

SENATE SMALL BUSINESS AND ENTREPRENEURSHIP COMMITTEE

Field Hearing
August 12, 2009
Portland, Maine

SMALL BUSINESS SURVIVAL, WEATHERING THE ECONOMY, CREATING
JOBS, AND WHAT THE SBA CAN DO TO ASSIST

Testimony of
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Ranking Member Snowe and Senator Shaheen, thank you for this opportunity to testify today on the critical role that small business owners play in the economy and the vital role of the Small Business Administration in helping small businesses survive and create jobs.

At the outset I want to express the appreciation of NFIB and its hundreds of thousands of members, including thousands of members in Maine, to you, Senator Snowe, for your leadership and dedication on behalf of small business owners all across the United States.

As one thinks about the topic of this hearing, the current economic conditions in Maine and other states, and the challenges that lie ahead, observations that come immediately to mind include:

- Maine will struggle to weather the current recession and create the jobs it needs in the recovery period without small businesses leading the charge;
- America will struggle to weather the recession and create the jobs it needs without small businesses leading the charge; and
- Small businesses will struggle to weather the recession and create the jobs Maine and America need without credit, contracts, customers, support services, capable employees, and strong advocacy by political and business leaders.

In short, small business works for Maine. Small business works for America. However, government programs and policies at all levels must work for small business.

To put the challenge into some perspective at the state level, consider Maine's official economic forecast by the Consensus Economic Forecasting Commission. The Commission met at the end of March to adopt its semiannual economic forecast.

- It foresees that jobs will be lost during this recession. No surprise.
- It foresees that jobs will be gained after the recession. No surprise.
- However, when the forecast for jobs in 2013 (the furthest out the forecast goes) is compared to actual jobs in 2005, the Commission expects Maine will have a net increase of only 4,500 jobs, an overall growth of less than 1 percent.

When the forecast is broken down into 12 economic activity sectors, the situation appears even more sobering.

- Only three sectors (health & education services, professional & business services, leisure & hospitality services) are expected to have a net job gain by 2013 over 2005, and 60% of that job gain will be in the healthcare sector.
- The other nine other sectors are expected to have fewer job opportunities for Maine workers than they had in 2005.

I do not know to what degree Maine's situation mirrors that in other states, but with increasing trade deficits (signaling the production of fewer exportable goods and services in the United States) and more shifting of jobs to the health services sector (signaling an aging population), it is likely that a number of other states are facing or will face economic challenges similar to that in Maine.

Maine's job-growth challenge – or any state's job-grow challenge – cannot be overcome without significant entrepreneurial energy and a dynamic small business sector.

USA Today published a story on July 22, "Some small businesses still struggle to get financing", that suggests the financing situation for small business owners may be worse than it was six months or a year ago. Rick Snow of Maine Indoor Karting in Scarborough comments in the story about his situation:

Rick Snow, co-owner of indoor go-cart business Maine Indoor Karting, says American Express recently cut the credit limit on his OPEN small-business credit card to \$3,500 from \$10,000. Snow and his wife, also a co-owner, are using their personal credit cards to help cover business costs.

While they have the stress of paying for expenses such as gas, Snow says, there's much more at stake than just keeping the go-carts going.

"There are 13 families depending on (the employment) we provide," he says. "That's significant."

His situation is not unique. The newspaper article reports that more small business owners are having trouble getting needed financing to run their businesses compared to last December. And, the article reports on a study by the Service Employees International Union that finds "SBA lending by major banks has significantly dried up".

Earlier this year Congress passed the America's Recovery Capital (ARC) loan program as part of the 2009 Recovery Act. The purpose of the program is to help small businesses "facing immediate financial hardship" to "ride out the current uncertain economic times and return to profitability," according to information on the SBA website. SBA reports that 21 ARC loans by seven banks have been made in Maine as of late July.

Clearly, the ACR program cannot by itself help all or even a majority of Maine small businesses, that are facing financial peril, ride out the current rough economic waters. Financial institutions must step up and provide needed financing. Can the SBA play an additional role in this situation?

In the area of contracting, the SBA can and does play a role in helping small businesses with the federal contracting process of bid successfully on contracts. But, can the SBA or the Office of Advocacy play an additional role in assuring that contracts are not bundled in such a way that small business access is diminished?

Export assistance is another key area of business opportunity in which the SBA can and does play an important role.

One of the biggest challenges for small business owners – and for the SBA – is that small business owners often do not know what types of assistance may be available for them. Can the SBA do more to raise its visibility with small business owners? Can the agency use regional or statewide business publications, such as *Mainebiz*, to inform business owners of SBA programs and services?

In closing with these brief remarks, it is worth noting that even during the current recession the spirit that makes small business owners so vital to our economy persists:

- A spirit of can do – even if others cannot
- A spirit of will do – there's only one way to go, and that is forward

Maine will survive the recession. America will survive the recession. The spirit of free enterprise will assure we do so. And, that entrepreneurial spirit also will give birth to an economic future filled with exciting products and services that will fuel job growth for years to come.

Thank you for this opportunity to testify.