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*A Year in Review: The State of Small Business in America*

Good morning, Chairman Williams, Ranking Member Velazquez, and Members of the Committee, thank you for the opportunity to testify.

I am Dr. Tammira Lucas, CEO of The Cube Cowork, the largest black women-owned coworking space that provides onsite babysitting services in the United States, which supports over 250 local women entrepreneurs in Baltimore. I am also an Assistant Professor in the College of Business at the esteemed HBCU Coppin State University.

There are a few obvious reasons why supporting and establishing policies that directly positively impact small businesses shouldn't be an option but instead a priority. As I am sure you've all heard several times before, small businesses are the heartbeat of our communities. They are founded by local entrepreneurs who made the conscious effort to bet on themselves to build wealth for their families. They are maintained and fed by local residents of the community. Mainstreet Alliance reports everywhere that small businesses thrive, poverty rates fall, and property values rise. This investment in local communities is the backbone of the American Economy, where small businesses create 64% of all new jobs in the nation. In 2023, small businesses, especially minority-owned businesses in Baltimore City and County, are still struggling to survive financially and grow their receipts significantly due to a myriad of reasons.

According to the McKinsey Institute for Black Economic Mobility, market barriers result from unaddressed needs, often related to challenges of access—to capital, expertise, and services. Sociocultural barriers encompass the biased and exclusionary ways in which Black entrepreneurs are more likely to be blocked from gaining social capital, such as helpful relationships that make up business networks. Finally, institutional barriers are supported by the systems in which Black-owned businesses operate and include factors as basic as their locations.

As I speak in front of you today, I want to highlight many of the issues that entrepreneurs in Baltimore and similar cities around the country continue to face, preventing them from achieving business sustainability, wealth creation, job creation, and crime reduction.

Maryland has the highest rate per capita of women-owned businesses in the United States. Maryland has 42 minority-owned businesses for every 100,000 residents and 17.5 businesses owned by women per 100,000 residents. The median household income for the State of Maryland is \$81,868, while the median income for Baltimore City and Baltimore County are \$48,840 and \$74,127 respectively. According to a report from Goldman Sachs One million black women, forty percent of black women have household incomes under \$40k. Seventy-one percent of black women feel like they live paycheck to paycheck. Forty-seven percent of Black women with student loan debt have household incomes of less than \$40k, and thirty percent of black

women do not believe they could get a loan right now without a co-signer. Yet black women are one of the largest consumer groups. In other words, we keep the economy flowing!

Those who have acquired student loan debt are less likely to assume the risk of starting a business due to the lack of financial stability and the burden of the debt. As a business professor, I constantly see students deciding to obtain careers that do not align with their goals or values to tackle their student loan debt. They also desire, like me, to start a business, but understanding the realities of debt will not allow them to indulge themselves fully in the world of entrepreneurship. Affordable education is essential to the growth of our economy. The average black bachelor's degree holder has an average of \$52,000 in student loan debt with an average salary of \$49,000 after graduation. Student loan debt forgiveness would immediately increase the wealth of Black Americans by up to 40%. If new businesses do not continue to start, our overall economy will be negatively impacted.

More than half of the households in Baltimore City are run by single mothers who are living below the poverty level. However, these same demographics are the ones who are using their talents and non-existent finances to start businesses to increase their household income and to employ individuals in their communities. Not only are they dealing with the lack of capital, but they are also dealing with major barriers like the lack of affordable childcare, high student loan payments, and inflation. We continue to expect constituents in low-income areas to do miracles with very little. In 2023, interest rates were at an all-time high. This rise impacted the amount of disposable income, directly impacting small business owners' success. I want to emphasize the importance of finding solutions specifically for entrepreneurs to access affordable childcare while starting or growing a business. Currently, our system is designed to only focus on providing childcare subsidies to women who are in the workforce. Entrepreneurship, in the eyes of the system, is not considered a "workforce" activity. However, entrepreneurs are creating the workforce. Aspiring or current entrepreneurs should not be forced to make a decision on whether they will start a business or go into the workforce due to the lack of affordable quality childcare. I want Congress to imagine living below the poverty level, paying \$15,000 a year per child for childcare while trying to start or scale your business. Mothers should not have to choose their entrepreneurial dreams over their children. The American Rescue Plan's childcare support ended on Sept. 30, threatening the continued existence of a third of the nation's childcare centers and quality care for more than 3 million American children. Many childcare providers have already begun to lay off workers and raise fees to make up for the lost federal funding. Without affordable care, many women will be forced to scale back at work or quit altogether.

Supply chain and workforce issues continue to be a huge barrier to small businesses' success. Many local entrepreneurs in the Baltimore area in 2023 had to make a decision to close their businesses due to the lack of workforce talent and/or higher minimum wage requirements. While small business owners want to pay a living wage, it's likely not a reality to be able to do so and keep their businesses running. In addition, enrollment across college campuses, especially HBCUs, which are economic engines in low-income areas, has negatively impacted the talent pipeline for employers. More people are afraid to go to school and accumulate additional debt that they cannot afford, and business owners like myself resort to finding someone who may not have the full capabilities or education to do the job at hand, which does not help business growth or sustainability.

## **Recommendations:**

There are many solutions to solving the issues I've outlined through my testimony; here are some that you should consider:

1. Congress should bring forth a policy allowing mom entrepreneurs to access childcare subsidies that will enable them to receive the assistance they need for childcare to start and scale their businesses. This should also include alternative childcare options to help bridge the gap of the lack of quality childcare facilities.
2. Design incentives and access to capital that small business owners can utilize to hire local residents at a living wage WITH healthcare benefits.
3. There is a huge gap in manufacturing capabilities, and entrepreneurs need access to affordable raw materials and manufacturers to produce their products locally. Congress needs to look at policies that will incentivize local manufacturers to provide low-cost services.
4. Universal affordable healthcare access to entrepreneurs continues to be a significant issue. Every day, entrepreneurs are going undiagnosed with health issues because they don't have the finances to pay for quality affordable health insurance out-of-pocket and invest in their business. In fact, many entrepreneurs are deciding whether they should take on fulltime positions to address their healthcare issues, continue their business, or do both. This is a decision I know all too well.
5. Evaluate and hold government agency leaders accountable for the processes that entrepreneurs must endure to gain access to resources to do simple task. For an example, making processes for form 2553 to change your business to a scorp. It's going through simple processes like this that are made hard and confusing that hinders small businesses from scaling. Time is money and the more time entrepreneurs have to spend on processes that should be streamline, the less revenue they are generating.
6. Implement living wage tax incentives for small businesses. Small business owners desire to pay living wages; however, it is impossible for many, especially with inflation. It is essential that our federal government leaders create policies that will incentivize small business owners to pay living wages to their employees.

All entrepreneurs in the United States should have an even playing field. Minorities continue to be hindered the most and given the crumbs. Black Americans have never had an equal ability to reap the benefits of business ownership. Among those with business equity, the average Black American's business equity is worth about 50 percent of the average American's and a third of the average white American's. Affordable childcare, healthcare, manufacturing, and living wages should not be a burden but a priority for Congress to create solutions where everyone can build generational wealth for their families.

Thank you for your time and opportunity to share my expertise and thoughts.

Dr. Tammira Lucas