



**U.S. House of Representatives Committee on Small Business Hearing:
“Small Business Priorities for the 116th Congress”
February 13, 2019**

**Statement of J. Kelly Conklin
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Main Street Alliance, Executive Committee Chair**

Chairwoman Velázquez, Ranking Member Chabot, and members of the committee:

Thank you for the invitation to testify today on the policy priorities of real small business people like me. We form the backbone of Main Street communities across the country.

My name is Kelly Conklin, and I am Chair of Main Street Alliance, a national network of over 30,000 small business owners. Our organization creates opportunities for small business owners to speak for ourselves on public policy issues that impact our businesses, our employees, and the communities we serve.

In 1978, my wife and I founded Foley Waite, an architectural woodworking firm. She was on one end of a sheet of plywood and I was on the other working out of an 800 square foot shop we lived over. Now our company owns a 13,600 foot building and employs 14 people.

A healthy small business sector is vital for our country. Small businesses employ 58 million people,¹ almost half our country’s private sector workforce. If we are not well, our country is not well.

Small business owners reflect the racial, cultural, and political diversity of our country. We welcome those who have sacrificed all that is familiar to come here. We feel the hardships and challenges, as well as the joy and accomplishments, of our employees. We are a trusted part of every community we plant roots in.

Real small businesses need policies -- such as paid family and medical leave, universal health care, equitable access to capital and a fair tax system -- that begin to level the playing field between small business and large corporations, and that take into account the ways in which racial and gender inequity serve as a gatekeepers and structure the small business sector. Such policies build the communities that small businesses depend on.

I. Small businesses need high-quality, publicly-funded universal health care.

The Affordable Care Act was a very important step in the right direction for small businesses, but there is much, much more that Congress needs to do.

Before the ACA my business regularly experienced double digit annual increases in our premiums. In the last year before the ACA passed, the insurance company raised our rates 126 percent. My employees were getting older, and, after a couple of big claims, they wanted to dump us. After the ACA was enacted, our rates stabilized; premiums rose between 5 to 7 percent annually.

Then Republican leaders began sabotaging the ACA, creating a lot of uncertainty. I cannot attest to how directly this has impacted my premiums, but my premiums are not stable anymore. My business went from providing 100 percent of coverage to 85 percent, and now we're at 80 percent. We now spend \$8,000 a month on health care -- a real hit. If my wife and I could put that money into our business, we'd have one of the most modern architectural woodworking firms on the east coast.

Instead, we're giving thousands each month to insurance corporations whose executives are being paid salaries of eight figures a year, even though the private sector has failed us in health care. Why are we shoveling all this money out the door to this highly profitable industry that has shown no interest in solving the problem? I shudder to think how much worse things would be without the ACA.

We need universal, high-quality, publicly funded coverage that is affordable for everyone. This is not too expensive. The private sector is delivering the most expensive and inefficient health care in the world. The cost of doing nothing is too great.

II. Our tax code should prioritize strong public investment over corporate profits.

The tax legislation passed by Congress in 2017, the Tax Cuts and Jobs Act, hurts small business. The provision most often presented as a benefit for small business is the 20 percent passthrough deduction, but that money won't be coming to Main Street. The Joint Committee on Taxation has found that 61 percent of the benefits of this deduction will go to the richest 1 percent of pass-through business owners by 2024. Just 4 percent will go to the bottom two-thirds.ⁱⁱ

We need a tax system that's about investing resources in Main Street. Every time lawmakers give a huge corporation a tax break, small businesses suffer the consequences of deteriorating infrastructure of loss of services, or the costs are shifted to us and our communities.

We ask Congress to repeal the Tax Cuts and Jobs Act, with its tax giveaways to large corporations and the very rich, and incentives to offshore domestic jobs and profits. Instead, create tax system that ensures that the rich and big corporations pay their fair share of taxes by closing corporate tax loopholes and creating a more progressive income tax structure.

This includes passing the **Wall Street Speculation Tax** (also known as a financial transaction tax, or Robin Hood tax). It would impose a tiny fee – at rates of a few pennies per hundred dollars of trading– on Wall Street trading of financial instruments such as stocks, bonds, derivatives, futures, options, and credit default swaps. This would help fund education, health care and repair our nation's crumbling infrastructure.

III. Small businesses need equitable access to affordable capital and protection from predatory financing.

Bank lending to small businesses has not fully recovered since the recession.ⁱⁱⁱ There is very compelling evidence pointing to persistent racial discrimination and redlining in small business bank lending.

