Written Testimony of

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On behalf of
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"The Local Impact of Economic Growth"

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Chair Brat and Ranking Member Evans, I am Brenda Jones Barwick, President and CEO of Jones Public Relations, Inc., located in Oklahoma City, Oklahoma. I am also testifying today on behalf of Women Impacting Public Policy (WIPP), of which I am a board member. WIPP is a national nonpartisan policy organization advocating on behalf of women entrepreneurs. WIPP members have testified many times before this Committee because of its importance to women entrepreneurs, who are the fastest growing segment of entrepreneurs in the nation.

When I started this business in 2001, not many people would have given it much of a chance. I primarily came from a political background that included a position in the White House West Wing and with the U.S. Ambassador to Switzerland, among several different roles at international agencies. My first experience in the private sector was upon my return to Oklahoma in the early 1990s. When I was debating the idea of starting my own firm, like any first-time entrepreneur, I wondered if I had the skills and resources to successfully start a company from scratch. I asked Ambassador Phil Winn, who had started many businesses in Denver, “How do I know if I have what it takes to be a successful entrepreneur? When is a good time to start a company?” His answer was, “You don’t know until you do it.” It was a great impetus for me to start my business. Ambassador Winn also taught me there are no absolutes and nothing is certain— you just have to go for it.

From its beginning in 2001, Jones PR is now ranked the 109th largest PR agency in the U.S. by *PRWEEK* magazine’s 2018 rankings and has been listed on the *Inc. 5000 Fastest Growing Private Companies in America* in 2015, 2016, 2017 and 2018. In 2015, we were asked to become partners in PROI Worldwide, which now provides us with international agency partners in over 100 cities across 50 countries. This year, we became the first Oklahoma PR agency to ever win the most prestigious creative award in the world – a Gold Lion Award at the Cannes, France, International Festival of Creativity that received intense competition among 32,000 entries from 90 countries for 26 categories.

I would like to set the stage for my testimony by giving you a snapshot of Oklahoma’s economy and businesses. Last week, The Oklahoma Employment Security Commission reported the August unemployment rate dropped to a low of 3.7%, compared to 4.2% last August. According to the Greater Oklahoma City Chamber, the metro area is experiencing its lowest unemployment rate of 3.3% in a decade, which had reached 4.7% in 2016. The downturn in the energy sector created a flat job growth from 2015-2017, but so far in 2018, Oklahoma City has hit a 10-year employment high. Average weekly wages rose 1% in the first quarter of 2018 compared to the first quarter of 2017. Oklahoma City tops the list of cities with the fastest construction industry growth rate at 17% in 2018. In Oklahoma, 99.4% of all businesses are considered small. Small businesses created 13,139 net jobs in 2015, with firms employing fewer than 20 employees experiencing the largest gains. Women-owned firms have an average of 9 employees, which is lower than their male-owned counterparts. By far, the largest group of small businesses in Oklahoma are nonemployers, or businesses without employees. This begs the observation that small business policy is not one dimensional – policies affect companies differently depending on their size and business purpose or segment.

Today's hearing is focused on the local impact of public policies made in Washington. It is my experience that it makes all the difference in the world. Tax policy, for example, affects every business in America. And yet, until this year's tax reform bill, the Congress only recognized "C" Corps. For the first time, the tax bill treats income from businesses organized as pass-through entities (LLCs, S Corps, Partnerships) as business income by allowing pass-throughs to separate some of their business income from their personal income. Now, there are exceptions and some passthroughs may not be able to claim this deduction, but the premise is a good one. Recognizing small businesses as entities that need different rules and regulations than large companies is key to our success. My company is organized as an S Corp and I have recognized a substantial benefit in the new lower tax rate. This change has allowed me to pay bonuses, hire more personnel and increase salaries up to 10% for all employees.

Another difference that requires new rules, but has tremendous consequences for small companies, is how retirement is treated. More than 1/3 of small business owners do not have a retirement plan.[1] Additionally, the 2018 Retirement Savings survey by GoFundingRates found that 42% of Americans have less than $10,000 saved for their retirement. Many small companies find the offering of 401(k)s to be cumbersome and expensive, with very limited

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[1] Ryan Deroussau, "More Than A Third of Entrepreneurs Are Making a Big Financial Mistake, Fortune, (2017) available at http://fortune.com/2017/09/11/retirement-entrepreneur-plan/.

alternatives for companies like mine to help our employees save for the future. President Trump's recent Executive Order on this issue and consequent legislation is beneficial not only for the owner, but also for the employees of small businesses. We applaud this effort. Jones PR offers a 401 (k) plan to its employees with up to a 4% match. However, to be competitive and attract the best talent while large companies are offering higher match percentages for retirement plans, rule changes are needed to specifically help small businesses remain competitive in the retirement plan benefits.

