

## Union Calendar No. 222

113TH CONGRESS }  
*1st Session*

HOUSE OF REPRESENTATIVES

{ REPORT  
113-304

ANNUAL REPORT ON THE ACTIVITY  
OF THE  
COMMITTEE ON SMALL BUSINESS  
FIRST SESSION OF THE 113TH CONGRESS



DECEMBER 20, 2013.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed

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## LETTER OF TRANSMITTAL

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC, December 20, 2013.*

Hon. KAREN L. HAAS,  
*Clerk, House of Representatives,*  
*Washington, DC.*

DEAR MS. HAAS: Pursuant to clause 1(d)(3) of Rule XI of the Rules of the House of Representatives, I present herewith the report of the activities of the Committee for the first session of the 113th Congress, including the Committee's review of legislation within its jurisdiction and the oversight activities taken in accordance with the oversight plan adopted on January 23, 2013.

Sincerely,

SAM GRAVES,  
*Chairman.*

Enclosure.



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113TH CONGRESS <i>1st Session</i>	HOUSE OF REPRESENTATIVES	REPORT 113-304
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Mr. GRAVES of Missouri, from the Committee on Small Business,  
submitted the following

### R E P O R T

Clause 1(d) of rule XI of the Rules of the House of Representatives for the 113th Congress requires that each standing committee, not later than January 2, submit to the House a report on the activities of that committee, including separate sections summarizing the legislative and oversight activities of that committee.

### **JURISDICTION AND SPECIAL OVERSIGHT FUNCTION**

Clause 1(q) of rule X of the Rules of the House of Representatives of the 113th Congress sets forth the jurisdiction of the Committee on Small Business as follows—

(1) Assistance to and protection of small business, including financial aid, regulatory flexibility, and paperwork reduction.

(2) Participation of small-business enterprises in Federal procurement and Government contracts.

Clause 3(l) of rule X of the Rules of the House of Representatives for the 113th Congress sets forth the Special Oversight Function of the Committee on Small Business as follows—

The Committee on Small Business shall study and investigate on a continuing basis the problems of all types of small business.

## **RULES OF THE COMMITTEE ON SMALL BUSINESS FOR THE 113TH CONGRESS**

### 1. GENERAL PROVISIONS

The Rules of the House of Representatives, in total (but especially with respect to the operations of committees Rule X, cl. 1(q), cl. 2, cl. 3(l), and Rule XI) are the rules of the Committee on Small Business to the extent applicable and are incorporated by reference. Each Subcommittee of the Committee on Small Business (“the Committee”) is a part of the Committee and is subject to the authority and direction of the Committee, and to the rules of the House and the rules adopted herein to the extent applicable.

### 2. REFERRAL OF BILLS BY THE CHAIR

The Chair will retain consideration of all legislation referred to the Committee by the Speaker. No action will be required of a Subcommittee before legislation is considered for report by the Committee. Subcommittee chairs, pursuant to the rules set out herein, may hold hearings on any bill referred to the Committee.

### 3. DATE OF MEETING

The regular meeting date of the Committee shall be the second Wednesday of every month when the House is in session. The Chair may dispense with the meeting of the Committee, if in the sole discretion of the Chair, there is no need for such meeting. Additional meetings may be called as deemed necessary by the Chair or at the request of the majority Members of the Committee pursuant to Rule XI, cl. 2(c) of the rules of the House.

At least 3 days notice of such an additional meeting shall be given unless the Chair, with the concurrence of the Ranking Minority Member, determines that there is good cause to call the meeting on less notice or upon a vote by a majority of the Committee (a quorum being present). To the extent possible, the three days shall be counted from the 72 hours before the time of the meeting. Announcements of the meeting shall be published promptly in the Daily Digest and made publicly available in electronic form.

The determination of the business to be considered at each meeting shall be made by the Chair subject to limitations set forth in House Rule XI, cl. 2(c).

The Chair shall provide to each Member of the Committee, to the extent practicable, at least 48 hours in advance of a meeting, a copy of the bill, resolution, report or other item to be considered at the meeting, but no later than 24 hours before the meeting. Such material also shall be made available to the public at least 24 hours in advance in electronic form.

The rules for notice and meetings as set forth in Rule 3 of these Rules shall not apply to special and emergency meetings. Clause 2(c)(2) of Rule XI and clause 2(g)(3)(A) of Rule XI of the Rules of the House, as applicable, shall apply to such meetings.

A record vote of the Committee shall be provided on any question before the Committee upon the request of any Member of the Committee. A record of the vote of each Member of the Committee on a matter before the Committee shall be available in electronic form within 48 hours of such record vote, and, with respect to any roll



call vote on any motion to amend or report, shall be included in the report of the Committee showing the total number of votes cast for and against and the names of those Members voting for and against.

The Chair of the Committee shall, not later than 24 hours after consideration of a bill, resolution, report or other item cause the text of the reported item and any amendment adopted thereto to be made publicly available in electronic form.

#### 4. ANNOUNCEMENT OF HEARINGS

Public announcement of the date, place, and subject matter of any hearing to be conducted by the Committee shall be made no later than 7 calendar days before the commencement of the hearing. To the extent possible, the seven days shall be counted from 168 hours before the time of the Committee's hearing.

The Chair, with the concurrence of the Ranking Minority Member, or upon a vote by the majority of the Committee (a quorum being present), may authorize a hearing to commence on less than 7 calendar days notice.

##### *A. Witness Lists*

Unless the Chair determines it is impracticable to do so, the Committee shall make a tentative witness list available at the time it makes the public announcement of the hearing. If a tentative witness list is not made available at the time of the announcement of the hearing, such witness list shall be made available as soon as practicable after such announcement is made. A final witness list shall be issued by the Committee no later than 48 hours prior to the commencement of the hearing.

##### *B. Material for the Hearing*

The Chair shall provide to all Members of the Committee, as soon as practicable after the announcement of the hearing, a memorandum explaining the subject matter of the hearing and any official reports from departments and agencies on the subject matter of the hearing. Such material shall be made available to all Members of the Committee no later than 48 hours before the commencement of the hearing unless the Chair, after consultation with the Ranking Minority Member, determines that certain reports from departments or agencies should not be made available prior to the commencement of the hearing. Material provided by the Chair to all Members, whether provided prior to or at the hearing, shall be placed on the Committee website no later than 48 hours after the commencement of the hearing unless such material contains sensitive or classified information in which case such material shall be handled pursuant to Rule 15 of the Committee's Rules.

#### 5. MEETINGS AND HEARINGS OPEN TO THE PUBLIC

##### *A. Meetings*

Each meeting of the Committee or its Subcommittees for the transaction of business, including the markup of legislation, shall be open to the public, including to radio, television, and still photography coverage, except as provided by House Rule XI, cl. 4. If the majority of Members of the Committee or Subcommittee

present at the meeting, determine by a recorded vote in open session that all or part of the remainder of the meeting on that day shall be closed to the public because the disclosure of matters to be considered would endanger national security, would compromise sensitive law enforcement information, or would tend to defame, degrade, or incriminate any person or otherwise would violate any law or rule of the House; *provided however*, that no person other than Members of the Committee, and such congressional staff and such executive branch representatives they may authorize, shall be present in any meeting which has been closed to the public.

The Chair and Ranking Minority Member are *ex officio* Members of all Subcommittees for the purpose of any meeting conducted by a Subcommittee.

#### *B. Hearings*

Each hearing conducted by the Committee or its Subcommittees shall be open to the public, including radio, television and still photography coverage. If the majority of Members of the Committee or Subcommittee present at the hearing, determine by a recorded vote in open session that all or part of the remainder of the hearing on that day shall be closed to the public because the disclosure of matters to be considered would endanger national security, would compromise sensitive law enforcement information, or would tend to defame, degrade, or incriminate any person or otherwise would violate any law or rule of the House; *provided however*, that the Committee or Subcommittee may by the same procedure also vote to close one subsequent day of hearings. Notwithstanding the requirements of the preceding sentence, a majority of those present (if the requisite number of Members are present under Committee rules for the purpose of taking testimony) may vote: (i) to close the hearing for the sole purpose of discussing whether the testimony or evidence to be received would endanger the national security, would compromise sensitive law enforcement information, or violate Rule XI, cl. 2(k)(5) of the House or (ii) to close the hearing, as provided clause 2(k)(5) of Rule XI of the House.

The Chair and Ranking Minority Member are *ex officio* Members of all Subcommittees for any hearing conducted by a Subcommittee. Members of the Committee who wish to participate in a hearing of the Subcommittee to which they are not Members shall make such request to the Chair and the Ranking Minority Member of the Subcommittee at the commencement of the hearing. The Chair, after consultation with the Ranking Minority Member of the Subcommittee, shall grant such request.

No Member of the House may be excluded from non-participatory attendance at any hearing of the Committee or any Subcommittee, unless the House of Representatives shall by majority vote authorize the Committee or Subcommittees, for purposes of a particular subject of investigation, to close its hearing to Members by the same procedures designated to close hearings to the public.

Members of Congress who are not Members of the Committee but would like to participate in a hearing shall notify the Chair and the Ranking Minority Member and submit a formal request no later than 24 hours before the commencement of the meeting or hearing.

To the maximum extent practicable, the Committee shall provide audio and video coverage of each hearing or meeting for the transaction of business in a manner that allows the public to easily listen and view the proceedings and shall maintain the recordings of such coverage in a manner easily accessible to the public.

## 6. WITNESSES

### *A. Statement of Witnesses*

Each witness who is to appear before the Committee or Subcommittee shall file an electronic copy of the testimony with the Committee and the Ranking Minority Member no later than 48 hours before the commencement of the hearing. In addition, the witness shall provide 50 copies of the testimony by the commencement of the hearing. The Chair may waive the requirement by the witness providing 50 copies in which case the Committee or Subcommittee shall provide the 50 copies.

Each non-governmental witness shall provide to the Committee and the Ranking Minority Member, no later than 48 hours before the commencement of the hearing, a curriculum vitae or other statement describing their education, employment, professional affiliation or other background information pertinent to their testimony.

As required by Rule XI, cl. 2(g) of the Rules of the House, each non-governmental witness before the commencement of the hearing shall file with the Chair a disclosure form detailing any contracts or grants that the witness has with the federal government. Such information shall be posted on the Committee within 24 hours after the witness appeared at the hearing.

The failure to provide the materials set forth by the deadlines set forth in these rules may be grounds for excluding both the oral and written testimony of the witness unless waived by the Chair of the Committee or Subcommittee.

The Committee will provide public access to printed materials, including the testimony of witnesses in electronic form on the Committee's website no later than 24 hours after the hearing is adjourned. Supplemental material provided after the hearing adjourns, shall be placed on the Committee website no later than 24 hours after receipt of such material.

### *B. Number of Witnesses and Witnesses Selected by the Minority*

For any hearing conducted by the Committee or Subcommittee there shall be no more than four non-governmental witnesses of which the Ranking Minority Member of the Committee or Subcommittee (as appropriate) is entitled to select one witness for the hearing. Witnesses selected by the Ranking Minority Member of the Committee or Subcommittee shall be invited to testify by the Chair of the Committee or Subcommittee (as appropriate). Rule 6(A) shall apply with equal force to witnesses selected by the Ranking Minority Member of the Committee or Subcommittee.

The limitations set forth in the preceding paragraph shall not apply if the Committee holds a hearing to honor the work of the small business community in conjunction with the annual celebration of Small Business Week. Witness limitations for such a hear-

ing shall be determined by the Chair in consultation with the Ranking Minority Member.

### *C. Interrogation of Witnesses*

Except when the Committee adopts a motion pursuant to subdivisions (B) and (C) of clause 2(i)(2) of Rule XI of the Rules of the House, Committee Members may question witnesses only when they have been recognized by the Chair for that purpose.

The Chair and Ranking Minority Member of the Committee or Subcommittee shall face no limitation on the length of the time that they may question a witness. After recognition by the Chair, other Members shall have the opportunity, as set forth in Rule XI, cl. 2(j) of the Rules of the House, to question each witness on the panel for a period not to exceed five minutes.

For any hearing, the Chair of the Committee or Subcommittee may offer a motion to extend the questioning of a witness or witnesses by Members other than the Chair or Ranking Minority Member identified in the motion for more than five minutes as set forth in Rule XI, cl. 2(j)(B).

The Chair of the Committee or Subcommittee shall commence questioning followed by the Ranking Minority Member. Thereafter, questioning shall alternate between the majority and minority Members by the time in which the Member arrived at the hearing after the gavel has been struck to commence the hearing, with the first arriving having priority over Members of his or her party. If Members arrive simultaneously or are there prior to the gavel being struck to commence the hearing, order of questioning shall be based on seniority.

In recognizing Members to question witnesses, the Chair may take into consideration the ratio of majority and minority Members present in such a manner as to not disadvantage the Members of either party.

## 7. SUBPOENAS

A subpoena may be authorized and issued by the Committee in the conduct of any investigation or series of investigations or activities to require the attendance and testimony of such witness and the production of such books, records, correspondence, memoranda, papers and document, as deemed necessary. Such subpoena shall be authorized by a majority of the full Committee. The requirement that the authorization of a subpoena require a majority vote may be waived by the Ranking Member of the Committee. The Chair may issue a subpoena, in consultation with the Ranking Minority Member, when the House is out for session for more than three legislative days.

## 8. QUORUM

A quorum, for purposes of reporting a measure or recommendation, shall be a majority of the Committee Members. For purposes of taking testimony or receiving evidence, a quorum shall be one Member from the Majority and one Member from the Minority. The Chair of the Committee or Subcommittee shall exercise reasonable comity by waiting for the Ranking Minority Member even if a quorum is present before striking the gavel to commence the hearing. For hearings held by the Committee or a Subcommittee in a

location other than the Committee's hearing room in Washington, DC, a quorum shall be deemed to present if the Chair of the Committee or Subcommittee is present.

#### 9. AMENDMENTS DURING MARK-UP

Any amendment offered to any pending legislation before the Committee must be made available in written form by any Member of the Committee. If such amendment is not available in written form when requested, the Chair shall allow an appropriate period for the provision thereof and may adjourn the markup to provide sufficient time for the provision of such written amendment. Such period or adjournment shall not prejudice the offering of such amendment.

For amendments to be accepted during mark-up, there is no requirement that the amendments be filed prior to commencement of the mark-up or prepared with the assistance of the Office of Legislative Counsel. Even though it is not necessary, Members seeking to amend legislation during mark-up should draft amendments with the assistance of the Office of Legislative Counsel and consult with the Chair or Ranking Member's staff (as appropriate) in the preparation of such amendments.

#### 10. POSTPONEMENT OF PROCEEDINGS

The Chair in consultation with the Ranking Minority Member may postpone further proceedings when a record vote is ordered on the question of approving any measure or matter or adopting an amendment. The Chair may resume postponed proceedings, but no later than 24 hours after such postponement, unless the House is not in session or there are conflicts with Member schedules that make it unlikely a quorum will be present to conduct business on the postponed proceeding. In such cases, the Chair will consult with Members to set a time as early as possible to resume proceedings but in no event later than the next meeting date as set forth in Rule 3 of these Rules. When proceedings resume on a postponed question, notwithstanding any intervening order for the previous question, an underlying proposition shall remain subject to further debate or amendment to the same extent as when the question was postponed.

#### 11. NUMBER AND JURISDICTION OF SUBCOMMITTEES

There will be five Subcommittees as follows:

##### *The Subcommittee on Agriculture, Energy and Trade*

This Subcommittee (which will consist of six (6) Republican Members and four (4) Democratic Members) will address policies that enhance rural economic growth, increasing America's energy independence and ensuring that America's small businesses can compete effectively in a global marketplace.

- Oversight of agricultural policies.
- Oversight of environmental issues and regulations (including agencies such as the Environmental Protection Agency and the Army Corps of Engineers).
- Oversight of energy issues, including expansion of domestic resources whether they are renewable or non-renewable.

- Oversight of international trade policy with particular emphasis on agencies that provide direct assistance to small businesses, such as: the Small Business Administration's (SBA) Office of International Trade, the Department of Commerce's United States Export Assistance Centers, the Department of Agriculture's Foreign Agricultural Service, and the Export-Import Bank.
- Oversight of infringement of intellectual property rights by foreign competition.

*The Subcommittee on Health and Technology*

This Subcommittee (which will consist of six (6) Republican Members and four (4) Democratic Members) will address how healthcare policies may inhibit or promote economic growth and job creation by small businesses. In addition, the Subcommittee will examine small business job growth through the creation and adoption of advanced technologies.

- Oversight of the implementation of the Patient Protection and Affordable Care Act.
- Oversight of availability and affordability of health care coverage for small businesses.
- Oversight of general technology issues, including intellectual property policy in the United States.
- Oversight of United States telecommunications policies including, but not limited to, the National Broadband Plan and allocation of electromagnetic spectrum.
- The Small Business Innovation Research Program.
- Small Business Technology Transfer Program.

*The Subcommittee on Economic Growth, Tax and Capital Access*

This Subcommittee (which will consist of six (6) Republican Members and four (4) Democratic Members) will evaluate the operation of the financial markets in the United States and their ability to provide needed capital to small businesses. In addition, the Subcommittee will review federal programs, especially those overseen by the SBA, aimed at assisting entrepreneurs in obtaining needed capital. Since the tax policy plays an integral role in access to capital, this Committee also will examine the impact of federal tax policies on small businesses.

- Oversight of capital access and financial markets.
- Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- SBA financial assistance programs, including guaranteed loans, microloans, certified development company loans, and small business investment companies.
- Oversight of the Department of Agriculture business and industry guaranteed loan program.
- Oversight of general tax policy affecting small businesses.
- The management of the SBA disaster loan program.

*The Subcommittee on Investigations, Oversight and Regulations*

This Subcommittee (which will consist of six (6) Republican Members and four (4) Democratic Members) will probe the efficient operation of government programs that affect small businesses, including the SBA, and develop proposals to make them operate in a more cost-effective manner. This Subcommittee also will review

the regulatory burdens imposed on small businesses and how those burdens may be alleviated.

- Oversight of general issues affecting small businesses and federal agencies.
- Oversight of the management of the SBA.
- Oversight of the SBA Inspector General.
- Implementation of the Regulatory Flexibility Act.
- Oversight of the Office of Information and Regulatory Affairs at the Office of Management and Budget.
- Use of the Congressional Review Act.
- Transparency of the federal rulemaking process as required by the Administrative Procedure and Data Quality Acts.
- Implementation of the Paperwork Reduction Act.

*The Subcommittee on Contracting and Workforce*

This Subcommittee (which will consist of six (6) Republican Members and four (4) Democratic Members) will assess the federal procurement system, including those programs designed specifically to enhance participation by small businesses in providing goods and services to the federal government. The Subcommittee will examine various programs designed to provide technical assistance to small businesses, whether specifically aimed at federal contractors or small businesses in general. Finally, the Subcommittee will review the broad scope of workforce issues that affect the ability of small businesses to obtain and maintain qualified employees.

- Oversight of government-wide procurement practices and programs affecting small businesses.
- Oversight of federal procurement policies that inhibit or expand participation by small businesses in the federal contracting marketplace.
- All contracting programs established by the Small Business Act, including HUBZone, 8(a), Women-, and Service Disabled Veteran-Owned Small Business Programs.
- Technical assistance provided to federal contractors and perspective contractors through SBA personnel, Offices of Small and Disadvantaged Business Utilization, and Procurement Technical Assistance Centers.
- The SBA Surety Bond guarantee program.
- Oversight of all federal policies that affect the workforce including, but not limited to, the roles of the Department of Labor and the National Labor Relations Board.
- SBA entrepreneurial development and technical assistance programs unrelated to participation in the federal government contracting.

## 12. POWERS AND DUTIES OF SUBCOMMITTEES

Each Subcommittee is authorized to meet, hold hearings, receive evidence, and report to the Committee on any matters referred to it. Prior to the scheduling of any meeting or hearing of a Subcommittee, the Chair of the Subcommittee shall obtain the approval of the Chair of the Committee.