The Minority Business Development Agency found that business owners of color are 2.5 times more likely to be denied when applying for traditional business loans compared to white businesses owners.^{iv} For women entrepreneurs, the capital challenges are also tremendous. A 2014 study reported that they receive 16 percent of conventional small business loans and 17 percent of SBA loans, even though they represent 30 percent of small businesses.^v

Online lenders and fintech companies are stepping in to fill the breach but are subject to even less oversight than bank lenders. We simply do not have equitable access to capital for small businesses, and this leaves small business owners and entrepreneurs exposed to predatory lending. A recent Bloomberg investigation revealed extensive abuses in the merchant cash advance business.^{vi} This is the tip of the iceberg.

We need lawmakers to:

- I. Deepen our country's commitment to fair lending by holding banks accountable for discrimination in lending and ensure entrepreneurs who are of color and/or women get a real opportunity to start or grow their businesses.
- II. Protect small business borrowers from predatory lending with transparency in lending, fair terms and underwriting, and fair practices.
- III. Close the non-bank lending regulatory loopholes that leave small business owners vulnerable to predatory practices.

IV. Families are part of our bottom line.

Only 17 percent of the U.S. workforce have paid family leave through their employers, and less than 40 percent have personal medical leave through an employer-provided temporary disability program.^{vii} That's not because small businesses like mine don't want to provide it. We just can't afford it on our own.

In New Jersey, we're fortunate to have had a state paid leave program for more than eight years now, and I've encouraged two of my employees to use it -- one after his mother suffered a severe brain injury, and one when his wife received a cancer diagnosis. The fact that leave was available

through our state program made it that much easier for me to tell these employees that they should take the time. Valued employees will come back from leave.

This benefit should be available for all small business owners and employees. We need a strong, national paid family and medical leave program that pools the cost so small business owners and employees can take time away from work to care for themselves or loved ones during emergencies or illnesses. The lack of a national paid leave program favors large corporations. Legislation like the **FAMILY Act** will help level the playing field for Main Street businesses.

V. We want healthy shops and healthy workplaces.

When earned sick leave legislation passed in New Jersey, it did not affect my business directly because we were already covering this. We did not have to change a thing. But it did mean that I no longer have to compete with an employer that wants to skimp on his contribution toward creating a safe workplace and a healthy community.

Setting a common-sense, baseline standard on paid sick days should not even be up for debate. People should not have to choose between coming in to work sick and getting their pay. There is extensive support among small business owners for a universal standard. In 2015, Main Street Alliance surveyed more than 1,000 small businesses, and 65 percent of our respondents – including 71 percent of women and business owners of color – said they would support a national paid sick days standard^{viii}.

Because this is just common sense, we support the **Healthy Families Act**, which would establish a national paid sick days standard for all employers, while also ensuring enough flexibility for employers to continue offering greater benefits.

VI. We need to protect immigrants and create welcoming communities for all.

We cannot have a thriving small business sector in an atmosphere of hate and fear, or by making life even more insecure and dangerous for immigrants. My business would not exist without our employees, including many immigrant employees. Many of those employees have gone on to launch their own businesses, and that's a benefit to all of us.

Main Street needs policies that support people. We ask you to reject any legislation that would make the immigration or asylum process more difficult or more restrictive, that would require small business owners to act as immigration police, or fund the immigration enforcement activities that are tearing families apart or putting people in detention. Instead, please pass measures to permanently protect DREAMers, people with temporary protected status, or anyone else who lives in our communities and wants the security of home.

VII. Closing

Small business owners value the role that we play in our communities, and the trust we are afforded. We value our employees and everyone who walks through our doors. To thrive, our businesses need policies that level the playing field between small businesses and large

corporations so our businesses can sustain high-quality jobs, retain talented employees, and contribute to strong local economies. We need policies that remove barriers to entrepreneurship for people of color and/or women.

We believe that Main Street businesses have a responsibility for shared investment in our communities. We ask you to create a set of rules that support Main Street businesses in this endeavor.

Thank you, and I look forward to answering your questions.

For additional questions, please contact Sapna Mehta, Legislative and Policy Director, at sapna@mainstreetalliance.org.

ⁱ <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

ⁱⁱ <https://www.jct.gov/publications.html?func=startdown&id=5093>

ⁱⁱⁱ <http://www.woodstockinst.org/wp-content/uploads/2017/11/Patterns-of-Disparity-Small-Business-Lending-in-Fresno-and-Minneapolis-St.-Paul-Regions-1.pdf>

^{iv} <https://www.mbda.gov/sites/mbda.gov/files/migrated/files-attachments/DisparitiesinCapitalAccessReport.pdf>

^v https://www.sbc.senate.gov/public/_cache/files/3/f/3f954386-f16b-48d2-86ad-698a75e33cc4/F74C2CA266014842F8A3D86C3AB619BA.21st-century-barriers-to-women-s-entrepreneurship-revised-ed.-v.1.pdf

^{vi} <https://www.bloomberg.com/graphics/2018-confessions-of-judgment/>

^{vii} <https://www.bls.gov/ncs/ebs/benefits/2018/employee-benefits-in-the-united-states-march-2018.pdf>

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