



STATEMENT FOR THE RECORD

**BEFORE THE HOUSE SUBCOMMITTEE ON TECHNOLOGY, INFORMATION
POLICY, INTERGOVERNMENTAL RELATIONS AND PROCUREMENT
REFORM ON UNFUNDED MANDATES AND REGULATORY OVERREACH
PART II**

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REVISED

Good afternoon Chairman Lankford, Ranking Member Connolly and members of the Subcommittee. Thank you for the opportunity to testify before the Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform.

I'm John Arensmeyer, founder and CEO of Small Business Majority, a nonpartisan small business advocacy organization founded and run by small business owners and focused on solving the biggest problems facing small businesses today. We represent the 28 million Americans who are self-employed or own businesses of up to 100 employees. Our organization uses scientific opinion and economic research to understand and represent the interests of all small businesses.

I ran two small businesses for 15 years and have run a nonprofit organization for the past five. Other members of our senior team also have had long careers as entrepreneurs. As such, we are well aware there are times when small businesses are overburdened by government regulation, and that government regulation often affects small businesses more than big businesses. This is why Small Business Majority supports Executive Order 13563 "Improving Regulation and Regulatory Review," an initiative by President Obama to review government regulation on business. We also support the Small Business Administration Office of Advocacy's role in monitoring compliance with the Regulatory Flexibility Act, which requires federal agencies to analyze the impact of proposed regulations on small firms. We share the view that any regulations that impact small businesses should be carefully scrutinized and we support the requirements already in the Unfunded Mandates Reform Act that require government to analyze and report on the impacts of its new regulations.

That said, there is a legitimate role for government in passing laws that address private sector business activity. Business owners are pragmatic and bottom-line oriented, and preventing or delaying all regulation that might in some way affect small business would be short-sighted and could remove an important tool that can stimulate small business

people—are employees of firms with less than 100 workers.⁴ Moreover, 28% of the 22 million self-employed Americans have no insurance at all.⁵

Not only a problem for the uninsured, the cost of healthcare was a metastasizing financial burden on small business. An economic analysis we released in June of 2009 and based on modeling by MIT economist Jonathan Gruber concluded that without reform, small employers would pay \$2.4 trillion to cover healthcare costs by 2018, and 178,000 small business jobs and \$52.1 billion in profits would be lost due to those costs.⁶

This crisis compelled Congress to take action – the status quo was just unacceptable. The Affordable Care Act addresses all these issues and more, while reducing the federal deficit by more than \$200 billion over the next 10 years and more than \$1 trillion over the 10 years after that.

Without reform, we would impede our overall economic growth. Small businesses with fewer than 100 employees employ 42% of American workers.⁷ Traditionally, small businesses lead the way out of recessions. Continuing to address the healthcare crisis by implementing the Affordable Care Act was and continues to be essential to our vitality as a nation. This is an excellent example of how government can clear obstacles that threaten small business success.

Our research also shows that small business owners are more likely to provide insurance to their employees because of the tax credits and exchanges provided through the new healthcare law. In January, we released a national survey of 619 small business owners. We gauged how entrepreneurs view two critical components of the Affordable Care Act: the small business tax credits—a provision allowing businesses with fewer than 25 employees that have average annual wages under \$50,000 to get a tax credit of up to 35% of their health insurance costs beginning in tax year 2010—and health insurance exchanges—competitive online marketplaces where small businesses and individuals can band together to purchase private insurance starting in 2014.⁸ The survey found that one-third of employers who don't offer health insurance said they would be more likely to do so because of the small business tax credits, and 33% of respondents who currently do not offer insurance also said the exchange would make them more likely to do so.

We believe that once the public, and small business owners in particular, become more familiar with the new law, they will understand the financial benefits and cost savings it provides. In fact, a Kaiser Family Foundation study conducted in January 2010 found that although the public was divided overall about reform, they became more supportive when told about key provisions. After hearing that tax credits would be available to help small businesses provide coverage to employees, 73% said it made them more

⁴ Center for American Progress, What Will Happen to Small Business if Health Care Is Repealed, July 23, 2010, http://www.americanprogress.org/issues/2010/07/small_biz_reform.html.