No hearing or meeting of a Subcommittee shall take place at the same time as the meeting or hearing of the full Committee or another Subcommittee, *provided however*, that the Subcommittee

Chairs may hold field hearings that conflict with those held by other Subcommittees of the Committee.

### 13. COMMITTEE STAFF

#### *A. Majority Staff*

The employees of the Committee, except those assigned to the Minority as provided below, shall be appointed and assigned, and may be removed by the Chair of the Committee. The Chair shall fix their remuneration and they shall be under the general supervision and direction of the Chair.

#### *B. Minority Staff*

The employees of the Committee assigned to the Minority shall be appointed and assigned, and their remuneration determined, as the Ranking Minority Member of the Committee shall decide.

#### *C. Subcommittee Staff*

There shall be no separate staff assigned to Subcommittees. The Chair and Ranking Member shall endeavor to ensure that sufficient committee staff is made available in order that each Subcommittee may carry out the responsibilities set forth in Rule 11, *supra*.

### 14. RECORDS

The Committee shall keep a complete record of all actions, which shall include a record of the votes on any question on which a recorded vote is demanded. The result of any vote by the Committee, or if applicable by a Subcommittee, including a voice vote shall be posted on the Committee's website within 24 hours after the vote has been taken. Such record shall include a description of the amendment, motion, order, or other proposition, the name of the Member voting for and against such amendment, motion, order, or other proposition, and the names of Members present but not voting. For any amendment, motion, order, or other proposition decided by voice vote, the record shall include a description and whether the voice vote was in favor or against.

The Committee shall keep a complete record of all Committee and Subcommittee activity which, in the case of a meeting or hearing transcript shall include a substantially verbatim account of the remarks actually made during the proceedings subject only to technical, grammatical, and typographical corrections authorized by the person making the remarks.

The records of the Committee at the National Archives and Records Administration shall be made available in accordance with Rule VII of the Rules of the House. The Chair of the Committee shall notify the Ranking Member of the Committee of any decision, pursuant to Rule VII, cl. 3(b)(3) or cl. 4(b), to withhold a record otherwise available, and the matter shall be presented to the Committee for a determination of the written request of any Member of the Committee.

The Committee Rules shall be made publicly available in electronic form and published in the Congressional Record not later than 30 days after the Chair of the Committee is elected in each odd-numbered year.



## 15. ACCESS TO CLASSIFIED OR SENSITIVE INFORMATION

Access to classified or sensitive information supplied to the Committee or Subcommittees and attendance at closed sessions of the Committee or a Subcommittee shall be limited to Members and necessary Committee staff and stenographic reporters who have appropriate security clearance when the Chair determines that such access or attendance is essential to the functioning of the Committee or one of its Subcommittees.

The procedures to be followed in granting access to those hearings, records, data, charts, and files of the Committee which involve classified information or information deemed to be sensitive shall be as follows:

(A) Only Members of the House of Representatives and specifically designated Committee staff of the Committee on Small Business may have access to such information.

(B) Members who desire to read materials that are in possession of the Committee shall notify the Clerk of the Committee in writing.

(C) The Clerk of the Committee will maintain an accurate access log, which identifies the circumstances surrounding access to the information, without revealing the material examined.

(D) If the material desired to be reviewed is material which the Committee or Subcommittee deems to be sensitive enough to require special handling, before receiving access to such information, individuals will be required to sign an access information sheet acknowledging such access and that the individual has read and understands the procedures under which access is being granted.

(E) Material provided for review under this rule shall not be removed from a specified room within the Committee offices.

(F) Individuals reviewing materials under this rule shall make certain that the materials are returned to the proper custodian.

(G) No reproductions or recordings may be made of any portion of such materials.

(H) The contents of such information shall not be divulged to any person in any way, form, shape, or manner and shall not be discussed with any person who has not received the information in the manner authorized by the rules of the Committee.

(I) When not being examined in the manner described herein, such information will be kept in secure safes or locked file cabinets within the Committee offices.

(J) These procedures only address access to information the Committee or Subcommittee deems to be sensitive enough to require special treatment.

(K) If a Member of the House of Representatives believes that certain sensitive information should not be restricted as to dissemination or use, the Member may petition the Committee or Subcommittee to so rule. With respect to information and materials provided to the Committee by the Executive Branch or an independent agency as that term is defined in 44 U.S.C. § 3502, the classification of information and materials as determined by the Executive Branch or independent agency shall prevail unless affirmatively changed by the Committee or Subcommittee involved, after consultation with the Executive Branch or independent agency.

(L) Other materials in the possession of the Committee are to be handled in the accordance with normal practices and traditions of the Committee.

#### 16. OTHER PROCEDURES

The Chair of the Committee may establish such other procedures and take such actions as may be necessary to carry out the foregoing rules or to facilitate the effective operation of the Committee.

#### 17. AMENDMENTS TO COMMITTEE RULES

The rules of the Committee may be modified, amended or repealed by a majority vote of the Members, at a meeting specifically called for such purpose, but only if written notice of the proposed change or changes has been provided to each Member of the Committee at least 72 hours prior to the time of the meeting of the Committee to consider such change or changes.

#### 18. BUDGET AND TRAVEL

From the amount provided to the Committee in the primary expense resolution adopted by the House of Representatives in the 113th Congress, the Chair, after consultation with the Ranking Minority Member, shall designate one-third of the budget under the direction of the Ranking Minority Member for the purposes of minority staff, travel expenses of minority staff and Members, and minority office expenses.

The Chair may authorize travel in connection with activities or subject matters under the legislative or oversight jurisdiction of the Committee as set forth in Rule X of the Rules of the House.

The Ranking Minority Member may authorize travel for any Minority Member or staff of the minority in connection with activities or subject matters under the Committee's jurisdiction as set forth in Rule X of the Rules of the House. Before such travel, there shall be submitted to the Chair of the Committee in writing the following at least seven (7) calendar days prior specifying: a) the purpose of the travel; b) the dates during which the travel is to occur; c) the names of the states or countries to be visited and the length of time spent in each; and d) the names of Members and staff of the Committee participating in such travel. Prior approval shall not be required of Minority Staff traveling to participate in a deposition, authorized by the Chair in rule 16 of these Rules of an individual located outside of Washington, DC metropolitan area.

#### 19. COMMITTEE WEBSITE

The Chair shall maintain an official Committee website for the purpose of furthering the Committee's legislative and oversight responsibilities, including communicating information about Committee's activities to Committee Members and other Members of the House. The Ranking Minority Member may maintain a similar website for the same purpose, including communicating information about the activities of the Minority to Committee Members and other Members of the House.

## 20. VICE CHAIR

Pursuant to the Rules of the House, the Chair shall designate a Member of the Majority to serve as Vice Chair of the Committee. The Vice Chair shall preside at any meeting or hearing during the temporary absence of the Chair. The Chair also reserves the right to designate a Member of the Committee Majority to serve as the Chair at a hearing or meeting.



**MEMBERSHIP AND ORGANIZATION  
OF THE  
COMMITTEE ON SMALL BUSINESS  
ONE HUNDRED AND THIRTEENTH CONGRESS  
FULL COMMITTEE**

REP. SAM GRAVES (MO-6), <i>Chairman</i>	REP. NYDIA M. VELÁZQUEZ (NY-7), <i>Ranking Member</i>
REP. STEVE CHABOT (OH-1)	REP. KURT SCHRADER (OR-5)
REP. STEVE KING (IA-4)	REP. YVETTE D. CLARKE (NY-9)
REP. MIKE COFFMAN (CO-6)	REP. JUDY CHU (CA-27)
REP. BLAINE LUETKEMEYER (MO-3)	REP. JANICE HAHN (CA-44)
REP. MICK MULVANEY (SC-5)	REP. DONALD M. PAYNE, JR. (NJ-10)
REP. SCOTT R. TIPTON (CO-3)	REP. GRACE MENG (NY-6)
REP. JAIME HERRERA BEUTLER (WA-3)	REP. BRADLEY S. SCHNEIDER (IL-10)
REP. RICHARD L. HANNA (NY-22)	REP. RON BARBER (AZ-2)
REP. TIM HUELSKAMP (KS-1)	REP. ANN M. KUSTER (NH-2)
REP. DAVID SCHWEIKART (AZ-6)	REP. PATRICK MURPHY (FL-18)
REP. KERRY L. BENTIVOLIO (MI-11)	
REP. CHRIS COLLINS (NY-27)	
REP. TOM RICE (SC-7)	
REP. BOBBY SCHILLING (IL-17)	

#### **SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE**

REP. SCOTT R. TIPTON (CO-3), <i>Chairman</i>	REP. PATRICK MURPHY (FL-18), <i>Ranking Member</i>
REP. STEVE KING (IA-4)	REP. KURT SCHRADER (OR-5)
REP. BLAINE LUETKEMEYER (MO-3)	REP. GRACE MENG (NY-6)
REP. MICK MULVANEY (SC-5)	REP. RON BARBER (AZ-2)
REP. RICHARD L. HANNA (NY-22)	
REP. TIM HUELSKAMP (KS-1)	

#### **SUBCOMMITTEE ON HEALTH AND TECHNOLOGY**

REP. CHRIS COLLINS (NY-27), <i>Chairman</i>	REP. JANICE HAHN (CA-44), <i>Ranking Member</i>
REP. STEVE KING (IA-4)	REP. KURT SCHRADER (OR-5)
REP. MIKE COFFMAN (CO-6)	REP. BRADLEY S. SCHNEIDER (IL-10)
REP. BLAINE LUETKEMEYER (MO-3)	VACANT
REP. JAIME HERRERA BEUTLER (WA-3)	
REP. TIM HUELSKAMP (KS-1)	

#### **SUBCOMMITTEE ON ECONOMIC GROWTH, TAX AND CAPITAL ACCESS**

REP. TOM RICE (SC-7), <i>Chairman</i>	REP. JUDY CHU (CA-27), <i>Ranking Member</i>
REP. STEVE CHABOT (OH-1)	REP. DONALD M. PAYNE, JR. (NJ-10)
REP. STEVE KING (IA-4)	REP. BRADLEY S. SCHNEIDER (IL-10)
REP. MIKE COFFMAN (CO-6)	REP. RON BARBER (AZ-2)
REP. MIKE MULVANEY (SC-5)	
REP. DAVID SCHWEIKERT (AZ-6)	

#### **SUBCOMMITTEE ON INVESTIGATIONS, OVERSIGHT AND REGULATIONS**

REP. DAVID SCHWEIKERT (AZ-6), <i>Chairman</i>	REP. YVETTE D. CLARKE (NY-9), <i>Ranking Member</i>
REP. STEVE CHABOT (OH-1)	REP. JUDY CHU (CA-27)
REP. JAIME HERRERA BEUTLER (WA-3)	REP. ANN M. KUSTER (NY-2)
REP. KERRY L. BENTIVOLIO (MI-11)	VACANT
REP. CHRIS COLLINS (NY-27)	
REP. TOM RICE (SC-7)	

**SUBCOMMITTEE ON CONTRACTING AND WORKFORCE**

REP. RICHARD L. HANNA (NY-22),  
*Chairman*  
REP. STEVE KING (IA-4)  
REP. MICK MULVANEY (SC-5)  
REP. SCOTT R. TIPTON (CO-3)  
REP. TIM HUELSKAMP (KS-1)  
REP. KERRY L. BENTIVOLIO (MI-11)

REP. GRACE MENG (N-6),  
*Ranking Member*  
REP. YVETTE D. CLARKE (NY-9)  
REP. JUDY CHU (CA-27)  
VACANT





## LEGISLATIVE ACTIVITIES

Clause 1(d) of rule XI of the Rules of the House of Representatives for the 113th Congress requires that each standing committee not later than January 2 of each year, submit to the House a report on the activities of that committee, including a separate section summarizing the legislative activities of that committee.

THE REGULATORY FLEXIBILITY IMPROVEMENTS ACT OF 2013

(H.R. 2542)

### *Summary*

H.R. 2542 amends the Regulatory Flexibility Act (RFA) of 1980, as amended by the Small Business Regulatory Enforcement Fairness Act. The RFA requires federal agencies to consider the economic impact of the rules they propose on small entities. H.R. 2542 would strengthen the RFA by: expanding its requirements to agencies not currently covered; requiring more detailed analyses of regulatory impact; providing new authorities to the Chief Counsel for Advocacy; enhancing the participation of small businesses in the rulemaking process; strengthening the requirement for periodic review of regulations; and improving the ability of small businesses to challenge compliance with the RFA.

### *Legislative History*

Representative Spencer Bachus, Chairman of the Subcommittee on Regulatory Reform, Commercial and Antitrust Law introduced H.R. 2542 on June 27, 2013. Original cosponsors included Representatives Sam Graves, Chairman of the Committee on Small Business and Lamar Smith, Chairman of the Committee on Science, Space and Technology. The bill was referred to the Committee on Judiciary and the Committee on Small Business, for a period to be determined by the Speaker.

Given that H.R. 2542 was nearly identical to H.R. 527 that passed the House of Representatives in the 112th Congress, the Committee on Small Business did not hold any hearings on the bill. However, as identified elsewhere in this report, the Committee on Small Business and its subcommittees considered compliance with the RFA in a number of hearings.

The Committee on Small Business met in open session, with a quorum being present, on September 18, 2013 and ordered H.R. 2542, as amended, be reported favorably to the House by a voice vote.



## OVERSIGHT SUMMARY

Clause 1(d) of rule XI of the Rules of the House of Representatives for the 113th Congress requires that each standing Committee, not later than January 2, submit to the House a report on the activities of that committee, including a separate section summarizing the oversight activities of that committee. The report shall also include a delineation of any hearings held pursuant to clauses 2(n), (o), or (p) of rule XI, related to waste, fraud, and abuse in government programs.

Part A of this section describes the hearings held in full committee. Part B of this section describes the hearings held in the subcommittees. Part C of this section addresses the hearings that relate to clauses 2(n), (o), or (p) of Rule XI. Part D of this section reproduces the Committee's oversight plan and the actions taken related to that plan, including the actions required by clause 1(d)(2)(C)–(D) of Rule XI.

### PART A

#### FULL COMMITTEE HEARINGS

##### HEARING: "STATE OF THE SMALL BUSINESS ECONOMY"

On February 13, 2013, the Committee on Small Business held a hearing in Room 2360 of the Rayburn House Office Building on the state of the small business economy. The hearing reviewed current economic indicators that measure the health of the economy, with a specific focus on access to capital. The hearing also examined the general economic concerns facing small business owners during 2013.

The witnesses were: Randall Kroszner, Ph.D., Professor of Economics, University of Chicago, Chicago, IL; Ms. Maria Coyne, Executive Vice President, Consumer and Small Business Banking, KeyBank, Cleveland, OH, testifying on behalf of the Financial Services Roundtable and the Consumer Bankers Ass'n; Mr. Sean Falk, Owner and President, WolFTeaM LLC, Cedar Park, TX, testifying on behalf of the International Franchise Association; and Ms. Margot Dorfman, CEO, U.S. Women's Chamber of Commerce, Washington, DC.

Dr. Kroszner testified that the economy is currently on a sideways slide and does not believe that the economy will make great strides in 2013. Ms. Coyne testified that many small business owners are reluctant to take-on additional debt in the form of bank loans and the Small Business Administration can improve their loan products by streamlining processes and reducing paperwork. Mr. Falk testified about the current business environment, including concerns about taxes, healthcare and regulations. Specifically, Mr. Falk testified that the healthcare law will lead to reductions

in hours for his employees and have a detrimental effect on hiring. Ms. Dorfman testified that women-owned small business continue to struggle to access capital and there need to be improvements in government contracting for small business.

HEARING: "ENTREPRENEURIAL ASSISTANCE: EXAMINING  
INEFFICIENCIES AND DUPLICATION ACROSS FEDERAL PROGRAMS"

On March 20, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of providing oversight on fragmentation, overlap, and duplication in entrepreneurial assistance programs across the federal government, specifically between the United States Small Business Administration (SBA) and the United States Department of Agriculture (USDA). The hearing examined the United States Government Accountability Office's (GAO) reports identifying opportunities for improvements across 52 entrepreneurial assistance programs and discussed steps taken by USDA and SBA to implement GAO's recommendations. Further, based on GAO's reports the hearing examined which entrepreneurial assistance programs may be ineffective or redundant.

The witnesses were: Mr. William B. Shear, Director, Financial Markets and Community Investment, GAO, Washington, DC; Michael A. Chodos, Esq., Associate Administrator for Entrepreneurial Development, SBA, Washington, DC; and Mr. Doug O'Brien, Deputy Under Secretary for Rural Development, USDA, Washington, DC.

The witnesses provided testimony on GAO's reports which identified 52 entrepreneurial assistance programs across the government and revealed significant overlaps and fragmented delivery of assistance. Mr. Shear testified that inefficiencies among these programs "could compromise the government's ability to effectively provide the needed services and meet the shared goals of the programs." He further opined that better data collection and further collaboration among the agencies was necessary. Mr. Chodos stated the SBA is enhancing its outreach and collaborative efforts with other agencies but recognizes that "there are always further opportunities to use taxpayer dollars wisely." Mr. O'Brien testified that in response to GAO's report, USDA was developing a strategic plan "to improve the quality of performance measurement within the next two years," and was researching options with SBA to enhance collaboration in rural communities.

HEARING: "SMALL BUSINESS TAX REFORM: GROWTH THROUGH  
SIMPLICITY"

On April 10, 2013, the Committee on Small Business met in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on tax reform and how it could affect small businesses. The hearing, titled "Small Business Tax Reform: Growth Through Simplicity," focused on various legislative proposals released by the Committee on Ways and Means on March 10, 2013 aimed at simplifying the tax code and lowering tax rates.

The witnesses for the hearing were: The Honorable Dave Camp (R-MI), Chairman, Committee on Ways and Means, United States House of Representatives, Washington, DC; Mr. Sam Griffith,

President and CEO, National Jet Company, LaVale, MD, testifying on behalf of the National Tooling and Machining Association; Mr. Steve Bearden, President and CEO of Linemark Printing, Upper Marlboro, MD, testifying on behalf of Printing Industries of America; Mr. Tim Watters, President and CEO of Hoffman Equipment, Piscataway, NJ, testifying on behalf of the Associated Equipment Dealers (AED); and Mr. Roger Harris, President and COO of Padgett Business Services, Athens, GA.

Chairman Camp began the hearing by stating that the tax code ought to be easier to understand and less expensive for small businesses to comply with because every dollar they are not spending on taxes and tax compliance is a dollar they have to invest in equipment, start a new production line, hire a new employee or provide more in wages and benefits. He also stated that his goal for comprehensive tax reform is a simpler, fairer tax code that leads to more jobs and higher wages. Mr. Griffith stated that both he and the National Tooling and Machining Association wholeheartedly support tax reform that includes real reform for both C Corporations and pass-through companies which make up the majority of small businesses in this country. Mr. Bearden continued to say that Chairman Camp's overall goal of simplifying tax rules concerning small business in order to reduce the impact of tax costs and complexity is one both he and the Printing Industries of America can and do support. Mr. Watters testified that AED members overwhelmingly believe that the uncertainty surrounding the tax code is dragging down the economy. Finally, Mr. Harris stated that many small business owners that rely heavily on their business checking accounts for their basic books, what might seem like good tax policy here in the halls of Congress will be, and is, seen as needless burden to someone simply trying to make the next payroll. He later went on to say that Chairman Camp's proposal heads in the right direction for entrepreneurs looking for a simpler system that simplifies their lives and lets them just focus on running and building their businesses.

HEARING: "HEALTH CARE LAW: IMPLEMENTATION AND SMALL  
BUSINESSES

On April 17, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "The Health Care Law: Implementation and Small Businesses."

The witnesses were: Douglas Holtz-Eakin, Ph.D., President, American Action Forum, Washington, DC; Mr. William J. Gouldin, Jr., President, Strange's Florists, Greenhouses and Garden Centers, Richmond, VA, testifying on behalf of the National Federation of Independent Business; Ms. Louisa McQueeney, General Manager/CFO, Palm Beach Groves, Lantana, FL, testifying on behalf of the Main Street Alliance; and Mr. Kevin Tindall, Owner, Tindall & Ranson Heating & Cooling, Princeton, NJ, testifying on behalf of the Plumbing-Heating-Cooling Contractors—National Association.

