health care. I commend your efforts in having this important hearing to further understand the impact the new health care law, taxes and regulations have on the ability of small businesses to compete, grow and create jobs.

I am Bill Feinberg, President of Allied Kitchen and Bath, Inc. which is located in Ft. Lauderdale, Florida. I am here to speak with you today on behalf of the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of 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.

Company Background

In 1984, my brother, Joe Feinberg, and I founded Allied Home Improvement Inc. in Ft. Lauderdale, Florida. Our two other brothers, David and Rob, also joined and work for the company, making it truly a family-business. As a licensed residential general contracting firm, Allied Home Improvement quickly became one of South Florida's premier remodelers by doing custom work with highly personalized service. In 1985, we renamed the business Allied Kitchen & Bath to reflect our area of expertise. Insisting that customer service and satisfaction be our top priority, we take great pride in having earned a 5-Star rating on Angie's List and are pleased to be AAA rated members of the Better Business Bureau.

While our business remains at its original location in the Ft. Lauderdale area, we have grown from working out of three duplex homes to now operating under one roof. In September 2008, we opened a new 15,000 square foot luxury showroom on the original location site.

In early 2007, my brother and I pursued our dream to expand our company. We obtained financing which enabled us to tear down our old facility and build a new two-story, first class, 15,000 square foot showroom. Had we known that we would soon enter one of the most severe financial crises in the history of this country, we likely would never have embarked on our expansion. We literally invested not only our life savings, but also our reputation. At times we wondered whether we could survive, but the challenges brought out the best of our entrepreneurial spirits, and we managed not only to survive, but to thrive such that our business and reputation in the community has reached another level. We are cautiously optimistic about the future, but this is not to say that things are easy or that we are achieving the level of financial stability and security which we had anticipated prior to the economic downturn.

While we did take on debt to open this wonderful new facility, it has proven critical to our survival in these tough economic times. As you know, the definition of 'success' is relative today. For example, we recently witnessed one of our biggest competitors in the area close their doors after 43 years in the business, and even one of the nation's largest chain competitors, Home Expo, went under as well. While our new showroom empowers us to do more business on the retail side, our mission at Allied Kitchen & Bath is to provide the finest kitchen, bath and home remodeling services to our clients, as well as the best place to work for our employees.

In addition to being critical to our business, our showroom has allowed us to give back to our community. While our family has roots in Philadelphia, South Florida is our home, and we believe that it is important to contribute to our community which has been so great to us. We have transformed the South Florida nonprofit community by hosting numerous charities at the Allied showroom, and allowing these charities to raise unprecedented donations. These events are fully underwritten by Allied Kitchen and Bath with 100% of the donations going to the charities.

My community involvement has extended to the following activities and organizations:

- Board of Directors, Habitat for Humanity, Broward County , 2011
- Board of Directors, Fort Lauderdale Chamber of Commerce, 2009-Present
- President, Oakland Park / Wilton Manors Council of the Ft. Lauderdale Chamber of Commerce, 2009-Present
- President, Wilton Manors Chamber of Commerce, 2007-2009
- President of the Board of Trustees for the Southern Chapter of the Leukemia and Lymphoma Society, 2003-2007

In addition, we have been honored with the following awards:

- Honoree for Broward Children's Center, February 2011
- Ft. Lauderdale Chamber of Commerce Hero of the Month, October 2010
- Winner, Best Kitchen Design, Florida Design Magazine Awards, 2010
- Finalist for Top Entrepreneur South Florida, Hall of Fame Awards, Business Leader Media, 2009
- Chapter Member of the Month , Ft Lauderdale Chamber of Commerce, March 2010
- Winner, Business Person of the Year, Wilton Manors Chamber of Commerce, 2008
- 2006 Recipient of the Leukemia and Lymphoma Society's prestigious deVilliers International Achievement Award, for outstanding leadership and service and being a founder of the Southern Florida Chapter, raising over \$1 million.

- Habitat for Humanity Broward Chapter named a home in honor of Allied Kitchen and Bath to display their gratitude for our support. Ribbon Cutting Ceremony, Davie, FL.

Leading by example extends beyond the philanthropic world to our actual business. Not a day goes by without myself and/or my brothers interacting with our clients on the showroom floor; we are not too busy to handle a \$10 sale for a cabinet knob, consult on a \$100,000 remodeling project or simply serve a client a cup of coffee. We are a family-owned business and we have strived to create a work environment where our team of employees feels like a part of our family. We know that achieving our goal of exceptional customer service and satisfaction is only possible through our outstanding staff members.

