

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE

NATIONAL FEDERATION OF INDEPENDENT BUSINESS



Statement for the Record of Holly Wade

Executive Director, NFIB Research Center

Before the

**United States House Committee on Financial Services, Subcommittee on
National Security, International Development, and Monetary Policy**

**[Hearing on: "Supporting Small and Minority-Owned
Businesses Through the Pandemic"](#)**

Thursday, February 4, 2021

National Federation of Independent Business
(NFIB) 555 12th Street, NW Suite 1001
Washington, DC 20004

Chairman Himes, Ranking Member Hill, and distinguished members of the committee, my name is Holly Wade, and I serve as the Executive Director of the National Federation of Independent Business (NFIB) Research Center.

On behalf of NFIB, I appreciate the opportunity to testify before the House Financial Services Subcommittee on National Security, International Development, and Monetary Policy hearing entitled, "Supporting Small and Minority-Owned Businesses Through the Pandemic."

NFIB is the nation's leading small business advocacy association, representing members in Washington, D.C., and all 50 state capitals. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses. NFIB proudly represents approximately 300,000 members nationwide from every industry and sector.

The NFIB Research Center promotes greater understanding of small business and the conditions that impact it. The Center produces and disseminates various surveys and studies on small business, focusing on areas related to business operations and public policy's effects.

Small businesses employ nearly half of the private sector workforce and are responsible for about half of our Gross Domestic Product (GDP). The small business half of the economy has been significantly damaged by the COVID-19 pandemic. The NFIB Research Center has conducted a series of surveys over the ten months assessing the impact the pandemic has had on small business owners.

These surveys have shown that many small businesses are still struggling to survive as economic conditions and business restrictions remain serious challenges after more than ten months since the national emergency declaration concerning the COVID-19 outbreak.¹ Owners continue to adjust business operations as the health crisis evolves all while trying to keep their employees on the payroll. Still, 15% of small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months, down from 25% two months ago.² Moreover, according to NFIB's latest monthly *Small Business Economic*

¹ *Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak*, Federal Register, Proclamation 9994 of March 13, 2020, <https://www.federalregister.gov/documents/2020/03/18/2020-05794/declaring-a-national-emergency-concerning-the-novel-coronavirus-disease-covid-19-outbreak>.

² Holly Wade, *Covid-19 Small Business Survey (15) - PPP, ERTC, the Economy, the Vaccine, and Minimum Wage*, NFIB Research Center, January 28-31, 2021.

Trends survey, small business optimism dropped below historic averages, with 9 out of 10 components of the index declining. This month's drop in small business optimism is historically very large and most of the decline was due to the outlook of sales and business conditions in the first half of 2021.³ When the small business half of the economy emerges from the public health crisis, it is critically important that they have a solid foundation from which to operate and invest in their business.

The body of my testimony is broken down into two parts. Part 1 is focused on the small business programs created during the health crisis and what has and has not worked well. Part two is focused on the path ahead for small businesses.

Small Business Pandemic Programs – What Has and What Has Not Worked

The Paycheck Protection Program (PPP) has been extremely popular with small business owners with 76% of NFIB members receiving a PPP loan in 2020. Outside of some initial implementation and funding concerns, the first round of PPP was very effective in helping small employers maintain payroll as well paying for other eligible expenses that were critical in business operations.⁴

The PPP was envisioned as providing short-term liquidity to small business owners to help them survive government-mandated economic shutdowns and dramatic shifts in consumer spending. However, many small business owners needed additional financing and assistance with expenses not authorized through the PPP. The Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) program was intended to provide that longer-term liquidity. The EIDL's 30-year term and 3.75% interest rate were very attractive to many small business owners. About one-third of NFIB members applied for an EIDL loan. However, the EIDL program has been plagued by well-documented administration issues ranging from loan application backlogs to a lack of communication with Congress and stakeholders about funding levels and arbitrary limitations. NFIB still regularly receives phone calls and emails from small business owners complaining that they cannot get updates from the SBA on the status of their EIDL application. EIDL is an important program that provides eligible small business owners with a loan option that would be difficult, if not impossible for many to access in the private lending markets. NFIB urges Congress to use its oversight to ensure that this program

³ William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends*, NFIB Research Center, December 2020, <https://assets.nfib.com/nfibcom/SBET-Dec-2020.pdf>.