⁵ "The Uninsured: A Primer," Kaiser Family Foundation, Oct. 2009, Page 11 (Table 9).

⁶ Small Business Majority, Economic Research: The Economic Impact of Healthcare Reform on Small Business, June 11, 2009, <http://www.smallbusinessmajority.org/small-business-research/economic-research.php>

⁷ U.S. Bureau of Census, 2006 County Business Patterns

¹⁰ Small Business Majority, Opinion Survey: Small Business Owners' Views on Key Provisions of the Patient Protection and Affordable Care Act, Jan. 4, 2011, <http://smallbusinessmajority.org/small-business-research/small-business-healthcare-survey..>

Benefits of the environmental standards to small business

But it's not just new changes to the healthcare system that are helping small businesses. Government support to the clean energy sector of the economy is also providing much-needed aid. Without a strong government role in setting goals and standards, we will never successfully compete in the interconnected 21st century global economy that is becoming more and more centered on innovative clean energy solutions.

Over the last 40 years, the Environmental Protection Agency has proven itself as much a protector of our economy as of the public's health, and we see new EPA standards under the Clean Air Act as a key component to progressing toward a clean energy economy and to creating jobs. Indeed, during the last two decades under the Clean Air Act, Gross Domestic Product has increased by 64% while emissions of the most common air pollutants have declined by 41%.¹¹

We know that small business owners support key strategies needed to reduce pollution and transition to a clean energy economy. A national bipartisan poll of small business owners we conducted (33% Republicans, 26% Democrats and 22% independents) found that 61% of respondents agree that moving the country to clean energy is a way to restart the economy and make their businesses more competitive in the global economy.¹² The same poll found that small business owners want the government to create incentives that will help them be part of the clean energy economy, such as interest-free loans for energy-efficiency upgrades and small businesses that switch to clean energy, grants or subsidies to help small businesses upgrade to more energy-efficient equipment and free training or consultation on how to profit from the emerging clean energy industry. Numerous small businesses are already taking steps to conserve energy and many are interested in doing even more.

Contrary to claims from opponents of clean energy and environmental safeguards, reducing pollution is good for business, and the Clean Air Act has proven to be a wise investment for long-term economic growth. Studies show that the economic benefits of the Act have far exceeded the costs to businesses. According to the Office of Management and Budget, the total economic benefits of the Clean Air Act are estimated at more than 4 to 8 times the costs of compliance.¹³ Additionally, between 2010 and 2015, capital investments in pollution controls and new generation will create an estimated 1.46 million jobs or almost 300,000 year-round jobs on average for each of those five years.

Interest in the Clean Air Act and regulating greenhouse gases helps Cody Metcalf, president of LED light distributor WinderLumen LED in Windermere, Florida. Cody says that "if someone is paying attention to greenhouse gases, then there's more demand for our product," which boosts his bottom line.

¹¹ Small Business Majority economic research: THE CLEAN AIR ACT'S ECONOMIC BENEFITS: PAST, PRESENT AND FUTURE, October, 2010, http://www.smallbusinessmajority.org/energy/index_national_economic.php

¹² Small Business Majority opinion research: SMALL BUSINESSES AND CLEAN ENERGY POLICY - NATIONAL SURVEY, June, 2010, http://www.smallbusinessmajority.org/energy/index_national.php

¹³ Small Business Majority economic research: THE CLEAN AIR ACT'S ECONOMIC BENEFITS: PAST, PRESENT AND FUTURE, October, 2010, http://www.smallbusinessmajority.org/energy/index_national_economic.php

As these examples show, a constructive partnership between business and government can provide economic opportunity where none existed before and can help entrepreneurs cut some of the unnecessary and onerous costs of doing business.

A blanket solution to government regulation could damage our small businesses. Rather, each time government creates regulations it must examine how they will impact small business. That is why Small Business Majority supports the requirements already in the Unfunded Mandates Reform Act that require government to analyze and report on the impacts of its new regulations.

Wielding a legislative hammer rather than employing a judicious and precise scalpel risks quashing a role for government that is often a boon to small businesses.