

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: February 28th, 2023

RE: Full Committee Hearing Titled: “From Nothing to Something: The Story of the American Dream”

On **February 28, 2023, at 10:00 A.M. (EST)**, the Committee on Small Business will hold a hearing titled “**From Nothing to Something: The Story of the American Dream.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to hear stories directly from small business owners about how they built their businesses and the federal policy challenges and concerns they face while trying to grow their businesses.

I. Witnesses

- Ms. Zan Prince, Chairman of the Board, First Bank Texas
- Mr. Roy Heim, President, Heim Construction Company
- Mr. Drew Davis, Founder and Owner, Crippling Hot Sauce
- Ms. Corrine Hendrickson, Owner, Corrine’s Little Explorers

II. Background

According to the Rules of the House of the Representatives for the 118th Congress the House Committee on Small Business “*shall study and investigate on a continuing basis the problems of all types of small business.*” The goal of this hearing is to hear directly from a diverse group of small business owners and allow them to tell their success stories to Congress.

Small businesses are facing a variety of economic challenges. The National Federation of Independent Business's (NFIB) Small Business Economic Trends survey continues to show inflation as the number one problem facing small businesses with 26 percent of owners reporting inflation as their single most important operating problem.¹ Small business owners face inflationary pressure in the form of higher costs inputs due to supply chain interruptions with 25 percent of owners reporting that supply chain disruptions have had a significant impact on their business, as well as a historically tight labor market driving up workforce costs.

The same survey shows that 91 percent of small business owners trying to hire have found no or few qualified applicants for available positions.² NFIB's jobs report shows that percent of owners reporting labor quality as their top business operating problem remains elevated at 24 percent.³ Labor costs reported as the single most important problem to business owners increased two points to 10 percent, historically among the highest readings in over 49 years. 46 percent of owners reported raising compensation, up two points from December and just four points below the 49-year average record high set in January last year. In summation, the cost and availability of labor is contributing to inflation and top of mind for Main Street business owners.

Small Business owners are also contending with rapidly rising interest rates. In an attempt to tame inflation, the Federal Open Markets Committee (FOMC) has been raising interest rates at a pace that has not occurred since the 1980's.⁴ When the cost of credit goes up, it makes it more challenging for small businesses to borrow money to hire more people and expand their operations. The Committee will be closely examining small business access to capital and any effects increased interest rates may have on its availability to small business owners.

Another issue effecting main street businesses are disruptions to the global supply chain. The COVID-19 pandemic exposed many weaknesses that has caused small businesses to deal with a variety of new issues that they never previously had to consider. A survey conducted by EY showed that small businesses are now focusing on things other than strictly the cost, such as supply chain visibility, efficiency, and resiliency.⁵ This has caused businesses to change how they previously thought about their business operations. Additionally, a survey conducted by SAP showed that many senior business decision makers say that supply chain issues remain a

¹ Press Release, Nat'l Fed. of Indep. Bus., Inflation Eases Slightly on Main Street but Remains Top Business Problem (Feb. 14, 2023), <https://www.nfib.com/content/press-release/economy/inflation-eases-slightly-on-main-street-but-remains-top-business-problem/>.

² *Id.*

³ NAT'L FED. OF INDEP. BUS., NFIB JOBS REPORT (Jan. 2023), <https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/>.

⁴ *Federal Funds Effective Rate*, FED. RESERVE BANK OF ST. LOUIS (last updated Feb. 1, 2023), <https://fred.stlouisfed.org/series/FEDFUNDS>.

⁵ Sean Harapko, *How COVID-19 Impacted Supply Chains and What Comes Next*, EY (Jan. 6, 2023), https://www.ey.com/en_us/supply-chain/how-covid-19-impacted-supply-chains-and-what-comes-next

serious concern in 2023.⁶ In order to combat these issues, businesses have been forced to purchase as much inventory as they can accumulate, which is adding to the inflationary pressure, as well as implement new contingency plans should deliveries be delayed. These supply chain issues are expected to persist until adequate domestic production can come online.

III. Conclusion:

The good news is the American spirit cannot be broken and small businesses remain the light of every community. These entrepreneurs and innovators are the engines driving our economy and we will continue to promote and protect them through pro-growth legislation and ensuring small business owners and hard-working families are not continually subject to higher taxes, crippling regulations, supply chain bottlenecks, and labor shortages. It is time to rebuild an economy where entrepreneurship is strong, and innovation is rewarded as too many business owners remain concerned about the future of the small business economic landscape. As we listen to these first-hand accounts, we salute the small businesses who continue to fight and give selflessly back to our communities. We are eager to enact policy solutions that will help pave a path toward success for both now and the future.

⁶ *New Research Forecasts the State of U.S. Supply Chains in 2023*, SAP (Oct. 24, 2022), <https://news.sap.com/2022/10/us-supply-chains-in-2023-new-research-forecast/>.