



VIA E-EMAIL

October 4, 2019

Ms. Nydia M. Velázquez
Committee on Small Business
U.S. House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Velázquez, Congressmen, and Congresswomen,

It is my distinct pleasure to provide testimony for the U.S. House of Representatives Committee on Small Business hearing *Silicon Prairie: Tech, Innovation, and a High-Skilled Workforce in the Heartland*. My name is Brad Sandt, President and CEO of Menlo, Inc. – a managed service provider focused exclusively on delivering services to K-12 schools, municipalities and other civic entities. Menlo, formerly K12 ITC, Inc., has been previously named one of the Top 4 Most Innovative Companies by the National School Boards Association (NSBA) and the Mr. K Award winner for the Top Small Business in Kansas City by the Kansas City Chamber of Commerce. Founded in 2010, Menlo now employs just under fifty passionate employees who take great pride in the impact they make every day.

At Menlo, our cornerstone remains unchanged since inception. Our mission is to provide innovative, technology-enabled services to solve key problems in finely targeted marketplaces. Specifically, we provide managed technology services to K-12 schools, municipalities and civic entities to support the growing dependency on technology. Our services are particularly needed in rural environments where budget and staffing challenges can be the most significant. Technology complexity is increasing and challenges with cybersecurity are exploding. Many of these organizations simply do not have the resources to keep up.

By augmenting multiple, smaller organizations into a larger system, we are able to reduce redundancy. Leveraging a remote, skilled workforce, we are able to reduce the day to day burdens of our customers with automation, enhanced technology deployments, and enhanced cybersecurity for our customers. The ultimate result is that our customers are able to focus on improving the education of students and services provided to constituents, rather than worrying about technology management hassles.

In order to affectively achieve our mission, it takes a highly synchronized and sophisticated effort. As with any small business, we have encountered a wide variety of successes, challenges, occasional failures, and a tremendous amount of support along the way. All small businesses eventually realize that the successes and challenges will vary day by day and differ over time as a company evolves.

Early in the life of a company, obtaining basic financing and line of credits can be a challenge. As time evolves, the increased complexities with hiring staff, complying with regulations and scaling a business place additional burdens on small businesses. Menlo has been no exception to any of these items, and there are several factors that have greatly contributed to our organizational success over time. They include:

- *Local Banking Support* – In the early stages of the organization, key relationships with local banks allowed us to scale. Menlo was founded on a home equity line of credit, and not external funding resources. Having the support of local banks was critically important, especially in high-tech where the cost of equipment is high.
- *Economic Development Programs* – Working with the State of Missouri’s Department of Economic Development, Menlo was able to leverage a jobs initiative to reinvest additional funds into the company for growth. By reinvesting funds into the organization, Menlo was able to exceed job growth targets by more than 50% during the period. Since inception, Menlo has generated just under \$14 million in direct wages for employees and the economy.
- *Commitment to Employees* – A strong commitment to employees is key to attracting and retaining talent. Since day one, employees have been eligible for company sponsored health insurance, 5% dollar for dollar 401k match, a minimum of three weeks of paid time off per year, paid maternity/paternity leave, company bonuses, and career development opportunities, among other things.
- *Community Support* – They say it takes a village to raise a child, and a small business is no different. No matter the small business, the reality is that it would simply not exist without strong support from the community. Menlo is no exception. Key organizations such as the Greater Kansas City Chamber of Commerce, the Northland Chamber of Commerce, the City of Kansas City, the Kansas City Economic Development Corporation, and others have all supported key milestones of growth.
- *Central Located* – Businesses established in the Silicon Prairie, nestled in the country’s Heartland, have the ability to reach almost anywhere in the country within a four hour flight. Menlo’s geographic growth, now serving over ten states, is a testament to our central location and our ability to easily reach our growing customer base.
- *Affordability* – Kansas City’s lower cost of living, compared to other larger technology hubs, creates an intersection of affordable talent and a high quality of life.
- *Small Business Administration* – As the company has grown, the need for additional office space has become paramount. Most recently as of August of this year, the company closed on financing for a new facility using the SBA 504 loan program. The program has provided capital necessary to obtain a new company office location suited for the next phase of growth.

While many success factors have been realized, there continues to be an issue that persists as a challenge to all tech focused, small business in the Heartland – there is a significant lack of an adequately trained and available workforce to fill open tech jobs. This issue, incapable of being solved overnight, will require cooperation, support and resources at all levels to effectively solve. The good

news is that the issue is receiving a significant amount of attention in the region, with organizations such as the Kauffman Foundation and the Greater Kansas City Chamber of Commerce chairing workforce development committees. These committees and others, supported by local school districts, community organizations and key business leaders, are working to address the workforce shortage by providing many career paths to those looking for work.

Menlo remains actively involved in this effort, through advocacy and participation in community workforce programs. The organization proudly sponsors paid internship programs throughout the year for high school and college students, and multiple interns have been offered full-time employment after graduating. Menlo's latest focus includes the identification of tech-minded individuals who have a desire to enter the field but may lack experience. These individuals are hired with a specific learning plan, consisting of 30, 60, 90 and 180 day targets, designed to train technical aspects of the role. This approach of developing resources in-house does make an impact with staffing long-term. However, for resource-strapped small businesses, there is a significant funding challenge as a gap exists between the time of hire and when a new hire can effectively produce.

While there are many great activities focused on addressing the workforce shortage, a crucial workforce issue remains overlooked. The issue, which is the lack of mastery, has the long-term potential to inhibit innovation, reduce the quality of products/services, and ultimately impact the competitiveness of the country on a global scale. The September, 2019 jobs report indicated unemployment fell to a 50-year low and across the country, and there continues to be the lack of an adequately trained workforce.

The stress on the workforce, particularly in tech, and the ongoing trend of changing jobs more frequently creates a lack of individuals who are masters in their field. Quite simply, we do not have enough experts. This point cannot be understated, as expertise often leads to higher wages, enhanced innovation, higher expectations, deeper understanding and more advancement. When experts share knowledge, the gains are compounded.

The state of tech-centric small businesses in the Heartland is in full throttle, and continues to increase in relevancy compared on a national scale. Local, regional, and federal programs continue to provide key elements of support to fuel growth of these businesses. As previously stated, an adequately trained and available high-tech workforce continues to be an ongoing challenge with long-running consequences. Philosophically we should think big, focus on relentless innovation, and develop expertise in the workforce. With proper support, small businesses can be the catalysts for achieving these aspirations.

Thank you for the opportunity to testify, and for your support of small businesses.

Respectfully,

Mr. Bradley Sandt
President and CEO
Menlo | K12itc | Civic ITC