Dr. Holtz-Eakin discussed the health care law's regulatory burdens, regulatory uncertainty, taxes and fees, and impact of raising the cost of insurance have seriously impeded small business growth. For example, he cited the burden of 80 billion hours of pa-

perwork and \$33.8 billion in costs to comply with the law, and taxes and fees that actually encourage small firms to stay small rather than expand and grow.

Mr. Gouldin, who has 100–150 employees in a blend of full-time, part-time, and seasonal workers, has offered and paid for 100% of his full time employees' health coverage since the 1970s. He testified that his premium costs have risen from .44% of sales in 1968 to nearly 2% of sales in 2012, and rising costs are suppressing wages. He believes the IRS' definition of a "full-time" employee as one working 30 hours or more per week will cause employers to shift employees to 27 hours per week.

Ms. McQueeney stated that she benefited from the law's free wellness checkup, the provision allowing her daughter to remain on her policy after college graduation, and the small business health care tax credit. Her firm also received a refund from its insurer because it did not reach its medical loss ratio goal.

Mr. Tindall, who has 20 employees (down from 30 due to the economy), will not be affected by the employer mandate initially but wants to continue to provide health coverage for his employees. However, in 2011, his premiums rose 9.7% followed by a hike of 9.3% for 2012. He said these continued increases completely stifle his ability to create, provide and sustain jobs.

#### HEARING: "THE BUDGET OUTLOOK FOR THE SMALL BUSINESS ADMINISTRATION"

On April 24, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "The Budget Outlook for the Small Business Administration." Each year the Committee is required to provide its views and estimates on the budget proposal by the President for the United States Small Business Administration (SBA). This hearing was the Committee's examination of the SBA's budget.

The only witness for the hearing was the Hon. Karen Mills, Administrator, SBA, Washington, DC. The Administrator testified that the budget would: increase the availability of guaranteed loans to small businesses; provide for 32 new procurement center representatives; and establish new, unauthorized entrepreneurial training programs.

#### HEARING: "RETROSPECTIVE REVIEW: HAVE EXISTING REGULATORY BURDENS ON SMALL BUSINESSES BEEN REDUCED?"

On May 8, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on federal agencies' efforts to review their existing regulations, as ordered by President Obama under Executive Orders 13,563 and 13,610. The hearing examined whether the retrospective review efforts of the United States Department of Transportation (DOT), the United States Small Business Administration (SBA) and the United States Department of Agriculture (USDA) are resulting in meaningful cost or paperwork burden reductions for small businesses.

The witnesses were: the Hon. Polly Trottenberg, Under Secretary of Transportation for Policy, DOT, Washington, DC; Ms. Jeanne

Hulit, Associate Administrator for Capital Access, SBA, Washington, DC; and Ms. Cheryl Cook, Chief Information Officer, USDA, Washington, DC.

Under Secretary Trottenberg discussed the process DOT used to implement its retrospective review plan and provided several examples of rulemaking actions that DOT is pursuing that it expects will positively affect small businesses. Ms. Hulit testified that SBA has proposed several regulatory changes in an effort to increase eligibility for SBA's 7(a) and Certified Development Company loan programs for small businesses. Ms. Cook testified that after reviewing 2,100 public comments and conducting an evaluation of its regulations, USDA identified 13 initiatives in its review plan and is in the process of implementing several initiatives that will reduce paperwork burdens.

HEARING: "PATENT REFORM IMPLEMENTATION AND NEW CHALLENGES  
FOR SMALL BUSINESSES"

On May 15, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of providing oversight on the implementation of the America Invents Act (AIA) and its effects on small firms. The AIA signed into law on September 16, 2011, made significant changes to the procedures by which the United States awards patents. Given these changes, the hearing addressed how the procedural changes affect the ability of small businesses to obtain patents. In addition, the hearing examined how patent assertion entities (PAEs), also called "patent trolls," affect small firms and whether additional changes are needed in patent procedures to ameliorate the adverse consequences of PAEs on small firms.

The witnesses were: Dennis D. Crouch, Esq., Associate Professor of Law, University of Missouri School of Law, Columbia, MO; Mr. Jeff Grainger, Managing Partner, The Foundry LLC, Menlo Park, CA; John R. Thomas, Esq., Professor of Law, Georgetown University Law Center, Washington, DC; and Mr. Mark Grady, Founder and President, INdigital Telecom, Fort Wayne, IN.

The witnesses provided testimony on the impact of patent reform on innovative small firms as well as obstacles still present under the patent system; such as frivolous lawsuits by PAEs, which hinder a small firm's ability to develop innovation and stimulate economic growth. Prof. Crouch noted that changes in the AIA create a more robust patent system, but indicated that a rise in patent litigation may jeopardize small firms, who often settle rather than fight to ensure the claim has merit. Mr. Grainger testified on the need for small inventors to have "a strong patent system that provides a fast and efficient examination process, discourages frivolous patent challenges, and imposes serious sanctions on infringers." Prof. Thomas discussed the benefits of the AIA for patent holders particularly in establishing more certainty, but noted that patent trolling remains significant and systematic issue. Mr. Grady testified that overall the AIA brought about a stronger patent system, but indicated that as PAEs remained a substantial challenge and more should be done to prevent them from unfairly targeting small inventors.

HEARING: "REDUCING DUPLICATION AND PROMOTING EFFICIENCY AT  
THE SBA: THE INSPECTOR GENERAL'S VIEW"

On June 5, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of hearing from the Small Business Administration's (SBA) Inspector General on the audits, management assessments, and investigations of improper activity by SBA personnel. The hearing provided members of the Committee with the opportunity to uncover potential changes to SBA operations that would improve efficiency of agency operations without undermining the ability to serve small businesses.

The only witness at the hearing was the Hon. Peggy E. Gustafson, Inspector General, SBA, Washington, DC. The Inspector General testified that her office issued 22 reports containing 126 recommendations for improving SBA operations. She also testified that investigators in her office led to 59 indictments and 59 convictions of those people who defrauded the government.

HEARING: "MADE IN THE USA: STORIES OF AMERICAN  
MANUFACTURERS"

On June 19, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of highlighting the accomplishments of and challenges facing small American manufacturers. The hearing, which took place during the Small Business Administration's National Small Business Week, offered members of the committee the opportunity to invite owners and operators of successful small manufacturing businesses that could share their stories.

The first panel of witnesses was made up of: Mr. Rick Scwhind, Jr., V.P. and General Manager, Continental Tool, Smithville, MO; Mr. Terry Iverson, President and CEO, Iverson & Company, Des Plaines, IL; and Mr. Bruce Broxterman, President, Richards Industries, Cincinnati, OH. The second panel was: Mr. Michael Mittler, President, Mittler Brothers Machine & Tool, Wright City, MO; Ms. Jill Johnson, Founder and CEO, Institute for Entrepreneurial Leadership, Newark, NJ; Mr. Anthony Wanger, President, IO, Phoenix, AZ; and Mr. Jim Allen, Director, Shapeways, Inc., Long Island City, NY. Panel number three consisted of: Ms. Barbara Schindler, President, Golden Artist Colors, Inc., New Berlin, NY; Ms. Shelly Gibbons, Vice President, Quik Mart, Tucson, AZ; Mr. Mike Bergmeier, President, Shield Agricultural Equipment, Hutchinson, KS; and Mr. Aaron Bagshaw, President, WH Bagshaw Co., Inc., Nashua, NH. Witnesses on the last panel were: Mr. Brad Braddon, President, Commodore, Bloomfield, NY; Ms. Shirley Brostmeyer, CEO, Florida Turbine Technologies, Jupiter, FL; and Mr. Richard Najarian, President, Precision Global Systems, Troy, MI.

Mr. Schwind, Mr. Broxterman, and Mr. Bergmier all testified about the potential adverse consequences that the President's health care law will have on their ability to expand operations. Mr. Iverson, Mr. Allen, and Mr. Bagshaw opined that finding qualified workers, especially in manufacturing and with appropriate STEM educations, is problematic for small businesses. Mr. Mittler, Ms.



Schindler, Mr. Braddon, Ms. Gibbons and Mr. Najarian told the Committee that regulatory uncertainty, in general (and not just the implementation of the healthcare law), remains an obstacle to further expansion of their businesses. Ms. Johnson and Ms. Brostmeyer opined that programs designed to help small businesses (in terms of entrepreneurial education and government contracting) are providing small businesses with the assistance needed. Finally, Mr. Wanger noted that small businesses, by providing quality service will always have customers.

HEARING: "READY TO EXPORT: SMALL BUSINESS POLICY  
RECOMMENDATIONS FOR USTR"

On June 26, 2013 the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for a hearing titled, "Ready to Export: Small Business Policy Recommendations for USTR." The Committee received testimony regarding international trade negotiations conducted by the Office of the United States Trade Representative and their effect on small firms.

The witnesses were: Mrs. Pam Johnson, Family Farmer, President, National Corn Growers Association, Floyd, IA, testifying on behalf of the National Corn Growers Association; Mr. Brooke Fishback, International Sales Manager, Health Enterprises, Inc., North Attleboro, MA; Gary Hufbauer, Esq., Ph.D., Reginald Jones Senior Fellow, Peter G. Peterson Institute for International Economics, Washington, DC; and Mrs. Mariana Huberman, Store Owner, UPS Store, Washington, DC.

Mrs. Johnson provided an overview of the importance and growing demand of United States agricultural exports, including a possible all-time high in export value for the current year. She also stressed the importance of having strong science-based testing on food products in free trade agreements (FTA) to ensure fair market access to foreign markets.

Mr. Fishback stated the potential benefits of new trade agreements, including new sales and increased trade facilitation as a result of harmonizing regulations. He noted that new market access from the Trans-Pacific Partnership could yield sales in the hundred thousand for his small firm.

Dr. Hufbauer opined on the positive benefits of international trade agreements for both direct exporters and indirect exporters. He also stated that the FTAs would make a significant positive impact on small business exporters by lowering costs, reducing red tape and simplifying international payments.

Mrs. Huberman explained the impact of trade policy on service exporters. She stated United States service exports had a \$150 billion trade surplus in 2012 and are a growing export sector. She stressed the importance of the FTAs and the World Trade Organization negotiations on Trade in Services in leveling the playing field for small service companies.

HEARING: "BEYOND THE BELTWAY: SUCCESSFUL STATE STRATEGIES  
FOR SMALL BUSINESS GROWTH"

On July 10, 2013, the Committee on Small Business met in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony from state officials on innovative ways to entice

and keep business in their states through, among other things, smart regulation, lower tax regimes, low cost of business formation, and access to capital. The hearing, titled “Beyond the Beltway: Successful State Strategies for Small Business Growth” examined why certain states are successful at attracting and retaining businesses, particularly small businesses, in their state.

The witnesses for the hearing were: Mr. Pat Costello, Commissioner, South Dakota Office of Economic Development, Pierre, SD; the Hon. Nick Jordan, Secretary, Kansas Department of Revenue, Topeka, KS; Mr. Aaron Demerson, Executive Director, Texas Office of Economic Development and Tourism, Austin, TX; and, the Hon. Jim Cheng, Secretary of Commerce and Trade, Commonwealth of Virginia, Richmond, VA.

Mr. Costello began the hearing by testifying that South Dakota’s tax climate is unmatched by any other state in the nation as they have no corporate income tax, no personal income tax, no business inventory tax, no personal property tax and no inheritance tax. Additionally, he continued, South Dakota continually balanced their budget and maintained a surplus. Secretary Jordan stated that starting this year, Kansas began exempting non-wage business income from state income tax. This is the type of income earned by the majority of small Kansas businesses, which typically are structured as LLCs, sole proprietorships, or S-corps, commonly referred to as ‘flow-throughs’ since the taxes for this business income are filed on individual income tax returns rather than corporate tax returns. Mr. Demerson testified that over the last decade, Texas leaders have made principled, thoughtful decisions by not over-taxing, over-regulating or over-litigating their citizens. In Texas, he specified, they have an obligation, responsibility, and goal to the taxpayers to take the necessary steps to make government more efficient and streamlined while reducing spending without raising taxes. Secretary Cheng concluded the testimony by stating Virginia recently launched a regulatory reform initiative to reduce the number of burdensome regulations placed on small businesses. Since September 2012, 562 sections in the Virginia Administrative Code have been identified and 157 sections have already been repealed. He testified that it is not what the federal or state government can do for small business that matters, but how the government can ensure it does not erect unnecessary barriers to job creations.

HEARING: “THE INTERNAL REVENUE SERVICE AND SMALL BUSINESSES:  
ENSURING FAIR TREATMENT”

On July 17, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building, Washington, DC, for the purpose of receiving testimony on how the Internal Revenue Service (IRS or Service) targets the tax returns of small business owners for additional scrutiny and audit. Following the recent report by the Treasury Inspector General for Tax Administration (TIGTA) that the IRS improperly targeted certain conservative organizations that applied for non-profit status, Chairman Graves sent a letter on May 31, 2013 to Acting IRS Commissioner Daniel Werfel expressing concern about the criteria used in the review process. Because the Committee wants to ensure that all taxpayers are treated fairly, it held the hearing to inquire about the screen-

ing process IRS uses to review the tax returns of small business owners, how the audit process for small businesses works, and what yield or return the IRS receives as a result. The only witness was Mr. Daniel Werfel, Acting Commissioner of the Internal Revenue Service, Washington, DC.

In his testimony, Mr. Werfel said there was no current evidence of the use of inappropriate screeners or other types of criteria in IRS operations beyond those discussed in the TIGTA report. However, he also said the IRS recognizes there is public concern over the criteria used to review those applications, a concern which the Chairman expressed in his letter. Mr. Werfel said he realizes the IRS needs to do more to evaluate its screening criteria and procedures, so it is establishing a review process by which screening criteria and procedures across the IRS will be periodically assessed to safeguard against any risks of inappropriate criteria. Furthermore, Mr. Werfel said the IRS will continue to review the full range of IRS operations, processes and practices to better focus on its mission. In response to questions, Mr. Werfel said he would provide the Committee with a list of government agencies and third parties with which the IRS shares taxpayer data. Mr. Werfel designated a senior staff member at the Service that the Committee staff may stay in contact with on these issues.

HEARING: "REDUCING RED TAPE: THE NEW OIRA ADMINISTRATOR'S  
PERSPECTIVE"

On July 24, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on the results of federal agencies' efforts to review their existing regulations as required by Executive Orders 13,563 and 13,610. The hearing examined whether agencies' retrospective review efforts are resulting in meaningful burden reductions for small businesses.

The only witness for the hearing was the Hon. Howard Shelanski, the Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC.

Administrator Shelanski, the official charged with overseeing agencies' retrospective review initiatives, began his testimony by discussing the importance of reviewing existing regulations to streamline, modify, or repeal regulations and reduce unnecessary burdens and costs. The Administrator then discussed several final rules that have removed unnecessary recordkeeping and reporting requirements and eliminated outdated regulations. The Administrator noted that the Department of Transportation retrospective review plan identified a number of initiatives that would save small businesses money, including an initiative that would remove duplicative requirements for air carrier drug and alcohol testing programs. The Administrator closed by stating that he intends to look for ways to institutionalize retrospective review of regulations and ensure that it produces significant cost savings for small businesses.

HEARING: "MISSOURI RIVER MANAGEMENT: DOES IT MEET THE NEEDS  
OF SMALL BUSINESSES?"

On August 21, 2013, the Committee on Small Business met in Room 301 of St. Joseph City Hall, 1100 Frederick Avenue, St. Joseph, Missouri, for the purpose of receiving testimony on: "Missouri River Management: Does It Meet the Needs of Small Businesses?" The purpose of the hearing was to learn the views of small businesses and rural communities pertaining to the United States Army Corps of Engineers (Corps) management of the Missouri River System. The hearing also examined various federal statutes authorizing and influencing Corps management activities.

The witnesses were: Ms. Kathy Kunkel, Clerk, Holt County, Oregon, MO; Mr. Lanny Frakes, Vice President, Missouri Levee and Drainage District Ass'n, Rushville, MO; Ms. Jody Farhat, Chief, Missouri River Management Division, Northwestern Division, United States Army Corps of Engineers, Omaha, NE; Mr. Jason Gregory, Owner, Gregory Farm, Hemple, MO, testifying on behalf of the Missouri Farm Bureau Federation; and Joel Euler, Esq., Troy, KS, testifying on behalf of the South Side Levee District.

Ms. Kunkle testified that in her opinion, the Corps does not do enough to emphasize flood prevention, navigation, and recreational uses of the Missouri River; instead the Corps focuses on fish and wildlife preservation in response to directives of the United States Fish and Wildlife Service. Mr. Frakes, Mr. Gregory, and Mr. Euler agreed with this assessment. Ms. Farhat explained the management of the Missouri River basin and the procedures used to balance the competing interests that utilize the river.

HEARING: "THE CHALLENGE OF RETIREMENT SAVINGS FOR SMALL  
EMPLOYERS"

On October 2, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building, Washington, DC, for the purpose of receiving testimony on the challenges small employers face in offering retirement plans to their employees. The witnesses were: Ms. Catherine Collinson, President, Transamerica Center for Retirement Studies, Los Angeles, CA; Paula A. Calimafde, Esq., PaleyRothman, Bethesda, MD, testifying on behalf of the Small Business Council of America and the Small Business Legislative Council; C. Roy Messick, CPA, QPA, TPP Retirement Plan Specialists, LLC, Overland Park, KS; and Mr. Ray Rucksdashel, Chief Financial Officer, Quest-Tec Solutions, Inc., Houston, TX.

Ms. Collinson presented the results of Transamerica's 14th annual retirement benefits survey. It suggested that recent trends toward part-time employment, due in part to the health care law's definition of full-time as averaging 30 hours per week, could signal a decline in retirement plan coverage. At small companies, only 36% of part-time workers are offered plans, compared to 68% of full-time workers.

Ms. Calimafde encouraged the Committee members to increase the tax incentives for retirement savings, noting a strong correlation between tax benefits and employers offering retirement plans.

She also said research shows that employees are 14 times more likely to save for retirement if offered a workplace plan.

Mr. Messick testified that employers offer 401(k) plans because they are a significant employee recruiting tool, and contribution limits are higher than for an IRA. On the other hand, retirement plans are complicated to administer, and so they are expensive to offer. For some small firm owners, the tax savings are not sufficient to outweigh the cost.

Mr. Rucksdashedel said his firm's 401(k) plan has been critical to attracting and retaining skilled workers in the competitive oil and gas industry and in a competitive labor market like Houston. He said that the company's plan is costly to offer, but it costs less than recruiting, hiring and training new employees.

HEARING: "THE STARTUP MOVEMENT"

On November 20, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to examine the importance of startups to the economy and receive testimony on whether distinctions between startups and small businesses necessitate different policies.

The witnesses were: Mr. Adam Arredondo, Co-Leader, Kansas City Startup Village, Kansas City, KS; Ms. Allison Lami Sawyer, CEO and Founder, Rebellion Photonics, Houston, TX; Mr. Jeff Reid, Founding Director, Georgetown Entrepreneurship Initiative, Georgetown University, Washington, DC; and Mr. Anton Gelman, CEO, Cont3nt, Dulles, VA.

The witnesses provided testimony highlighting startups as a distinguishable subset of small firms and detailing characteristics that makes startups successful as well as explaining the unique challenges they face. Mr. Arredondo testified that startups want rapid growth and "although a startup can be categorized as a small business, very few small businesses can be categorized as a startup." Mrs. Lami Sawyer noted that while the SBIR program is beneficial, broadly the federal procurement process works too slowly and does not lend itself to the fast growing pace of burgeoning startups, which disadvantages both the government and the startups. Mr. Reid opined that entrepreneurship can be taught and that focusing on entrepreneurial spirit is important in addition to reducing uncertainty and regulations. Mr. Gelman discussed the principles of startups such as scalable growth, which lead to rapid job creation, a characteristic not found in traditional small firms.

