

Statement of David Borris, Main Street Alliance Executive Committee Member and Business Owner For House Committee on Small Business Hearing on “Making Washington Work For America’s Small Businesses.”

Wednesday, March 22, 2017

Chairman Chabot, Ranking Member Valezquez, and members of the committee:

Thank you for the invitation to testify today regarding the ways our federal government can work for small business owners.

My name is David Borris and I serve on the Executive Committee of the Main Street Alliance, a national network of small business owners. Our network creates opportunities for small business owners to speak for ourselves on matters of public policy that impact our businesses, our employees, and the communities we serve.

I’ve been a small business owner for 32 years. My wife and I opened a homemade food store in 1985, and over the years have expanded into a full service catering company with 33 full-time employees and up to 80 more part-time and seasonal workers. We take great pride in what we do.

Businesses need safety, transparency, and predictability in order to thrive. For today’s discussion, I would like to focus on what Washington and the federal government can do to help ensure that those basic vital conditions are met so that my business, and small businesses across the country, can succeed.

This starts with ensuring that my employees, my family, and I can access affordable, high-quality health coverage. With the passage of the Affordable Care Act (ACA), premium increases for my company stabilized immediately. My company is no longer vulnerable to dramatic spikes in premiums based on the health condition of a single employee, and there are now basic standards of accountability and coverage to ensure that my we are getting a fair deal. Instead of spending my time sifting through insurance plans or acting as an H.R. Director, I can devote my resources to innovating, growing my business, and producing more jobs.

Second, the federal government has to ensure that we have sensible, protective regulations in place. My business relies entirely on a fundamental confidence that the food and water we consume is safe because of government regulations and effective oversight. Small business owners like myself also benefit from federal financial protections, which, as we know, are even more scarce for us than on the consumer side.

Finally, what businesses like mine require more than anything from our federal government are evidence-based policies that keep overall consumer demand strong. In short, I need the bell on the front door to keep ringing, and that depends on a prosperous middle class with enough disposable income to spend on my goods and services. Policies like a fair \$15 minimum wage, strong federal

investment in infrastructure, and comprehensive immigration reform.

Small Businesses Need Affordable, High Quality Health Care

In 1992, when we began offering health care, we had grown to 8 full time employees, and felt a moral obligation to do right by the people who were making our life's work theirs as well. We implemented a structure whereby employees would contribute 50% of the premium in their first year of coverage, and Hel's Kitchen would pick up the entire premium thereafter. We continued to grow and expand, and this structure worked well for some time.

Beginning around 2002, though, we began to experience a series of annual, often volatile, premium increases. In 2004, it was a 21% increase; in 2005, 10%; 2006, 16%; 2007, 17%; and a change in carriers to avoid the quoted 26% increase. And in 2008, we were finally forced to ask long time employees to contribute more again because the 17% increase was simply too much for us to absorb. In 2008, I spent almost 13% of my covered employees' payroll on health insurance premiums. Now, that is down to a little over 9%.

Runaway health care rates were a significant drain on my resources, as I witnessed insurance costs consuming an ever-increasing share of my business income. But even more challenging was the unpredictability of our premiums. Premiums could vary wildly from year to year depending on whether a single employee or family member had an expensive illness.

For example, one of our lower wage employees, a dishwasher, was great at his job, but suffered from a malady that required kidney dialysis. When I met with my insurance broker to discuss the premiums for the upcoming year and I asked about the steep rise in my firm's premium, he attributed the spike to the illness of that one single employee.

The ACA has helped stabilize these costs and correct the market failures that have disproportionately burdened small business owners. This is one of the most direct ways to protect small businesses and help us do our part to create jobs and grow the economy. Insurers now are required to set rates using a single risk pool that includes all enrollees across their small group plans in the entire state. This means that my business is no longer vulnerable to sharp swings in my rates based on the health of a few employees.

Furthermore, insurance companies can no longer underwrite based on health status-- so no more charging higher premiums to groups with employees who have a condition requiring expensive treatment. Those costs now get spread over a much larger pool. And, after years of enduring double-digit rate increases with no recourse, insurers are now required to provide justification for unreasonable rate hikes. And, because of Medical Loss Ratio limits, insurance companies must pay back any excess premiums collected at the end of the year. The health insurance industry is unique in its high level of market concentration, but now true competition – competition based on consumer value rather than cherry-picking risk pools from year to year – is now possible, because of the ACA.