In fact, many of our staff have been with us for more than 15 years. At this time, we have 35 full-time employees as well as a few part-time employees and others that we use as subcontractors on a regular basis. At the peak of our business, we employed 45. With the severe economic downturn, especially in the building sector in Florida, and considering many banks' aversion to lend to businesses or homeowners who want to improve their homes as in the past, we tried our best to not layoff anyone; myself and my brother who is the co-owner personally sacrificed, we cut inventory and really tightened our belts, trying to meet cash flow needs while waiting for business to pick up and consumer confidence to return, but ultimately we were forced to layoff a few employees. To be blunt, it has been a struggle and at times we have been hanging on to the side of the proverbial cliff by our fingernails. I believe things are slowly getting better, but even as the economy seems to inch toward recovery, businesses like mine have to worry about new laws, new regulations, and new challenges created for us by Congress.

Health Care

Allied is a good business on sound financial footing, but we are not flush with cash – as I said, we just opened a new show room that necessitated a fair amount of debt. As far as health care and health insurance goes, we continue to believe as we always have, that offering health insurance to our employees is a valuable benefit, and critical to obtaining new employees and retaining existing ones. I have some information here from our HR shop – which consists of me and another employee who helps me. Allied offers a BlueCross BlueShield PPO plan to all of our employees, and we pay 50 percent of the premium. But every year, we pay more money and get less coverage. Last year we got a 20 percent premium increase. This year it would have been worse – we were able to keep the increase to 20 percent by raising the plan deductible from 500 dollars to 1500 dollars.

I want to keep offering health insurance to my employees, and I want Allied to continue to be able to grow and create jobs and prosper. However, the new health care law is making this harder. I know that some of our premium increases are due to new rules in the health care law – we have less leeway in how we can control costs by changing plan design, and it makes it harder to afford insurance. I am hopeful that in the next few years, Allied will grow again, and be in a position to have 50 employees at a minimum. But I know that in 2014 the new employer mandate starts – the mandate says an employer with 50 or more employees must offer government-approved health insurance or pay steep fines. Is this the message Congress meant to send to businesses like mine that want to grow and create jobs? Wouldn't incentives, rather than penalties, have been a better way to send the message that government and business can work together?

Unfortunately, there is no way I will be able to hire a 50th employee once that mandate kicks in, at least as I understand it – which is barely so, I admit; after all it is a pretty complicated calculation and I just remodel kitchens and baths. Apparently, if I have 50 or more employees and do offer health insurance, I will still face steep fines because of a complicated formula in the new law that lets employees opt out of our health insurance plan, receive a government subsidy, and fine the company 3000 dollars each time this happens. How can this make sense? It certainly does not to me or other small business owners that I come into contact with regularly. The uncertainty and hesitancy to grow caused just by the employer mandate alone can hardly be emphasized enough – I hope Congress will repeal this provision as soon as possible, regardless of plans to repeal the full health care law.

I understand that Congress wanted to help a lot of people get insurance who didn't have any; and that was a pretty expensive goal. Congress decided to offset some of the bill's nearly trillion dollar cost by raising taxes on small business – taxing the medical devices and prescription drugs we buy, taxing investments, raising Medicare taxes, and worst of all, taxing small businesses' health insurance plans. Big businesses will be exempt from this tax, because they buy a different kind of insurance – which means the entire tax will fall on small businesses. And let us not forget the new “Cadillac” tax that will kick in down the road – that one is designed to get bigger and bigger and hit many millions of small businesses. I hope Congress will consider repealing some of these taxes.

I was hoping that health reform would mean more competition, lower costs, and better quality care. I don't see how the health care law will achieve any of that though. Plenty of common sense ideas that would help small businesses were just left out. The law did not include meaningful medical liability reform. It doesn't give Allied the opportunity to buy health insurance from companies outside of Florida. It doesn't allow Allied to freely band together with other small businesses to get better rates on insurance or to form reinsurance pools. It doesn't even fix the problem of cost-shifting, where low payments by Medicare and Medicaid to providers translate to higher insurance costs for small business. In fact, the new law goes in the opposite direction, lowering reimbursements. I hope this Congress will take a serious look at policy changes that could help lower health care costs for businesses like Allied, so that we can keep offering the benefits our employees value so much.

Conclusion

We are hopeful to have weathered the worst of the economic storm and are cautiously optimistic about the future. That being said, the uncertainty being generated in Washington, DC by a dizzying array of unanswered questions about health care, taxes, energy and regulations impacts our decisions and hampers our ability to effectively plan for the future. We need answers, we need clarity, and perhaps most importantly, we need for these issues to be resolved in a manner that encourages entrepreneurship, investment and job creation. I am a business owner and the livelihood of my employees and their families depends on the decisions I make. I say this because similarly, the decisions you make as Members of Congress have a direct impact on my business and my employees. I would ask that you be continually mindful of this reality as you consider the weighty issues facing our nation. Thank you for this opportunity to testify, and I look forward to your questions.