HEARING: "THE HEALTH CARE LAW: THE EFFECT OF THE BUSINESS AGGREGATION RULES ON SMALL EMPLOYERS"

On December 4, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building, Washington, DC, for the purpose of receiving testimony on the health care law's use of the business aggregation rules and their effect on small employers. Under the health care law, to determine whether an employer is subject to the employer mandate, he or she must calculate if at least 50 full-time equivalents have been employed during the preceding year. To do this, the business owner currently must determine the businesses that comprise "the employer" using the Internal Revenue Code's business aggregation rules.

The witnesses were: Deborah Walker, CPA, National Director, Compensation & Benefits, Cherry Baekert LLP, Washington, DC; Ms. Sibyl Bogardus, Chief Compliance Officer, Western Region Employee Benefits, Hub International Insurance Services Inc., Salt Lake City, UT; Mr. Ellis Winstanley, Chief Executive Officer, Tradelogic Corporation, Austin, TX, testifying on behalf of the National Restaurant Ass'n; and Donna Baker, CPA, Donna Baker & Associates, Adrian, MI.

Ms. Walker testified that to do this, one needs detailed information on business ownership and the business relationships between the entities. Many small businesses are not aware of the business aggregation rules or have the technical knowledge needed to decipher them. The witnesses said entrepreneurs will require the advice of a tax specialist who fully understands the business aggregation rules.

Ms. Bogardus testified that most small businesses are not aware of the rules. Although the rules do apply to other situations, such as a business voluntarily offering a retirement plan, the application in the health care law is mandatory. She said business owners are refraining from hiring so they will not be close to the 50-employee employer mandate threshold. She also said some business owners may avoid investing in other businesses, depriving them of scarce capital. Young people are not enrolling in coverage, even with lower premiums, because they would rather have the money.

Mr. Winstanley, who owns several small businesses in different industries with his brother and others with his parents, said his businesses are likely to be aggregated together, requiring him to offer health insurance to all of his full-time employees. He believes the health care law is draining resources that would otherwise be used to grow the companies.

Ms. Baker, who owns a small accounting firm and a small tax and payroll business, said even she as a Certified Public Accountant did not possess the specialized knowledge of the business aggregation rules, and did not think the rules would apply to her situation. Her husband and his brother operate a dairy farm which, because the land is co-owned by Ms. Baker and Mr. Baker's sister-in-law, will be aggregated with Ms. Baker's company under the health care law. Ms. Baker also stated that her insurance plan has been cancelled, and premiums for her new plan rose by 40–44% and has fewer benefits.

HEARING: "THE SMALL BUSINESS HEALTH OPTIONS PROGRAM: IS IT WORKING FOR SMALL BUSINESSES?"

On December 11, 2013, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "The Small Business Health Options Program: Is It Working for Small Businesses?" The purpose of the hearing was to examine the implementation of the Small Business Health Insurance Program (SHOP) health insurance exchanges authorized in the Patient Protection and Affordable Care Act.

The witness was: Gary Cohen, Esq., Deputy Administrator, Centers for Medicare and Medicaid Services, Department of Health and Human Services, Washington, DC.

Chairman Graves and Committee members questioned Deputy Administrator Cohen regarding delays in the implementation of the SHOP exchanges. Chairman Graves noted that the Centers for Medicare and Medicaid Services was aware of significant technological issues that could preclude online enrollment in health insurance through the Federally-Facilitated SHOP exchange, yet the Administration repeatedly assured small businesses and Congress that these problems would be fixed by early November 2013, and then by mid-November 2013 before announcing on November 27, 2013 that online enrollment through the Federally-Facilitated SHOP exchanges would be delayed until November 2014.

Committee members also requested Deputy Administrator Cohen provide the Committee with information on the number of small businesses that have obtained health insurance coverage through SHOP exchanges and how many small businesses will receive tax credits for the purchase of health insurance coverage as of the date of the hearing. Deputy Administrator Cohen stated he did not have this information readily available. Deputy Administrator Cohen promised to provide data on the enrollees through the SHOP exchanges to the Committee.





## **PART B**

### **SUBCOMMITTEE HEARINGS**

#### **HEARING: "SMALL BUSINESS TRADE AGENDA: OPPORTUNITIES IN THE 113TH CONGRESS"**

On February 28, 2013, the Subcommittee on Agriculture, Energy and Trade of the Committee on Small Business met for a hearing titled, "Small Business Trade Agenda: Opportunities in the 113th Congress." The hearing provided an opportunity to examine the obstacles and barriers that deter small businesses from participating in international trade. In addition, the hearing highlighted possible trade policy initiatives for the 113th Congress.

The witnesses were: Mr. Daniel Ogden, Chairman of District Export Council (DEC) and Attorney at Law & International Trade Consultant, Carrollton, TX; Ms. Jenny Fulton, CEO of Miss Jenny's Pickles, Kernersville, NC, testifying on behalf of the U.S. Chamber of Commerce; Mr. Michael Myhre, Associate State Director, Florida Small Business Development Center (SBDC) Network, Tallahassee, FL, testifying on behalf of the Association of Small Business Development Centers; and Mr. Raymond Arth, President and CEO of Phoenix Products, Inc., Avon Lake, OH, testifying on behalf of the National Small Business Association and Small Business Exporters Association.

At the hearing, a panel of private witnesses discussed key policy issues affecting their ability to compete globally. Mr. Ogden provided comprehensive testimony on a variety of trade barriers faced by small firms, such as export controls, international standards, and non-tariff barriers. He also provided recommendations on how to improve the coordination of the state and federal trade promotion agencies. Ms. Fulton voiced her concerns over the confusion of where to start in the export process and complications navigating multiple agencies. She advocated for the federal export promotion programs to be more effective through better coordination, elimination of duplicative activities, and better allocation of resources. Mr. Myhre perorated the services and resources provided by the SBDC to assist domestic exporters, including market analysis and consultation. Mr. Arth outlined the top barriers for his manufacturing business, including identifying foreign buyers, limited access to information and resources regarding foreign regulations, and access to export capital. He also emphasized that state and federal agencies play an important role in helping small businesses export.

HEARING: “REGULATING THE REGULATORS—REDUCING BURDENS ON  
SMALL BUSINESS”

On March 14, 2013, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony to examine agency compliance with the Regulatory Flexibility Act (RFA).

The witness for the first panel was: the Hon. Winslow Sargeant, Ph.D., Chief Counsel for Advocacy, Office of the Chief Counsel for Advocacy, United State Small Business Administration, Washington, DC. The witnesses on the second panel were: Marc Freedman, Esq., Executive Director, United States Chamber of Commerce, Washington, DC; Mr. Carl Harris, Vice President and General Manager, Carl Harris Co., Inc., Wichita, KS, testifying on behalf of the National Association of Home Builders; and Rena Steinzor, Esq., Professor of Law, Francis King Carey School of Law, University of Maryland, Baltimore, MD.

At the hearing, Dr. Sargeant testified that agency compliance with the RFA continues to improve. However, he also noted that he has submitted 90 comment letters to federal agencies outlining small business concerns with regulatory proposals since being appointed Chief Counsel in August 2010.

Mr. Freedman testified that the Occupational Safety and Health Administration (OSHA) and other Department of Labor agencies give short shrift to the RFA’s analytical and procedural requirements. He noted that OSHA and other Department of Labor agencies do not always conduct affirmative outreach, as required under Section 609 of the RFA, before promulgating regulations and therefore do not fully understand the costs or impacts of their regulatory proposals on small business.

In his testimony, Mr. Harris, the co-founder of a small specialty construction company, testified that in his experience agencies too often treat the RFA and its Small Business Advocacy Review Panel process as merely a “check-the-box” exercise and artfully avoid compliance by other means. He provided examples of the failure of agencies to: adequately analyze economic impacts; engage with small businesses in a meaningful way; and comply with the Small Business Advocacy Review panel requirements.

Ms. Steinzor’s testimony contended that the Office of Advocacy mission should be to represent small businesses in proceedings before federal agencies. According to Professor Steinzor, that mission has been abdicated because the Office of Advocacy uses the definition of small business for various industrial classifications adopted by the Small Business Administration.

HEARING: “CONSISTENTLY INCONSISTENT: CHALLENGES FOR SERVICE-  
DISABLED VETERAN-OWNED SMALL BUSINESSES”

On March 19, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business and the Subcommittee on Oversight and Investigations of the Committee on Veterans’ Affairs met in Room 2360 of the Rayburn House Office Building to receive testimony examining challenges facing service-disabled veteran-owned small businesses (SDVOSBs) seeking federal contracts

using both the Small Business Administration (SBA) and the Department of Veterans Affairs (VA) contracting programs. Specifically, the Subcommittees focused on the statutory, regulatory and interpretive difference in the two programs and how these differences affect veterans. Further, the hearing examined how effectively the programs operate and explored ways to improve the efficiencies of the programs.

The witnesses on the first panel were: Mr. Joseph Wynn, VET-Force Treasurer, Vietnam Veterans of America, Washington, DC; Mr. Davy Leghorn, Assistant Director, National Economic Division, The American Legion, Washington DC; Mr. Marc Goldschmitt, PMP, CEO, Goldschmitt and Associates, LLC, Reston, VA; and Jonathan T. Williams, Esq., Partner, PilieroMazza, PLLC, Washington, DC. The witnesses on the second panel were: Mr. William Shear, Director, Financial Markets and Community Investment, United States Government Accountability Office (GAO), Washington, DC; Mr. A. John Shoraka, Associate Administrator, Office of Government Contracting and Business Development, United States Small Business Administration (SBA), Washington, DC; and Mr. Tom Leney, Executive Director, Veterans and Small Business Programs, Department of Veterans Affairs (DVA), Washington, DC.

The witnesses provided testimony on the various challenges facing SDVOSBs seeking to utilize federal contracting programs and how discrepancies among SBA and DVA's programs exacerbate those challenges. Mr. Wynn testified that 98 percent of DVA denials for SDVOSB status were due to challenges in understanding DVA's regulations related to ownership and control, rather than fraud or international misrepresentation. Mr. Leghorn stated that given SBA's expertise, increasing SBA's role in the appellate process would ensure more consistency between agency decisions and expedite the process. Mr. Goldschmitt highlighted that DVA's current verification program denies legitimate small firms an opportunity to compete by forcing SDVOSBs to adhere to extreme interpretations of a regulation. Mr. Williams testified that although well-intentioned the lack of consistency in the verification process at DVA and the differences between DVA and SBA's regulatory interpretations cause confusion and inefficiency for SDVOSBs. Mr. Shear indicated that, based on GAO's report, DVA would be unequipped to handle implementing a government-wide certification veteran plan. Mr. Shoraka noted although the regulations between SBA and DVA are similar, SBA conducted reviews on a case-by-case basis rather than adopting a bright line test. Mr. Leney testified that DVA was aware of the challenges within its verification process as it seeks to prevent fraud and ensure only legitimate SDVOSBs receive certification, but that DVA was working with SBA to resolve differences.

HEARING: "PROTECTING SMALL BUSINESSES AGAINST EMERGING AND COMPLEX CYBER-ATTACKS"

On March 21, 2013, the Subcommittee on Health and Technology of the Committee on Small Business met for a hearing titled, "Protecting Small Businesses Against Emerging and Complex Cyber-Attacks." The hearing examined the increased volume and complexity

of cyber-attacks as it affects emerging technologies utilized by small businesses, such as cloud computing and mobile technology.

Information technology is a key component for how small businesses operate and compete in the 21st Century. However, as new technologies are deployed, additional opportunities for cyber-criminals exist to attack firms and steal their valuable information. According to a recent study, nearly 20 percent of all cyber-attacks were directed to small businesses with less than 250 employees. The statistics also show that nearly 60 percent of small businesses will close within six months after a cyber-attack.

Witnesses on the only panel were: William H. Weber, Esq. Senior VP & General Counsel, Cbeyond, Atlanta, GA, testifying on behalf of Comptel; Justin Freeman, Esq., Corporate Counsel, Rackspace, San Antonio, TX, testifying on behalf of Application Developers Alliance; Mr. Dan Shapero, Founder, ClikCloud, Laguna Beach, CA, testifying on behalf of CompTia; and Phyllis Schneck, Ph.D., VP & Chief Technology Officer, Global Public Sector, McAfee, Inc., Reston, VA.

At the hearing, a panel of private sector witnesses discussed the best practices for small business in utilizing new technology for both increased productivity and better protection against security threats. They provided detailed analysis of the growing trends and complexity of cyber-attacks. Mr. Weber provided an overview of the benefits (both in lower cost and enhanced security) of small businesses in utilizing cloud computing. Mr. Freeman explained the growth in mobile applications and the role of developing and securing applications through the cloud. Mr. Shapero suggested best practices that small firms can utilize in adopting new technology, while also proffering policy recommendations concerning issues such as data breaches and workforce education. Finally, Dr. Schneck outlined the current cyber-threats faced by small businesses and offered some best practices available to the public and private sector to protect against such threats.

#### HEARING: "JOBS ACT IMPLEMENTATION UPDATE"

On April 11, 2013, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony on the Securities and Exchange Commission's (SEC) efforts to implement the Jumpstart Our Business Startups Act of 2012 (JOBS Act). The JOBS Act is a bipartisan effort to reduce regulatory burdens associated with small businesses obtaining equity investment from the public.

The witness on the first panel was: Mr. Lona Nallengara, Acting Director, Division of Corporation Finance, SEC, Washington, DC. The witnesses on the second panel were: Ms. Jean Peters, Managing Director, Golden Seeds, Midlothian, VA, testifying on behalf of the Angel Capital Association; Mr. William Klehm, CEO, Fallbrook Technologies, San Diego, CA, testifying on behalf of CONNECT; Mr. Kevin Rustagi, CEO, Evolution of Noise and Co-founder Ministry of Supply, Austin, TX, testifying on behalf of the Small Business Entrepreneurship Council; and James Angel, Ph.D., Professor of Finance, McDonough School of Business, Georgetown University, Washington, DC.

Mr. Nallengara provided the Subcommittee with an update on the SEC's progress to date on implementing the JOBS Act. He admitted that the SEC has missed the deadlines for rulemaking action required in the law and could not provide a date when the final rules would be issued.

The witnesses on the second panel provided testimony on how the JOBS Act, once implemented, will improve both access capital and investment opportunities in small business. Ms. Peters testified that the SEC's proposed rule on general solicitation and advertising has the potential to discourage angel investment in small firms because the SEC has not clarified what "reasonable steps" are to verify that investors are accredited. Mr. Klehm stated that the ability to access capital is the most significant challenge he faces and the JOBS Act provision increasing the amount of capital that can be raised under Regulation A to \$50 million from \$5 million will be very helpful once the SEC Acts to implement the law. Mr. Rustagi testified that equity-based crowdfunding has the potential to be very helpful to startup businesses who cannot raise funds from traditional sources and that the SEC should issue rules as quickly as possible. Finally, Professor Angel testified that the SEC has been slow to implement the JOBS Act and that the Commission has shown a pattern of antipathy towards the idea of crowdfunding and is in great danger of killing the idea through regulatory delay and overregulation.

#### HEARING: "INNOVATION AS A CATALYST FOR NEW JOBS"

On April 18, 2013, the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony on how to bolster America's competitiveness and propel economic growth through innovation and entrepreneurship. As the United States continues to struggle with high unemployment and a sluggish economy, this hearing examined how innovation leads to entrepreneurship, what conditions are necessary to grow communities that are innovation-friendly which in turn will create jobs, and what some of the most innovative localities are doing to attract high-tech companies, thereby allowing entrepreneurship to thrive in those communities.

The witnesses were: Mr. Jack Roach, Director, Southeastern Institute of Manufacturing and Technology, Florence, SC; Ms. Julie Lenzer Kirk, Co-Chair, Startup Maryland, Columbia, MD; Mr. Steve Johnson, President and CEO, CreatiVasc, Greenville, SC; and Mr. Michael D. McGeary, Co-Founder, Engine Advocacy, San Francisco, CA.

The witnesses provided testimony on the role that innovative small businesses play in creating jobs and how Washington can spur more entrepreneurship. Mr. Roach testified that historically innovation has created the majority of American jobs, but for that to continue entrepreneurs need access to emerging technologies, ability to connect with customers, access to capital, and a skilled workforce. Ms. Kirk underscored the importance utilizing local communities' strengths to spur innovation by connecting entrepreneurs to one another and preexisting resources. Mr. Johnson highlighted the importance of innovation as a means to competi-

tiveness in the global market and the need for capital to allow innovations to transition into the marketplace. Mr. McGeary testified on the importance of high-tech startups to economic growth and job creation because for each job created in the high-tech sector 4.3 jobs are created in other sectors.

HEARING: "HELP WANTED: THE SMALL BUSINESS STEM WORKFORCE  
SHORTAGE AND IMMIGRATION REFORM"

On April 25, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "Help Wanted: The Small Business STEM Workforce Shortage and Immigration Reform." The purpose of the hearing was to examine how the science, technology, engineering and mathematics (STEM) workforce shortage is affecting the current and future economic health and viability of small businesses and to discuss whether changes to existing employment-based immigration laws for temporary and permanent legal resident aliens are necessary to help small businesses meet their STEM workforce needs.

The witnesses were: John Tyler, Esq., General Counsel and Secretary, Ewing Marion Kauffman Foundation, Kansas City, MO; Mr. Nagappa Ravindra, President, Ravi Engineering and Land Surveying, Rochester, NY, testifying on behalf of the American Council of Engineering Companies; Mr. Ryan Costella, Director of Strategic Initiatives, Click Bond, Inc., Carson City, NV; and Mr. Morgan Reed, Executive Director, Association for Competitive Technology, Washington, DC.

The witnesses testified that small firms face great difficulties in recruiting workers with appropriate educations and skills in STEM occupations. Mr. Reed perorated some of the STEM job openings in each member's district that have gone unfilled for many months. Mr. Tyler testified that American small businesses are not only in a global competition for market share, but for employee talent as well. Mr. Costella mentioned that his firm has great difficulty in finding employees with basic STEM skills necessary for entry level positions with this firm. Mr. Ravindra noted that it has become much more difficult and costly for potential immigrants with advanced STEM educations to seek permanent residency in the United States, despite employer demand for their skills.

All of the witnesses agreed with Chairman Hanna's assessment that STEM-based industries and occupations are critically important to the future competitiveness of the United States economy, and they also agreed that not enough is being done at the elementary, secondary, postsecondary and vocational education levels to prepare students and workers for occupations in these new and emerging industries. In addition, the witnesses stated their common belief that expanding guest worker and immigrant visas for highly skilled STEM workers is important to the competitiveness of small businesses.

HEARING: "HEALTH CARE LAW: IMPLEMENTATION AND SMALL  
BUSINESSES"

On May 9, 2013, the Subcommittee on Health and Technology of the Committee on Small Business met in Room 2360 of the Ray-

burn House Office Building for a hearing on “The Health Care Law: Implementation and Small Businesses.” The purpose of the hearing was to receive testimony on the impact of the Patient Protection and Affordable Care Act on small businesses.

The witnesses were: Mr. William J. Dennis, Jr., Senior Research Fellow, National Federation of Independent Business (NFIB) Research Foundation, Washington, DC; Mr. Ryan P. Thorn, President, Ryan P. Thorn Insurance Planning, Inc., South Jordan, UT, representing the National Association of Health Underwriters; Paul N. Van de Water, Ph.D., Senior Fellow, Center for Budget and Policy Priorities, Washington, DC; and Mr. Dean Norton, President, New York Farm Bureau, Elba, NY.

Mr. Dennis said a recent NFIB Foundation study found the insurance fee is likely to be passed on to consumers of fully-funded health insurance—usually small business owners and their employees—in the form of increased premiums. He also cited the report’s findings that the fee will cost 146,000 to 262,000 private sector jobs by 2022, with 59% of the losses in the small business sector. This could amount to a reduction of U.S. real output of between \$19 billion and \$35 billion within the same period, he said.