I see these gains in my bottom line. My company has witnessed an unprecedented slowdown in rate increases. Since the passage of the ACA, our average annual increases are a fraction of what they

were before, averaging 4.6% for the seven years from 2010 to 2017. I am saving money on premiums, and I am plowing those savings back into business investment and job creation.

The ACA also established minimum standards of coverage and clarity in the benefits of our plan. As a caterer, I am a foodservice professional, not an insurance expert. I don't have the time or bandwidth to pore over countless health insurance plans. I want to know that any plan I purchase is a fair deal - and that means it covers the basic needs of my employees and my family, without surprises. Because of the changes brought by the ACA, I have the security to know that any plan I select will cover essential health benefits, including maternity care, mental health and substance use treatment and prescription drugs. My employees are now more likely to have affordable access to health care that can keep them healthy, and I can devote my time to growing my business instead of administering health care.

Finally, I would be remiss if I don't address the enormous gains in insurance coverage outside of the small group market. For many of my colleagues just starting out their own businesses, the risks they are taking on the chance to succeed are daunting. But, thankfully, they no longer shoulder the added anxiety of being deemed uninsurable.

The ACA and the individual marketplace it established are freeing aspiring entrepreneurs to go out on their own. They are taking advantage of this option. [One in five Marketplace](#) enrollees is a small business owner or sole proprietor, and small business owners are [three times](#) more likely to purchase Marketplace insurance. This, plus the expansion of Medicaid, has also provided insurance coverage to many employees working in small businesses, particularly those in the lower-wage service and food industries like mine.

Currently, 6.1 million people who work in small businesses are enrolled in Medicaid, and [1.4 million](#) employees have gained coverage through the Exchange. These coverage gains are significant steps to fostering an environment in which small businesses can grow. It means we have a healthier workforce. There is less demand on us as small business owners to administer health insurance programs - valuable time we can spend on improving our products. Most of all, the ACA has given businesses the freedom to choose what makes the most sense for their companies.

Small Business Owners Need Sensible Regulations to Protect Them and Ensure Level Playing Field

Ideological rhetoric blaming government regulations for slow small business growth is at an all-time high. Washington has introduced numerous bills and executive orders aimed at curbing regulations, saying that cutting them will be a stimulus to our economy. Yet, as a small business owner who deals with regulations on a daily basis, I believe these overly broad attacks on regulations are actually harmful for small business owners. An educated, more nuanced approach is deeply warranted.

Let me begin with an obvious example close to home. I make my living in the catering industry. On a daily basis, multiple vendors deliver poultry, beef, and dairy products and fresh produce to my back door. While I'm careful to check the quantity or weight as it is delivered, and make certain the quality is high, I know that I can trust that safety of the food itself because of strong national industry regulations. If I served tainted food at a catering event, people would be hurt, my reputation would

be shattered, and my business destroyed. And foodservice operations are some of the largest consumers of water in the country. We need powerful oversight of food and clean water regulations to stay in business. If Northbrook, Illinois were to ever go through what Flint, Michigan went through, I would be out of business the next day.

The same holds true for my fellow small business owners who operate toy stores, appliance showrooms, and machine shops. Both they and their customers trust that the products they sell are not defective or toxic, thanks to wise regulations. Regulations provide the market with an undergirding of confidence, a basic level of certainty to ensure we are protected from tainted food, unsafe drugs, poisoned water, and polluted air. We should not take these things for granted. We see the problems that occur in other countries lacking the stringent regulations that protect the public from the avarice of those who would compromise public safety for a little more short-term profit.

There are other regulations that help small business owners by leveling the playing field against larger, more politically connected, businesses. Anti-trust laws, for instance, give small companies like mine a chance to compete by addressing price discrimination, price fixing, and other unfair business practices. And other regulations enforced under the Small Business Administration ensure that small businesses are prioritized for a certain set of government contracts.

Financial regulations that protect small business owners are equally vital. Many, small business owners [use consumer financial products](#) to fund their businesses, particularly through temporary slow periods. Small business owners turn to those types of loans, which are largely unfavorable and often predatory, in times of desperation. It is vital that we have transparent repayment terms, accurate credit reporting, and fair mortgage and short term lending rates.

