

**Statement of David Borris, Main Street Alliance Executive Committee Member and Business Owner for House Committee on Small Business Hearing on “Bridging the Entrepreneurial Gap: Addressing Barriers to Small Business Formation and Growth.”**

**Monday, December 11, 2017**

Representative Schneider, Representative Blum:

Thank you for the invitation to testify today. My name is David Borris and I serve on the Executive Committee of the Main Street Alliance, a national network of over 30,000 small business owners. I’ve been a small business owner for 32 years. My wife and I opened a homemade food store in 1985, and over the years have expanded it into a full service catering company with 33 full-time employees and 80 part-time and seasonal workers. We take great pride in what we do.

In order for small businesses to thrive in the 21<sup>st</sup> Century marketplace, we need access to capital to start and grow our businesses, vibrant local economies which create strong and sustainable consumer demand, and a resilient workforce. Today, I will focus on what Washington can do to ensure these basic vital conditions are met so new and current entrepreneurs like me, can succeed.

#### **CAPITAL ACCESS**

Small businesses play a crucial role in local and national economic growth, and are important engines of job creation. We are responsible for nearly half, 49 percent, of all private-sector employment, and 63 percent of new private sector job growth.<sup>1</sup> Despite this critical role, many small business owners face challenges accessing capital to start and expand their businesses. The share of total bank loans going to small business decreased from 50 percent in 1995, to 30 percent in 2012. Since the financial crises, small business bank loans have decreased by 20 percent, while loans to larger businesses have increased over the same period.<sup>2</sup> According to a study by the Federal Reserve Bank of Atlanta, nearly half of small businesses owners, 44 percent, had issues in accessing credit.<sup>3</sup>

We believe the numbers are much higher, but there is no requirement to collect data on credit applications and terms. Public information on the availability of credit to small businesses is inconsistent and incomplete<sup>4</sup> and robust data is needed to provide a complete and accurate picture of the small business lending marketplace.

Just as the Community Reinvestment Act needed HMDA (the Home Mortgage Disclosure Act) to reveal the roadblocks in home ownership for people of color, similar data is needed for small businesses. This will help build vibrant local economies and contribute to national economic

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<sup>1</sup> [https://www.sba.gov/sites/default/files/FAQ\\_March\\_2014\\_0.pdf](https://www.sba.gov/sites/default/files/FAQ_March_2014_0.pdf)

<sup>2</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2470523](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2470523)

<sup>3</sup> <https://www.frbatlanta.org/research/small-business/survey/2016/report-on-employer-firms.aspx?panel=2>

<sup>4</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201705\\_cfbp\\_Key-Dimensions-Small-Business-Lending-Landscape.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201705_cfbp_Key-Dimensions-Small-Business-Lending-Landscape.pdf)

growth. It's critical that fair lending laws are enforced, and the data will show where enforcement is needed, because we need an economy that works for all of us, not an economy that is rigged to benefit a select few.

## TAXES

The other thing that businesses like mine require from our federal government are evidence-based policies that keep overall consumer demand strong. The single most important thing I need to be successful and to create more jobs is more customers. Not tax breaks. Not fewer regulations. Customers with enough disposable income to engage my services. The health of my business is tied to a healthy economy that has money circulating in a virtuous cycle of *rising wages, consumer demand, and job creation*. Without strong consumer demand, my business cannot thrive.

The House and Senate tax bills would increase federal deficits by \$1.5 trillion over 10 years to give tax cuts to the country's wealthiest households and large, profitable corporations. Republicans will then use the higher deficits to justify trillions of dollars in cuts to Medicare, Medicaid, Social Security, education, food and rental assistance, infrastructure, and other vital services.

These deep spending cuts would cause healthcare, education, food, and housing costs to skyrocket, which would have a ripple effect on small businesses, who depend on strong local economies with plenty of consumer demand and customers. As families are forced to pay more for vital services, they will have less disposable income, meaning small business owners like me would see a decline in customers.

The cuts to vital services would also siphon trillions of dollars out of state economies. That means that states like Illinois, which are already grappling with austerity budgets, will be forced to make up the difference, steeply cutting the quality of services offered. As our state budgets contract, employment would decrease and small businesses across the country would decline. The Senate tax plan raises taxes on 87 million low and middle income families, including Main Street small business owners and their customers to pay for tax cuts for the wealthy and Big Business. According to the Joint Committee on Taxation and the Congressional Budget Office, in 2027, families earning \$40,000 to \$50,000 would pay a combined \$5.3 billion more in taxes, while making those \$1 million or more would get a \$5.8 billion cut.<sup>5</sup> This will devastate small business owners.