Mr. Thorn, a small business owner himself, sells and services small business group health insurance policies. He noted that when health insurance premiums go up, people buy less insurance coverage or simply forgo it altogether. When the cost of coverage goes up, he said, it impacts hiring. He also said employers often change full-time employees to part-time status, since most part-time employees are not offered health insurance.

Mr. Norton, an agricultural economist whose family owns a dairy farm, discussed the burden that higher premiums will place on farmers. Because farmers operate on thin margins and are subject to volatile commodity prices, Mr. Norton said they are less able to absorb the cost of higher premiums. He predicted that if premiums continue to increase, more farmers will simply be unable to provide coverage for themselves and their employees.

#### HEARING: “IF YOU BUILD IT: THE KEYSTONE XL PIPELINE AND SMALL BUSINESS JOB GROWTH”

On May 16, 2013, the Subcommittee on Agriculture, Energy and Trade of the Committee on Small Business met in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on the potential economic benefits to small businesses and rural communities where construction of the Keystone XL pipeline will take place. The hearing titled, “If You Build It: The Keystone XL Pipeline and Small Business Job Growth,” served as an opportunity to examine how the project could reduce the United States’ reliance on higher-priced foreign oil and replace it with stable, secure supplies from both Canada and the United States; create high paying jobs; and inject billions of dollars into the United States economy.

The witnesses for the hearing were: Mr. Brent Booker, Secretary-Treasurer, Building and Construction Trades Department, AFL-CIO, Washington, DC; Mr. Peter Bowe, President and CEO, Ellicott Dredges, Baltimore, MD, testifying on behalf of the National Association of Manufacturers; Mr. Mat Brainerd, President,

Brainerd Chemical Company, Tulsa, OK, testifying on behalf of the National Association of Chemical Distributors; and Christopher R. Knittel, Ph.D., William Barton Rogers Professor of Energy Economics, Sloan School of Management, Massachusetts Institute of Technology, Cambridge, MA.

Mr. Booker began the hearing by stating that America's building trades unions support the construction of the Keystone pipeline which will move oil from deposits in Canada to existing refineries in Texas, Oklahoma and the Midwest and are adamant in their belief that the economic, energy security, and national security benefits associated with the construction of this pipeline are too many and too significant to allow it to be derailed by a narrow and misguided political agenda being advanced by a small minority of ill-advised environmental groups. Mr. Bowe continued by testifying that one way or the other, Canadians will eventually solve their distribution problems, with or without United States governmental collaboration. To the extent this process is delayed, he continued, the producers will suffer economic loss, and their suppliers, like his company, will suffer as well, including diminished employment. Mr. Brainerd stated that his industry would benefit from building the pipeline in three distinct ways. First, like many industries, chemical distribution benefits from economic growth generally. Second, building the pipeline would reduce costs for aromatic and aliphatic chemicals, diesel and rail tank cars. Third, it would benefit the economics of hydraulic fracturing, which is an important market that many in his industry serve. Dr. Knittel concluded the testimony by stating that when the economy is below full employment, as it is today, short-term increases in employment are likely to have long-standing effects. He continued that this is the argument for why economic stimulus should be used by governments in times of recession; when the economy is below full employment the long-term benefits of deficit spending outweigh the cost of financing this debt. Here, the country would get the benefits of this short-term stimulus without adding to the debt.

HEARING: "BUILDING AMERICA: CHALLENGES FOR SMALL  
CONSTRUCTION CONTRACTORS"

On May 23, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony and examine potential legislation which addresses barriers to the maximum practicable utilization of small business construction and architect and engineering (A&E) contractors. The hearing specifically addressed the following areas that often limit small businesses from effectively competing on construction projects: (1) surety bond issues; (2) the use of reverse auctions for construction and construction services; (3) subcontracting credit allowance; and (4) failure to properly use a two-step procurement process for design build contracts.

The witnesses on the first panel were: Mr. Mark McCallum, CEO, National Association of Surety Bond Producers, Washington, DC; Thomas J. Kelleher Jr., Esq., Senior Partner, Smith, Currie & Hancock, Atlanta, GA, testifying on behalf of the Associated General Contractors of America; Ms. Helene Combs Dreiling, First Vice



President, American Institute of Architects, Roanoke, VA; and Ms. Felicia James, President, Primestar Construction, Dallas, TX, testifying on behalf of the United States Women's Chamber of Commerce. The witnesses on the second panel were: Mr. James C. Dalton, Chief of the Engineering and Construction Division, Directorate of Civil Works, United States Army Corps of Engineers (USACE), Washington, DC; and Ms. Jeanne Hult, Associate Administrator for Capital Access, United States Small Business Administration (SBA), Washington, DC.

The first panel of witnesses provided examples of why the contracting areas, highlighted in the hearing, prohibit small businesses from competing on construction projects. Further, the first panel provided testimony on the benefits of proposed and draft legislation and how the various bills would significantly expand small businesses opportunity to participate in construction contracting. Mr. McCallum highlighted the benefits of raising the guarantee rate for the SBA's surety bond programs under H.R. 776, noting this would attract more corporate sureties. Mr. Kelleher discussed the impediments to small business subcontractors under current law and the necessity to allow prime contractors count lower tiers. Ms. Combs Dreiling testified that the substantial cost of submitting a design-build contract was "increasingly prohibitive for small firms." Ms. James discussed the various impediments her small construction firm had faced in bidding for federal contracts and agreed that H.R. 776 "adds transparency to the surety assets."

The second panel of witnesses highlighted the benefits of utilizing small firms in federal construction projects. Further, Mr. Dalton discussed a pilot program run by USACE which concluded that for construction projects reverse auction did not provide the government with substantial savings. Ms. Hult discussed SBA's surety bond program and the benefits of raising the caps from \$2 million to \$6.5 million which occurred in the National Defense Authorization Act.

HEARING: "FINANCING AMERICA'S SMALL BUSINESSES: INNOVATIVE  
IDEAS FOR RAISING CAPITAL"

On June 6, 2013, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony on innovation in small business finance. Small businesses are taking advantage of new and innovative methods that use technology to access lenders and investors. Lenders and investors are also taking advantage of technology to lower their costs in finding new investment opportunities. This hearing discussed several of these innovations.

The witnesses were: Ms. Danae Ringelmann, Co-founder, Indiegogo, San Francisco, CA; Mr. Benjamin Miller, Co-founder, Fundrise, Washington, DC; Mr. Alejandro Cramedes, Founder and CEO, Rock The Post, New York, NY; and Ms. Michelle Sullivan, Senior Director of Corporate Communications and External Affairs, Boston Beer Company, Boston, MA.

The witnesses provided testimony on the financing tools they offer and how they believe the JOBS Act will impact their business models. Ms. Ringelmann testified that the Internet has changed

how small businesses can access capital and that fraud protection is very important to websites like Indiegogo and that the private sector is in the best position to create fraud deterrents. Mr. Miller testified that his company has demonstrated that equity-based crowdfunding can be successful and that the current regulatory approval process for securities offerings is inefficient and does not protect investors. Mr. Cramedes testified that the JOBS Act will bring a lot more new investors and new capital to small businesses. Ms. Sullivan testified that financing programs that include an education component can be very effective at helping small businesses.

HEARING: "THE SEASONAL EMPLOYMENT NEEDS OF SMALL TOURISM BUSINESSES AND H-2B VISA POLICY"

On June 12, 2013, the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on small business utilization of the H-2B visa program. The H-2B visa program allows employers who cannot find temporary or seasonal American workers to bring in foreign workers to fill low-skilled, non-agricultural jobs during their peak seasons. The hearing examined the effects of the recent one-month suspension of H-2B visa application processing and the recent regulatory change that may adversely affect the costs faced by small tourism businesses that hire workers with H-2B visas.

The witnesses were: Mr. Brad Dean, President and CEO, Myrtle Beach Area Chamber of Commerce, Myrtle Beach, SC; Ms. Sarah Diment, Owner, The Beachmere Inn, Ogunquit, ME, testifying on behalf of the American Hotel and Lodging Association; William Spriggs, Ph.D., Chief Economist, American Federation of Labor and Congress of Industrial Organizations, Washington, DC; and Ms. Jane Nichols Bishop, President, Peak Season Workforce, Mashpee, MA.

Mr. Dean discussed the difficulties that small tourism businesses in the Myrtle Beach area have in finding enough American workers to fill seasonal jobs and the importance of the H-2B visa program, which allows employers to supplement their American workforce with temporary foreign workers. Ms. Diment testified that the suspension of the H-2B visa program and uncertainty surrounding the approval of H-2B workers caused The Beachmere Inn to withdraw from the program which has led to a staffing shortage that is negatively affecting her American staff and the services the inn can provide to its customers. Dr. Spriggs discussed the importance of finding jobs for unemployed Americans and protecting wages of American workers. Ms. Bishop testified that her small business clients that have received supplemental prevailing wage determinations are facing sudden labor cost increases of ten to 34 percent and do not have the ability to change the rates they have set for the season.

HEARING: "PUTTING THE STRATEGY IN SOURCING: CHALLENGES AND OPPORTUNITIES FOR SMALL BUSINESS CONTRACTORS"

On June 13, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony on the effects

of the Federal Strategic Sourcing Initiative (FSSI) on small businesses. The hearing specifically addressed the following areas: (1) the Administration's new strategic sourcing council and its efforts to make strategic sourcing mandatory; (2) the One Acquisition Solution for Integrated Services (OASIS) and OASIS Small Business (OASIS SB) contracts; and (3) FSSI commodity initiatives currently under consideration by the General Services Administration (GSA) and their effects on the health of GSA's other contracts.

The witnesses on the first panel were: Mr. Stan Z. Soloway, President & CEO, Professional Services Council, Arlington, VA; Robert A. Burton, Esq., Senior Partner, Venable LLP, Washington, DC; Roger Waldron, Esq., President, The Coalition for Government Procurement, Washington, DC; and Mr. Trey Hodgkins, Senior Vice President, Global Public Sector, TechAmerica, Washington, DC. The witnesses on the second panel were: the Hon. Joseph G. Jordan, Administrator, Office of Federal Procurement Policy, Washington, DC; and Mr. Jeff Koses, Director, Office of Acquisition Operations, Federal Acquisition Service, GSA, Washington, DC.

The first panel of witnesses provided examples of how strategic sourcing is used and its effects on small business; specifically noting the problematic effects of closing various schedules and making use of strategic sourcing vehicles mandatory. Mr. Soloway explained his organization supported the government's use of strategic sourcing, but expressed concerns relating to how the "term is used and understood and how its initiatives are implemented across the government." Mr. Burton discussed how GSA's proposed strategic sourcing initiatives would negatively affect small businesses and be counterproductive to the original goal of strategic sourcing. Mr. Waldron explained the importance of GSA's Multiple Award Schedule program noting that it provides small businesses with an economical and efficient entry point into the federal marketplace; and expressed concerns that mandatory use of strategic sourcing contracts would reduce small business opportunities. Mr. Hodgkins highlighted the detrimental effects that the OASIS contracts would have on small firms, as many services offered by small businesses may not lend themselves to strategic sourcing due to unique requirements by various governmental agencies.

The second panel of witnesses defended the current application of strategic sourcing while indicating that all efforts would be made to maximize small business participation. Mr. Jordan remained committed to making strategic sourcing mandatory. Mr. Koses noted that as GSA continued utilizing strategic sourcing they would ensure significant opportunities for a limited number of small businesses.

HEARING: "THE NEW DOMESTIC ENERGY PARADIGM: POTENTIAL  
BENEFITS FOR SMALL BUSINESSES AND THE ECONOMY"

On June 20, 2013, the Subcommittee on Agriculture, Energy and Trade of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "The New Domestic Energy Paradigm: Potential Benefits for Small Businesses and the Economy." The purpose of the hearing was to examine the economic benefits of increased oil and natural gas production to the United States, with a special emphasis

on how these benefits, and associated jobs created, could accrue to small businesses.

The witnesses were: Mr. John W. Larson, Vice President, Economics and Country Risk, IHS Global Insight, Washington, DC; Mr. Simon Ormerod, CEO, Ajax Rolled Ring and Machine, York, SC, testifying on behalf of the Forging Industry Association; Mr. Chuck Grobe, Commissioner, Moffat County, Craig, CO; and Sean Meyn, Ph.D., Director, The Florida Institute for Sustainable Energy, University of Florida, Gainesville, FL.

Mr. Larson testified that most of the new oil and gas produced in the United States is derived from unconventional fields and that employment associated with economic activity from these fields could grow to more than three million jobs in 2020, up from 1.7 million jobs in 2012. He also testified that unconventional oil and natural gas production contributed \$62 billion in federal and state revenues in 2010 and that this figure could grow to \$111 billion by the year 2020. Mr. Ormerod called the increased natural gas production potential of the United States a “game changer” for energy-intensive manufacturers, like the forging industry. He stated that increased natural gas supplies have resulted in lower utility and feedstock costs at stable and consistent prices and that these outcomes provide his business and industry with a competitive edge versus foreign forging manufacturers. Mr. Grobe testified that oil and gas production are important sources of economic activity and revenues for many rural counties in western Colorado. He noted that 60 percent of the area of Moffat County includes federal lands managed by the United States Department of Interior’s Bureau of Land Management (BLM) and that a BLM decision to forgo leasing on these lands has reduced economic opportunities and revenues for businesses and the government in the county. Dr. Meyn testified that the United States should also develop renewable sources of energy in addition to oil and gas.

HEARING: “MOBILE MEDICAL APP ENTREPRENEURS: CHANGING THE  
FACE OF HEALTH CARE”

On June 27, 2013, the Subcommittee on Health and Technology of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building, Washington, DC, for the purpose of receiving testimony on “Mobile Medical App Entrepreneurs: Changing the Face of Health Care.” The purpose of the hearing was to examine small businesses that developed medical applications for mobile devices and the regulatory uncertainty surrounding their adoption by physicians and consumers.

The witnesses were: Mr. Alan Portela, Chief Executive Officer, AirStrip, San Antonio, TX; Mr. Keith Brophy, Chief Executive Officer, Ideomed, Grand Rapids, MI; Christopher Burrow, M.D., Executive Vice President for Medical Affairs, Humetrix, Del Mar, CA, testifying on behalf of the Application Developers Alliance; and Ms. Sabrina Casucci, Doctoral Candidate, Industrial and Systems Engineering, University at Buffalo, Buffalo, NY.

Mr. Portela reviewed the landscape of mobile medical applications. He explained that over the past twenty years, information technology has truly undergone a transformation. Mr. Portela testified that mobile medical apps, such as those developed by AirStrip,

are becoming crucial to individuals who are increasingly interested in managing their own health.

Mr. Brophy testified that Ideomed invested significant capital in the development of an original prototype for a Bluetooth-connected tracking device integrated with an asthma inhaler. As the process advanced, it became clear that the time and cost of achieving Food and Drug Administration (FDA) approval was prohibitive for his small company and Ideomed now focuses on products that do not require FDA approval.

Dr. Burrow said interoperability presents particular challenges for Medicare patients, who tend to transition from one provider and health care setting to another. Mobile health records can help to close that information gap.

Ms. Casucci, who along with her colleagues at the University at Buffalo, developed an app to address the complex problem of hospital discharge. The app brings hospital personnel, caregivers and family members into post-acute care decisions. Ms. Casucci and her team won second prize in the GE Hospital Quest competition for their innovation. She told the Subcommittee members that mobile medical technology offers the promise of economic development and job creation for New York and our nation.

HEARING: "AMERICAN COMPETITIVENESS WORLDWIDE: IMPACTS ON  
SMALL BUSINESSES AND ENTREPRENEURS"

On July 9, 2013, the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony on strengthening America's competitiveness by creating federal policies which foster business production and economic growth. The hearing also examined the actions undertaken by firms, on their own initiative to restore competitiveness and ensure heightened productivity.

The witnesses were: Michael Porter, Ph.D., Bishop Lawrence University Professor, Institute for Strategy and Competitiveness, Harvard Business School, Cambridge, MA; Mr. Smyth McKissick, CEO, Alice Manufacturing Company Inc., Easley, SC; Mr. James McConeghy, CFO, Chobani, Inc., Norwich, NY; and Cynthia McIntyre, Ph.D., Senior Vice President, Council on Competitiveness, Washington, DC.

The witnesses provided testimony on ways to promote economic growth and restore America's place within the global economy, specifically focusing on federal policies that promote firms' ability to be competitive. Prof. Porter discussed his February 2013 study on competitiveness which details eight federal policies that would revive the United States competitiveness compared to other nations. All witnesses agreed that Prof. Porter's eight federal policy recommendations would help bolster competitiveness, particularly lowering the corporate tax rate. Mr. Smyth testified on strategies his small textile manufacturing firm has utilized to remain competitive despite obstacles due to currency manipulation and how federal trade policies could bolster competitiveness. Mr. McConeghy highlighted the benefits of receiving a Small Business Administration guaranteed loan to start Chobani as well as how the company experienced substantial growth during the recession. Further, Mr.

McConeghy highlighted regulations in the dairy industry and barriers to entry in global markets that the United States could address to continue to foster productivity for Chobani. Dr. McIntyre testified on the benefits of advanced manufacturing, specifically the role of high performance computing, as a way to drive innovation and make the United States more competitive in a global marketplace.

HEARING: "THE PRESIDENT'S CLIMATE ACTION PLAN: WHAT IS THE IMPACT ON SMALL BUSINESSES?"

On July 18, 2013, the Subcommittee on Agriculture, Energy and Trade met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on: "The President's Climate Action Plan: What Is the Impact on Small Businesses?" The purpose of the hearing was to examine the potential economic impacts to small businesses of the President's directive to the Environmental Protection Agency (EPA) to initiate and finalize rulemaking to limit greenhouse gas (GHG) emissions from new and then existing electric generation facilities (EGUs) under § 111 of the Clean Air Act (New Source Performance Standards). In addition, the Committee sought to examine the EPA's plans to comply with its obligations under the Regulatory Flexibility Act during this rulemaking.

The witnesses were: Mr. Michael Kezar, General Manager, San Miguel Electric Cooperative, Inc., Jourdanton, TX; Mr. James L. Brown, President, Bremen Castings, Inc., Bremen, IN; Bernard Weinstein, Ph.D., Associate Director, Maguire Energy Institute, Southern Methodist University, Dallas, TX; and Mr. Paul Gardner, Vice President of Business Development, Agilis Group, Inc., Palm Beach Gardens, FL.

Mr. Kezar testified that a previously proposed NSPS rule, which was never finalized, to limit GHG emissions from newly constructed EGUs would have made it impossible for small, coal-fired EGUs, like that operated by his cooperative, to meet the emissions limit standard. Mr. Brown testified that nearly 80 percent of electric utility power in Indiana is produced from coal-fired EGUs. He fears that GHG emission limits that coal-fired plants can't meet will lead to the premature retirement of these EGUs, thus leading to an increase in his firm's energy costs and a reduction in his firm's international competitiveness. Dr. Weinstein testified that public policy in the United States appears to presume that the United States is an energy resource poor nation, meaning energy resources are scarce, when the United States possesses substantial resources that can provide small businesses and consumers with affordable energy for many decades into the future. Mr. Kezar and Mr. Brown agreed with this assessment. Mr. Gardner testified that federal, state and local government efforts to promote the adoption of less GHG intensive fuels has served as a catalyst to increase research and development of more efficient means of producing and delivering energy. As a small businesses engineering firm that helps design gas turbine engines, this has increased demand for his firm's services.

HEARING: "EXAMINING THE SMALL BUSINESS INVESTMENT COMPANY PROGRAM"

On July 25, 2013, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of examining the Small Business Administration's (SBA) Small Business Investment Company (SBIC) program. As part of its oversight efforts, the Subcommittee reviewed the SBIC program to determine whether it is meeting the capital needs of small business owners and entrepreneurs while reducing risk to taxpayers.

The witnesses were: Ms. Pravina Raghavan, Acting Associate Administrator for Investment, United States Small Business Administration, Washington, DC; Mr. Steven Brown, President, Trinity Capital Investment, Chandler, AZ, testifying on behalf of the Small Business Investor Alliance; Mr. John Sherman, Founder, Director and former CEO, Inergy, LP, Kansas City, MO; Mr. Philip Alexander, CEO, BrandMuscle, Cleveland, OH, testifying on behalf of the U.S. Chamber of Commerce; David Robinson, Ph.D., Professor, Fuqua School of Business, Duke University, Durham, NC.

