

January 24, 2014

Testimony of

Jeff McKay

Before the

Subcommittee on Economic Growth, Tax and Capital Access

of the

Committee on Small Business

United States House of Representatives

Getting Rural America Back To Work:

Solutions to Unemployment

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Chairman Rice and members of the Committee, my name is Jeff McKay. I am the executive director of the North Eastern Strategic Alliance (NESA). NESA is a regional economic development alliance that is constituted by all eight counties of the Seventh Congressional District, with the addition of Williamsburg County.

I am pleased to be sharing the experiences I've had working with rural businesses. Working with our member counties, businessmen and women and entrepreneurs throughout our region, I and the staff of NESA have the opportunity to hear many of the needs and wants of the business community.

In my testimony today, I would like to make three key points:

- **There is a need for mentoring opportunities that would assist entrepreneurs with navigating the pitfalls and challenges of starting a new business**
- **Access to capital for small businesses and entrepreneurs in rural areas is vital to the economic health of our region**
- **The continuing improvement of our region's infrastructure, including interstates, ports and broadband, presents a crucial fulcrum on which rural small businesses balance**

Providing mentoring and backing for new businesses and entrepreneurs

Currently, there is a need for an outlet whereby individuals seeking to start a new business can consult with entrepreneurs who have a need for business guidance from experienced individuals that have been through the process and challenges of creating a profitable venture. Rural America is desperately in need of an apparatus that allows for the knowledge and wisdom of experienced business people and entrepreneurs to be imparted to a younger generation.

Similar to Teach for America – a non-profit organization that is focused on providing high quality teachers in rural and low-income areas – business-oriented mentoring programs could be a vital tool in improving rural job growth opportunities.

An effort such as this would allow individuals seeking to start a new business to consult with experienced entrepreneurs who have an understanding of the business world and can share their experiences with these individuals on common business issues such as healthcare, understanding how a business is taxed, the process of creating a long-term business plan, etc. which can sometimes overwhelm a new business owner. This would allow the entrepreneurs to focus on the management of their business with the insight and counsel of an experienced professional. A lynchpin of this endeavor could rest in the initiative's flexibility to accommodate the needs of businesses within diverse environments throughout our region and other region's throughout the nation.

Improving access to capital

Access to capital for rural businesses is also an issue that needs to be addressed. Small, rural businesses still struggle with access to credit, which affects their ability to grow. Sometimes it's a small amount of money for minor facility improvements or equipment purchases. If a rural initiative were established to provide low level loans, it would be a great asset to rural businesses.

In rural areas especially, current practices and economic conditions now make it difficult for entrepreneurs to access capital. One idea to help with this situation could be the possibility of

the creation of a rural capital access program or a revolving loan program with terms and conditions that are simple in nature and more easily accessible in rural areas.

Continued improvement of our region's infrastructure

One of the most pressing needs our region has in terms of strengthening the rural workforce and creating a better business climate is an improved infrastructure. Regarding our regions infrastructure, interstate, ports and broadband access all must continue to be improved to create a more high quality business environment.

I-73, a planned interstate that traverses our region, is a key to future growth within our region and continued support and passage of the Federal Highway Reauthorization Bill will be important to the road's future. The completion of the South Carolina portion of I-73 will allow the region to continue to grow unmitigated by travel and distribution constraints and will provide a greater level of connectivity to the rest of the nation.

According to a report by Chmura Economics, I-73 can provide \$120.8 million in annual cost savings for current businesses as a result of increased travel efficiency and the annual economic impacts of the road are estimated at \$2 billion and will sustain 22,347 jobs in South Carolina in 2030 and beyond.

Additionally, a study by Coastal Carolina University concluded I-73 would spurn the creation of 7,700 jobs, along with an injection of \$170 million into the local economies within the path of the road during the proposed five years of construction.

The Port of Georgetown should also be dredged in order to sustain a strong manufacturing base in that part of the state. This is a project of great significance to our region as it will provide an additional selling point to potential businesses considering locating within our area.

This project was moved much closer to reality in October as Congressman Rice assisted mightily with the passage of the Water Resources Reform and Development act, which allowed for the allocation of federal funding for dredging of the Port of Georgetown.

The impact, both planned and unplanned, that the dredging of the Port of Charleston will have on South Carolina and the entire eastern half of the U.S. stands to be immense. There are many companies that are currently using the port and that number will only grow with the access that dredging brings. Companies may relocate if they cannot take advantage of post-Panamax shipping opportunities via the Port of Charleston. Money for dredging is imperative to assure South Carolina's place as a home to a major east coast port.

The region's broadband Internet access must continue to be improved as well to ensure continued economic growth. Currently, 26 million Americans living in rural areas are without high-speed Internet access. This restricts their ability to find jobs, customers within and outside of their market and research information to better their business.

The federal government could assist the dissemination of broadband Internet access by working with telecommunications providers to either incentivize the creation of rural broadband networks and work with the providers to ensure small communities are covered or work with state and local governments to ease the restrictions on publically-owned broadband networks and assist with the funding of these capital projects.

In many cases, broadband access could allow for greater job growth within rural communities as well. Work-from-home opportunities abound in today's workforce and many call centers are focusing on virtual call centers as a more efficient means of reaching their workforce without having to procure a building, paying the subsequent cost of the facility or many of the other hindrances to creating a call center.

Greater broadband access in rural areas would create a more streamlined process for potential employees as they search for jobs, as well as making it easier for businesses to find qualified employees.

Conclusion

The need for continued support along these three areas is vital to our region's continued economic growth. The creation of mentoring opportunities that could assist new business owners in navigating the issues of running a business is crucial. Currently, there are a number of organizations that are able to help businesses during the infantile phases of the process, but there

is a distinct need to create a flexible apparatus that's able to help guide entrepreneurs through the common issues and pitfalls of running a business.

Access to capital, especially for small-rural businesses must be made available. Currently, regulations, both new and revised, hinder the loan process for many small banks, leaving only the larger banks as a source for capital. New and innovative programs in rural areas could spur new business opportunities.

The continued support of the improvement the area's infrastructure will also help in improving the economic standing of our region's rural areas. Within our region, the completion of I-73, the dredging of the Georgetown and Charleston ports along with the improvement of the dearth of broadband access will make continued economic growth possible.

Thank you for the opportunity to speak.