This doesn't mean the regulatory environment cannot be improved. Navigating the bureaucratic and legal obstacles to obtaining requisite permits or licenses is often difficult and burdensome. But most of these regulatory challenges reside at the local level. Cities, counties, and states have convoluted and slow processes for new businesses, often designed for far larger firms. Easing the burden will entail more coordination among the various government agencies to determine whether any processes can be combined. Washington can help by working with state governments to provide clearer, accessible resources for business owners seeking licenses and permits, and consolidating this information into a single source of access. It can also help by creating one-stop electronic filings of government paperwork. But all of this should be done in a careful manner that streamlines burdensome processes *without* stripping away vital protections for us, our employees. and our customer base.

Small Business Owners Need Policies that Keep Consumer Demand Strong

I would like to close by saying that I run my business in a local way. My entire client geography exists within a 150-mile radius of my central office. The single most important thing small business owners need to be successful and to create more jobs is more customers – more demand for our products and services. Not tax breaks. Not fewer regulations. Not less oversight. More customers.

Thus we need evidence-based policies that ensure our local communities have a growing, thriving middle class that is not weighed down with excessive debt. These policies include a fair \$15 minimum wage, strong federal investment in infrastructure, and reasonable immigration reform.

While the off-shoring of jobs and a shift to overseas markets have helped large corporations capture record profits, a company like mine can't simply pull up stakes and relocate somewhere across the globe. The health of my business is tied to a healthy economy that has money circulating in a virtuous cycle of rising wages, consumer demand, and job creation.

To accomplish this, we need, first and foremost, to raise the federal minimum wage. Henry Ford understood the link between well-paid employees and paying customers more than a century ago when he recognized his business would only succeed if his workers earned enough to buy the cars they were building, and he doubled their wages overnight.

In our local economies, that same link applies: my business' fairly paid employee is my neighbor business' paying customer. When people in my neighborhood can't earn enough to keep up with the basics – things like buying food, making car repairs, or taking their family out to eat for a birthday or an anniversary – the entire local economy becomes unstable. And those families certainly aren't going to spend money on a caterer. That's bad for small businesses like mine, and that's bad for the economy as a whole.

Second, the federal budget needs to prioritize adequate investment in local communities. This means putting dollars into regional infrastructure, funding trainings for the workforce, and creating financial stability for middle class families. But that spending needs to drive long-term dollars into the pockets of community workers. That is, it should not be spent on low-wage labor that scrapes more profit off the top because that profit is taken out of the community when the project is complete. With these types of balanced, regulated investments in our infrastructure, we'll have a stronger customer base and more resources, which creates a positive multiplier effect for small businesses everywhere.

Unfortunately, the President's budget blueprint does little in this respect. It *dramatically cuts* infrastructure funding in the Department of Transportation, the Department of Housing and Urban Development, and the EPA; defunds job-training programs; and underfunds after-school care, higher education training, and childcare for working families. These cuts are concerning for the future of my business and my community. I urge you to reverse these proposed cuts, and to instead adequately fund national programs that boost the economy.

Finally, sensible, comprehensive immigration reform is important for an inclusive, healthy middle class. This country is built on the innovation and drive of immigrants, and the foodservice industry relies on the labor of my peers from all over the world. In the [10th District of Illinois](#), there are 172,729 immigrant residents, including 5,766 entrepreneurs, paying \$1.7 billion in taxes and with a spending power of \$4.5 billion.

Our current immigration and visa policies not only discourage international tourists and business travelers, but also hinder businesses from finding the workers on which their industry relies. Most of my hourly workforce are immigrants. We start them at 30% over the Illinois state minimum wage,

and not only retain most workers for many years, but also give them a solid start to becoming powerful consumers in our local economy.

Conclusion

Small business owners are the engine of our economy, creating [two-thirds](#) of all new jobs. The role of Washington is to help create the basic market conditions so that small businesses like mine can thrive and compete on a level playing field with our larger competitors. It's hard to envision a future in which small businesses will continue to be the job creators and innovators of America without the basic conditions I've touched on here today. These include quality, affordable health care, protective regulations, and federal policies that support a strong middle class. We need Washington to maintain and build on the gains of recent years, especially in health care, in order to ensure that the small businesses like mine can continue to flourish.

Thank you again for the opportunity to testify. I look forward to your questions.