The witnesses provided testimony about the SBIC Program that ranged from how it is administered by the Small Business Administration to the real-life benefits it has brought to growing small businesses. Associate Administrator Raghavan testified on the program's ability to provide capital to small businesses and discussed agency processes surrounding the program, specifically, how the agency administers the investment fund licensing process, and ways the agency plans to manage risk given the program's growth. Mr. Brown testified that his recently licensed SBIC fund, Trinity Capital Fund II, has \$70 million of combined private capital and SBA leverage with which to invest in small businesses, and offered ways the SBA could improve the SBIC Program, particularly by using financial reporting technology platforms and making the licensing process more "efficient" without lowering the current high standard to become licensed. Mr. Sherman testified that although the company he founded, Inergy, LP, now employs 3,000 people and has raised billions of dollars in the public markets since growing from a fledgling business, an investment from a group of SBICs in early 2001 remains the most critical investment it ever received. Mr. Alexander testified that the "SBIC Program was unique in its ability" to provide capital to the company he started at a point where its growth had become stagnant and debt financing from traditional channels wasn't available. Dr. Robinson testified that young businesses are responsible for the vast majority of job creation in the United States, and because of this, the Early Stage SBIC Program is "laudable," but must be designed in a way to provide early-stage investors with sufficient capital to make follow-on investments.

HEARING: "JOB CREATION IN HIGHER EDUCATION COMMUNITIES: HOW UNIVERSITY RESEARCH AND DEVELOPMENT SPURS SMALL BUSINESS GROWTH"

On August 5, 2012, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Binghamton, New

York for the purpose of conducting a hearing titled “Job Creation in Higher Education Communities: How University Research and Development Spurs Small Business Growth.” The hearing examined the symbiotic relationship between Binghamton University (BU) and the surrounding community, with a particular focus on how BU’s research has led to small business creation and economic growth in the Southern Tier of New York.

The witnesses for the hearing were: Bahgat Sammakia, Ph.D., Vice President of Research, Binghamton University, Vestal, NY; Mr. Chuck Schwerin, CEO, Sonostics, Inc., Binghamton, NY; and Mr. Rick Pray, President, RPA Electronics, Binghamton, NY.

Dr. Sammakia began the testimony by stating that as a country, we must reinvest in research and development. He continued to say that we also need to strengthen our commitment to education in the Science, Technology, Engineering, and Mathematics (STEM) disciplines. He believes it is the only way to prepare the next generation of Americans and American companies for what we know will be a global race for prosperity and security. Mr. Schwerin continued the testimony by stating that firms like his do not possess all the skills necessary to navigate the ever-changing regulatory shoals and that continuing education support for legal and accounting professionals specifically in the area of innovation incentives, would help small companies like his grow and improve the chances for success. Mr. Pray concluded the testimony by stating that jobs in the training and simulation marketplace are exactly those targeted by education programs such as STEM initiatives which lead to excellent wages and benefits. He also mentioned that being able to compete with companies in other areas (with other university partners) for Small Business Technology Transfer (STTR) grants in the field of training and simulation would directly benefit the local economy and provide a measurable impact.

HEARING: “PRIVATE SECTOR INITIATIVES TO EDUCATE SMALL  
BUSINESS OWNERS AND ENTREPRENEURS”

On September 19, 2013, the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of shedding light on private sector efforts to educate small business owners and entrepreneurs. The Subcommittee examined private sector training and mentorship programs by highlighting the stories of specific private sector initiatives and their effects on small businesses.

The witnesses were: Ms. Dina Powell, Managing Director, Goldman Sachs, New York, NY; Stephen Morgan, Ed.D., Chairman, Board of Trustees, My Own Business, Inc., City of Industry, CA; Mr. Damien Stevens, Founder and CEO, Servosity, Greenville, SC; Kim Pate, Esq., Chief External Relations Officer, Corporation for Enterprise Development, Washington, DC.

The witnesses provided testimony about their efforts to educate and train current and future small business owners, as well as how learning from such efforts has helped one company recently grow from one to twelve employees. Ms. Powell testified on the Goldman Sachs 10,000 Small Businesses Initiative, specifically how it simultaneously provides its small business participants with three re-



sources: an educational curriculum, access to capital, and business advising. She also announced that Goldman Sachs has just launched a national expansion of the initiative, and it is now open to any small business owner in the nation that wishes to apply. Dr. Morgan testified that My Own Business, Inc., a non-profit organization, has provided free online training courses to nearly 35 million current and aspiring entrepreneurs over the last 20 years, including through partnerships with the World Bank and Cisco, and was previously linked to from the Small Business Administration's website. Mr. Stevens testified on how his move in 2009 as a one-man company, Servosity, into the NEXT Innovation Center, a collaborative workspace in Greenville, South Carolina, allowed him the opportunity to learn from other CEOs and secure growth financing, which has led to the addition of 12 employees with plans to add 30 more in the next 18 months. Ms. Pate testified on the importance of micro-businesses, those with four or fewer employees, to the economy and discussed ways the Corporation for Enterprise Development supports these entities, with one example being the Self-Employment Tax Initiative, which provides free tax support to low-income entrepreneurs.

HEARING: "SMALL BUSINESS ACCESS TO CAPITAL IN SCOTTSDALE ARIZONA"

On September 23, 2013, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met at the Skysong Innovation Center, Arizona State University, Scottsdale, AZ for a field hearing on the local environment for small businesses seeking to raise capital and the regulatory impediments to investors providing funds to entrepreneurs, especially those in high-growth fields. The hearing also examined the implementation of the Jumpstart Our Business Startups Act of 2012 (JOBS Act).

The witnesses were: Mr. James Goulka, Managing Director, Arizona Technology Investors Forum, Mesa, AZ; Mr. Nima Jacob Nojourni, Founder and CEO, itsWorth, LLC, Tempe, AZ; and Mr. Thomas H. Curzon, Senior Partner, Osborn Maledon, Phoenix, AZ.

The witnesses provided testimony on local financing resources for entrepreneurs and the potential effects of the JOBS Act. Mr. Goulka testified that the Securities and Exchange Commission's proposed rule on general solicitation and advertising creates serious impediments for angel investors to invest in new issues (of securities) by private companies, and if not amended, will limit investment in deals that are privately generally solicited. Mr. Nojourni testified that Arizona has an emerging startup community and that states need to do a better job of creating a sustainable ecosystem that includes a variety of funding sources. Mr. Curzon testified that investor conferences like Invest Southwest can help Arizona better address current market conditions and continue the growth of the ecosystem.

HEARING: "THE EFFECTS OF THE HEALTH LAW'S DEFINITION OF FULL-TIME EMPLOYEE ON SMALL BUSINESSES"

On October 9, 2013, the Subcommittee on Health and Technology of the Committee on Small Business met in Room 2360 of the Ray-

burn House Office Building for the purpose of receiving testimony on “The Effects of the Health Law’s Definition of Full-Time Employee on Small Businesses.” The purpose of the hearing was to examine the potential economic and employment effects of the health law’s definition of full-time employee as one who works an average of 30 hours per week.

The witnesses were: Mr. Raymond J. Keating, Chief Economist, Small Business and Entrepreneurship Council, Vienna, VA; Mr. Steve Hermann, Vice President, Paul’s Supermarket, Inc., Eldon, MO, testifying on behalf of the National Grocers Association; Mr. Stephen Bienko, President & Owner, 42 Holdings, LLC, Fairfield, NJ, testifying on behalf of the International Franchise Association; and Dean Baker, Ph.D., Co-Director, Center for Economic and Policy Research, Washington, DC.

Mr. Keating testified that the health law’s definition of full-time employee is an incentive for firms to reduce the hours of employees to less than 30 hours a week so as to avoid the strictures of the employer mandate. He further stated that recent surveys of small business owners and executives report that firms have reduced hiring or have reduced employee hours to less than 30 hours a week in response to the employer mandate. Mr. Hermann testified that most part-time employees at his stores work more than 30 hours per week, but less than 40 hours per week. He said it is not economical for his firm to provide health insurance to employees working less than an average of 40 hours per week and that he fears that his firm may need to reduce the hours of part-time employees below 30 hours per week. Mr. Bienko testified that consumer demand for his services is variable and so are the hours his part-time employees may work in a week. Mr. Hermann and Mr. Bienko both testified that many of their part-time employees prefer receiving their compensation in wages versus non-wage benefits. Dr. Baker testified that his organization’s analysis of recent employment data does not indicate that the employer mandate has had a measurable impact on business hiring decisions and that data indicate that employers have not reduced employee hours to avoid the employer mandate.

HEARING: “BUNGLING BUNDLING: HOW CONTRACT BUNDLING AND CONSOLIDATION REMAIN CHALLENGES TO SMALL BUSINESS SUCCESS”

On October 10, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony regarding the ongoing problems that unjustified contract bundling and consolidation pose for small businesses. Specifically, the hearing focused on the absence of sound data regarding bundling and consolidation; the lack of agency-level accountability for complying with current statutes; and problems with the current statutory constructs for bundling and consolidation.

The witnesses were: Ms. Gloria Larkin, President, TargetGov, Baltimore, MD, testifying on behalf of Women Impacting Public Policy; Robert A. Burton, Esq., Senior Partner, Venable LLP, Washington, DC; Ms. Juanita Beauford, President, Association of Procurement Technical Assistance Centers, Newark, DE; and Ms. Margot Dorfman, CEO, U.S. Women’s Chamber of Commerce,

Washington, DC. They provided examples of how contract bundling and consolidation are underreported in the Federal Procurement Data System, while agencies continue to bundle and consolidate requirements without consequence. Ms. Larkin emphasized that “these enormous bundled contracts inherently limit small business from competing.” Ms. Beauford stated that counselors at Procurement Technical Assistance Centers are reporting that, “there is confusion both about what constitutes bundling and that there are requirements to make solicitations accessible to small businesses. Enforcement of such requirements is simply not happening.” Mr. Burton drew attention to the, “lack of recourse for small businesses that have been negatively impacted by agency noncompliance with the applicable regulations.” Ms. Dorfman concluded that, despite Congressional efforts, “[t]he issues of bundling, consolidation, and the ever-popular euphemism strategic sourcing are alive and well in the Federal marketplace.”

HEARING: “SELF-INSURANCE AND HEALTH BENEFITS: AN AFFORDABLE OPTION FOR SMALL BUSINESSES?”

On November 14, 2013, the Subcommittee on Health and Technology of the Committee on Small Business met in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony from industry leaders and small business owners regarding the trend of small businesses choosing to self-insure their employees’ health care coverage rather than purchase health insurance from insurers. The hearing titled “Self-Insurance and Health Benefits: An Affordable Option for Small Businesses?” also examined whether changes to the health care marketplace, including the implementation of the new health care law, are influencing these decisions.

The witnesses for the hearing were: Mr. Michael Ferguson, President and CEO, Self-Insurance Institute of America, Simpsonville, SC; Ms. Robin Frick, Combined Benefits Administrators, Inc., Madisonville, LA, testifying on behalf of the National Health Underwriters Association (NAHU); Mr. Thomas Faria, President and CEO, Sheffield Pharmaceuticals, New London, CT; and Linda Blumberg, Ph.D., Senior Fellow, The Urban Institute Health Policy Center, Washington, DC.

Mr. Ferguson began the testimony by stating he believes that the health care law has created added uncertainty in the health care marketplace and contributes to more acute cost fluctuations, at least in the short run. He added that in this current environment, self-insurance does provide smaller organizations more certainty in their ability to be able to continue to provide quality health benefits along with providing them better cost containment capabilities. Ms. Frick testified that the NAHU membership reports, almost universally, that the looming health care law and related market changes are causing significant anxiety within the employer community. She stated that small employers are looking at all possible ways to gain greater control over their employee benefit options and that this need for control has sparked a greater interest in the possibility of self-funding among the small and mid-sized employer community. Mr. Faria stated that while switching to self-insurance provided a new set of challenges to his business, the decision to

self-insure his company has been a good one. He added, that based on estimates of the yearly average increases that fully-insured health care plans charged in Connecticut for plans of his size, he believes that self-insuring saved the company over \$400,000 over the span of four years. Dr. Blumberg closed the testimony by stating that certain aspects of self-insured plans ought to be more heavily regulated in order to protect the smaller firms that utilize self-insurance plans.

HEARING: "WRONG WAY: THE IMPACT OF FMCSA'S HOURS OF SERVICE  
REGULATION ON SMALL BUSINESSES"

On November 21, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "WRONG WAY: The Impact of FMCSA's Hours of Service Regulation on Small Businesses." The purpose of the hearing was to examine the economic and operational effects of the United States Federal Motor Carrier Safety Administration's (FMCSA) Hours of Service (HOS) regulation that took effect on July 1, 2013.

The witness on the first panel was: the Hon. Anne S. Ferro, Administrator, FMCSA, United States Department of Transportation, Washington, DC. The witnesses on the second panel were: Mr. Duane Long, Chairman, Longistics, Raleigh, NC, testifying on behalf of the American Trucking Association; Mr. Tilden Curl, Owner-Operator, Tecco Trucking, Inc., Olympia, WA, testifying on behalf of the Owner-Operator Independent Drivers Association; Mr. Brian Evans, President-Owner, L&L Freight Services, Inc., Cabot, AR, testifying on behalf of the Transportation Intermediaries Associations; and Paul P. Jovanis, Ph.D., Professor of Civil and Environmental Engineering and Director, Transportation Operations Program, Larson Transportation Institute, Pennsylvania State University, University Park, PA.

Ms. Ferro testified that the purpose of the recently enacted HOS regulations is to reduce the incidence of highway accidents resulting from fatigued driving by commercial motor vehicle (CMV) operators. Mr. Evans testified that the new HOS regulations are causing negative impacts to small business commercial supply chains across a variety of industries. Mr. Tilden testified that, contrary to the intent of the regulation, the new HOS rule often prevents him from receiving sufficient rest and may compel him to drive when he is tired. Mr. Long said that drivers at his business report similar outcomes. All of the small business witnesses reported the new regulation reduced their income or had some other negative outcomes on their operations.

Chairman Hanna asked the second panel witnesses what modifications they would like made to the HOS regulations. Mr. Curl, Mr. Long, and Mr. Evans supported reverting back to the HOS regulation that was in effect prior to July 1, 2013. Mr. Curl further suggested that modifying the regulation's break provision to permit CMV to take multiple breaks throughout the day. Dr. Jovanis stated that in his opinion permitting operators to choose between taking multiple breaks or a single, longer break is a better strategy in preventing CMV operator fatigue.

HEARING: "REGULATORY LANDSCAPE: BURDENS ON SMALL FINANCIAL INSTITUTIONS"

On December 3, 2013, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to receive testimony on the impact of regulations on small banks and credit unions. The reforms enacted after the 2008 financial crisis impose potentially significant impacts on small financial institutions.

The witnesses were: Hester Peirce, Esq., Senior Research Fellow, Mercatus Center, George Mason University, Arlington, VA; Ms. Linda Sweet, President and CEO, Big Valley Federal Credit Union, Sacramento, CA, testifying on behalf of the National Association of Federal Credit Unions; Mr. B. Doyle Mitchell, Jr., President and CEO, Industrial Bank, Washington, DC, testifying on behalf of the Independent Community Bankers of America; and Adam J. Levitin, Esq., Professor of Law, Georgetown University Law Center, Washington, DC.

The witnesses provided testimony on how federal regulations stemming from the Dodd-Frank Act are affecting their business. Specifically, witnesses testified about how regulations related to the mortgage lending industry emanating from the Consumer Financial Protection Bureau (CFPB) are creating new compliance costs. Ms. Peirce testified that a regulatory environment that is increasingly unwelcome to small financial institutions may curtail customer choice. Ms. Sweet testified that there is an overwhelming tidal wave of new regulations and that many non-compliance staff are being forced to take time away from serving members to spend time on compliance issues. Further, that the breadth and pace of CFPB rulemaking is troublesome. Mr. Mitchell testified that new rules are affecting his ability to serve low-income and minority borrowers and that rules related to mortgages may cause community banks to exit the mortgage lending business. Mr. Levitin testified that CFPB impact on small banks is limited and the agency has shown a particular solicitude towards the concerns of small institutions.

HEARING: "WHERE ARE WE NOW? EXAMINING THE POST—RECESSION SMALL BUSINESS LENDING ENVIRONMENT"

On December 5, 2013, the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building in order to receive testimony from industry leaders and experts regarding current levels of lending to small businesses and the various factors and economic trends affecting them.

The witnesses were: Ms. Ann Marie Wiersch, Policy Analyst, Federal Reserve Bank of Cleveland, Cleveland, OH; Mr. Jeff Stibel, Chairman and CEO, Dun and Bradstreet Credibility Corp., Malibu, CA; Mr. Renaud Laplanche, CEO, Lending Club, San Francisco, CA; Mr. Fred Green, III, President and CEO, South Carolina Bankers Association, Columbia, SC; Mr. John Farmakides, President and CEO, Lafayette Federal Credit Union, Kensington, MD, testifying on behalf of the National Association of Federal Credit Unions.

The witnesses provided testimony about levels of lending to small businesses since the recession, including the various economic factors and trends affecting these levels. Ms. Wiersch testified that the value of commercial and industrial loans of \$1 million or less are currently just below 80 percent of their pre-recession values, and cited a confluence of factors responsible for this drop in lending, specifically, lower demand from small business borrowers, increased regulatory scrutiny on banks, and a consolidation in the banking industry. Mr. Stibel testified that the conflicting definitions of “small business” limit the ability of various institutions, including Dun & Bradstreet, to capture accurately the small business lending environment. Mr. Laplanche testified that while high underwriting costs make smaller loan sizes less attractive to lenders, causing small businesses to face difficulty accessing capital, alternative lenders are on the rise, recording a 64 percent increase in loan originations in the past four years. Mr. Green testified that demand from small business borrowers has declined and increased regulatory scrutiny for banks brought on by the Dodd-Frank legislation hampered their ability to provide the same type and number of loans before the 2008 financial crisis. Mr. Farmakides testified on the role credit unions play in the small business lending environment, and impediments currently facing credit unions.

HEARING: “CONTRACTING AWAY ACCOUNTABILITY-REVERSE AUCTIONS  
IN FEDERAL AGENCY ACQUISITIONS”

On December 11, 2013, the Subcommittee on Contracting and Workforce of the Committee on Small Business and the Subcommittee on Oversight and Investigations of the Committee on Veterans’ Affairs met in Room 334 of the Cannon House Office Building to receive testimony regarding problems with the use of reverse auctions by the Department of Veterans Affairs (VA) and other federal agencies. Specifically, the hearing focused on whether reverse auctions provided adequate competition and adhered to the requirements of the Small Business Act, while also assessing the purported cost savings associated with this procurement methodology.

The witnesses on the first panel were: Mr. Nigel Cary, President, Cox Construction Co., San Diego, CA, testifying on behalf of the Associated General Contractors of America; and Mr. Louis J. Celli, Jr. Director, Legislative Division, The American Legion, Washington, DC. The witnesses on the second panel were: Ms. Michelle Mackin, Director, Acquisition and Sourcing Management, United States Government Accountability Office, Washington, DC; Mr. William Sisk, Deputy Commissioner, Federal Acquisition Service, General Services Administration, Washington, DC; and Major L. Clark, III, Esq., Assistant Chief Counsel for Procurement, Office of Advocacy, United States Small Business Administration, Washington, DC. The third panel witness was: Mr. Jan Frye, Deputy Assistant Secretary, Office of Acquisitions and Logistics, Department of Veterans Affairs, Washington, DC; supported by Philip Matkovsky, Assistant Deputy Under Secretary for Health for Administrative Operations, Washington, DC.