⁴ Holly Wade, *Covid-19 Small Business Survey (15) – PPP, ERTC, the Economy, the Vaccine, and Minimum Wage*, NFIB Research Center, January 28-31, 2021.

functions the way it was intended to and provide sufficient information and customer assistance to small business owners participating in the program.

The Federal Reserve's Main Street Lending Program (MSLP) was also created to help provide financial assistance to small and medium size businesses but was largely ineffective in achieving its goal. The MSLP's loan terms were structured in a way that were too restrictive for most small business owners. The repayment schedule was too short, the minimum loan amount was too high initially, and the interest rate was too high to attract many small businesses to the program. At a time when the EIDL program was struggling with loan backlogs, NFIB had hoped that the MSLP would be able to fill the void, but unfortunately, the program was not easily accessible and the terms were just not attractive to the average small business owner.

There have also been COVID-19 related programs that have made life more difficult for small business owners. The paid sick and family leave mandate enacted within the Families First Coronavirus Response Act, and specifically targeted at small business owners, was challenging for many small business owners. Nearly half of small employers have had employees take COVID-19 related sick leave or family leave, however, only 41% of those have claimed the available tax credit to reimburse those expenses. The terms and conditions of the mandate are complicated and the credit is difficult to claim for many small employers who have to navigate both programs themselves.

Small businesses have also had to do their best to comply with varying state and local public health mandates to keep their employees and customers safe. Depending on the industry, state, and locality, these compliance costs have been expensive for many. However, small business owners still have concerns that they may end up in court if someone contracts coronavirus through no fault of their own. NFIB supports and encourages Congress to enact common-sense COVID-19 small business liability protections to help those that have done everything in their power to protect their employees and customers.

The Path to Small Business Recovery

As stated earlier, about 15% of small businesses report they will have to close their doors if the small business economy does not improve in the next six months. The best path for small businesses to recover is to get as many Americans vaccinated as possible, and quickly, so Main Street can fully reopen. In the mean time, many small

businesses may continue to need economic assistance in the form of grants or tax incentives to survive. The second round of PPP should be helpful to those small businesses struggling the most right now. The EIDL program also remains a sound option for those interested in additional financing.

NFIB finds that there is very little need or interest in small businesses acquiring new forms of debt. According to the most recent NFIB *Small Business Economic Trends* survey,

“Three percent of owners reported that all their borrowing needs were not satisfied (up 1 point). Twenty-six percent reported all credit needs met (up 1 point) and 60 percent said they were not interested in a loan (up 2 points). A net 3 percent reported their last loan was harder to get than in previous attempts (up 1 point). Credit markets have never been friendlier, and the Federal Reserve promises that will continue indefinitely. Add to this the reopening of the PPP program allowing eligible small business owners to access a second forgivable loan, easing demand for additional private sector borrowing. One percent reported that financing was their top business problem (unchanged). The net percent of owners reporting paying a higher rate on their most recent loan was negative 5 percent, down 1 point from November. The average rate paid on short maturity loans was 4.8 percent, up 0.1 percentage points from November. Twenty-six percent of all owners reported borrowing on a regular basis (up 4 points).”⁵

Instead of focusing on new borrowing options to small business owners, NFIB recommends that Congress first should adopt the principle of “do no harm.” Proposals such as those to more than double the federal minimum wage to \$15 per hour, expand paid leave mandates, and create new federal enforcement actions on small businesses will make it even harder for Main Street to recover. Making it more expensive to operate a business will only serve to hamper the ability of small firms to survive the pandemic. Thank you for allowing me the opportunity to testify before you today.

⁵ William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends*, NFIB Research Center, December 2020, <https://assets.nfib.com/nfibcom/SBET-Dec-2020.pdf>.