

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: July 8, 2024

RE: Full Committee Hearing Titled: “Main Street Realities: Examining the Current Economic Landscape in America”

On **Wednesday, July 10, 2024, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**Main Street Realities: Examining the Current Economic Landscape in America.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to examine the state of the small business economy, and hear from both small business owners and industry experts about the wide array of challenges that small businesses are struggling to overcome.

I. Witnesses

- **Ms. Hazel Davis**, Vice President, Compliance Manager & Corporate Responsibility Officer, Jefferson Bank
- **Mr. Steve Martinez**, President, Tradewinds and General Contracting, Inc.
- **Mr. J.D. Ewing**, Chairman and CEO, COE Distributing
- **Mr. Tom McCarthy**, Vice President, Co-Founder, Motiv Space Systems

II. Background

Halfway through 2024, data shows that the state of the small business economy is still struggling. Small business uncertainty remains at its highest since 2020.¹ Main Street is trying to keep its head above water with persistent inflationary pressures, high interest rates, and a lack of access to working capital.

¹ *Small Business Uncertainty Index Reaches Highest Level Since 2020*, NFIB (May 2024).

Small business owners are reporting that it has become increasingly more difficult to seek financing from traditional lenders, largely in part due to interest rates that continue to stay high.² In turn, small businesses are finding it harder to get loans from big, mid-size, and even small regional banks which have historically played a key role in lending to small businesses. With loan growth having sharply slowed, consideration of more expensive borrowing options is becoming common. Small business owners are reporting that they have become increasingly reliant on credit cards to finance their business.

Compounding on top of the challenges to access capital, overregulation continues to hurt the small business community. Throughout the Biden Administration, federal agencies have finalized 996 regulations, costing \$1.7 trillion.³ These additional burdens are absorbed by larger companies, and have trickled down to create significant impacts on small business owners.

Additionally, hiring has dipped below pre-pandemic levels. Although the unemployment rate is dropping, small business owners are still struggling to find qualified labor. In the construction industry alone, 500,000 additional workers are needed annually to meet demand.⁴ The lack of skilled workers coupled with the continuation of supply chain issues continues to drive costs higher. Business owners have felt these economic impacts with their rent increasing 21.4 percent, and electricity increasing 29 percent, since January of 2021.⁵ These additional costs are often passed onto the consumer, causing things like groceries to increase by over 20 percent and the cost of going out to eat to increase by 113.4 percent.⁶

Finally, tax policy remains a top issue facing small businesses. When there is uncertainty in the tax code, businesses hold off on expanding their operations or hiring additional employees. Rather than looking for growth opportunities, tax increases, or simply the uncertainty of them in the future, force businesses to play defense. While these taxes are set to expire in 2025, the uncertainty of the amount of taxes businesses will pay hurts small business owners as they attempt to plan for future years.

III. Conclusion

Small business owners play an important role in their communities and our nation's economy. With inflation, high interest rates, regulatory burdens, and economic challenges arising from Bidenomics, it's more important than ever for Congress to alleviate the concerns and challenges facing American small businesses.

² Nupur Anand, *US Small Businesses Struggle for Credit One Year After Regional Turmoil*, REUTERS (Mar. 8, 2024).

³ *Regulation Rodeo*, AM. ACTION FORUM (last visited Jul 2, 2024).

⁴ Anne-Marie Kovacs, *The Crisis Under the Hood: America's Skilled Labor Shortage*, Forbes (Jun. 24, 2024).

⁵ Chris Pandolfo, *How it started... how it's going: Cost of living still way up compared to pre-Biden norm*, FOX BUS. (Jun 12, 2024).

⁶ *Id.*