

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

**MEMORANDUM**

**TO:** Members of the Committee on Small Business

**FROM:** Committee Majority Staff

**DATE:** December 8, 2023

**RE:** Full Committee Hearing Titled: “A Year in Review: The State of Small Business”

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On **Tuesday, December 12, 2023, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**A Year in Review: The State of Small Business.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to analyze the state of the small business economy and hear from small businesses about their successes and resiliencies over the last year.

**I. Witnesses**

- **Mr. Randy Thompson**, President of the Board of Directors, Pal-Con Ltd.
- **Mr. Dan Grech**, Founder and CEO, BizHack Academy
- **Mr. Nick Boyle**, CEO, Northern Keystone Towing and Recovery
- **Dr. Tammira Lucas**, CEO, Cube Cowork

**II. Background**

Starting a small business is the epitome of the American dream. Americans from diverse backgrounds and experiences can take a risk and bet on themselves to bring a new product or service to the marketplace. It gives anyone willing to put in the work the ability to develop a skill and try to profit from what they have learned. Our economy is dependent upon small businesses, and these entrepreneurs are rightly celebrated for their leadership and tenacity to build a successful business from the ground up. However, small businesses are continuing to face a variety of obstacles.

Inflation remains a top concern for small businesses. More than three years after the pandemic, costs have continued to rise. As businesses deal with higher prices for their inventories, they are forced to pass along these costs to their customers. In order to stifle demand and attempt to

reduce inflation, the Federal Reserve has been aggressively raising interest rates to the highest levels in decades.

These aggressive interest rates increases are making it more expensive for small businesses to obtain loans and access to capital. Banks are also less willing to take on additional risk compensate for taking on additional risks during this period of economic volatility. According to the Goldman Sachs 10,000 Small Business Voices survey, more than 75 percent of small businesses are concerned about access to capital as inflation remains near record highs.<sup>1</sup>

Additionally, the U.S. continues to battle a labor shortage that has been years in the making. While the total number of working Americans has surpassed pre-pandemic levels, it has a slower growth rate than much of recent history.<sup>2</sup> The American workforce has steadily been becoming older, and employers are investing in new technologies—making it hard to keep pace with workforce needs, and more difficult to find skilled talent.<sup>3</sup>

In addition to rising prices and labor shortages, growing costs of federal regulations and regulatory compliance are weighing on businesses of all sizes and industries—particularly on the manufacturing industry and its smaller firms. According to a report released by the National Association of Manufacturers, the total cost of federal regulations in 2022 was nearly \$3.1 trillion.<sup>4</sup> While larger companies may be able to absorb these costs, small businesses are most heavily impacted. Manufacturers with fewer than 50 employees face a regulatory cost of \$50,100 per employee.<sup>5</sup>

Startup activity is elevated over pre-pandemic levels, as is digital innovation in new and existing business.<sup>6</sup> Amid the rise in startup activity, new and existing businesses alike have been furthering innovation by going digital. With the continued incorporation of more technology in small business operations, large percentages of small business owners report that digital tools have helped them grow despite the COVID-19 pandemic and the challenging economic conditions.

### **III. Conclusion**

Small business owners are the fabric of their communities. Amid great adversity, they give hope to the next generation of our country's entrepreneurs.<sup>7</sup> With inflation, high interest rates, regulatory burdens, and unprecedented economic challenges that have continued since the COVID-19 pandemic, it's more important than ever for Congress to prioritize the concerns and issues facing our small businesses.

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<sup>1</sup> *More than 75% of surveyed small businesses are worried about access to credit*, GOLDMAN SACHS (May 16, 2023).

<sup>2</sup> *Data Deep Dive: The Workforce of the Future*, U.S. CHAMBER OF COMMERCE (Oct. 4, 2023).

<sup>3</sup> *Data Deep Dive: The Workforce of the Future*, U.S. CHAMBER OF COMMERCE (Oct. 4, 2023).

<sup>4</sup> Eric Revell, *Federal regulations cost small manufacturers \$50K per employee*, FOX BUS. (Oct. 25, 2023).

<sup>5</sup> Eric Revell, *Federal regulations cost small manufacturers \$50K per employee*, FOX BUS. (Oct. 25, 2023).

<sup>6</sup> John Reosti, *New census data hints at slower pace for small-business formation*, AM. BANKER (Nov. 15, 2023).

<sup>7</sup> U.S. SMALL BUS. ADMIN., OFFICE OF ADVOCACY, FREQUENTLY ASKED QUESTIONS ABOUT SMALL BUSINESS, 1 (Mar. 2023).