Mr. Cary testified that using reverse auctions limits competition because his “company and many other construction companies—both small and non-small businesses—do not participate in reverse auction procurements.” Mr. Celli stated that the American Legion has worked with numerous small businesses that “fail to realize the true expense required to deliver on a bid and have sold at such slim margins that they weren’t able to sustain a viable business model.” Ms. Mackin recommended “that the [Federal Acquisition Regulation] be amended to address reverse auctions.” Mr. Sisk highlighted that the General Services Administration now provides a free alternative to commercial reverse auction providers. Mr. Clark stated that the Office of Advocacy is “advocating for clear reverse auction guidance from the Office of Federal Procurement Policy.” Mr. Frye stated that VA “continues to monitor the efficacy of reverse auctions and adjust our policies and processes to be in line with the results of our reviews and business outcomes.”





## PART C

### WASTE, FRAUD, ABUSE AND MISMANAGEMENT

Of the hearings delineated above, the following were devoted specifically to an examination of programs within the Committee's jurisdiction with a focus on potential mismanagement, waste, fraud and/or abuse.

#### HEARINGS ON SBA MANAGEMENT AND BUDGET

During the April 24, 2013 full Committee hearing on the President's FY 2014 budget request for the Small Business Administration (SBA), at which Administrator Karen Mills testified, the programs under her authority were discussed in detail. The members of the Committee expressed their concerns about a number of pilot programs for entrepreneurial training that were not authorized by legislation and appear to duplicate extant efforts mandated in the Small Business Act. Further questioning examined the delays in the modernization of the agency loan management accounting system that is significantly behind schedule. The Committee's concerns about pilot programs and implementation of information technology resources are laid out in greater detail in the FY 2014 budget views and estimates letter that were adopted by the Committee on February 27, 2013.

The Committee followed the hearing of the Administrator with testimony from the Inspector General on June 5, 2013. Committee members inquired about the continuing fraud in the SBA's government contracting programs, the failure of the agency to complete modernization of the loan management accounting system, the errors in the SBA's own procurement for goods and services, the absence of performance metrics, and the problems associated with the processing of disaster loans. The Inspector General's responses revealed continued problems at the SBA that the agency needs to address.

#### HEARING ON ENTREPRENEURIAL DEVELOPMENT PROGRAMS

Three hearings on the SBA's entrepreneurial development programs examined the scope of these programs, the adequacy of evaluations by the SBA, duplicative programs among federal agencies, and private sector initiatives that could replace the federal government's efforts. The full Committee hearings on March 20, 2013 and November 20, 2013 are described in Part A, *supra*, and the Subcommittee on Economic Growth, Tax, and Capital Access hearing on September 19 is described in Part B, *supra*.

## HEARINGS ON SBA FINANCIAL ASSISTANCE PROGRAMS

In addition to the hearings at which the Administrator and Inspector General testified at which the SBA's capital access programs were addressed, there were two subcommittee hearings in the Subcommittee on Economic Growth, Tax and Capital Access covering certain aspects of SBA's efforts to provide financial assistance to small businesses. The July 25, 2013 hearing addressed regulatory problems in the Small Business Investment Company and a December 5, 2013 hearing that examined the state of small business lending and how the SBA programs do or not contribute to meeting the debt capital needs of small businesses. Both hearings are described in more detail in Part B, *supra*.

## HEARINGS ON FEDERAL PROCUREMENT

Four hearings by the Subcommittee on Contracting and Workforce held on May 23, 2013, June 13, 2013, October 10, 2013, and December 11, 2013 examined problems in agency compliance with federal statutes and rules governing purchases of goods and services from small businesses. These hearings are described in greater detail in Part B, *supra*. And as already noted, the hearings with the Administrator and Inspector General reviewed abuse of SBA contracting programs and the steps needed to eliminate such abuses.

## **PART D**

### **OVERSIGHT ACTIVITIES**

#### **OVERSIGHT PLAN FOR THE 113TH CONGRESS**

Clause 2(d) of rule X of the Rules of the House of Representatives for the 113th Congress requires that each standing committee, in the first session of a Congress, adopt an oversight plan for the two-year period of the Congress and submit the plan to the Committee on Oversight and Government Reform and the Committee on House Administration.

Subpart A contains the Oversight Plan of the Committee on Small Business for the One Hundred Thirteenth Congress, which the Committee considered and adopted on January 23, 2013. Subpart B contains a summary of the actions taken to implement that plan.

#### **SUBPART A**

##### **OVERSIGHT PLAN OF THE COMMITTEE ON SMALL BUSINESS FOR THE ONE HUNDRED THIRTEENTH CONGRESS**

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JANUARY 23, 2013, Approved by the Committee on Small Business

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Mr. GRAVES, from the Committee on Small Business, submitted to the Committee on Oversight and Government Reform and the Committee on House Administration the following

#### **REPORT**

Rule X, cl. 2(d)(1) of the Rules of the House requires each standing Committee to adopt an oversight plan for the two-year period of the Congress and to submit the plan to the Committees on Government Reform and House Administration not later than February 15 of the first session of the Congress. Under Rule X, the Committee has oversight authority to investigate and examine any matter affecting small business. This Report reflects that broad oversight jurisdiction.

Pursuant to Rule X, cl. 2(d)(1)(F), this oversight plan also includes proposals to cut or eliminate programs that are inefficient, duplicative, outdated, or more appropriately administered by State or local governments.

### *Oversight of Federal Capital Access Programs*

The Committee will conduct hearings and investigations into Small Business Administration (SBA) and other federal agencies that provide capital to America's entrepreneurs that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Effectiveness of the capital access programs to generate jobs in the fastest growing small businesses.
- Whether lenders are meeting their goals to lend to small businesses and create jobs.
- Risk to the taxpayers of the capital access programs and if those risks are not reasonable, then elimination of those programs.
- Adequacy of SBA oversight of its lending partners to ensure that federal taxpayers are properly protected.
- Capabilities of the SBA information technology to manage the loan portfolio.
- Appropriateness of ad hoc guidance documents in regulating lenders and borrowers.
- The exercise of discretion by SBA to create pilot programs and the risk they pose to the taxpayer and whether such authority should be curtailed or eliminated.
- Whether SBA disaster loan program and its oversight ensures that small businesses are able to revive to rebuild communities without unduly placing the federal taxpayer at risk.
- Efficacy and duplication of federal capital access programs offered by the Department of Agriculture to small businesses in rural areas.
- Utilization by small businesses of export capital programs at the Export-Import Bank and the Overseas Private Investment Corporation.
- Results of the Small Business Lending Fund and State Small Business Credit Initiative established by Pub. L. No. 111-240, the Small Business Jobs Act of 2010, in creating jobs and providing capital to small businesses.
- Impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, on small business access to capital.
- Implementation of crowdfunding and other provisions of the Jumpstart Our Business Startups Act, Pub. L. No. 112-106.

In performing oversight, the Committee will focus on particularly risky aspects of financial assistance programs including, but not limited to, commercial real estate refinancing, premier certified lenders, participating security small business investment companies, small business lending companies, express lenders, and loan programs utilizing simplified lending applications.

### *Oversight of SBA and Other Federal Entrepreneurial Development Programs*

The Committee will conduct hearings and investigations into the SBA programs that provide training and advice to small businesses that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Examining effectiveness of SBA entrepreneurial development programs in creating jobs.
- Determining whether certain programs should be eliminated as a result of their ineffectiveness or duplication of programs provided by other agencies or by the private sector.
- Suggesting methods for enhancing coordination among federal agencies in providing assistance to entrepreneurs, including, but not limited to, businesses located in rural areas and those seeking to provide goods and services in the federal procurement marketplace.
- Enhancing the efficacy and utilization of the Manufacturing Extension Partnership at the Department of Commerce.
- Recommending improvements in assistance to small businesses that participate in the production of value-added agricultural products.
- Increasing effectiveness of technical assistance provided to small businesses involved in the production of renewable and non-renewable energy sources.

#### *Oversight of Federal Government Contracting Matters*

The Committee will conduct hearings and investigations into the federal procurement system that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Whether fraud or other problems exist in the federal government contracting programs overseen by the SBA including the 8(a), HUBZone, service-disabled veteran, women-owned contracting, and Small Business Innovation Research.
- Effectiveness of SBA contracting programs to increase participation by small businesses in federal procurement.
- Effectiveness of federal agency protections against contract bundling and consolidation.
- The accuracy and utility of SBA size standards and federal procurement databases.
- Operation and effectiveness of federal agency assistance provided to small businesses interested in federal procurement, including that provided by the SBA, Offices of Small and Disadvantaged Business Utilization and Procurement Technical Assistance Centers.
- Development of federal acquisition policies and whether small businesses have sufficiently effective voice in development of such policies.
- Cost-effectiveness of outsourcing government work to private enterprise rather than expanding the government to do provide the good or service internally (i.e., government insourcing).
- Implementation and efficacy of changes made in small business federal procurement programs arising from the enactment of the National Defense Authorization Act for FY 2013, Pub. L. No. 112–239.
- Examination of the Small Business Innovation Research Program as modified by the National Defense Authorization Act for FY 2012, Pub. L. No. 112–81, including, but not limited to, increased efforts at commercializing federally-funded technology.

In performing oversight, the Committee will focus its efforts on uncovering abuse and misuse of the small business designation to obtain federal government contracts.

#### *Oversight of SBA Management*

The Committee will conduct the hearings and investigations into the management of the SBA that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- The appropriate mission of the SBA.
- Whether agency employees in the field are empowered to assist small businesses.
- Duplication of offices and missions at SBA headquarters.
- Effectiveness of personnel management to ensure that employees are rewarded for assisting small businesses.
- Capabilities of SBA employees to provide proper assistance to small business owners.

In carrying out this oversight, the Committee will focus particularly on streamlining and reorganizing of the agency's operations to provide maximum assistance to small business owners. Offices that primarily provide assistance or advice to headquarters staff that do not promote the interests of small businesses or protect the federal government as a guarantor of loans will be recommended for cuts or elimination. For some potential offices that the Committee will examine, refer to the section title "Reductions in Programs and Spending."

#### *Oversight of Federal Regulatory and Paperwork Burdens*

The Committee will conduct hearings and investigations into unnecessary, burdensome, and duplicative federal rules, reporting and recordkeeping requirements affecting small businesses that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Centers for Medicare and Medicaid Services.
- Consumer Financial Protection Bureau.
- Consumer Safety Products Commission.
- Department of Agriculture.
- Department of Energy, particularly the Office of Energy Efficiency and Renewable Energy.
- Department of the Interior, particularly the Bureau of Land Management and Minerals Management Service.
- Department of Labor, particularly the Occupation Safety and Health Administration.
- Department of Homeland Security, particularly the Transportation Security Administration.
- Department of Transportation, particularly the Federal Aviation Administration and Federal Motor Carrier Safety Administration.
- Environmental Protection Agency.
- Federal Communications Commission.
- Federal Financial Institutions Examination Council and its constituent agencies.
- Food and Drug Administration.
- Office of Federal Procurement Policy.

- Securities and Exchange Commission.

The Committee will identify specific rules and regulations already issued or at the proposed rule stage to assess the impact on small businesses. The Committee will pay close attention to the effect that regulations have on the implementation of advanced technologies including, but not limited to, the deployment of broadband communications (either by wireline or wireless services) throughout the United States. Oversight of the regulatory process also will, to the extent relevant, examine the work of the Office of Information and Regulatory Affairs at the Office of Management and Budget. Special attention will be paid to the work performed by the Chief Counsel for Advocacy at the United States Small Business Administration to ensure that Office is fulfilling its mission to advocate vigorously on behalf of America's small business owners in regulatory matters at federal agencies. Finally, this oversight will entail an examination of compliance by federal agencies with amendments to Executive Order 12,866 and memoranda on regulatory flexibility and regulatory compliance issued by the President on January 18, 2011 and still in effect as of the approval of this Oversight Plan.

#### *Oversight of Federal Tax Policy*

The Committee will conduct hearings and investigations into the federal tax code, its impact on small business, and Internal Revenue Service's (IRS) collection of taxes that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Identification of tax code provisions that hinder the ability of small businesses to create jobs and recommendations for modifying those provisions to boost small business job growth.
- Examination of the structure of the tax code in order to simplify compliance for small businesses.
- Assessment of the recordkeeping and reporting requirements associated with tax compliance and suggestions for reducing such burdens on small businesses.
- Evaluation of the estate tax provisions to determine whether they inhibit the ability of successive generations to maintain successful job creating enterprises.
- Efficiencies at the IRS that improve the interaction between the government and small business owners.
- Inefficiencies at the IRS that force small businesses to divert capital from job growth to tax compliance.

#### *Oversight of Health Care Policy*

The Committee will conduct hearings and investigations into federal health care policy (such as Medicare and Medicaid) and the continued implementation of the Patient Protection and Affordable Care Act that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- The cost of the Patient Protection and Affordable Care Act to small businesses, including the self-employed.
- The impact of the Patient Protection and Affordable Care Act, Medicare and Medicaid on the ability of physicians, pharmacists,

and allied health care providers to offer the best care possible to patients.

- The impact of state tort and insurance laws on the cost of medical care.
- Examination of increases in efficiencies that will improve the provision of health care while reducing costs to small businesses that offer their workers health insurance.

#### *Oversight of Energy Policy*

The Committee will conduct hearings and investigations into energy policy to reduce the cost of energy and increase energy independence that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Innovations developed by small businesses that create greater energy independence.
- Federal regulatory policies that increase dependence on foreign sources of energy.
- Policies needed to incentivize production of energy in the United States.
- Examination of commercialization of research in renewable energy.
- Federal regulations or policies that increase energy costs for small businesses.

The primary thrust of the Committee's efforts will focus on efforts to use the innovation of America's entrepreneurs to fuel the drive for greater energy independence.

#### *Oversight of Trade and Intellectual Property Policy*

The Committee will conduct hearings and investigations into international trade and intellectual property policies of America and its trading partners that may include any or all of the following, as well as matters brought to the attention of the Committee subsequent to the filing of this Report:

- Impact of free trade agreements to increase exports by American small businesses.
- Whether the federal government is doing enough to protect the intellectual property rights of small businesses by foreign competitors.
- The impact of federal intellectual property policies, particularly patents and copyrights, to protect the innovations of American entrepreneurs.
- Efforts to increase exports by small businesses.

The focus of oversight will emphasize the best mechanisms to promote and protect advanced technology innovations of small businesses.

#### *Reductions in Programs and Spending*

In addition to the programs and policies already cited, the Committee will examine any and all offices and programs that fall within the Committee's legislative jurisdiction to find areas that could lead to reduction in the federal deficit. Some programs and offices may include:



- State Small Business Credit Initiative operated by Department of Treasury.
- Patriot Express Loan Program overseen by the SBA.
- Express Loan Program overseen by SBA.
- Emerging Leaders Initiative started by SBA.
- Clusters Program initiated by the SBA.
- Innovation and Impact Fund Pilot Programs operated by the SBA.
- Drug-Free Workplace Program.
- SBA Office of Policy.
- SBA Regional Administrators.
- Office of Advocacy Regional Advocates.
- SBA Deputy District Directors.
- SBA Office of International Trade.
- SBA Office of Native American Affairs.

In particular, the Committee will assess whether reorganization and reassignment of employees to more critical functions at the SBA, such as positions as procurement center representatives, will provide a more effective agency at assisting small businesses generate growth.

## **SUBPART B**

### **IMPLEMENTATION OF THE OVERSIGHT PLAN OF THE COMMITTEE ON SMALL BUSINESS FOR THE ONE HUNDRED THIRTEENTH CONGRESS**

#### *Sec. A. Oversight of Federal Capital Access Programs*

In preparation of views and estimates, the Committee analyzed SBA programs devoted to providing access to capital to small businesses. The views and estimate letter adopted on February 27, 2013 enabled the Committee to outline its concerns with and proposals for improving the programs devoted to small business financing, including the 7(a) Loan Program, the Certified Development Company Loan Program, the Microloan Program, the Small Business Investment Company Program, the Surety Bond Program and the Disaster Loan Program. As part of its review, the Committee continues to monitor the progress of the modernization of the SBA's Loan Management Accounting System.

The hearings held on the SBA's capital access programs were described in Subpart A, *supra*. For purposes of brevity, those descriptions will not be repeated here.

The Subcommittee on Investigations, Oversight and Regulations examined the implementation of the JOBS Act in three hearings: April 20, 2013; June 6, 2013; and September 23, 2013. Full descriptions of those hearings can be found in Part B, *supra*. Those hearings focused on how proper implementation of the JOBS Act will reduce regulation of small businesses trying to raise capital.

The Chairman and Rep. Coffman (R-CO) also requested that GAO determine whether the SBA has the procedures and policies in place to ensure that its lending partners comply with the requirements for issuing guaranteed loans under the Small Business Act and Small Business Investment Act of 1958. A commitment letter on this matter was received on August 20, 2013 with an expected report in late January or February of 2014.

The Committee has requested thousands of pages of documents concerning the processes and procedures by which the SBA reviews franchise agreements. This review process ultimately determines whether a franchisor is affiliated with a franchise and thus estopping the franchisee from obtaining a guaranteed loan.

Finally, the Committee has been involved in oversight of the licensing process for Small Business Investment Companies (SBICs). The process has not had an appropriate regulatory regime since the mid-1980s and the agency no longer follows that process. Pursuant to Committee investigations and requests, the agency has developed new procedures for issuing licenses for SBICs and the agency assessed the costs of these on potential SBIC licensees.

#### *Sec. B. Oversight of SBA and Other Entrepreneurial Development Programs*

As part of the process for submitting views and estimates to the Committee on the Budget, the Committee assessed the various entrepreneurial development programs and made recommendations to eliminate those that the Committee believes are duplicative or mirror services provided by the private sector. The conclusions set out in the views and estimates letter were subsequently confirmed in the hearings described in Part C, *supra*.

The Committee filed comments with the SBA concerning the amount and form of information required to be submitted to the agency by its entrepreneurial training partners. The Committee is considering further actions, including contact with the Office of Information and Regulatory Affairs on whether it is appropriate to approve the information collection in the format submitted by the SBA.

Finally, the Chairman, in conjunction with the Ranking Member of the Senate Committee on Small Business and Entrepreneurship, Sen. Risch (R-ID), requested GAO to review the SBA's cosponsorship authority (the mechanism by which the SBA often funds various training and outreach events). GAO provided the requesters a commitment letter on September 9, 2013 to investigate whether the events organized through this cosponsorship authority have political overtones and are considered useful by small business attendees.

#### *Sec. C. Oversight of Federal Government Contracting Matters*

The four hearings on federal procurement and its impact on small businesses, including programs overseen by the SBA, are described in Parts B and C, *supra*, of this report and those descriptions will not be reiterated here. While hearings are useful in conducting oversight of federal procurement activities, the technical nature of the procurement process requires that oversight be conducted outside the formal hearing process. Those activities are described below.

The Committee, based on information from whistleblowers, initiated an investigation on January 22, 2013 of the Department of Health and Human Services (HHS) retaliation by a contracting officer. After request for documents and meetings, the Department reassigned the individual and revised the methodology for awarding task order contracts. The Committee continues to monitor the situ-

ation at that agency. The Committee also requested documents from the Department of Justice about investigations into contracts awarded by HHS. The Committee staff continues to review those documents.

In a letter to the General Services Administration (GSA) on February 7, 2013, the Chairman questioned why small businesses were not getting paid monies owed them under the federal supply schedule contracts. This resulted in GSA agreeing to correct this oversight in a letter on May 6, 2013.

Subcommittee Chairmen Hanna (R-NY) and Collins (R-NY) launched an examination on March 14, 2013 of the Department of Veterans Affairs' (DVA) procedures for issuing construction contracts. The Committee continues to monitor the situation, including the Department's promise to reexamine the procedures for award of such contracts.

In a series of letters during the spring of 2013, Chairman Graves, Subcommittee Chairman Hanna, and Rep. Coffman (R-CO) sent letters to DVA and all other federal agencies inquiring about compliance with changes in the Offices of Small and Disadvantaged Business Utilization necessitated by amendments to the Small Business Act. The Committee continues to monitor the implementation of these amendments to the Small Business Act, especially at the DVA, which specifically has rejected structural changes that the Committee believes are necessary to comply with the Small Business Act.