Additionally, health insurance continues to be one of the biggest financial challenges for small businesses, as it is expensive and often without many choices. Since its inception, WIPP has advocated for small businesses pooling across state lines. This mechanism is a way to increase access and offer better prices for employers, which is why we supported the notion of exchanges contained in the Affordable Care Act (ACA) and Association Health Plans (AHPs). We were encouraged to see that the Department of Labor supports the notion of AHPs, but we do not think these plans will work as long as the pool is limited by state boundaries. One bright spot on this issue has been recent House action to change the definition of full-time employee from 30 hours a week to 40 hours a week, with respect to required health insurance coverage. WIPP has been pushing for this change since the ACA was enacted.

WIPP has also long advocated for an end to a one size fits all approach to banking regulations. Many compliance regulations and the heightened regulatory environment created under Dodd-Frank have hampered small banks from lending to small businesses. Small regional and community banks have the highest approval rate for small business loans, making them an important source of capital. We applaud the new law enacted this year which narrows the scope of Dodd-Frank regulations to give small and mid-size banks regulatory relief. Access to capital continues to be problematic for women-owned businesses, who lag far behind their male counterparts with respect to available financing— women receive only 16% of all conventional small business loans.[2]

[2] Jared Hecht, "State of Small Business Lending: Spotlight on Women Entrepreneurs," Fundera Ledger, (2016) available at https://www.fundera.com/blog/the-state-of-online-small-business-lending-q2-2016.

On the subject of regulation, small businesses bear a disproportionate burden. A survey published by the National Small Business Association found that in 2017, 44% of businesses spend at least 40 hours a year dealing with federal regulations and 29% spend at least that much on state and local rules. The average established small business spends $12,000 a year in regulatory compliance, while startups spend an average of $83,000 on regulatory compliance in their first year. In 2017, the SBA Office of Advocacy helped address these burdens by changing 16 regulations and saving small business $913.4 million in regulatory costs. We encourage any further efforts to reduce burden on small businesses.

An example of a regulation that has an impact locally is the recent proposed rule by the National Labor Relations Board. The proposed rule rolls back a change made three years ago, which altered the definition of what constitutes a “joint employer.” The proposed rule returns the definition of “joint employer” to read that an employer must possess and actually exercise substantial direct and immediate control over the essential terms and conditions of employment such as hiring, firing, discipline, supervision and direction. This change affects staffing agencies, contractors and franchises—many of whom are small businesses or provide services to small businesses.

Federal regulations and compliance costs impact Jones PR in a couple of ways. We serve many clients in the energy and financial sectors that have seen the most burdensome regulatory requirements in recent years. As those regulations are being turned back, it allows energy companies, community banks and those who service energy and banking industries, such as a landman services company or a financial software company, to have more funds to invest in marketing to grow their companies. Second, and a more direct impact, is the constant fluctuation of federal regulations and compliance requirements that impact all areas of business operations, including human resources, insurance and retirement plans. It is not feasible for one person to be knowledgeable in the many regulatory areas affecting Jones PR’s business. The hiring of many more employees would be necessary, creating unsustainable employee expenses. Therefore, Jones PR will be forced to hire an independent professional employment organization company in order to reduce our risks of being in compliance with federal regulations.

While we have seen many positive changes initiated by this Committee, there is still more work to be done. The federal government has continued to miss its 5% goal of contracting with women-owned businesses. The consequences of this missed goal mean fewer dollars flowing to women businesses and their local economies. In addition, the government actively discourages small business growth for federal contractors, limiting these companies from reaching their full potential. We applaud House passage of H.R. 6330, the “Small Business Runway Extension Act of 2018,” the important 5-year lookback legislation passed by this Committee to help address this problem.

In summary, the economy is healthy, the stock market is strong, and unemployment is at a record low. According to the US Census Bureau, median household income rose to $61,400 in 2017, up 1.8% from the previous year. The number of Americans working full-time, year-round increased by 2.4 million.[3] In my view, today’s regulatory landscape, recent legislative changes and a strong economy offer an environment for small businesses to thrive. We especially want to thank the Committee for paying attention and playing such an important role in the success of small businesses in this country.

[3] U.S. Census Bureau, Income, Poverty, and Health Insurance 2017, (2018) available at https://www.census.gov/content/dam/Census/newsroom/press-kits/2018/iphi/presentation-income-poverty-plot-points.pdf.