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<sup>5</sup> <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/reconciliationrecommendationssfc.pdf>

## JOB QUALITY

Another way to increase consumer demand is by raising the federal minimum wage. Henry Ford understood the link between well-paid employees and paying customers more than a century ago when he recognized his business would only succeed if his workers earned enough to buy the cars they were building, and doubled his workers' wages overnight.

In our local economies, that same link applies: my fairly paid employee is my neighbor's paying customer. When people in my neighborhood can't earn enough to keep up with the basics – things like buying food, obtaining school supplies and making car repairs– the entire local economy becomes unstable. That's bad for small business, and bad for the economy as a whole.

Increasing the minimum wage also reduces costly employee turnover and increases productivity. When the minimum wage goes up, small businesses can reap such benefits without being placed at a competitive disadvantage relative to large corporations, because all companies in their field are required to do the same, leveling the playing field for small businesses.

## HEALTH CARE

In addition to wages, the success of my business is also tied to ensuring that my employees, my family, and I can access quality, affordable, health coverage. Hel's Kitchen began offering health care in 1992, as we felt a moral obligation to do right by the people who were making our life's work theirs as well. Employees contributed 50% in the first year, and nothing thereafter.

Beginning around 2002, though, we began to experience a series of annual, often volatile, premium increases. In 2004- 21%; in '05, 10%; '06, 16%; '07, 17%; and in 2008, yet another double digit increase forced us to ask long time employees to reach into their pockets once again.

Just as confounding as the premium swings themselves was the source of their unpredictability. For example, we had a dishwasher, great at his job, but he suffered from a malady that required kidney dialysis. When I met with my insurance broker to discuss the steep rise in premium for the upcoming year, he quietly acknowledged the spike was primarily due to the illness of that one single employee.

The ACA has helped stabilize these costs as insurers can no longer underwrite based on health status, and must adhere to minimum medical loss ratios. This shields my business from sharp swings in premiums based on the health of one or two employees.

I see these gains in my bottom line. My company has witnessed an unprecedented slowdown in rate increases. Since the passage of the ACA, our average annual increases are a fraction of what they were before, averaging 4.6% for the past seven years. I am saving money on premiums, and can plow those savings back into business investment and job creation.

## IMMIGRATION

Sensible, comprehensive immigration reform is critical for an inclusive, healthy middle class. In the [10th District of Illinois](#) alone, there are over 172,000 immigrant residents, including 5700 entrepreneurs, paying \$1.7 billion in taxes and spending over \$4.5 billion.<sup>6</sup>

Since 2012, the Deferred Action of Childhood Arrivals (DACA) initiative has provided [800,000](#) immigrant youth with temporary protection from deportation and renewable work permits. The small business community in particular has benefited from the contributions of DACA recipients, and work authorization has enabled young immigrants to become small business owners and employees, and higher wages have enabled them to become small business customers, boosting local and national economic growth.

Overall, [87 percent](#) of DACA recipients are currently employed, and many have found employment in small businesses. Small businesses thrive when they are able to hire skilled and committed employees, regardless of immigration status, and many of these employees are DACA recipients. Ending DACA would cause businesses to incur at least [\\$3.4 billion](#) in turnover costs.

DACA has also had a significant [positive impact](#) on wages. The average hourly wage of recipients increased by [69 percent](#) after receiving DACA. As DACA workers earn higher wages, they purchase more goods and services from small businesses and helping to fuel economic growth. Small businesses rely on a strong economy to provide a robust and sustainable customer base. Without DACA, U.S. gross domestic product would be reduced by [\\$433.4 billion](#) over the following 10 years<sup>7</sup>

There is no question that ending DACA will destroy lives and tear apart families and communities, but it would also devastate the national economy and small businesses. DACA recipients are small business owners, small business employees and small business customers. On behalf of the thousands of Main Street small business owners we represent, we urge you to pass the Dream Act into law, ensuring legal protections for 800,000 young immigrants.

In closing, I believe the role of Washington is to create the basic market conditions that allow small businesses like mine to thrive and compete on a level playing field with our larger competitors. We cannot continue to be the job creators and innovators that America needs us to be without these basic conditions.

Access to capital, Affordable, quality, health care; policies that fuel a strong middle class and a strong workforce-- this is the recipe for small business success.

Thank you again for the opportunity to testify. I look forward to your questions.

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<sup>6</sup> <http://www.newamericaneconomy.org/locations/illinois/illinois-district-10/>

<sup>7</sup> <https://www.americanprogress.org/issues/immigration/news/2017/01/09/296125/ending-daca-will-cost-states-billions-of-dollars/>