On November 27, 2013, Chairman Graves requested documents from the SBA concerning the agency's compliance with various Small Business Act contracting programs—programs that the SBA is responsible for implementing. The Committee will review those documents to determine what additional actions are necessary to ensure that the SBA complies with its own organic statute.

Finally, Chairman Graves sent a letter to GAO asking that he become a co-requester on a study of reverse auctions. A joint hearing was held on the GAO report by the Subcommittee on Contracting and Workforce of the Committee on Small Business and the Subcommittee Committee on Oversight and Investigations of the Committee on Veterans' Affairs.

#### *Sec. D. Oversight of SBA Management*

The Committee continues to oversee the management of the SBA through hearings, meetings with agency personnel, and industry representatives. The hearings held by the Committee and its various subcommittees concerning the management of the SBA were described in Parts A, B, and C, *supra*, and their descriptions will not be repeated here. In addition, hearings and other Committee activities on other topics, such as the SBA's financial and contracting programs, also implicate the overall management of the agency and the reader is directed to review those descriptions set out elsewhere in this report, including various sections of Subpart B of Part D.

#### *Sec. E. Oversight of Federal Regulatory and Paperwork Burdens*

In 2013, the Committee held three hearings (May 8, July 24, and August 21) and various subcommittees held nine hearings (March

14, April 11, June 6, June 12, June 27, July 18, November 21, December 3, and December 5) on the burdens of federal regulation on small businesses. Those hearings are described in Parts A and B, *supra* and their descriptions will not be repeated here.

The Committee also took an active role in overseeing how federal agencies developed regulations in order to ensure that those rules do not impose undue burdens on small businesses. On February 26, 2013, Chairman Graves submitted a letter to the Federal Communications Commission (FCC) requesting an extension of the comment period on rules affecting aviation communication in order to allow small businesses to provide adequate comments on how changes will affect general aviation. The Chairman, in conjunction with the Chairman of the Committee on Education and Workforce, on July 11, 2013 requested documents related to the Department of Labor's decision to change the applicability of the Davis-Bacon Act to survey crews; those documents were received and staff is reviewing them to determine appropriate subsequent actions. An August 1, 2013 letter from the Chairman to the Administrator of the Environmental Protection Agency (EPA), the Hon. Gina McCarthy, asserted that the agency's certification that a proposed rule to revise the standards for underground storage tanks would not have a significant economic impact on a substantial number of small entities was incorrect. Auctions of spectrum by the FCC must be available to small businesses pursuant to 309(j) of the Communications Act of 1934 and staff requested, on July 9, 2013, the spectrum purchased by small businesses in auctions. Committee staff requested information, on September 21, 2013, from the FCC about its efforts to ameliorate regulatory burdens on small carriers associated with revisions to the Universal Service Fund. Concerns about the impact on small businesses of an Occupational and Safety Health Administration proposed rule to reduce exposure limits on respirable crystalline silica resulted in a letter by Chairman Graves on October 24, 2013 requesting that the agency extend the comment period to permit small businesses sufficient time to review the complex proposal and update data originally obtained by the agency from a small business panel in 2003; an extension of 47 days was granted on November 12, 2013.

The Committee also performed extensive regulatory oversight on the implementation of the Patient Protection and Affordable Care Act (PPACA). Those activities will be discussed in section G, *infra*.

#### *Sec. F. Oversight of Federal Tax Policy*

The Committee held three hearings on federal tax policy. Those hearings (April 10, 2013, July 17, 2013, and October 2, 2013) are described in detail in Part A, *supra*, and the reader is directed to that part of this report.

Having heard from small businesses about the Internal Revenue Service's (IRS or Service) audit selection policy, the Committee initiated a multi-pronged examination. On May 31, 2013, Chairman Graves requested data from the Service on small business audits and the process for identifying small businesses that would undergo audits. Subsequent to the response from the IRS, the Committee held a hearing with Acting Commissioner Werfel on July 17, 2013 that is described elsewhere in this report. The hearing led to subse-

quent inquiries to the Service on small business audit selection. The Committee continues to meet with the IRS and monitor any changes in the procedures used to select small businesses for audit.

Chairman Graves sent a letter on August 9, 2013 to the Service's Commissioner for Small Business and Self-Employed concerning the reporting requirements imposed on small merchants to implement 6050W of the Internal Revenue Code. In response, the IRS contends that it is working to minimize impacts on small businesses and the Committee continues to monitor the Service's actions to ensure that implementation of 6050W.

In an August 30, 2013, letter to Acting Commissioner Werfel, Chairman Graves inquired about the Service's potential implementation of a real-time tax system. The Service responded that it had no intention to implement such a system. The Committee continues to monitor any effort by the IRS to implement a real-time tax system.

Finally, Chairman Graves requested a study by GAO of the compliance burdens faced by small businesses. A commitment letter from GAO was received on July 2, 2013 with an expected report late in 2014.

#### *Sec. G. Oversight of Health Care Policy*

A total of six hearings were held by the Committee (April 17, 2013, December 4, 2013, and December 11, 2013) and its subcommittees (May 9, 2013, October 9, 2013, and November 14, 2013) to review the implementation of the PPACA. Those hearings are described in Parts A and B, *infra*, and those descriptions, for the sake of brevity, will not be reiterated here.

In addition to the hearings, Committee members took other opportunities to express the potential consequences on small businesses of the PPACA. On February 1, 2013, Chairman Graves sent a comment letter to Secretary Geithner in response to the Department of Treasury's proposed rule on the implementation of the employer mandate. A letter dated March 27, 2013 from Chairman Graves to the Hon. Marilyn Tavenner, Administrator of the Centers for Medicare and Medicaid Services, raised concerns about delays in the establishment of exchanges that small businesses will utilize to purchase insurance for their employees. Chairman Graves submitted a letter to Secretary Sebelius on April 18, 2013 reporting the results of the Committee's April 17, 2013 hearing. Subcommittee Chairman Collins sent a letter to Acting IRS Commissioner Werfel summarizing the testimony from the May 9, 2013 hearing on the impact of the health insurers' tax on small business. In response to concerns from small businesses, Chairman Graves wrote to the IRS on September 6, 2013 to express significant reservations about the Service's interpretation of the business aggregation rules and how that will affect small business compliance with PPACA; the Committee continues to monitor this situation.

Finally, Chairman Graves requested GAO to conduct multiple studies of the small business exchanges authorized under PPACA. The first study on the readiness of the exchanges was released on June 19, 2013. The second study, assessing the ongoing implementation issues of the exchanges will be released sometime in 2014.

*Sec. H. Oversight of Energy Policy*

The Committee's oversight efforts on energy policy occurred in two subcommittee hearings held on May 16, 2013 and June 20, 2013. Readers are directed to the summaries of those hearings contained in Part B, *supra*.

*Sec. I. Oversight of Trade and Intellectual Property Policy*

There were two full Committee hearings that addressed issues of international trade—June 19, 2013 and July 26, 2013. The subcommittees also held two hearings on export and import policies—February 28, 2013 and July 9, 2013. Two hearings were held on intellectual property; one in the full Committee on May 15, 2013 and one in a subcommittee held on March 21, 2013. The topics and testimony of the hearings are limned fully in Parts A and B, *supra*.

In addition to hearings, other activities were used to conduct oversight of United States trade and intellectual property policy. On February 12, 2013, the Committee informally requested information from the International Trade Administration of the United States Department of Commerce on that agency's reorganization and its impact on small business exporters. Subcommittee Chairman Collins (R-NY) and Rep. Hahn (D-CA) sent a letter, dated April 4, 2013, to the SBA and the Department of Homeland Security requesting information about how those agencies are educating small businesses to protect against cyber-attacks. On May 17, 2013, Chairman Graves and Rep. Tipton (R-CO) requested information on the interaction with small businesses from the United States Bureau of Industry and Security and the SBA concerning the implementation of the President's Export Control Reform Initiative. Finally, on December 5, 2013, the Committee informally requested information from the SBA's Office of International Trade on the following issues: implementation of the State Trade and Export Promotion Program; status of the SBA and Export-Import Bank financing partnership; and efforts to reduce duplication in international trade training programs.

*Sec. J. Reductions in Programs and Spending*

On February 27, 2013, the Committee on Small Business reported out its views and estimates. In that letter, the Committee recommended that the SBA improve recoveries on defaulted loans (which would reduce appropriated funds to cover the cost of its guaranteed loan programs). Given the problems with the modernization of the loan management accounting system as noted elsewhere in this report, the Committee urged no funds for additional milestones be allocated until existing projects related to the modernization are completed. The Committee's views and estimates contained a recommendation that the SBA's entrepreneurial efforts be rationalized to reduce duplication. This was strongly reiterated by Committee members in the hearing with the Administrator on April 24, 2013. The ability of the Committee to make specific dollar recommendations were hindered by the President's failure to meet the deadline for submitting a budget to Congress.

## REGULATORY REVIEW

### LEGISLATIVE AND OVERSIGHT ACTIVITY RELATED TO REGULATIONS, ORDERS, ADMINISTRATIVE ACTIONS AND PROCEDURES BY FEDERAL AGENCIES WITHIN THE JURISDICTION OF THE COMMITTEE ON SMALL BUSINESS <sup>1</sup>

Regulation, order, administrative action	Oversight and legislative activity
The Internal Revenue Service (IRS) proposed rule (78 Fed. Reg. 218) implementing the employer mandate under the Patient Protection and Affordable Care Act (P.L. 111–148).	On February 1, 2013, Chairman Graves sent a letter to Treasury Secretary Geithner expressing concerns with the employer mandate rule, including various definitions in the rule and the burdens of compliance to small businesses. The Committee held a hearing on April 17, 2013 to examine the implementation of the Patient Protection and Affordable Care Act and the experience of small businesses under the law, specifically related to their ability to provide benefits to their employees and the effect of the employer mandate for those companies with 50 or more employees. The hearing was followed by a letter from Chairman Graves to Health and Human Services Secretary Sebelius on April 18, 2013, regarding the use of 30 hours per week of work to define a full-time employee. Further, the Subcommittee on Health and Technology held a hearing on October 9, 2013 related to the definition of a full-time employee for purposes of complying with the employer mandate.
The Federal Communications Commission (FCC) proposed rule regarding aviation communications (78 Fed. Reg. 6276).	On February 26, 2013, Chairman Graves sent a letter to FCC Commissioner Genachowski describing his concerns about the effect of a rule related to use of certain Emergency Locator Transmitters on the general aviation community.
IRS notice (2011–1) related to non-discrimination provisions of the Patient Protection and Affordable Care Act (P.L. 111–148).	Chairman Graves sent a letter to Treasury Secretary Lew and Acting IRS Commissioner Miller on March 5, 2013 expressing his concerns with the effect of the non-discrimination provisions on the health plans many small businesses currently hold.
Agency compliance with the Regulatory Flexibility Act (5 U.S.C. §§ 601–12).	On March 14, 2013, the Subcommittee on Investigations, Oversight and Regulations held a hearing to examine agency compliance with the RFA. On September 18, 2012, the Committee marked up and favorably reported legislation (H.R. 2542) to strengthen the RFA and close the loopholes used by agencies to avoid meaningful compliance with the law.

<sup>1</sup> Under House rule X, the Committee on Small Business has jurisdiction over the protection of small business including “regulatory flexibility,” as well as jurisdiction over the participation of small businesses in government contracts.

Regulation, order, administrative action	Oversight and legislative activity
The Department of Health and Human Services (HHS) rules (78 Fed. Reg. 33,233, 78 Fed. Reg. 15,553) on the establishment of the Small Business Health Options Program (SHOP) under the Patient Protection and Affordable Care Act (P.L. 111–148).	On March 27, 2013, Chairman Graves sent a letter to CMS Administrator Tavenner to comment on the proposed rule and delay of the SHOPS operation. On June 19, 2013, GAO issued a report requested by Chairman Graves suggesting that missed deadlines and delays by the Administration would likely adversely affect the implementation of the SHOPS in October. Another study of the SHOPS will by GAO will be finished in 2014. After the Administration announced several delays of the program, Chairman Graves sent a letter to Secretary Sebelius on October 31, 2013 requesting more explanation. Finally, the Committee held a hearing on the SHOPS implementation on December 11, 2013, where CMS Deputy Administrator and Director Cohen testified.
Security and Exchange Commission (SEC) rulemaking required by the Jumpstart Our Business Startups (JOBS) Act (P.L. 112–106), including the proposed rule eliminating the prohibition against general solicitation and general advertising (77 Fed. Reg. 54,464).	On April 11, 2013, the Subcommittee on Investigations, Oversight and Regulations held a hearing to receive an update from the SEC on the status of rules to implement the JOBS Act. On September 23, 2013, the Subcommittee on Investigations, Oversight and Regulations held a field hearing in Arizona to examine the ability of small businesses to access capital and the need for SEC issuance of rules to implement the JOBS Act.
Agency compliance with changes to the organization and duties of the Offices of Small and Disadvantaged Business Utilization (OSDBU) made by the National Defense Authorization Act (NDAA) of 2013 (P.L. 112–239).	On April 16, 2012, Chairman Graves sent letters to 34 departments and agencies with an OSDBU to ensure compliance with the changes in the NDAA.
Departments of Treasury, Health and Human Services, and Labor interim final rule on the ability to keep existing health insurance coverage (75 Fed. Reg. 34,537) under the Patient Protection and Affordable Care Act (P.L. 111–148).	The Committee held a hearing on April 17, 2013 to examine the implementation of the Patient Protection and Affordable Care Act and the experience of small businesses under the law, specifically related to their ability to continue to provide benefits to their employees.
Executive Order directing agencies to implement a plan to retrospectively review regulations (E.O. 13,563) and Executive Order regarding public participation, guidance on prioritization, and schedule for agencies to report on retrospective review efforts (E.O. 13,610).	The Committee held a hearing on May 8, 2013 to examine whether agency compliance with E.O. 13,563 and E.O. 13,610 has reduced the regulatory burden on small businesses. The Committee held a subsequent hearing on July 24, 2013 with Administrator Shelanski of the Office of Information and Regulatory Affairs to gain his perspective on the implementation and effectiveness of these executive orders in achieving their purpose. The Chairman also wrote to the Small Business Administration (SBA) to follow up on testimony provided during a July 25, 2013 hearing on the Small Business Investment Company (SBIC) program. The letter inquired about compliance with E.O. 13,563 in crafting a standard operating procedure for SBICs that comprises an interpretive regulation.
IRS proposed rule on health insurance reporting and record-keeping requirements and the annual fee imposed on businesses providing health insurance (78 Fed. Reg. 14,034).	The Subcommittee on Health and Technology held a hearing on May 9, 2013 on the impact of the health insurance fee on small businesses. The same day, Chairman Collins sent a letter to the IRS summarizing the findings of the hearing and expressing concerns with the impact of the fee.
Department of State draft supplemental environmental impact statement (SEIS) for the Keystone XL Pipeline.	On May 16, 2013, the Subcommittee on Agriculture, Energy and Trade held a hearing on the impact of the construction of the Keystone XL Pipeline on small businesses and job creation.
Bureau of Industry and Security (BIS) regulations to implement export control reform (78 Fed. Reg. 22,660).	On May 17, 2013, Chairmen Graves and Tipton wrote a letter to BIS Under Secretary Hirschhorn to inquire about outreach to small firms in writing rules to update the export administration regulations, as well as efforts to coordinate with other agencies and the timelines that may affect small business compliance.
Departments of Labor and Homeland Security rules to change the prevailing wage calculation methodology for the H–2B program (76 Fed. Reg. 3452, 78 Fed. Reg. 24,047).	The Subcommittee on Economic Growth, Tax and Capital Access held a hearing on June 12, 2013, to determine the impact of H–2B visa policy on the employment practices of small businesses in the tourism industry.



Regulation, order, administrative action	Oversight and legislative activity
Office of Management and Budget (OMB) memorandum, dated December 5, 2012, to the heads of executive departments and agencies regarding revisions to the Federal Strategic Sourcing Initiative.	On June 13, 2013, the Subcommittee on Contracting and Workforce held a hearing to determine the effect of the use of strategic sourcing on small businesses and competition in government procurement.
Food and Drug Administration (FDA) draft guidance on the regulation of mobile medical applications (apps) published July 21, 2011, and Department of Treasury rule implementing the tax on medical devices (77 Fed. Reg. 72,924).	The Subcommittee on Health and Technology held a hearing on June 27, 2013 regarding the challenges facing mobile medical app entrepreneurs, specifically related to regulatory burdens.
Department of Labor (DOL) guidance letter and all agency memorandum (AMA) No. 212 applying the Davis-Bacon Act to survey technicians.	Chairman Graves joined Committee on Education and Workforce Chairman Kline and Subcommittee Chairman Walberg in signing a letter on July 11, 2013 to Acting Deputy Administrator Maxwell at DOL's Wage and Hour Division regarding changes to longstanding policies affecting survey crews and requesting documents related to the decision.
The President's Climate Action Plan, published June 2013, directing the Environmental Protection Agency to expeditiously complete carbon pollution standards for new and existing power plants.	On July 18, 2013, the Subcommittee on Agriculture, Energy and Trade held a hearing on the President's Climate Action Plan to determine its effect on small businesses.
Environmental Protection Agency (EPA) revisions to requirements for the underground storage tank program (76 Fed. Reg. 71,708).	On August 1, 2013, Chairman Graves sent a letter to EPA Administrator McCarthy asking that the rule be withdrawn, a Small Business Advocacy Review panel be convened, and an initial regulatory flexibility analysis prepared.
IRS 1099 Third Party Reporting Notices to implement § 28 U.S.C. 6050W.	On August 9, 2013, Chairman Graves sent a letter to the IRS Commissioner for Small Business and Self-Employed expressing concerns related to the notices small businesses received informing them of potential under-reporting of income. The Committee staff also held a meeting with IRS officials on the matter (November 18, 2013).
SBA proposed changes to the Entrepreneurial Development Information System (EDMIS) customer intake form, commonly referred to as Form 641.	Chairman Graves sent a letter to the SBA on September 5, 2013, expressing his concerns with the additional burdens the new form would impose on small businesses.
Application of IRS business aggregation rules under the Patient Protection and Affordable Care Act (P.L. 111–148).	On September 6, 2013, Chairman Graves sent a letter to the IRS Acting Commissioner Werfel asking for guidance on how the business aggregation rules will apply under the health care law since they affect the ability of small businesses to comply with the employer mandate, among other provisions.
The issuance of size standards by the SBA in compliance with the Small Business Jobs Act of 2010 (P.L. 111–240) and the NDAA (P.L. 112–239).	On September 12, 2013, Chairman Hanna convened a roundtable with SBA participants and members of the Subcommittee to discuss the SBA's size standards program, including implementation of recent legislative changes.
Occupational Health and Safety Administration (OSHA) proposed rule on worker exposure to crystalline silica (78 Fed. Reg. 56,274).	On October 24, 2013, Chairman Graves sent a letter to the DOL Assistant Secretary for Occupational Safety and Health requesting that the public comment period be extended to give adequate time for small businesses to digest and provide input on the rule. Subsequently, the comment period was extended by 47 days.
Federal Motor Carrier Safety Administration (FMSCA) final rule on hours of service regulations (76 Fed. Reg. 81,134).	On November 21, 2013, the Subcommittee on Contracting and the Workforce held a hearing to examine the regulatory burden on independent truckers, small trucking businesses and related industries under the new standards created by FMSCA's final rule on hours of service.
Agency use of "reverse auctions" in the procurement of goods and services, including the Department of Veterans Affairs guidance on the practice, titled "Updated Policy and Procedures for Using Reverse Auctions" (VAIQ 7220215).	On December 11, 2013, the Subcommittee on Contracting and Workforce held a joint hearing with the Committee on Veterans' Affairs Subcommittee on Oversight and Investigations to examine the consequences of utilizing reverse auctions on cost and competition in the federal acquisition marketplace. Chairman Hanna introduced legislation (H.R. 2751) to limit the use of reverse auctions.

